Financial Report 2017

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 Report.

This discussion contains forward-looking statements which are based on assumptions about the Company’s future business that involve risks and uncertainties. The Company’s actual results may differ materially from those anticipated in these forward-looking statements.

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 Report.

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 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.

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

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

– Americas comprises the United States, Canada, Central America, South America, Japan and certain other markets which adopt US standards. This segment reported 55.9% of our total revenue for the year ended March 31, 2018. 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 36.1% of our total revenue for the year ended March 31, 2018. In EMEA, we are one of the leading providers of smart electricity meters and we are the leading supplier of smart ultrasonic gas meters.
– Asia Pacific comprises Australia, China, Hong Kong and India, while the balance is generated in Singapore and other markets in Asia. It reported 8.0% of our total revenue for the year ended March 31, 2018. In Asia Pacific (excluding China), we are one of the leading smart electricity meter providers.

Summary of Financial Information

RESULTS OF OPERATIONS

	FISCAL YEAR ENDED MARCH 31,			
USD in million, except per share data	**2018**	2017	2016	2015
Order Intake	$ 1’574.4	$ 1’325.5	$ 1’998.7	$ 1’309.0
Committed Backlog as of March 31,	2’389.0	2’491.4	2’887.9	2’482.0
Net revenue	**1’737.8**	**1’659.2**	**1’573.5**	**1’529.1**
Cost of revenue	1’227.7	1’117.0	1’087.7	1’040.8
Gross profit	**510.1**	**542.2**	**485.7**	**488.3**
Operating expenses				
Research and development	163.8	162.8	148.3	151.6
Sales and marketing	104.9	104.7	99.7	100.0
General and administrative	157.8	184.8	145.3	163.3
Amortization of intangible assets	35.7	35.1	42.4	41.9
Impairment of intangible assets	–	60.0	34.1	–
Operating income (loss)	**47.8**	**(5.3)**	**15.9**	**31.5**
Net interest and other finance expense	1.2	(25.0)	(16.9)	(21.6)
Income (loss) before income tax expense	**49.0**	**(30.3)**	**(1.0)**	**9.8**
Income tax benefit (expense)	(2.2)	(31.8)	(12.5)	0.5
Net income (loss) before noncontrolling interests	**46.8**	**(62.1)**	**(13.5)**	**10.3**
Net income attributable to noncontrolling interests, net of tax	0.4	0.5	0.2	–
Net income (loss) attributable to Landis+Gyr Group AG Shareholders	**$ 46.4**	**$ (62.6)**	**$ (13.7)**	**$ 10.3**
Net income (loss) per share (basic and diluted)	$ 1.57	$ (2.12)	$ (0.46)	$ 0.35
Adjusted Gross Profit	$ 597.3	$ 620.2	$ 601.9	$ 562.3
Adjusted Operating Expenses	385.3	408.2	380.9	403.0
Adjusted EBITDA	**$ 212.0**	**$ 212.0**	**$ 221.0**	**$ 159.3**
Free Cash Flow	**$ 87.5**	**$ 53.1**	**$ 84.6**	**$ 96.3**

SUMMARY CONSOLIDATED BALANCE SHEETS

USD in million (*)	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015
ASSETS				
Current assets				
Cash and cash equivalents	$ 101.8	$ 101.0	$ 22.1	$ 18.5
Accounts receivable, net	315.8	301.4	302.4	279.8
Inventories, net	121.4	115.7	117.0	121.5
Prepaid expenses and other current assets	50.4	44.4	136.7	125.6
Total current assets	**589.3**	**562.5**	**578.1**	**545.4**
Property, plant and equipment, net	164.4	188.8	199.8	220.6
Goodwill and other Intangible assets, net	1’743.3	1’786.6	1’895.6	1’981.2
Deferred tax assets	16.0	12.9	28.1	17.6
Other long-term assets	37.7	34.2	35.1	36.3
TOTAL ASSETS	**$ 2’550.7**	**$ 2’585.1**	**$ 2’736.7**	**$ 2’801.1**
LIABILITIES AND EQUITY				
Current liabilities				
Trade accounts payable	$ 153.8	$ 144.2	$ 153.6	$ 180.0
Accrued liabilities	40.0	37.0	45.2	50.2
Warranty provision	47.9	43.8	32.9	22.0
Payroll and benefits payable	65.2	76.6	73.9	66.4
Debt and current portion of shareholder loans	142.3	227.9	113.8	107.4
Tax payable	5.2	16.2	4.7	6.0
Other current liabilities	60.9	66.5	62.3	66.7
Total current liabilities	**515.2**	**612.2**	**486.4**	**498.7**
Shareholder loans	–	–	215.0	285.0
Warranty provision- non current	25.6	8.0	58.8	26.6
Pension and other employee liabilities	55.7	65.2	101.1	90.0
Deferred tax liabilities	32.5	55.0	95.1	99.1
Tax provision	25.5	28.7	21.1	15.5
Other long-term liabilities	88.1	83.5	29.4	31.0
Total liabilities	**742.7**	**852.5**	**1’006.8**	**1’045.9**
Shareholders' equity				
Total Landis+Gyr Group AG shareholders' equity	**1’804.6**	**1’730.1**	**1’728.0**	**1’753.2**
Noncontrolling interests	3.4	2.6	1.8	2.0
Total shareholders’ equity	**1’808.0**	**1’732.6**	**1’729.9**	**1’755.2**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 2’550.7**	**$ 2’585.1**	**$ 2’736.7**	**$ 2’801.1**

* Effective April 1, 2017, the Company adopted 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. For comparison purposes, we applied the new standard retrospectively in the Consolidated Balance Sheets as of March 31, 2017, 2016 and 2015 presented above.

Order Intake
Order intake increased by USD 248.9 million, or 18.8%, from USD 1’325.5 million in the year ended March 31, 2017 (FY 2016) to USD 1’574.4 million in the year ended March 31, 2018 (FY 2017), on a reported currency basis (16.0% on a constant currency basis). The increase in order intake was predominately driven by the Americas with large AMI projects wins in the United States.

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

Our products and solutions 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, 2018, in the Americas, committed backlog related to products, services and solutions was USD 1’679.0 million compared to USD 1’768.9 million as of March 31, 2017. In EMEA, as of March 31, 2018, committed backlog was USD 654.1 million compared to USD 681.8 million as of March 31, 2017. In addition, in EMEA, we had “Contingent Backlog” (representing the portion of an awarded firm volume contract that relies on meeting performance criteria in order to trigger the customer order) in an amount of USD 395.2 million and USD 530.0 million for the years ended March 31, 2018 and 2017, respectively. The decrease of USD 134.8 million is primarily attributable to the transfer into committed backlog of amounts previously included within contingent backlog, in respect of which the Company has met the performance criteria. More than half of the committed and contingent backlog in EMEA relates to contracts in the U.K. In Asia Pacific, as of March 31, 2018, committed backlog was USD 55.9 million compared to USD 40.7 million as of March 31, 2017.

Net Revenue
Net revenue increased by USD 78.6 million, or 4.7%, from USD 1’659.2 million in the year ended March 31, 2017 to USD 1’737.8 million in the year ended March 31, 2018, on a reported currency basis (2.6% on a constant currency basis). The increase in net revenue was predominantly driven by stronger sales in the EMEA and Americas segments which grew by USD 39.4 million and USD 41.0 million, respectively, as compared to the previous period. The EMEA segment experienced a slowed sales growth as major planned AMI rollouts commenced but was impacted by certain industry-wide supply chain delays in the second half of the fiscal year ended March 31, 2018. In the Americas segment, the increase in net revenue was driven by strong revenue growth in AMI key markets in the United States, offsetting the slowdown in Japan because of the expected reduction in revenue from TEPCO’s AMI project. Americas’ revenue too was somewhat dampened by industry-wide supply chain constraints. Meanwhile, the Asia Pacific segment net revenue slightly declined following delays in sales in key markets, such as Australia.

Cost of Revenue and Gross Profit
Cost of revenue increased by USD 110.7 million, or 9.9%, from USD 1’117.0 million in the year ended March 31, 2017 to USD 1’227.7 million in the year ended March 31, 2018. This increase reflects in part higher warranty changes for the year ended March 31, 2018 with a large accrual recorded in the Americas segment for USD 40.9 million related to legacy component issues as compared to USD 23.3 million in the previous period. In addition, the increase was further driven by delays in approvals for cost optimized products in EMEA. As a result, gross profit decreased by USD 32.1 million, or (5.9)%, from USD 542.2 million (or 32.7% in percentage of revenue) in the year ended March 31, 2017 to USD 510.1 million (or 29.4% as a percentage of revenue) in the year ended March 31, 2018.

OPERATING EXPENSES		
	FISCAL YEAR ENDED MARCH 31,	
USD in million	2018	2017
Research and development	$ 163.8	$ 162.8
Sales and marketing	104.9	104.7
General and administrative	157.8	184.8
Amortization of intangible assets	35.7	35.1
Impairment of intangible assets	–	60.0
Total operating expenses	**$ 462.3**	**$ 547.4**

Research and Development
Research and development expenses increased by USD 1.0 million, or 0.6%, from USD 162.8 million in the year ended March 31, 2017 to USD 163.8 million in the year ended March 31, 2018. Research and development expenses remain fairly in line with the previous year, being the result of a continuous effort in connection with the development of platforms for devices, applications and networks on a global level. Simultaneously customization requirements are high, especially in association with the deployment of AMI projects, due to the particularities of each market and bespoke utility requirements.

Sales and Marketing
Sales and marketing expenses were flat with a slight increase of USD 0.2 million, or 0.2%, from USD 104.7 million in the year ended March 31, 2017 to USD 104.9 million in the year ended March 31, 2018. This stability in sales and marketing expenses results from control on non-personnel expenses largely related to travel expenses, consulting expenses and advertising and promotional expenses.

General and Administrative
General and administrative expenses decreased by USD 27.0 million, or (14.6)%, from USD 184.8 million in the year ended March 31, 2017 to USD 157.8 million in the year ended March 31, 2018. The decrease in general and administrative expenses was driven, in part, by the cost reduction program in EMEA (Project Phoenix) as well as the non-recurring IT costs incurred in previous year for SAP harmonization in EMEA and in Asia Pacific. While the corporate function recorded expenses for the IPO of USD 24.2 million in the year ended March 31, 2018, these costs offset a similar level of non-recurring costs recorded in the previous fiscal year in connection with a settlement amount (including legal costs) for a patent case of USD 15.6 million in the United States and professional service fees of USD 6.0 million in relation to due diligence for a potential acquisition of an external company.

Amortization of Intangible Assets
Certain amortization charges were included in cost of revenue in the amount of USD 14.1 million for both the years ended March 31, 2018 and 2017; amortization of intangible assets included under operating expenses increased by USD 0.6 million, or 1.6%, from USD 35.1 million in the year ended March 31, 2017 to USD 35.7 million in the year ended March 31, 2018. The increase in amortization of intangible assets was driven in part by amortization of software.

Impairment of Intangible Assets
We did not recognize any impairment of intangible assets in the year ended March 31, 2018 compared to USD 60.0 million in the year ended March 31, 2017. In the year ended March 31, 2017, we impaired part of our goodwill as a result of the organizational shift to three regional operating segments and reporting units (an amount of USD 30.0 million was impaired both in the EMEA segment and in the Asia Pacific segment).

Operating Income

Operating income increased by USD 53.0 million to USD 47.8 million for the year ended March 31, 2018 from USD (5.3) million for the year ended March 31, 2017 largely as a result of lower overhead expenses and the non-recurrence of the FY 2016 goodwill impairment of USD 60.0 million, partly offset by a lower gross margin on sales. Operating income included depreciation and amortization of USD 97.3 million for the year ended March 31, 2018 and USD 96.2 million for the year ended March 31, 2017, which are included in various line items in the Consolidated Statement of Operations.

Operating income before depreciation and amortization, and impairment, which corresponds to EBITDA, decreased by USD 5.7 million, or 3.8%, to USD 145.1 million for the year ended March 31, 2018 from USD 150.8 million for the year ended March 31, 2017. EBITDA included non-recurring and other items in the fiscal year ended March 31, 2018, which amounted to USD 66.9 million. These non-recurring and other items included (i) exceptional warranty related expenses of USD 2.4 million in respect of the X2 matter (refer to section Warranty Provision below), (ii) warranty normalization adjustments of USD 24.2 million, included to adjust warranty expenses to the three-year average of actual warranty costs incurred (in cash or the value of other compensation paid out to customers) in respect of warranty and warranty-like claims, (iii) restructuring expenses in the amount of USD 14.7 million relating to costs associated with restructuring programs in EMEA and in Americas and (iv) certain other non-recurring items amounting to USD 25.6 million, including USD 24.2 million costs incurred in preparation of the Initial Public Offering of the Company's stock. In the fiscal year ended March 31, 2017, adjustments for these items amounted to (i) USD 6.4 million, (ii) USD 25.2 million, (iii) USD 3.8 million, (iv) USD 25.8 million (including USD 15.6 million related to an intellectual property infringement case in the United States and USD 6.0 million costs associated with a contemplated acquisition), respectively, while total non-recurring and other items amounted to USD 61.2 million.

In the year ended March 31, 2018, 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 212.0 million, in line with the year ended March 31, 2017. The flat Adjusted EBITDA was driven by stronger performance in the Americas, offset by the EMEA and the Asia Pacific segments. For further details, refer to the next chapter Segment Information.

OTHER INCOME (EXPENSE) AND INCOME TAXES

	FISCAL YEAR ENDED MARCH 31,	
USD in million	**2018**	2017
Other income (expense)		
Interest income	$ 0.9	$ 0.5
Interest expense	(7.0)	(11.2)
Income (loss) on foreign exchange, net	7.3	(14.3)
Income (loss) before income tax expense	**$ 49.0**	**$ (30.3)**
Income tax benefit (expense)	(2.2)	(31.8)

Interest Income

Interest income increased by USD 0.4 million, or 71.3%, from USD 0.5 million in the year ended March 31, 2017 to USD 0.9 million in the year ended March 31, 2018.

Interest Expense

Interest expense decreased by USD 4.2 million, or 37.7%, from USD 11.2 million in the year ended March 31, 2017 to USD 7.0 million in the year ended March 31, 2018. The decrease in interest expense was driven by the repayment of the Shareholder Loan granted by one of the previous shareholders of Landis+Gyr Group AG, Toshiba Corporation, with the proceeds from a bank facility at a lower interest rate.

Income (Loss) on Foreign Exchange, Net
Income on foreign exchange, net increased by USD 21.6 million, from a loss of USD 14.3 million in the year ended March 31, 2017 to an income of USD 7.3 million in the year ended March 31, 2018. The income in FY 2017 was primarily attributable to the weaker USD against the EUR and CHF as well as the recovery of the GBP against other currencies. The loss in FY 2016 was driven primarily by the weaker GBP against the EUR and the USD following the "Brexit" vote in June 2016, as well as the stronger USD against the EUR and CHF.

Provision for Taxes
Income tax expense decreased by USD 29.6 million, from USD 31.8 million in the year ended March 31, 2017 to USD 2.2 million in the year ended March 31, 2018. The variance in total income tax expense was mainly driven by the U.S. tax reform. The enactment of U.S. tax reform resulted in a provisional benefit of USD 22 million from the re-measurement of deferred tax balances as of March 31, 2017 to the new U.S. Federal tax rate. Including the impact from the re-measurement of the deferred tax balances arising from the current activity of USD 4.7 million, the provisional net benefit amounts to USD 17.3 million.

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, 2018 and 2017.

	FISCAL YEAR ENDED MARCH 31,		CHANGE	
U.S. Dollars in millions, unless otherwise indicated	**2018**	2017	**USD**	**Constant Currency**
Committed Backlog				
Americas	$ 1'679.0	$ 1'768.9	(5.1%)	(4.5%)
EMEA	654.1	681.8	(4.1%)	(15.3%)
Asia Pacific	55.9	40.7	37.3%	36.3%
Total	**$ 2'389.0**	**$ 2'491.4**	**(4.1%)**	**(7.1%)**

In addition to the committed backlog shown above, contingent backlog represents an amount of USD 395 million as of March 31, 2018 versus an amount of USD 530 million as of March 31, 2017.

Net revenue to external customers				
Americas	$ 972.2	$ 931.2	4.4%	4.1%
EMEA	627.2	587.8	6.7%	1.7%
Asia Pacific	138.4	140.2	(1.3%)	(3.4%)
Total	**$ 1'737.8**	**$ 1'659.2**	**4.7%**	**2.6%**
Adjusted Gross Profit				
Americas	$ 409.2	$ 414.0	(1.2%)	(1.2%)
EMEA	155.9	174.0	(10.4%)	(14.1%)
Asia Pacific	28.3	31.9	(11.3%)	(13.2%)
Inter-segment eliminations	3.9	0.3		
Total	**$ 597.3**	**$ 620.2**	**(3.7%)**	**(5.0%)**
Adjusted EBITDA				
Americas	$ 199.4	$ 195.0	2.3%	2.3%
EMEA	(8.8)	1.0	–	–
Asia Pacific	(9.6)	(2.6)	(269.2%)	(231.0%)
Corporate unallocated	31.0	18.6		
Total	**$ 212.0**	**$ 212.0**	**0.0%**	**(0.6%)**
Adjusted EBITDA % of net revenue to external customers				
Americas	20.5%	20.9%		
EMEA	(1.4%)	0.2%		
Asia Pacific	(6.9%)	(1.9%)		
Group	**12.2%**	**12.8%**		

AMERICAS

Segment Revenue

Net revenue to external customers in the Americas segment rose to a new record high of USD 972.2 million in FY 2017 an increase of USD 41.0 million, or 4.4%, from USD 931.2 million in the year ended March 31, 2017 to USD 972.2 million in the year ended March 31, 2018, on a reported currency basis (4.1% on a constant currency basis), notwithstanding some impact in the second half of the year from industry-wide supply chain constraints. The increase in revenue in the Americas segment was primarily driven by an increase in sales to investor owned utilities ("IOU") and public power utilities

(“PP”) in North America as well as increased sales in South America as a result of larger AMI and Industrial, Commercial & Grid (“ICG”) sales. The increase in revenue was offset by an expected decline in revenues from TEPCO’s AMI project and the downtrend in non-AMI products in South America.

Segment Adjusted EBITDA
Adjusted EBITDA in the Americas segment increased by USD 4.4 million, or 2.3%, from USD 195.0 million in the year ended March 31, 2017 to USD 199.4 million in the year ended March 31, 2018. The increase in Adjusted EBITDA is largely the result of increased revenue combined with a lower level of Adjusted Operating Expenses, notwithstanding higher cost allocations from Corporate of USD 2.6 million. Adjustments to EBITDA for the periods under review relate predominantly to warranty normalization adjustments; the adjustment amount booked in the year ended March 31, 2018 partly offset the warranty amount of USD 40.9 million in connection with legacy component issues booked in North America. Additionally, for the year ended March 31, 2017, we also made an adjustment to EBITDA in the Americas segment for a patent litigation settlement. 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 rose to USD 627.2 million in FY 2017, an increase of USD 39.4 million, or 6.7%, from USD 587.8 million in the year ended March 31, 2017, on a reported currency basis (1.7% on a constant currency basis), with our sales development in the second half somewhat dampened by industry-wide supply chain limitations. The increase in revenue to external customers in the EMEA segment was mainly driven by AMI deployments in France, the Iberian Peninsula and in the U.K. and was also impacted by foreign currency translation differences against the USD.

Segment Adjusted EBITDA
Adjusted EBITDA in the EMEA segment decreased by USD 9.8 million, from USD 1.0 million in the year ended March 31, 2017 to USD (8.8) million in the year ended March 31, 2018. The largest single contributor driving this reduction was the lack of benefit from product cost reduction programs that still need to match committed price reductions on the next generation meters being shipped to customers in the UK, France and the Netherlands. These will be realized in FY 2018. The lower Adjusted Gross Profit was partially mitigated by lower adjusted operating expenses mainly as a result of the impact of a restructuring plan (Project Phoenix). The result was also impacted by higher cost allocations from Corporate of USD 4.1 million. Adjustments to EBITDA for the periods under review relate predominantly to restructuring charges, warranty normalization adjustments and exceptional warranty related expenses. For a reconciliation of Adjusted EBITDA on a segment basis to Adjusted EBITDA on a Group basis, see the section Supplemental Reconciliations and Definitions.

ASIA PACIFIC

Segment Revenue
Net revenue to external customers in the Asia Pacific segment decreased by USD 1.8 million, or (1.3)%, from USD 140.2 million in the year ended March 31, 2017 to USD 138.4 million in the year ended March 31, 2018, on a reported currency basis ((3.4)% on a constant currency basis). The projects in Hong Kong and the Indian federal government’s rural electrification efforts partly offset near term weakness in Australia, which experienced a market slowdown due to the impending Power of Choice program.

Segment Adjusted EBITDA

Adjusted EBITDA in the Asia Pacific segment decreased by USD 7.0 million, from USD (2.6) million in the year ended March 31, 2017 to USD (9.6) million in the year ended March 31, 2018. The decrease in profitability in the Asia Pacific segment was driven by the lower sales described above. For the year ended March 31, 2017, adjustments to EBITDA in the Asia Pacific segment largely related to the start-up costs for our business subsidiary intelliHUB (USD 3.7 million) while for the year ended March 31, 2018, adjustments relate to other non-recurring costs (USD 0.9 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.

Restructuring and other Saving Initiatives

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

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

USD in million	Cumulative Costs incurred up to March 31, 2018	Total Costs incurred in the Fiscal Year ended March 31, 2018
Americas	$ 6.6	$ 0.6
EMEA	28.1	13.6
Asia Pacific	9.7	(0.0)
Corporate	1.8	0.5
Restructuring Charges	**$ 46.2**	**$ 14.7**

We currently have two major operational excellence initiatives underway. The first initiative ("Project Lightfoot") focuses on maximizing the efficiency of our manufacturing footprint through capacity and utilization improvements. Currently, Project Lightfoot concentrates on our operations in EMEA where we are continuing to improve our production and assembly processes, consolidate our manufacturing capacities in a reduced number of designated facilities, transfer selected manufacturing activities to lower cost countries in order to gain cost efficiencies and reduce our depth of manufacturing through outsourcing.

Meanwhile, the second major initiative was launched in the second half of 2016 ("Project Phoenix") and aims to optimize our cost base in EMEA, mainly through reductions in our fixed cost set-up around the region.

In conjunction with the two above mentioned restructuring initiatives, we have incurred one-time costs of USD 5.7 million and USD 13.6 million for the years ended March 31, 2017 and March 31, 2018, respectively, predominantly relating to severance and redundancy costs. In the mid-term, we expect to realize savings of approximately USD 25 million per annum from Project Lightfoot with full savings expected to be achieved by the year ended March 31, 2021, and approximately USD 20 million per annum from Project Phoenix with full savings expected to be achieved by the year ended March 31, 2019. In the year ended March 31, 2018, we realized cost savings from project Phoenix of USD 15.8 million on a currency adjusted basis.

Liquidity and Capital Resources

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

We believe that cash flow from operating activities as well as the borrowing capacity under our Credit Facility Agreement will be sufficient to fund currently anticipated working capital, planned capital spending, debt service requirements and dividend payments to shareholders for at least the next twelve months. Over the longer term, we believe that our cash flows from operating activities and available cash and cash equivalents and access to borrowing facilities, will be sufficient to fund our capital expenditures and debt service requirements. We also regularly review acquisition and other strategic opportunities, which may require additional debt or equity financing.

CASH FLOWS

	FISCAL YEAR ENDED MARCH 31,	
USD in million	**2018**	2017
Cash flows provided by (used in) operating activities	$ 124.7	$ 95.1
Cash flows provided by (used in) investing activities	(37.3)	(46.9)
Reconciliation item 1 (a)	–	0.2
Reconciliation item 2 (b)	–	4.7
Free Cash Flow	**$ 87.5**	**$ 53.1**
Cash flows provided by (used in) financing activities	(83.2)	31.5

a) Represents foreign exchange items on intercompany loans that are included under net cash provided by operating activities in the Consolidated Statement of Cash Flows, but classified as financing activities in the Group's Free Cash Flow.
b) Represents the cash paid for the acquisition of Consert's net assets described under Note 8 of the Consolidated Financial Statements for the year ended March 31, 2017.

Operating Activities

Cash flow provided by operating activities increased by USD 29.6 million, or 31.1%, from USD 95.1 million in the year ended March 31, 2017 to USD 124.7 million in the year ended March 31, 2018, owing to improvements in net working capital.

Investing Activities

Cash flow used in investing activities decreased by USD 9.6 million, or 20.6%, from USD (46.9) million in the year ended March 31, 2017 to USD (37.3) million in the year ended March 31, 2018. The decrease in cash flow used in investing activities was driven by a decrease in capital expenditure of USD 4.8 million reflecting our asset light approach and USD 4.7 million paid in connection with a business acquisition in the fiscal year 2016.

Financing Activities

Cash flow from financing activities decreased by USD 114.7 million, changing from a net inflow of USD 31.5 million in the year ended March 31, 2017 to a net outflow of USD 83.2 million in the year ended March 31, 2018. In the year ended March 31, 2018, the net outflow of USD 83.2 million was primarily attributable to the repayment of the pre-existing shareholder loan of USD 215 million; this was partly offset by the proceeds from the borrowings of USD 130 million under the Credit Facility Agreement which we entered into in March 2018. In the year ended March 31, 2017, the inflow from financing activities was driven mainly by capital contributions received from Toshiba, the former shareholder.

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 accrued income from customers, 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, 2018 and 2017.

NET OPERATING WORKING CAPITAL		
	FISCAL YEAR ENDED MARCH 31,	
USD in million, except percentages	2018	2017
Accounts receivable, net	$ 315.8	$ 301.4
Inventories, net	121.4	115.7
Trade accounts payable	(153.8)	(144.2)
Operating Working Capital	**$ 283.4**	**$ 272.9**
Operating Working Capital as a percentage of Revenue	16.3%	16.4%

During the periods under review, the main changes to the Group's OWC arose from tight inventory control and currency translation adjustments to the OWC held by reporting units whose functional currency is not the US Dollar, reflecting the deterioration in the USD exchange rate against the other main currencies.

Capital Expenditures

A key component of cash flow used in investing activities is capital expenditures (“Capex”). We calculate Capex as the amounts invested in property, plant and equipment and intangibles assets. Our Capex is composed of three elements: (i) Replacement Capex; (ii) Expansion Capex (i.e. directly linked to expected volume growth); and (iii) Service Contract Capex (i.e. for our Managed Services business unit in the Americas to fund on-balance sheet metering devices). Capex slightly decreased relative to sales and in absolute terms during the periods under review and amounted to 2.2%, and 2.6% of revenue for the years ended March 31, 2018, and 2017, respectively. Capex has been fully funded by cash flow from operating activities.

CAPITAL EXPENDITURES		
	FISCAL YEAR ENDED MARCH 31,	
USD in million, except percentages	2018	2017
Service contracts	$ 2.9	$ 4.5
Expansion	18.7	17.6
Replacement	16.4	20.7
CapEx	**$ 38.0**	**$ 42.8**
CapEx as a percentage of Revenue	2.2%	2.6%

Capital expenditures decreased by USD 4.8 million, or 11.2%, from USD 42.8 million in the year ended March 31, 2017 to USD 38.0 million in the year ended March 31, 2018. A significant portion of Capex is driven by the large number of product variants, which we are required to have to support different customer and market requirements, especially in connection with the deployment of AMI projects.

Net Debt
The table below presents the components of net debt as of March 31, 2018 and 2017.

	MARCH 31,	
USD in million	**2018**	2017
Cash and cash equivalents	$ (101.8)	$ (101.0)
Credit facility	130.0	–
Other borrowings from banks	12.3	12.9
Current portion of shareholder loans	–	215.0
Other financial liabilities (assets), net	(0.1)	(0.1)
Net Debt	**$ 40.5**	**$ 126.8**

The Company 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), through direct access to 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:

	MARCH 31,	
USD in million	**2018**	2017
Credit Facility	$ 130.0	–
Other borrowings from banks	12.3	12.9
Current portion of shareholder loans	–	215.0

For the description of the Company's indebtedness, refer to the Notes 13, Loans payable and 14, Shareholder Loans to 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 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 postretirement benefit assumptions and legal and other contingencies.

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

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

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

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

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

Supplemental Reconciliations and Definitions

Adjusted EBITDA

The reconciliation of EBITDA to Adjusted EBITDA is as follows for the fiscal years ended March 31, 2018 and 2017:

	L+G GROUP AG		AMERICAS		EMEA		ASIA PACIFIC		CORPORATE AND ELIMINATIONS	
	FISCAL YEAR ENDED MARCH 31,		FISCAL YEAR ENDED MARCH 31,		FISCAL YEAR ENDED MARCH 31,		FISCAL YEAR ENDED MARCH 31,		FISCAL YEAR ENDED MARCH 31,	
USD in millions, unless otherwise indicated	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Operating income	**$ 47.8**	**$ (5.4)**	**$ 103.5**	**$ 100.9**	**$ (38.7)**	**$ (38.6)**	**$ (15.7)**	**$ (12.1)**	**$ (1.3)**	**$ (55.6)**
Amortization of intangible assets	49.8	49.3	33.5	33.4	7.4	7.1	2.1	1.9	6.8	6.9
Depreciation	47.5	46.9	29.0	30.4	14.6	12.9	3.7	3.4	0.2	0.2
Impairment of intangible assets		60.0		–		–		–	–	60.0
EBITDA	**145.1**	**150.8**	**166.0**	**164.7**	**(16.7)**	**(18.6)**	**(9.9)**	**(6.8)**	**5.7**	**11.5**
Restructuring charges	14.7	3.8	0.6	1.6	13.6	1.2	–	1.0	0.5	–
Exceptional warranty related expenses (a)	2.4	6.4	–	–	2.2	6.4	–	–	0.2	–
Normalized warranty related expenses (b)	24.2	25.2	32.8	13.1	(7.9)	12.7	(0.6)	(0.6)	(0.1)	(0.0)
Special items	25.6	25.8	–	15.6	–	(0.7)	0.9	3.8	24.7	7.1
Adjusted EBITDA	**$ 212.0**	**$ 212.0**	**$ 199.4**	**$ 195.0**	**$ (8.8)**	**$ 1.0**	**$ (9.6)**	**$ (2.6)**	**$ 31.0**	**$ 18.6**
Adjusted EBITDA margin (%)	12.2%	12.8%	20.5%	20.9%	(1.4%)	0.2%	(6.9%)	(1.9%)		

a) Exceptional warranty related expenses related to the X2 matter. See section “Warranty Provisions”
b) Warranty normalization adjustments represent warranty that diverge from a three-year average of actual warranty costs incurred (in cash or the value of other compensation paid out to customers) in respect of warranty and warranty-like claims. For the calculation of the average of actual warranty costs incurred (in cash or the value of other compensation paid out to customers) in respect of warranty-like claims for the periods under review and going forward, see section “Warranty Provisions”.

Adjusted Gross Profit

The reconciliation of Gross Profit to Adjusted Gross Profit is as follows for the fiscal years ended March 31, 2018 and 2017:

	L+G GROUP AG		AMERICAS		EMEA		ASIA PACIFIC		CORPORATE AND ELIMINATIONS	
	FISCAL YEAR ENDED MARCH 31,		FISCAL YEAR ENDED MARCH 31,		FISCAL YEAR ENDED MARCH 31,		FISCAL YEAR ENDED MARCH 31,		FISCAL YEAR ENDED MARCH 31,	
USD in millions, unless otherwise indicated	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Gross Profit	**$ 510.1**	**$ 542.2**	**$ 345.8**	**$ 368.0**	**$ 135.0**	**$ 145.5**	**$ 25.6**	**$ 28.4**	**$ 3.7**	**$ 0.3**
Amortization of intangible assets	14.1	14.1	5.6	5.8	7.0	6.9	1.5	1.5	–	(0.1)
Depreciation	39.5	39.2	25.1	26.7	12.6	10.7	1.8	1.7	–	0.1
Restructuring charges	7.0	1.8	–	0.4	7.0	0.5	–	0.9	–	–
Exceptional warranty related expenses	2.4	(1.3)	–	–	2.2	(1.3)	–	–	0.2	–
Normalized warranty related expenses	24.2	25.2	32.7	13.1	(7.9)	12.7	(0.6)	(0.6)	0.0	(0.0)
Special items	–	(1.0)	–	–	–	(1.0)	–	–	–	0.0
Adjusted Gross Profit	**$ 597.3**	**$ 620.2**	**$ 409.2**	**$ 414.0**	**$ 155.9**	**$ 174.0**	**$ 28.3**	**$ 31.9**	**$ 3.9**	**$ 0.3**
Adjusted Gross Profit margin (%)	34.4%	37.4%	42.1%	44.5%	24.9%	29.6%	20.4%	22.8%		

Adjusted Operating Expense

The reconciliation of Operating Expense to Adjusted Operating Expenses is as follows for the fiscal years ended March 31, 2018 and 2017:

	FISCAL YEAR ENDED MARCH 31,	
USD in millions, unless otherwise indicated	**2018**	2017
Research and development	**$ 163.8**	**$ 162.8**
Depreciation	(4.4)	(3.9)
Restructuring charges	(1.4)	(0.3)
Adjusted Research and Development	**158.0**	**158.6**
Sales and Marketing	104.9	104.7
General and administrative	157.8	184.9
Depreciation	(3.6)	(3.8)
Restructuring charges	(6.2)	(1.7)
Exceptional warranty related legal expenses	–	(7.7)
Special items	(25.6)	(26.8)
Adjusted Sales, General and Administrative	**227.3**	**249.6**
Adjusted Operating Expenses	**$ 385.3**	**$ 408.2**

Warranty Provisions

We offer standard warranties on our metering products and our solutions for periods ranging from one to five years. In some instances, warranty periods can be further extended based on customer specific negotiations.
Under limited circumstances, we may also settle certain quality-related issues experienced by our customers even if not strictly required to do so by the terms of a warranty (referred to as “warranty-like” items). Warranty accruals represent our estimate of the cost of projected warranty and warranty-like claims and are based on historical and projected warranty trends, specific quality issues identified (if any), supplier information and other business and economic projections as well as other commercial considerations. Our results in any given period are affected by additions to as well as by releases of, or other adjustments to, these accruals.

For the years ended March 31, 2018 and 2017, our Consolidated Statements of Operations include net changes to the warranty and warranty-like accruals, which we record in cost of goods sold, of USD 40.7 million and USD (7.2) million, respectively, comprising additions to and releases of, or other adjustments to, accruals in respect of such claims. Our results were historically significantly impacted by warranty claims relating to the X2 capacitors (the “X2 matter”), which resulted in net changes to the accruals for warranty and warranty-like claims of USD 1.4 million, and USD (1.3) million, respectively, for the years ended March 31, 2018 and 2017. In addition, we incurred legal expenses related to the X2 matter in the amount of USD nil and USD 7.7 million in the years ended March 31, 2018 and 2017, respectively.

Management considers the X2 matter to be an exceptional warranty case because of the uniqueness of the matter and because it was part of an industry-wide component failure that impacted not only our products, but also those of our competitors and the electronics industry generally. Excluding X2-related accruals, our net changes to accruals for warranty and warranty-like claims for the years ended March 31, 2018 and 2017 would have been USD 39.3 million and USD 35.7 million, respectively. In the fiscal year 2017, net changes to warranty accruals were impacted by additional accruals of USD 40.9 million related to legacy component issues in the Americas.

In assessing the underlying operational performance of the business over time, Management believes that it is useful to consider average actual warranty costs incurred (in cash or the value of other compensation paid out to customers) in respect of warranty and warranty-like claims as an alternative to warranty accruals, which are estimates and subject to change and significant period-to-period volatility. For the years ended March 31, 2018, 2017 and 2016, the outflow (in cash or the value of other compensation paid out to customers) in respect of warranty and warranty-like claims (excluding X2) amounted to USD 20.5 million, USD 15.7 million and USD 9.0 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 15.0 million. For the year ended March 31, 2017, the three-year average actual warranty costs incurred (in cash or the value of other compensation paid out to customers) amounted to USD 10.6 million (as fully disclosed in the offering memorandum prepared for the IPO). The increase of the three-year average actual warranty costs from USD 10.6 million in the year ended March 31, 2017 to USD 15.0 million in the year ended March 31, 2018 resulted from the inclusion in the average calculation of costs incurred of USD 20.5 million in the year ended March 31, 2018 and the falling out of the average calculation of costs incurred of USD 7.0 million in the year ended March 31, 2015. The main part of the outflow (in cash or the value of other compensation paid out to customers) in respect of warranty and warranty-like claims (excluding X2) in the year ended March 31, 2018 was related to the legacy component issues in the Americas.

Management presents Adjusted EBITDA in this Financial Report 2017 as an alternative performance measure (both at the Group and at the segment level). With regards to warranty and warranty-like claims, Adjusted EBITDA excludes the accruals associated with the X2 claim (as well as the associated legal expenses) and, with respect to other warranty and warranty-like claims, includes only the average actual warranty costs incurred (in cash or the value of other compensation paid out to customers) in respect of such claims, which amounted to USD 15.0 million and USD 10.6 million for the years ended March 31, 2018 and 2017. For the years ended March 31, 2018 and 2017, the warranty normalization adjustments made in calculating Adjusted EBITDA amounted to USD 24.2 million and USD 25.2 million, respectively.

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

	FISCAL YEAR ENDED MARCH 31,			
USD in millions, unless otherwise indicated	**2018**	2017	2016	**Average**
Beginning of the year				
Warranty accrual	$ 51.7	$ 91.6	$ 48.5	
Other warranty-like accrued liabilities[1]	–	6.5	2.3	
Total	**51.7**	**98.2**	**50.8**	
Additions[2]	48.0	46.6	64.6	
Other changes/adjustments to warranties[3]	(7.3)	(53.8)	(7.9)	
Outflow in respect of X2 matter	(1.0)	(18.9)	(1.2)	
Outflow in respect of other warranty and warranty-like claims	(20.5)	(15.7)	(9.0)	(15.0)
Total outflow in respect of X2 matter and other warranty and warranty-like claims	(21.5)	(34.6)	(10.1)	
Effect of changes in exchange rates	2.6	(4.7)	0.7	
Ending balance				
Warranty accrual	73.4	51.7	91.6	
Other warranty-like accrued liabilities[1]	–	–	6.5	
Total	**$ 73.4**	**$ 51.7**	**$ 98.2**	

1 Other warranty-like accrued liabilities, which are reflected in other current liabilities in the consolidated balance sheets.
2 "Additions" reflects new product warranty amounts included in warranty provisions (USD 48.0 million, USD 48.7 million and USD 54.7 million for the years ended March 31, 2018, 2017 and 2016, respectively, due to legacy component issues in Americas and EMEA) and other warranty-like accrued liabilities (USD nil, USD (2.1) million and USD 9.9 million for the years ended March 31, 2018, 2017 and 2016, respectively).
3 Other changes/adjustments to warranties reflects amounts included in warranty provisions and other warranty-like accrued liabilities as a result of releases or other adjustments resulting from settlement of claims for which accruals had previously been recorded. In particular, the figure for the year ended March 31, 2017 reflects the reclassification of accruals for the X2 matter from warranty accruals to liabilities following a settlement in connection with the X2 matter.

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

	FISCAL YEAR ENDED MARCH 31,	
USD in millions, unless otherwise indicated	**2018**	2017
Additions		
Additions (including X2)[1]	$ 48.0	$ 46.6
X2 Additions	(1.4)	(2.6)
Additions (excluding X2)	**46.6**	**44.0**
Other changes/adjustments to warranties		
Releases (including X2)	(7.3)	(53.8)
X2 Reclassification	–	41.6
X2 Releases	–	3.9
Releases (excluding X2)	**(7.3)**	**(8.3)**
Net changes to warranty and warranty-like accruals (including X2)	40.7	(7.2)
Net changes to warranty and warranty-like accruals relating to X2	(1.4)	42.9
Net changes to warranty and warranty-like accruals (excluding X2)	**39.3**	**35.7**
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)	(15.0)	(10.6)
Warranty normalization adjustments	**$ 24.2**	**$ 25.2**

1 "Additions (including X2)" reflects new product warranty amounts included in warranty provisions (USD 48.0 million and USD 48.7 million for the years ended March 31, 2018 and 2017, respectively) and other warranty-like accrued liabilities (USD nil and USD (2.1) million for the years ended March 31, 2018 and 2017, respectively).

Main Exchange Rates applied

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

	INCOME STATEMENT AVERAGE EXCHANGE RATE, 12 MONTHS		EXCHANGE RATE ON BALANCE-SHEET DATE	
Exchange rates	**2018**	2017	**31.03.2018**	31.03.2017
Euro countries- EUR	1.1707	1.0973	1.2327	1.0652
United Kingdom- GBP	1.3269	1.3041	1.4037	1.2554
Switzerland- CHF	1.0307	1.0127	1.0492	0.9965
Brazil- BRL	0.3107	0.3032	0.3031	0.3202
Australia- AUD	0.7739	0.7526	0.7686	0.7628

Glossary

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

Term	Definition
Adjusted EBITDA	Net income (loss) excluding interest income and expense, net, gain (loss) on foreign exchange related to intercompany loans, net, depreciation and amortization, impairment of intangible and long-lived assets, restructuring charges, exceptional warranty related expenses, warranty normalization adjustments, special items, and income tax expense
Adjusted Gross Profit	Total revenue minus the cost of revenue, adjusted for depreciation, amortization and certain non-recurring or other items that Management believes are not indicative of operational performance
Adjusted Operating Expense	Research and development expense (net of research and development related income), plus sales and marketing expense, plus general and administrative expense, adjusted for depreciation and non-recurring or other items that Management believes are not indicative of operational performance
Cost of Revenue	Cost of manufacturing and delivering the products or services sold during the period
EPS	Earnings Per Share (the Company's total earnings divided by the current number of shares outstanding)
EBITDA	Earnings before Interest, Taxes, Depreciation & Amortization and Impairment of intangible assets
Free Cash Flow	Cash flow from operating activities (including changes in net operating working capital) minus cash flow from investing activities (capital expenditures in fixed and intangible assets) excluding 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

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

Zug

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 32 to 77), for the year ended 31 March 2018.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

Opinion

In our opinion, the consolidated financial statements for the year ended 31 March 2018 present fairly, in all material respects, the financial position, the results of operations and the cash flows in accordance with accounting principles generally accepted in the United States of America (US GAAP) and comply with Swiss law.

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

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

Recoverability of goodwill

Key audit matter	*How our audit addressed the key audit matter*
As of 31 March 2018, the Company's carrying value of goodwill was USD 1.4 billion, which represents approximately 53% of Company's total assets. Goodwill is allocated to three reporting units. The Company tests goodwill for impairment annually, or more frequently if events or changes in circumstances indicate a potential impairment. The impairment test involves comparing the fair value of each reporting unit to its carrying value. If the carrying value exceeds its fair value, goodwill is considered impaired. The determination of the fair value of each reporting unit involves significant estimation and judgment, including determining key assumptions used in estimating the future cash flows to support the fair value of each reporting unit, such as the projections of future business performance and profitability, terminal growth rates and discount rates. Refer to Note 2.14 *Goodwill* and Note 10 *Goodwill* of the consolidated financial statements.	• We assessed management's allocation of goodwill to the reporting units, considering the consistency with management reporting and how the business is managed within and across geographies. • We obtained management's fair value calculation for each reporting unit and assessed the consistency of the methodology applied with prior years. • We tested the mathematical accuracy of each model and agreed inputs to supporting documentation. • We agreed the FY 2018-FY 2022 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 assessed the terminal growth rate assumptions used by comparing them to relevant industry and economic forecasts, and utilized PwC internal valuation specialists to assess the appropriateness of management's value in use models and the reasonableness of management's discount rates. • We obtained the Company's sensitivity analysis around key assumptions to ascertain the effect of changes to those assumptions on the fair value estimates and recalculated these sensitivities. In addition, we performed our own independent sensitivity analysis by changing various key assumptions to reasonable changes of assumptions to assess whether these would result in an impairment. • We considered the reasonableness of the sum of the fair value estimates in relation to the overall market capitalization of the company. On the basis of procedures performed, we determined that the conclusions reached by management with regards to the recoverability of goodwill were reasonable and supportable.

Warranty provision–legacy component issue (North America)

Key audit matter	*How our audit addressed the key audit matter*
In the year ended 31 March 2018, the Company recorded a charge to earnings of USD 40.9 million related to a legacy component issue pertaining to a defective electronic component. The warranty provision is an estimate that involves management's judgement on key assumptions, namely failure rates, costs incurred to repair or replace each unit, and affected units in service. Due to the inherent uncertainty, size and judgement pertaining to the estimate, we view the matter as a key audit matter. Refer to Note 20 *Commitments and Contingencies* of the consolidated financial statements.	• We obtained an understanding of management's estimate and methodology in determining the warranty provision. • We assessed the historical failure rates for major customers to ensure the estimated future failure rates were reasonable. • We tested the cost incurred to repair or replace each unit used in the provision calculation and agreed them to supporting documentation. • We recalculated a sample of units in service by agreeing them to original purchase orders and proofs of delivery. Based on the procedures performed, we found the judgments made by management in relation to the warranty provision pertaining to the legacy component issue (North America) 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, 4 June 2018

Consolidated Statements of Operations

	FISCAL YEAR ENDED MARCH 31,	
USD in thousands, except per share data	**2018**	2017
Net revenue	**$1’737’814**	**$1’659’235**
Cost of revenue	1’227’743	1’117’046
Gross profit	**510’071**	**542’189**
Operating expenses		
Research and development	163’833	162’784
Sales and marketing	104’946	104’698
General and administrative	157’822	184’829
Amortization of intangible assets	35’702	35’131
Impairment of intangible assets	–	60’000
Operating income (loss)	**47’768**	**(5’253)**
Other income (expense)		
Interest income	877	512
Interest expense	(6’966)	(11’185)
Income (loss) on foreign exchange, net	7’290	(14’333)
Income (loss) before income tax expense	**48’969**	**(30’259)**
Income tax expense	(2’175)	(31’800)
Net income (loss) before noncontrolling interests	**46’794**	**(62’059)**
Net income attributable to noncontrolling interests, net of tax	423	511
Net income (loss) attributable to Landis+Gyr Group AG Shareholders	**$46’371**	**$ (62’570)**
Net income (loss) per share:		
Basic and diluted	$ 1.57	$ (2.12)
Weighted average shares used in computing income (loss) per share:		
Basic and diluted	29’510’000	29’510’000

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

Consolidated Statements of Comprehensive Income

	FISCAL YEAR ENDED MARCH 31,	
USD in thousands	**2018**	2017
Net income (loss) before noncontrolling interests	**$ 46’794**	**$ (62’059)**
Other comprehensive (loss) income:		
Foreign currency translation adjustments, net of income tax expense	6’127	8’095
Pension plan benefits liability adjustments, net of income tax expense	12’635	28’229
Comprehensive income (loss)	**65’556**	**(25’735)**
Net income attributable to noncontrolling interests, net of tax	(423)	(511)
Foreign currency translation adjustments attributable to the noncontrolling interests	(386)	(197)
Comprehensive income (loss) attributable to Landis+Gyr Group AG Shareholders	**$ 64’747**	**$ (26’443)**

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

Consolidated Balance Sheets

USD in thousands, except share data	March 31, 2018	March 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	$ 101’763	$ 101’033
Restricted cash	5’000	–
Accounts receivable, net of allowance for doubtful accounts of $6.2 million and $4.7 million	315’788	301’400
Inventories, net	121’398	115’682
Prepaid expenses and other current assets	45’363	44’432
Total current assets	**589’312**	**562’547**
Property, plant and equipment, net	164’400	188’832
Intangible assets, net	381’674	425’453
Goodwill	1’361’591	1’361’167
Deferred tax assets	16’021	12’920
Other long-term assets	37’683	34’190
TOTAL ASSETS	**$ 2’550’681**	**$ 2’585’109**
LIABILITIES AND EQUITY		
Current liabilities		
Trade accounts payable	$ 153’780	$ 144’199
Accrued liabilities	40’015	37’000
Warranty provision	47’870	43’780
Payroll and benefits payable	65’210	76’637
Loans payable	142’327	12’890
Current portion of shareholder loans	–	215’000
Tax payable	5’191	16’171
Other current liabilities	60’852	66’542
Total current liabilities	**515’245**	**612’219**
Warranty provision- non current	25’557	7’954
Pension and other employee liabilities	55’743	65’161
Deferred tax liabilities	32’520	54’976
Tax provision	25’492	28’703
Other long-term liabilities	88’103	83’457
Total liabilities	**742’660**	**852’470**
Commitments and contingent liabilities – Note 20		
Shareholders’ equity		
Landis+Gyr Group AG shareholders’ equity Registered ordinary shares (29’510’000 and 29’510’000 issued and outstanding shares at March 31, 2018 and 2017, respectively)	309’050	309’050
Additional paid-in capital	1’475’421	1’465’595
Retained earnings	55’721	9’350
Accumulated other comprehensive loss	(35’554)	(53’930)
Total Landis+Gyr Group AG shareholders’ equity	**1’804’638**	**1’730’065**
Noncontrolling interests	3’383	2’574
Total shareholders’ equity	**1’808’021**	**1’732’639**
TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY	**$ 2’550’681**	**$ 2’585’109**

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

Consolidated Statements of Changes in Shareholders' Equity

USD in thousands except for shares	Registered ordinary shares[1]		Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total Landis+Gyr Group AG equity	Noncontrolling interests	Total shareholders' equity
Balance at March 31, 2016	**29'510'000**	**$ 309'050**	**$ 1'437'078**	**$ 71'920**	**$ (90'057)**	**$ 1'727'991**	**$ 1'848**	**$ 1'729'839**
Net income (loss)	–	–	–	(62'570)	–	(62'570)	511	(62'059)
Foreign currency translation adjustments, net of income tax expense	–	–	–	–	7'898	7'898	197	8'095
Pension plan benefits liability adjustment, net of income tax expense	–	–	–	–	28'229	28'229	–	28'229
Capital contribution			34'900	–	–	34'900	–	34'900
Business combination with entity under common control	–	–	(6'383)	–	–	(6'383)	18	(6'365)
Balance at March 31, 2017	**29'510'000**	**$ 309'050**	**$ 1'465'595**	**$ 9'350**	**$ (53'930)**	**$ 1'730'065**	**$ 2'574**	**$ 1'732'639**
Net income	–	–	–	46'371	–	46'371	423	46'794
Foreign currency translation adjustments, net of income tax expense	–	–	–	–	5'741	5'741	386	6'127
Pension plan benefits liability adjustment, net of income tax expense	–	–	–	–	12'635	12'635	–	12'635
IPO recognition bonus	–	–	9'826	–	–	9'826	–	9'826
Balance at March 31, 2018	**29'510'000**	**$ 309'050**	**$ 1'475'421**	**$ 55'721**	**$ (35'554)**	**$ 1'804'638**	**$ 3'383**	**$ 1'808'021**

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

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

Consolidated Statements of Cash Flows

	FISCAL YEAR ENDED MARCH 31,	
USD in thousands	**2018**	2017
Cash flow from operating activities		
Net income (loss)	$ 46'794	$ (62'059)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	97'346	96'174
Impairment of intangible assets	–	60'000
IPO recognition bonus- equity component	6'551	–
Accumulated interest on shareholder loans	1'636	9'419
Gain on disposal of property, plant and equipment	688	518
Effect of foreign currencies translation on non-operating items, net	6'112	7'349
Change in allowance for doubtful accounts	1'496	736
Deferred income tax	(24'858)	(26'899)
Change in operating assets and liabilities, net of effect of businesses acquired and effect of changes in exchange rates:		
Accounts receivable	6'633	(16'083)
Inventories	16'276	(2'679)
Trade accounts payable	(8'772)	8'742
Interest payment on shareholder loans	(2'950)	(9'481)
Other assets and liabilities	(22'246)	29'352
Net cash provided by operating activities	**124'706**	**95'089**
Cash flow from investing activities		
Payments for property, plant and equipment	(37'870)	(42'276)
Payments for intangible assets	(107)	(549)
Proceeds from the sale of property, plant and equipment	725	614
Business acquisitions	–	(4'700)
Net cash used in investing activities	**(37'252)**	**(46'911)**
Cash flow from financing activities		
Capital contribution related to IPO recognition bonus- cash component	3'275	–
Proceeds from capital contribution	–	34'900
Debt issuance cost	(1'270)	–
Proceeds from third party facility	130'000	–
Repayment of borrowings to third party facility	(216)	(5'594)
Proceeds from shareholders and related party facility	–	177'074
Repayment of borrowings to shareholders and related party facility	(215'000)	(174'920)
Net cash provided by (used in) financing activities	**(83'211)**	**31'460**
Net increase (decrease) in cash and cash equivalents	**4'243**	**79'638**
Cash and cash equivalents at beginning of period, including restricted cash	101'033	22'092
Effects of foreign exchange rate changes on cash and cash equivalents	1'487	(697)
Cash and cash equivalents at end of period, including restricted cash	**$ 106'763**	**$ 101'033**
Supplemental cash flow information		
Cash paid for income tax	$ 45'419	$ 41'849
Cash paid for interest	$ 6'925	$ 10'984

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

Initial Public Offering
On July 12, 2017, the Company's listing application (Securities number: 37115349; ISIN: CH.037'115'349'2; Ticker symbol: LAND) relating to an initial public offering ("IPO") of its common stock was declared effective by the SIX Swiss Exchange. On July 21, 2017, the Company completed the IPO at a price to the public of CHF 78 per share. In connection with the IPO, the Company's stockholders sold an aggregate of 29'510'000 shares of common stock, thereof 81'945 shares were set aside to grant and fund the IPO recognition bonus (See Note 3: Shareholders' equity). The selling stockholders received all of the net proceeds and bore all commissions and discounts from the sale of the Company's common stock. The Company did not receive any proceeds from the IPO.

In conjunction with the IPO, the Company incurred $24.2 million of costs for professional services and an IPO recognition bonus. The IPO recognition bonus amounted to $9.8 million, was fully funded by the selling shareholders, and consisted of shares and cash. The Company has expensed the IPO related professional fees as incurred. The IPO recognition bonus was expensed pursuant to the stock compensation guidance and recognized as increase in additional paid-in capital (See Note 3: Shareholders' equity).

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

2.1 Basis of Presentation
The consolidated financial statements are prepared in accordance with generally accepted accounting principles in the Unites States of America ("US GAAP"). All amounts are presented in United States dollars ("$" or "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, 2018, and at March 31, 2017, 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.

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, valuation of defined benefit pension obligations, income tax uncertainties and other contingencies and items recorded at fair value including, assets and liabilities obtained in a business combination. Actual results could differ materially from these estimates.

2.4 Revenue Recognition

General

Revenues consist primarily of hardware sales, automated meter reading services ("AMR"), advanced meter infrastructure services, software license fees, and to a lesser extent, fees associated with training, installation, software design services, and post-contract customer support services related to software licenses offered to the Company's customers. Additionally, the Company has limited arrangements in which it purchases metering devices from vendors to be used in its packaged solutions sold to end customers. Such devices are sometimes sold at cost with no related margin. In these instances, the Company reports revenue on a gross basis principally because it is the primary obligor to the end customers.

The Company recognizes revenue when (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services have been rendered; (3) the fee is fixed or determinable; and (4) collectibility is reasonably assured. The Company records deferred revenue when it receives consideration from a customer before achieving certain criteria that must be met for revenue to be recognized in conformity with US GAAP.

Revenues are reported net of customer rebates, volume discounts and similar incentives. Taxes assessed by a governmental authority that are directly imposed on revenue-producing transactions between us and our customers, such as sales, use, value-added and some excise taxes, are excluded from revenues.

The Company's products and services are sold through either stand-alone product or service arrangements or through multiple element arrangements. The accounting policy for such arrangements is discussed below:

Stand-alone sales

The majority of the Company's revenues are derived from stand-alone sales of products or services. In a stand-alone product sale, the Company sells meters to a customer without any other deliverables. In a stand-alone service sale, the Company provides installation or other services to a customer without any further deliverables.

Revenue from product sales, when sold on a stand-alone basis, is generally recognized at the time of the shipment, receipt by the customer, or, if applicable, upon completion of customer acceptance provisions depending on the transfer of title as stipulated in the contract.

Revenues earned from meter reading services are generally based on the number of meters read on a monthly basis, multiplied by a contract-specific read fee.

Revenue from service transactions, when sold on a stand-alone basis, is recognized as the services are performed, or ratably over the term of the support period.

Multiple element arrangements
In addition to stand-alone product or service sales, the Company enters into multiple element arrangements, which are commonly a part of an advanced metering solution. Typically, such arrangement would incorporate a mixture of the following deliverables:
– software license fees;
– software design services;
– post-contract customer support services;
– meters;
– concentrators;
– AMR services; and,
– installation of meters and concentrators.

The accounting for the Company's multiple element arrangements varies depending on whether the arrangements incorporate a software element, which is further described below:

Multiple element arrangements excluding a software element
For multiple element arrangements excluding a software element, the elements are divided into separate units of accounting if the delivered item(s) (1) have value to the customer on a stand-alone basis, and (2) if the customer has a general right of return relative to the delivered item, the delivery/performance of the undelivered item(s) is probable and substantially in the control of the Company. The total arrangement consideration is allocated among the separate units of accounting using vendor-specific objective evidence of the selling price, if it exists; otherwise, third-party evidence of the selling price. If neither vendor-specific objective evidence nor third-party evidence of the selling price exists for a deliverable, the Company uses its best estimate of the selling price for that deliverable. Revenues for each deliverable are then recognized based on the type of deliverable, such as 1) when the products are shipped, 2) when the services are delivered, 3) percentage-of-completion when implementation services are essential to other deliverables in the arrangement, 4) upon receipt of customer acceptance, or 5) upon transfer of title and risk of loss.

If implementation services are essential to the functionality of the software, software and implementation revenues are recognized using the percentage-of-completion methodology of contract accounting when project costs can be reliably estimated. In the unusual instances when we are unable to reliably estimate the cost to complete a contract at its inception, we use the completed contract method of contract accounting. Revenues and costs are recognized upon substantial completion when remaining costs are insignificant and potential risks are minimal.

Under contract accounting, if we estimate that the completion of a contract component (unit of accounting) will result in a loss, the loss is recognized in the period in which it is estimated. We re-evaluate the estimated loss through the completion of the contract component and adjust the estimated loss for changes in facts and circumstances.

Multiple element arrangements including a software element
The Company enters into some arrangements that consist of hardware with software elements. In such arrangements, the Company has determined that the software and the non-software components function together to deliver the essential functionality of the hardware elements.

As the Company has historically negotiated the delivery of these arrangements as a packaged solution, the Company does not have vendor-specific objective evidence for any element in these contracts, with the exception of post-contract customer support services based on stated renewal rates. Additionally, the Company does not have third-party evidence of the selling prices as the Company's packaged solutions are unique and tailored to the customer's specifications. Therefore, consistent with the guidance in Accounting Standards Updates ("ASU", or "Update") No. 2009-13, the Company uses an estimated selling price to allocate the consideration in the arrangement to each deliverable. Post-contract customer support services revenues are recognized ratably over the associated service period.

Shipping and handling costs are recorded as cost of revenue and amounts billed to customers for shipping and handling costs are recorded in revenue in the Consolidated Statements of Operations.

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

We are required to maintain cash balances that are restricted in order to secure certain bank guarantees.

Restricted cash is generally deposited in bank accounts earning market rates; therefore, the carrying value approximates fair value. Such cash is excluded from cash and cash equivalents in the Consolidated Balance Sheets.

2.8 Derivative Instruments

The Company's activities expose it primarily 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 collectibility 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 fiscal year or more often if an event or circumstance indicates that an impairment may have occurred.

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

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

2.15 Intangible Assets with Finite Lives

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

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

2.16 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 accrual. The long-term warranty balance includes estimated warranty claims beyond one year. Warranty expense is included within cost of revenues in the Consolidated Statements of Operations.

2.17 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 fiscal year ending March 31, 2019 to 2026, and an effective interest rate, which for the Company is driven based on the credit-adjusted risk-free rate. The corresponding AROs are capitalized as part of the carrying amount of the related long-lived asset and depreciated over the shorter of the asset's remaining useful life or the lease term. The Company classifies such liabilities in other long-term liabilities on the Consolidated Balance Sheets.

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

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

2.18 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 postretirement 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.

2.19 Income Taxes
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.

2.20 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.

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

2.22 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.

2.23 Advertising
Advertising costs are expensed as incurred. Advertising expenses included in selling and marketing expenses were USD 5.5 million and USD 6.5 million, respectively, for the fiscal years ended March 31, 2018 and March 31, 2017.

2.24 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, 2018 and 2017, the Company had no dilutive shares outstanding.

2.25 Recent Accounting Pronouncements
Applicable for future periods
In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), to clarify the principles for recognizing revenues from contracts with customers. The update, which supersedes substantially all existing revenue recognition guidance, provides a single comprehensive model for recognizing revenues on the transfer of promised goods or services to customers in an amount that reflects the consideration that is expected to be received for those goods or services. Under the standard, it is possible that more judgments and estimates would be required than under existing standards, including identifying the separate performance obligations in a contract, estimating any variable consideration elements, and allocating the transaction price to each separate performance obligation. The update also requires additional disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Further updates were issued in 2016 to clarify the guidance on identifying performance obligations, licensing and contract costs, to enhance the implementation guidance on principal versus agent considerations and to add other practical expedients.

In August 2015, the effective date for the update was deferred and the update is now effective for the Company for annual and interim periods beginning January 1, 2018, and is to be applied either (i) retrospectively to each prior reporting period presented, with the option to elect certain defined practical expedients, or (ii) retrospectively with the cumulative effect of initially applying the update recognized at the date of adoption in retained earnings (with additional disclosure as to the impact on individual financial statement lines affected).

The Company will adopt these updates as of April 1, 2018, pursuant to the aforementioned adoption method (ii), applying them to contacts that are not completed contracts at that date, and will elect the practical expedient for contract modifications.

The Company's analysis of contracts resulted in only insignificant differences arising from sales commissions paid in connection with partially, or fully, undelivered contracts. According to legacy guidance, the Company expensed such cost as incurred whereas they would qualify for capitalization as an incremental cost to obtain a contract under the new standard.

Furthermore, the Company identified insignificant differences in some multiple deliverables arrangements where the variable consideration is currently allocated to one or more but not to all deliverables, whereas, according to the new guidance, it should be allocated to all performance obligations.

The Company does not expect to record a significant cumulative adjustment to retained earnings as of April 1, 2018.

In March 2017, the FASB issued ASU 2017-07 – Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, which changes how employers that sponsor defined benefit pension plans and other postretirement plans present the net periodic benefit cost in the income statement. Under this update, the Company will be required to report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. Other components of net benefit will be required to be presented in the income statement separately from the service cost component and outside the subtotal of income from operations. Under the amendment only the current service cost component is allowed to be capitalized. This update is effective for the Company for annual and interim periods beginning on or after January 1, 2018, on a retrospective basis for the presentation requirements and on a prospective basis for the capitalization of the current service cost component requirements. The Company will adopt this update as of April 1, 2018, and expects to reclassify income of USD 3.8 million to be presented outside of income from operations for the fiscal year ended March 31, 2018.

In February 2016, the FASB issued ASU 2016-02, Leases that require lessees to recognize lease assets and corresponding lease liabilities on the balance sheet for all leases with terms of more than 12 months. The update, which supersedes existing lease guidance, will continue to classify leases as either finance or operating, with the classification determining the pattern of expense recognition in the income statement. Further updates were issued in 2018 to provide practical expedients for transition. This update is effective for the Company for annual and interim periods beginning April 1, 2019 and is applicable on a modified retrospective basis with various optional practical expedients. The Company is currently evaluating the impact of this update on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. The standard clarifies how certain cash receipts and cash payments, including debt prepayment or extinguishment costs, the settlement of zero coupon debt instruments, contingent consideration paid after a business combination, proceeds from insurance settlements, distributions from certain equity method investees and beneficial interests obtained in a financial asset securitization, should be presented and classified in the statement of cash flows. This update is effective for the Company for annual and interim periods beginning April 1, 2018, on a retrospective basis. The impact from this standard will depend on transactions which are in scope under the new guidance.

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

In October 2016, the FASB issued ASU 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory, which requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The amended guidance eliminates the prohibition of recognizing the current and deferred income tax consequences for intra-entity asset transfers other than inventory until the asset has been sold to a third party. This ASU is effective for annual periods beginning after December 15, 2017, with early adoption permitted. The requirements of the amended guidance should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The Company will adopt the new standard as of April 1, 2018 and it does not expect to record a significant cumulative adjustment to retained earnings as of April 1, 2018.

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

Recently Adopted Accounting Pronouncements
In September 2015, the FASB issued ASU 2015-16 Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments, which eliminates the requirement that an acquirer in a business combination accounts for measurement-period adjustments retrospectively. Instead, an acquirer will recognize a measurement-period adjustment during the period in which it determines the amount of the adjustment. The Company has adopted this guidance as of April 1, 2017. There were no transactions within the scope of the new guidance in the fiscal year ended March 31, 2018.

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

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

NOTE 3: SHAREHOLDER’S EQUITY

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

As result of the Reverse Stock Split, every 10 shares of the Company’s then outstanding common stock was combined and automatically converted into one share of the Company’s common stock, par value CHF 10 per share. Proportionate voting rights and other rights of common stockholders were not affected by the Reverse Stock Split, other than as a result of the rounding of fractional shares, as no fractional shares were issued in connection with the Reverse Stock Split. All share, per share and capital stock amounts for all periods presented have been restated to give effect to the Reverse Stock Split.

At March 31, 2018 and 2017, the capital structure reflected 29’510’000 authorized, issued, and outstanding registered ordinary shares with restricted transferability. The restricted transferability is related to the fact that the board of directors can reject a shareholder not disclosing the beneficial owner.

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 it is available for use. As of March 31, 2018 and 2017 no shares were issued from this conditional share capital.

Registered ordinary shares carry one vote per share, as well as the right to dividends. No dividends have been declared in the current period.

IPO recognition bonus

In relation to the mentioned IPO, the Chairman and some members of senior management were granted a bonus, in recognition of their efforts and to provide them with an equity stake in the Company to support its long-term performance (the “Recognition Bonus”). The Recognition Bonus comprised a share and a cash portion, both funded by the former Shareholders. The share portion consisted of 81’945 fully vested shares of common stock which were set aside prior to the IPO. Because the award is fully vested and includes no future service requirements, the Company recognized a stock based compensation charge of USD 6.6 million and USD 3.3 million personnel expense for fiscal year ended March 31, 2018. Both amounts are included within general and administrative expenses in the Consolidated Statements of Operations and recognized as an increase in additional paid-in capital in the Consolidated Statements of Changes in Shareholders’ Equity, because the award was funded by the former Shareholders.

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	**2018**	2017
Foreign currency translation adjustments, net of tax	$ (21’244)	$ (26’985)
Pension plan benefits liability adjustments, net of taxes of $1’931 and $2’300 as of March 31, 2018 and March 31, 2017, respectively	(14’310)	(26’945)
Accumulated other comprehensive income (loss)	**$ (35’554)**	**$ (53’930)**

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

USD in thousands	**Defined benefit pension items**	**Foreign currency items**	**Total**
Beginning balance, April 1, 2017	**$ (26’945)**	**$ (26’985)**	**$ (53’930)**
Other comprehensive income (loss) before reclassifications	13’279	5’741	19’020
Amounts reclassified from accumulated other comprehensive income	(644)	–	(644)
Net current-period other comprehensive income (loss)	12’635	5’741	18’376
Ending balance, March 31, 2018	**$ (14’310)**	**$ (21’244)**	**$ (35’554)**

USD in thousands	Defined benefit pension items	Foreign currency items	Total
Beginning balance, April 1, 2016	**$ (55’174)**	**$ (34’883)**	**$ (90’057)**
Other comprehensive income (loss) before reclassifications	25’939	7’898	33’837
Amounts reclassified from accumulated other comprehensive income	2’290	-	2’290
Net current-period other comprehensive income (loss)	28’229	7’898	36’127
Ending balance, March 31, 2017	**$ (26’945)**	**$ (26’985)**	**$ (53’930)**

The pension plan benefits liability adjustment, net of taxes, in the AOCL changed by USD 12.6 million and USD 28.2 million in the fiscal years ended March 31, 2018 and March 31, 2017, respectively. These changes represent the movement of the current year activity including the reclassified amounts from accumulated other comprehensive income to net income:

	FISCAL YEAR ENDED MARCH 31,	
USD in thousands)	2018	2017
Amortization of actuarial loss /(gain)	$ 383	$ 2’529
Amortization of prior service cost	(1’027)	(239)
Amounts reclassified from other comprehensive income to net income (a)	(644)	2’290
Net actuarial (loss)/gain	13’649	17’550
Prior service cost	–	10’202
Total before tax	**$ 13’005**	**$ 30’042**
Tax (expense) or benefit	(370)	(1’813)
Total other comprehensive income (loss) from defined benefit pension plans (net of tax) for the fiscal year ended March 31,	**$ 12’635**	**$ 28’229**

a) These accumulated other comprehensive income components are included in the computation of net periodic pension costs (see Note 18: Pension and Post-retirement benefit plans for additional details).

NOTE 4: ACCOUNTS RECEIVABLE, NET

A summary of accounts receivable, net is as follows:

	MARCH 31,	
USD in thousands	2018	2017
Trade accounts receivable	$ 283’692	$ 281’245
Unbilled revenue	40’772	27’776
Allowance for doubtful accounts	(6’221)	(4’725)
Total trade accounts receivable, net	**318’243**	**304’296**
Less: current portion of accounts receivable, net	315’788	301’400
Long-term accounts receivable, net	**$ 2’455**	**$ 2’896**

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

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

	FISCAL YEAR ENDED MARCH 31,	
USD in thousands	**2018**	2017
Beginning balance	$ (4’725)	$ (3’989)
Provisions for doubtful accounts	(1’602)	(1’842)
Deductions, net of recoveries	106	1’106
Balance at March 31,	**$ (6’221)**	**$ (4’725)**

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

Unbilled revenue is recorded when revenues are recognized upon product shipment/installation or service delivery and invoicing occurs at a later date. Generally, unbilled revenue is invoiced within one week after month-end.

NOTE 5: INVENTORIES, NET

Inventories, net consist of the following:

	MARCH 31,	
USD in thousands	**2018**	2017
Raw material and supplies	$ 90’496	$ 89’581
Work in progress	6’874	4’870
Finished goods	36’298	38’242
Total inventories gross	**133’668**	**132’693**
Inventory reserve	(12’270)	(17’011)
Total inventories, net	**$ 121’398**	**$ 115’682**

NOTE 6: 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	**2018**	2017
Prepaid expenses	$ 9’594	$ 9’810
Other tax receivables	7’190	9’808
Income tax receivables/advances	10’935	7’397
Others	17’644	17’417
Total prepaid expenses and other current assets	**$ 45’363**	**$ 44’432**

NOTE 7: PROPERTY, PLANT & EQUIPMENT

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

	MARCH 31,	
USD in thousands	2018	2017
Land	$ 3’819	$ 3’520
Buildings	17’852	16’682
Network equipment (a)	189’627	248’537
Machinery and equipment	110’923	80’959
Vehicles and other equipment	97’184	88’425
Construction in progress	14’327	12’627
Total cost	**$ 433’732**	**$ 450’750**
Less accumulated depreciation	(269’332)	(261’918)
Property, plant and equipment, net	**$ 164’400**	**$ 188’832**

a) 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 fiscal years ended March 31, 2018 and March 31, 2017 was USD 47.5 million and USD 46.9 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 8: BUSINESS COMBINATIONS

On February 6, 2013, Toshiba Corporation, the former Shareholder, acquired a 100% equity interest in Consert Inc. (“Consert”), incorporated in the USA. Consert converts electric consumption in homes and small businesses into cost-effective, clean sources of capacity and energy reserves for utilities. The Consert load management solution is based on real-time, wireless technology that allows participants to conserve energy using a web-based, home area network. Consert utilizes wireless networks to provide real-time communication to the Consert data center. These highly secure networks deliver fast data speeds and increased efficiencies for utilities.

Toshiba Corporation sold certain assets and liabilities of Consert to the Company on November 1, 2016 for cash consideration of USD 4.7 million. Since both the Company and Consert were under common control of Toshiba, on the date of the transfer, the Company recognized the acquired assets and liabilities at their historical carrying amounts in Toshiba Corporation’s consolidated financial statements. No new goodwill was recognized.

The Company’s and Consert’s results of operations have been combined in the fiscal year ended March 31, 2017 as though the combination had occurred as of the beginning of the fiscal year. Intercompany balances and transactions have been eliminated. Since the transaction met the definition of a business combination, the Company’s comparative consolidated financial statements have been retrospectively adjusted to include the net assets received and related operations for all periods during which the entities were under common control. The assets and liabilities of Consert which were not purchased by the Company amounted to USD 5.9 million in cash and USD 0.5 million in prepaid assets and have been included in the retrospectively adjusted financial statements for the periods prior to the transaction. Upon the transaction, such non-acquired assets and liabilities have been removed from the financial statements with an offsetting entry to Additional paid-in capital.

The effect of the transfer on the Company’s EPS for the fiscal year ended March 31, 2017 was USD (0.02) per share.

The impact of retrospectively adjusting the Company's comparative consolidated financial statements for the fiscal year ended March 31, 2017 is as follows:

USD in thousands	Fiscal year ended March 31, 2017
Net revenue	$ 2'794
Cost of revenue	3'822
Operating loss	(4'884)
Net loss attributable to Landis+Gyr Group AG Shareholders	**$ (5'160)**

In the period ending March 31, 2018, the operations have been integrated into the Company's operations.

NOTE 9: 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, 2018 (USD in thousands)	Gross asset	Accumulated amortization	Accumulated impairment	Carrying amount	Weighted average useful life (in years)
Finite Lived Intangibles:					
Trade name and trademarks	$ 113'960	$ (45'800)	$ –	$ 68'160	11
Order backlog	40'902	(40'902)	–	–	–
Customer contracts & relationships	422'688	(181'929)	–	240'759	12
Developed technologies	187'336	(103'415)	(11'166)	72'755	6
Total finite lived intangibles	**$ 764'886**	**$ (372'046)**	**$ (11'166)**	**$ 381'674**	

March 31, 2017 (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	$ (38'984)	$ –	$ 74'976	12
Order backlog	40'637	(40'637)	–	–	–
Customer contracts & relationships	422'923	(157'060)	–	265'863	13
Developed technologies	179'444	(83'664)	(11'166)	84'614	7
Total finite lived intangibles	**$ 756'964**	**$ (320'345)**	**$ (11'166)**	**$ 425'453**	

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

	FISCAL YEAR ENDED MARCH 31,	
USD in thousands	2018	2017
Cost of revenue	$ 14'116	$ 14'144
Operating expense	35'702	35'131
Total	**$ 49'818**	**$ 49'275**

Estimated future annual amortization expense related to identified intangible assets for each of the five years, to March 31, 2023 and thereafter is as follows:

Fiscal year ending March 31, (USD in thousands)	Estimated annual amortization
2019	$ 48'741
2020	46'981
2021	45'928
2022	44'692
2023	44'429
Thereafter	150'903
Total identifiable intangibles, net	**$ 381'674**

NOTE 10: GOODWILL

Landis+Gyr has three reporting units with goodwill. In the fourth quarter of the fiscal year 2016, there was an organizational shift in the business and the Company realigned its continuing operations into the following segments: Americas, EMEA (Europe, Middle East and Africa) and Asia Pacific, which are also our reportable segments and reporting units. Prior to the realignment, the Company operated and managed its business as one consolidated operating segment.

Upon segment realignment in the fourth quarter of the fiscal year 2016, goodwill was allocated to the new segments based upon their relative fair value. The newly identified reporting units were tested for impairment in the fourth quarter of the fiscal years 2016 and 2017, after the completion of the annual forecasting process.

The changes in the carrying amount of goodwill for the year ended March 31, 2018 and 2017, are as follows:

USD in thousands	Americas	EMEA	Asia Pacific	Consolidated	Total
Balance as of March 31, 2016	**$ –**	**$ –**	**$ –**	**$ 1'421'350**	**$ 1'421'350**
Allocation in the fourth quarter of FY 2016	1'133'350	227'000	61'000	(1'421'350)	–
Impairment charges	–	(30'000)	(30'000)	–	(60'000)
Currency translation adjustment	–	(183)	–	–	(183)
Balance as of March 31, 2017	**$ 1'133'350**	**$ 196'817**	**$ 31'000**	**$ –**	**$ 1'361'167**
Currency translation adjustment	–	424	–	–	424
Balance as of March 31, 2018	**$ 1'133'350**	**$ 197'241**	**$ 31'000**	**$ –**	**$ 1'361'591**

NOTE 11: IMPAIRMENT OF INTANGIBLE ASSETS

At March 31, 2018 and 2017, the Company performed a quantitative goodwill impairment analysis that included an assessment of certain qualitative factors, the overall financial performance, macro-economic and industry conditions, as well as determining the fair value of the reporting units and comparing that fair value to the carrying values.

As a result of the assessment performed, no impairment charges were recorded in the fiscal year ended March 31, 2018. However, for the Asia Pacific reporting unit, we noted a weakening of the financial performance as the segment experienced weak trading conditions in certain key markets. The Company's assessment that no impairment of the Asia Pacific reporting unit's goodwill is required assumes that trading conditions improve markedly in these key markets during the Company's planning period. The assumptions around market recovery represents the Company's best estimate but the goodwill impairment analysis is sensitive to this assumption.

For the fiscal year ended March 31, 2017, the Company recognized a USD 30 million impairment of goodwill in both the Asia Pacific and EMEA reporting units due to a weaker macroeconomic outlook of the specific markets in the respective regions. The impairment charges are classified in the Impairment of intangible assets line item in the Consolidated Statement of Operations.

NOTE 12: OTHER CURRENT LIABILITIES

The components of other current liabilities are as follows:

	MARCH 31,	
USD in thousands	**2018**	2017
Warranty settlement liability	$ 14’389	$ 6’687
Deferred income	24’159	36’073
Others	22’304	23’782
Total other current liabilities	**$ 60’852**	**$ 66’542**

NOTE 13: LOANS PAYABLE

The components of the loans payable are as follows:

USD in thousands	**March 31, 2018**		March 31, 2017	
	Balance	**Weighted average interest rate**	Balance	Weighted average interest rate
Credit facility	$ 130’000	2.6%	$ –	na
Other borrowings from banks	12’327	7.9%	12’890	9.3%
Loans payable	**$ 142’327**		**$ 12’890**	

Credit Facility

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

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

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

There may be a maximum of ten simultaneously outstanding loans with a minimum amount of USD 10 million each, or its approximate equivalent in other currencies. As of March 31, 2018, the Company has drawn one loan for a total amount of USD 130 million.

As of March 31, 2018, the credit facility’s unused portion was USD 110 million.

In general, borrowings under the revolving credit facility bear interest at a rate based on the London Interbank Offered Rate (LIBOR) in the case of borrowings in Swiss Franc, U.S. Dollar or British Pound, or on the Euro Interbank Offered Rate (EURIBOR) in case of borrowings in Euro, plus a margin ranging from 0.6% to 1.30% depending on the Net Senior Debt/EBITDA ratio calculated every half-year at March 31 and September 30.

The Company incurs a quarterly commitment fee equal to 35% of the applicable margin of the unused portion of the revolving credit facility, as well as an annual agency fee in the amount of USD 40 thousand. In addition, the Company paid USD 840 thousand as an arrangement fee which was capitalized and recognized within Other long-term assets in the Company's Consolidated Balance Sheet. The Company is amortizing the arrangement fee over the facility's term.

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

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

UBS Credit Facility
On June 1, 2017, Landis+Gyr AG entered into an agreement (the "UBS Credit Facility Agreement") for a USD 215.0 million unsecured term loan provided by UBS Switzerland AG (the "UBS Credit Facility") for the repayment of the then existing Shareholder Loan from Toshiba Corporation (See below Note 14 Shareholder Loans).

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

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

NOTE 14: SHAREHOLDER LOANS

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

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

NOTE 15: OTHER LONG-TERM LIABILITIES

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

	MARCH 31,	
USD in thousands	**2018**	2017
Warranty settlement liability	$ 23'142	$ 34'885
Deferred income	36'358	25'021
Others	28'603	23'551
Total other long-term liabilities	**$ 88'103**	**$ 83'457**

NOTE 16: 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, 2018 and 2017 are USD 38.4 million and nil, respectively.

For the fiscal year ended March 31, 2018 and 2017, the Company recognized losses from changes in the fair value of forward foreign exchange contracts of USD 0.2 million and nil, 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, 2018, were USD 80 thousand, recorded within other current liabilities, and USD 83 thousand, recorded within other non-current liabilities.

There were no outstanding derivative financial instruments included in the Consolidated Balance Sheet as of March 31, 2017.

NOTE 17: 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, 2018, for each of the fair value hierarchy levels, the following assets and liabilities were measured at fair value on a recurring basis:

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

There were no assets and liabilities that were measured at fair value on a recurring basis at March 31, 2017.

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, 2018 and 2017, 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 approximate carrying value due to their short maturities.

NOTE 18: 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, 2018, and using that as the measurement date.

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

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

	FISCAL YEAR ENDED MARCH 31,	
USD in thousands	**2018**	2017
Change in benefit obligation:		
Benefit obligation at April 1,	$ 288'485	$ 311'876
Service cost	7'052	7'272
Interest cost	3'237	2'968
Employee contributions	3'580	3'076
Benefits paid	(1'347)	(513)
Assets distributed on settlements	(17'130)	(10'227)
Actuarial (gains)/losses	(8'312)	(13'369)
Curtailments	(34)	(7)
Termination benefits (a)	1'189	57
Liabilities extinguished on settlements	(169)	(35)
Plan amendments	–	(10'202)
Others	–	10'060
Effect of changes in exchange rates	15'378	(12'471)
Benefit obligation at March 31,	**$ 291'929**	**$ 288'485**

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

	FISCAL YEAR ENDED MARCH 31,	
USD in thousands	**2018**	2017
Change in plan assets:		
Fair value of plan assets at April 1,	$ 234'286	$ 221'804
Actual return on plan assets	12'647	10'823
Employer contributions	6'104	7'570
Employee contributions	3'580	3'076
Benefits paid	(17'130)	(10'227)
Others	–	10'060
Effect of changes in exchange rates	10'859	(8'820)
Fair value of plan assets at March 31,	**$ 250'346**	**$ 234'286**
Funded status at March 31,	**$ (41'583)**	**$ (54'199)**
Accumulated benefit obligation	**$ 287'164**	**$ 283'032**

The financial statements for the fiscal year ended March 31, 2017 included an offsetting movement in the defined benefit obligation and fair value of plan assets of USD 10.1 million relating to out-of-period adjustments of a pension plan that was not captured in prior years. This adjustment is reflected in the "Others" caption in the change in benefit obligation and plan assets in the tables above. Management has evaluated the USD 0.5 million Consolidated Statements of Operations impact of these out-of-period adjustments to the financial statements ended March 31, 2017 and concluded they were not material to the previously reported annual financial statements.

As of March 31, 2018, the net benefit obligation for the Company´s underfunded plans is equal to USD 44.4 million. The net plan assets for the overfunded plans for the same period is equal to USD 2.8 million. As of March 31, 2017, the net benefit obligation for the Company´s underfunded plans was equal to USD 54.6 million. The net plan assets for the overfunded plans for the same period was equal to USD 1 million.

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

	FISCAL YEAR ENDED MARCH 31,	
USD in thousands	**2018**	2017
Service cost	$ 7’052	$ 7’272
Interest cost	3’237	2’968
Termination benefits	1’189	57
Expected return on plan assets	(7’407)	(6’653)
Amortization of prior service costs	(1’027)	(239)
Amortization of actuarial loss (gain)	383	2’529
Settlements and curtailments	(176)	(31)
Net periodic benefit cost	**$ 3’251**	**$ 5’903**

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

	FISCAL YEAR ENDED MARCH 31,	
USD in thousands	**2018**	2017
Net actuarial loss (gain)	$ (13’649)	$ (17’550)
Amortization of actuarial (loss) gain	(383)	(2’529)
Prior service cost	–	(10’202)
Amortization of prior service cost	1’027	239
Total change recognized in OCI	**$ (13’005)**	**$ (30’042)**

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	**2018**	2017
Actuarial loss	$ 24’642	$ 38’674
Prior service cost	(8’631)	(9’658)
Deferred tax liability (assets)	(1’931)	(2’300)
Effect of changes in exchange rates	230	229
Total	**$ 14’310**	**$ 26’945**

The actuarial loss and the prior service cost expected to be recognized as components of the net periodic benefit cost over the fiscal year ending March 31, 2019 are USD 0.2 million cost and USD 1.0 million benefit, respectively. The Company expects to make contributions of USD 5.6 million to the defined benefit pension plans during the fiscal year ending March 31, 2019.

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

	March 31, 2018	March 31, 2017
Weighted average assumptions to determine benefit obligations:		
Discount rate (a)	1.18%	1.12%
Expected rate of increase in future compensation (b)	1.18%	1.16%
Expected rate of increase in future pension benefits (c)	0.11%	0.09%
Weighted average assumptions to determine benefit obligations:		
Discount rate (a)	1.12%	0.97%
Expected long-term rate of return on plan assets (d)	3.11%	3.04%

a) 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.
b) The Company determined the expected rate of increase in future compensation levels based on expectation of expected inflation rates and merit-based increases.
c) 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.
d) 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 our defined benefit pension plans by USD 21.1 million while a 0.5-percentage point increase in the discount rate would have decreased the PBO related to our defined benefit pension plans by USD 18.7 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 2017 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, 2018	March 31, 2017
Equity Instruments	24%	34%
Debt Instruments	43%	40%
Property	16%	16%
Other	17%	10%

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 fiscal year ending March 31, 2019 targeted allocations are equities (29 percent), debt securities (46 percent), real estate (18 percent) and others (7 percent).

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

Fiscal Year ending March 31, (USD in thousands)	
2019	$14'624
2020	14'453
2021	14'776
2022	14'105
2023	14'096
2024-2029	81'558

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, 2018 and at March 31, 2017:

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

Fair Value Measurements March 31, 2017 (USD in thousands)	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	–	–	–	–
Equity instruments	80'195	61'627	18'568	–
Debt instruments	93'738	79'022	14'716	–
Real estate	37'177	–	560	36'617
Other	23'176	13'376	9'800	–
Total	**$ 234'286**	**$ 154'025**	**$ 43'644**	**$ 36'617**

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

Debt and equity instruments

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

Real estate

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

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

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

	FISCAL YEAR ENDED MARCH 31,	
USD in thousands	**2018**	2017
Balance at April 1,	$ 36’617	$ 37’905
Actual return on plan assets	923	404
Effect of changes in exchange rates	1’956	(1’692)
Balance at March 31,	**$ 39’496**	**$ 36’617**

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, 2018 and March 31, 2017, the post retirement benefit plans had an obligation of USD0.4 million and USD0.5 million, respectively.

For the post retirement plan, the expected premium for fiscal year ending March 31, 2019 is assumed to be USD3’355 for retired employees (USD3’811 for spouse). The medical trend rate is assumed to increase to 5.3% for the fiscal year ending March 31, 2019 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 postretirement benefit obligation by USD8 thousand at March 31, 2018, and the aggregate of the service and interest cost components of net postretirement benefit expense by USD0 thousand for the year ended March 31, 2018. Decreasing the assumed health care cost trend rate by 1% would have decreased the accumulated postretirement benefit obligation at March 31, 2018 by $7 thousand and the aggregate of the service and interest cost components of net postretirement benefit expense by less than USD1 thousand for the year ended March 31, 2018.

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 fiscal years ended March 31, 2018 and March 31, 2017 were USD8.2 million and USD10.0 million, respectively.

NOTE 19: INCOME TAXES

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

	FISCAL YEAR ENDED MARCH 31,	
USD in thousands	**2018**	2017
Domestic (a)	$ 32'941	$ (16'094)
Foreign	16'028	(14'165)
L+G Group	**$ 48'969**	**$ (30'259)**

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

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

	FISCAL YEAR ENDED MARCH 31,	
USD in thousands	**2018**	2017
Current income taxes:		
Domestic (a)	$ (739)	(591)
Foreign	(26'294)	(58'108)
Total current taxes	$ (27'033)	(58'699)
Deferred taxes:		
Domestic (a)	$ (134)	(742)
Foreign	24'992	27'641
Total deferred taxes	24'858	26'899
Total income taxes	**$ (2'175)**	**$ (31'800)**

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

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

	FISCAL YEAR ENDED MARCH 31,	
USD in thousands	**2018**	2017
Regular statutory rate benefit (expense)	$ (3'834)	$ 2'369
Items taxed at rates other than the Company's statutory rate	(12'055)	(18'625)
Non-deductible goodwill impairment	–	(4'698)
Other permanent adjustments	2'208	6'127
Provision for uncertain tax positions	3'194	(7'888)
Tax credits	1'516	3'081
Withholding taxes	(767)	(618)
Change in valuation allowance	(11'774)	(9'951)
Adjustments to prior year	1'986	241
Effects of changes in tax rate, net	17'375	(370)
Other, net	(24)	(1'468)
Tax benefit (expense)	**$ (2'175)**	**$ (31'800)**

Deferred Taxes

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

USD in thousands	MARCH 31, 2018	2017
Deferred tax assets:		
Net operating loss carryforwards	$ 95’233	$ 117’655
Inventories	2’618	4’240
Prepaid expenses and other	167	33
Accrued liabilities	16’921	12’998
Related party interest	–	1’817
Intangible assets	9’821	9’133
Pension and other employee related liabilities	22’959	35’219
Other	21’871	25’981
Total gross deferred tax assets	**169’590**	**207’076**
Deferred tax liabilities:		
Accrued liabilities	(42)	(324)
Property, plant, and equipment	(9’762)	(27’701)
Intangible assets	(71’591)	(113’659)
Other	(12’667)	(15’478)
Total gross deferred tax liabilities	**(94’062)**	**(157’162)**
Net deferred tax assets before valuation allowance	75’528	49’914
Valuation allowance	(92’027)	(91’970)
Net deferred tax liabilities	**$ (16’499)**	**$ (42’056)**
Included in:		
Deferred tax assets- non-current	16’021	12’920
Deferred tax liabilities- non-current	(32’520)	(54’976)
Net deferred tax liabilities	**$ (16’499)**	**$ (42’056)**

As of March 31, 2018 and March 31, 2017, the Company had total tax losses carried forward in the amount of USD 303.0 million and USD 447.3 million, respectively.
The expiration of the tax losses carried forward as of March 31, 2018 is as follows:

Fiscal year ending March 31, (USD in thousands)	
2019	$ –
2020	13’031
2021	1’468
2022	689
2023	17’965
Thereafter	66’092
Never expire	203’796
Total	**$ 303’041**

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

The Company believes that it is more likely than not that the benefit from certain net operating loss carryforwards and other deferred tax assets will not be realized due to insufficient profit projections. The Company considered all available evidence, both positive and negative, including historical levels of income, expectations and risks associated with estimates of future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for a valuation allowance.

The valuation allowances are mainly provided against net deferred tax assets in Australia, Brazil, Denmark, France, India, Switzerland, 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, 2018 and March 31, 2017 are USD 0.5 million and USD 0.6 million, respectively.

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

On December 22, 2017, the U.S. Tax Cuts and Jobs Act was enacted. The U.S. tax reform introduced many changes, including lowering the U.S. corporate tax rate to 21 percent, changes in incentives, provisions to prevent U.S. base erosion and significant changes in the taxation of international income, including provisions which allow for the repatriation of foreign earnings without being subject to U.S. tax. The enactment of U.S. tax reform resulted in a provisional benefit of USD 22 million from the re-measurement of deferred tax balances as of March 31, 2017 to the new U.S. Federal tax rate. Including the impact from the re-measurement of the deferred tax balances arising from the current activity of USD 4.7 million, the provisional net benefit amounts to USD 17.3 million.

All components of the provisional benefit are based on the Company's estimates as of March 31, 2018 and have been calculated based on existing tax law and the best information available as of the date of estimate. The final impact of U.S. tax reform may differ due to factors such as changes in interpretations and assumptions that the company has made in its assessment, further refinement of the company's calculations, additional guidance that may be issued by the U.S. government, among other items. As these various factors are finalized, any change will be recorded as an adjustment to the provision for, or benefit from, income taxes in the period when the amounts are determined, not to exceed the measurement period.

Provisions for Uncertain Tax Positions

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

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

	FISCAL YEAR ENDED MARCH 31,	
USD in thousands	**2018**	2017
Balance as of April 1,	$ 27'520	$ 23'725
Gross increases to positions in prior years	4'640	983
Gross increases to current period tax positions	6'443	7'231
Audit settlements	(2'874)	(133)
Expiry of statute of limitations	(1'787)	(3'388)
Gross decreases to prior year positions	(10'162)	(504)
Effect on change in exchange rates	598	(394)
Balance as of March 31,	**$ 24'378**	**$ 27'520**

As of March 31, 2018 and March 31, 2017, accrued interest and penalties were USD 6.5 million and USD 6.1 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, 2018, 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, 2012–March 31, 2018
Switzerland	April 1, 2017–March 31, 2018
U.S. Federal	January 1, 2008–December 31, 2009 January 1, 2012–March 31, 2012 April 1, 2014–March 31, 2018
Germany	January 1, 2010 –March 31, 2018
Greece	April 1, 2012 –March 31, 2018
United Kingdom	April 1, 2016 –March 31, 2018
Brazil	January 1, 2013–March 31, 2018

NOTE 20: COMMITMENTS & CONTINGENCIES

Commitments

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

	FISCAL YEAR ENDED MARCH 31,	
USD in thousands	2018	2017
Machinery and equipment	$ 5’277	$ 4’812
Less: accumulated amortization	(4’335)	(3’930)
Carrying amount	**$ 942**	**$ 882**

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

The Company is also party to several noncancelable operating leases, primarily for office space and company vehicles, that expire over the next five years. These leases generally contain renewal options for periods ranging from one to five years.

Minimum rent payments under operating leases are recognized on a straight-line basis over the term of the lease including any periods of free rent. Rental expense for operating leases for the fiscal years ended March 31, 2018 and March 31, 2017 was USD 24.5 million and USD 23.3 million, respectively.

Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) and future minimum capital lease payments as of March 31, 2018 are:

Fiscal year ending March 31, (USD in thousands)	Capital Leases	Operating Leases
2019	$ 476	$ 15’942
2020	391	15’718
2021	187	13’984
2022	76	9’749
2023	–	2’777
Thereafter	–	5’887
Total minimum lease payments	**$ 1’130**	**$ 64’057**
Less estimated executory costs	(96)	
Net minimum lease payments	1’034	
Less amount representing interest	(108)	
Present value of net minimum capital lease payments	926	
Less current installments of obligation under capital leases	(370)	
Obligations under capital leases, excluding current installments	**$ 556**	

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

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

Maximum potential payments (USD in million)	March 31, 2018
Performance guarantees obtained from third parties	$ 62.1
Financial guarantees issued in connection with financing activities	350.7
Financial guarantees issued in connection with lease agreements	1.3
Total	**$ 414.1**

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, 2018, the Company had total outstanding performance bonds and bank guarantees of USD 62.1 million. In the event any such bank guarantee or performance bond is called, the Company would be obligated to reimburse the issuer of the guarantee or bond; however, the Company has no reason to expect that any outstanding guarantee or bond will be called.

In addition, the Company has entered into guarantees that provide financial assurances to certain third parties related to the outstanding lines of credit or to leasing arrangements, predominantly for office leases. The total amount was USD 352.0 million as of March 31, 2018.

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 speci-fied 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. Our policy is to assess the likelihood of any adverse judgments or outcomes related to legal matters, as well as ranges of probable losses. A determination of the amount of the liability required, if any, for these contingencies is made after an analysis of each known issue. A liability is recognized and charged to operating expense when we determine that a loss is probable and the amount can be reasonably estimated.

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

On October 5, 2015, the Romanian Competition Council ("RCC") launched an ex officio investigation against Landis+Gyr together with several of its competitors on the alleged infringement of certain provisions of Romanian competition law in connection with auctions on the market of electricity meters and connected equipment. In response we immediately engaged external experts to conduct an extensive internal forensic investigation that did not reveal any violation of competition law. Additionally, Landis+Gyr provided the Council evidence demonstrating that it had not engaged in any of the alleged anti-competitive conduct. Landis+Gyr is not materially active in the Romanian metering market nor was it materially active during the period under investigation. On January 4, 2018, the Plenum of the Competition Council issued its preliminary decision against Landis+Gyr and five other companies and imposed a fine of RON 27.4 million (or USD 7.1 million, converted at the exchange rate as of March 31, 2018). The full written decision was received on April 30, 2018. As a result, Landis+Gyr now intends to vigorously defend itself and intends to use all avenues of appeal available.

On July 14, 2016, we entered into a confidential settlement agreement with Transdata Incorporated (Transdata) under which Transdata agreed to dismiss with prejudice all pending litigation in various Capital Operating United States District Courts against us and certain of our customers. As a part of the settlement, we received a patent license from Transdata for the use of the patents in future meter production and sales.

In October 2016, Landis+Gyr Inc. (formerly known as Landis+Gyr Metering Inc.), a Company's subsidiary incorporated in the United States of America, filed a lawsuit against Zurich American Insurance Company (f/k/a Zurich Insurance), in the U.S. District Court, Northern District of Indiana. We believe that Zurich acted in bad faith and wrongfully denied coverage of a long-standing environmental liability claim for an Indiana facility. We are seeking to recover costs incurred for investigation and remediation. The lead primary liability insurer claims it has no record of this claim even though the Company believes it was notified many years ago and coverage was wrongfully denied. The case is in the pre-trial stage.

On January 16, 2017, we entered into a confidential settlement with an European utility under which the utility agreed to dismiss all claims it had asserted under a confidential arbitration proceeding.

The arbitration related to product warranty claims arising in connection with an industry-wide component issue, which affected products purchased by an European utility between 2007 and 2010.

On July 24, 2017, we entered into a confidential settlement agreement with Atlas IP, Inc. (Atlas) under which Atlas agreed to dismiss with prejudice all pending litigation against any of our customers. As a part of the settlement, we received a patent license from Atlas for the use of all Atlas patents for Landis+Gyr products and services, covering Landis+Gyr and all of our customers.

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 we believe that we have made adequate provision such that the ultimate disposition of the proceedings will not materially affect our business or financial condition.

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

Indemnification

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

Warranty

A summary of the warranty accrual account activity is as follows:

	FISCAL YEAR ENDED MARCH 31,	
USD in thousands	**2018**	**2017**
Beginning balance, April 1	$ 51'734	$ 91'643
New product warranties	48'034	48'661
Other changes/adjustments to warranties	(8'856)	(53'767)
Claims activity	(21'516)	(30'099)
Effect of changes in exchange rates	4'031	(4'704)
Ending balance, March 31,	**73'427**	**51'734**
Less: current portion of warranty	(47'870)	(43'780)
Long-term warranty	$ 25'557	$ 7'954

New product warranties for the fiscal year ended March 31, 2018 primarily consist of an increase in the provision related to a legacy component issue in the Americas segment. For the fiscal year ended March 31, 2017, new product warranties primarily consist of an increase in the provision related to a legacy component issue in the Americas segment and warranty related cases in the EMEA segment. Other changes/adjustments to warranties reflects amounts included in warranty provision and other warranty-like accrued liabilities as a result of releases or other adjustments resulting from settlement of claims for which accruals had previously been recorded. In particular, the figure for the year ended March 31, 2017 reflects the reclassification of accruals for the X2 matter from warranty provision to other current liabilities and other long-term liabilities following a settlement in connection with the X2 matter.

NOTE 21: 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 unfavourable economic conditions.

During the fiscal year ended March 31, 2018, 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 fiscal year ended March 31, 2018 initiatives represent approximately USD 14.7 million in severance related costs. Some of the severance payments were completed during the fiscal year ended March 31, 2018 and the remaining payments are expected to be completed during the fiscal year ending March 31, 2019.

A summary of the Company's restructuring activity, including costs incurred during the fiscal years ended March 31, 2018 and March 31, 2017 is as follows:

	FISCAL YEAR ENDED MARCH 31,	
USD in thousands	**2018**	2017
Beginning balance, April 1,	$ 2'460	$ 2'478
Restructuring charges	14'662	3'795
Adjustments	129	–
Cash payments	(9'275)	(3'692)
Effect of changes in exchanges rates	484	(121)
Balance as of March 31,	**$ 8'460**	**$ 2'460**

The outstanding balance at March 31, 2018 and at March 31, 2017, respectively, is included under accrued liabilities in the Consolidated Balance Sheets.

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

	FISCAL YEAR ENDED MARCH 31,	
USD in thousands	**2018**	2017
Cost of revenue	$ 7'029	$ 1'821
Research and development	1'438	308
Sales and marketing	1'143	454
General and administrative	5'052	1'212
Total	**$ 14'662**	**$ 3'795**

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, 2018	Total Costs incurred in the Fiscal Year ended March 31, 2018
Americas	$ 6’598	$ 565
EMEA	28’077	13’632
Asia Pacific	9’727	(48)
Corporate	1’772	513
Restructuring Charges	**$ 46’174**	**$ 14’662**

The cumulative costs incurred up to March 31, 2018 represent the Companies ongoing restructuring efforts under various programs from FY 2011 to FY 2017. The expected future costs for the restructuring programs are USD 7.7 million spread over the next four years and are limited to EMEA.

NOTE 22: ASSET RETIREMENT OBLIGATIONS

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

	FISCAL YEAR ENDED MARCH 31,	
USD in thousands	2018	2017
Beginning balance, April 1	2’499	2’643
Additional obligations incurred	17	14
Obligations Settled in current period	–	(142)
Changes in estimates, including timing	–	(11)
Accretion expense	139	126
Effect of changes in exchange rates	147	(131)
Obligation balances, March 31,	**$ 2’802**	**$ 2’499**

NOTE 23: RELATED PARTY TRANSACTIONS

Transactions with the former Shareholders

In the fiscal year ended March 31, 2018, Landis+Gyr and Toshiba were related parties until the mentioned IPO became effective. During the period between April 1, 2017 through July 21, 2017 sales to and purchases from Toshiba affiliated entities were USD 35.6 million and USD 0.3 million, respectively. In the fiscal year ended March 31, 2017 sales to and purchases from Toshiba affiliated entities were USD 116.8 million and USD 1.8 million, respectively.

As of March 31, 2017 receivables due from and payables due to Toshiba affiliated entities were USD 5.6 million and USD 0.7 million, respectively.

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

As noted in Note 14: Shareholder Loans, on June 8, 2017, the Company repaid the shareholder loan which was received from Toshiba upon the acquisition in 2011.

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. The Company's Board of Directors has determined that the Company's business relationships with those companies do not constitute material business relationships.

NOTE 24: CONCENTRATIONS

The Company generates a 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 fiscal years ended March 31, 2018 and 2017. The majority of the revenue is derived from the sale of energy meters.

Approximately 46% of the Company's workforce is subject to collective bargaining agreements expiring between 2018 and 2028. Approximately 18% of the Company's workforce is subject to collective bargaining agreements expiring within one year.

NOTE 25: SEGMENT INFORMATION

As noted in Note 10: Goodwill, in the fourth quarter of the year ending March 31, 2017, there was an organization shift that resulted in the retrospective realignment from one segment into the following operating segments:

Americas

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

EMEA

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

Asia Pacific

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

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.

Effective April 1, 2017, the Company changed one of the primary measures of segment performance from Gross Profit to Adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA) to align with the above noted organizational shift. We define Adjusted EBITDA as operating income (loss) excluding depreciation and amortization, impairment of intangible assets, restructuring charges, exceptional warranty related expenses, warranty normalization adjustments and special items. As result of this change, the Company has two primary measures for evaluating segment performance: revenue to third parties (excluding any inter-company sales) and the mentioned adjusted EBITDA.

	FISCAL YEAR ENDED MARCH 31,	
USD in thousands	**2018**	2017
Net revenues		
Americas	$ 975’031	$ 934’404
thereof to external customers	972’198	931’190
thereof to other segments	2’833	3’214
EMEA	694’662	645’879
thereof to external customers	627’177	587’836
thereof to other segments	67’486	58’043
Asia Pacific	143’047	144’474
thereof to external customers	138’439	140’209
thereof to other segments	4’608	4’266
Elimination	(74’927)	(65’523)
Total Company	**$ 1’737’814**	**$ 1’659’235**
Adjusted EBITDA		
Americas	$ 199’429	$ 195’035
EMEA	(8’834)	932
Asia Pacific	(9’610)	(2’662)
Corporate unallocated	31’045	18’794
Total Company	**212’030**	**212’099**
Restructuring charges[1]	(14’662)	(3’795)
Exceptional warranty related expenses[2]	(2’360)	(6’378)
Warranty normalization adjustments[3]	(24’250)	(25’172)
Special items[4]	(25’644)	(25’833)
Depreciation	(47’528)	(46’899)
Amortization of intangible assets	(49’818)	(49’275)
Impairment of intangible assets	–	(60’000)
Interest income	877	512
Interest expense	(6’966)	(11’185)
Income (loss) on foreign exchange, net	7’290	(14’333)
Income (loss) before income tax expense	**$ 48’969**	**$ (30’259)**

1 Restructuring charges are summarized in note 21 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 diverge from three-year average of actual warranty costs incurred (in cash or the value of other compensation paid out to customers) in respect of warranty and warranty-like claims.
4 Special items represent costs incurred, or income earned, related to non-recurring events, certain settlements of litigation and other miscellaneous items. Special items for the fiscal year ended March 31, 2018 included, among others, USD 24.2 million costs incurred in connection with the IPO and USD 1.5 million other miscellaneous items. Special items for the fiscal year ended March 31, 2017 included, among others, the settlement amount (including legal costs) for a patent case of USD 15.6 million, costs incurred for strategic activities that did not materialize of USD 6.0 million and expenses for an accreditation in Asia Pacific for a new business venture of USD 3.7 million.

The following table presents segment depreciation and amortization and capital expenditures for the fiscal years ended March 31, 2018 and 2017:

	DEPRECIATION AND AMORTIZATION		CAPITAL EXPENDITURE	
	FISCAL YEAR ENDED MARCH 31,		FISCAL YEAR ENDED MARCH 31,	
USD in thousands	**2018**	2017	**2018**	2017
Americas	$ 62’491	$ 63’796	$ 16’408	$ 18’966
EMEA	21’999	19’914	18’593	19’710
Asia Pacific	5’854	5’328	2’162	3’674
Corporate	7’002	7’136	814	475
Total	**$ 97’346**	**$ 96’174**	**$ 37’977**	**$ 42’825**

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 fiscal years ended March 31, 2018 and 2017:

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

Fiscal Year ended March 31, 2017 (USD in thousands)	**Total**	**Americas**	**EMEA**	**Asia Pacific**
Total revenue	**$ 1’659’235**	**$ 931’190**	**$ 587’836**	**$ –**
thereof United States	809’160	809’160	–	–
thereof United Kingdom	179’516	–	179’516	–
thereof Switzerland	63’471	–	63’471	–
thereof Australia	73’640	–	–	73’640

The following tables represent the property, plant and equipment as of March 31, 2018 and 2017:

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

March 31, 2017 (USD in thousands)	Total	Americas	EMEA	Asia Pacific
Property, plant and equipment	**$ 188’832**	**$ 126’608**	**$ 49’995**	**$ 12’229**
thereof United States	117’942	117’942	–	–
thereof United Kingdom	23’385	–	23’385	–
thereof Switzerland	1’900	–	1’900	–
thereof Australia	4’267	–	–	4’267

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 26: SUBSEQUENT EVENTS

The Company evaluated subsequent events and transactions that occurred after the balance sheet date through June 4, 2018, which is the date that the consolidated financial statements were available to be issued.

On May 24, 2018, the Company entered into an agreement with Pacific Equity Partners (PEP) to form a joint venture, which will undertake the acquisition of Acumen Metering Pty Ltd from Origin Energy Holdings Pty Limited (OEH) and Origin Energy Retail Limited (OERL), Australia (Origin). Landis+Gyr will own approximately 20% of the joint venture. The joint venture will be known as intelliHUB Holdings Pty Ltd. The joint venture has entered into a merger agreement with Origin to acquire 100% of the Acumen business. The Company will be contributing both cash and its intelliHUB business with a combined equity value of up to AUD 75 million (USD 57.6 million at exchanges rates prevailing at year-end) into the joint venture. The acquisition is scheduled to close in the coming few months.

Statutory Financial Statements of Landis+Gyr Group AG

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Report of the statutory auditor

to the General Meeting of Landis+Gyr Group AG

Zug

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Landis+Gyr Group AG, which comprise the balance sheet, income statement and notes (pages 81 to 87), for the year ended 31 March 2018.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

Opinion

In our opinion, the financial statements for the year ended 31 March 2018 comply with Swiss law and the company's articles of incorporation.

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

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

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

Key audit matter	*How our audit addressed the key audit matter*
At 31 March 2018, 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 significant area due to the size of the carrying value (100% of total assets) and judgement involved in determining the enterprise value used to support the recoverability of these assets. Refer to Note 3.2 *Investments* and Note 3.3 *Long-term Loans Receivable* of the financial statements.	We assessed whether the combined carrying value of the investment in and loan receivable from subsidiary is recoverable as of 31 March 2018 by performing the following procedures: • We compared the market capitalization of the Company at 31 March 2018 to the combined carrying value of the investment in and long-term loan receivable from subsidiary. • We assessed the reasonableness of the enterprise value of the Company by evaluating the key assumptions used by management in estimating the future cash flows of its reporting units, including projections of future business performance and profitability, terminal growth rates and discount rates, and by assessing the appropriateness of the model used. • We compared the enterprise value of the Company to the combined carrying value of the investment in and long-term loan receivable from subsidiary company. On the basis of work performed, we determined the principles used by management to support the carrying value of the investments in and long-term loan receivable to be reasonable.

Report on other legal requirements

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

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

We further confirm that the proposed appropriation of 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, 4 June 2018

Balance Sheet

CHF	Notes	March 31, 2018	March 31, 2017
ASSETS			
Current assets			
Short-term loans receivable from subsidiary companies		–	215'763'250
Accrued interest income from subsidiary companies		–	3'808'624
Total current assets		**–**	**219'571'874**
NON-CURRENT ASSETS			
Long-term loans receivable from subsidiary companies		352'821'956	369'677'350
Investments	5	1'067'205'088	1'067'205'088
Total non-current assets		**1'420'027'044**	**1'436'882'438**
TOTAL ASSETS		**1'420'027'044**	**1'656'454'312**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade creditors subsidiary companies		12'495'328	7'136'630
Current interest bearing liabilities to shareholders		–	217'081'506
Current interest bearing liabilities to subsidiary companies		–	7'726'062
Accrued liabilities		33'806	39'063
Total current liabilities		**12'529'134**	**231'983'261**
Non-current liabilities			
Provision for unrealized FX gain		54'459'980	72'886'057
Total non current liabilities		**54'459'980**	**72'886'057**
Total liabilities		**66'989'114**	**304'869'318**
SHAREHOLDERS' EQUITY			
Share capital		295'100'000	295'100'000
Statutory capital reserves	6	1'064'500'869	1'064'500'869
Statutory retained earnings		2'952'483	2'952'483
Accumulated deficit		(9'515'422)	(10'968'358)
Accumulated deficit brought forward		(10'968'358)	(18'130'483)
Profit for the year		1'452'936	7'162'125
Total shareholders' equity		**1'353'037'930**	**1'351'584'994**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1'420'027'044**	**1'656'454'312**

See notes to the statutory financial statements.

Income Statement

	FISCAL YEAR ENDED MARCH 31,	
CHF	**2018**	2017
Operating expenses	(12’503’421)	(7’045’963)
OPERATING LOSS	**(12’503’421)**	**(7’045’963)**
Financial income	16’084’940	23’893’348
Financial expense	(2’088’542)	(9’650’428)
PROFIT BEFORE TAXES	**1’492’977**	**7’196’957**
Direct taxes	(40’041)	(34’832)
PROFIT FOR THE YEAR	**1’452’936**	**7’162’125**

See notes to the statutory financial statements.

Notes to the Statutory Financial Statements

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

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

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

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

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

With the exception of investments and equity which are translated at historical rates, all other assets and liabilities are translated into Swiss Francs using the year-end closing rate, whereas income and expenses are translated using the average exchange rate. Foreign currency exchange losses arising from translation are shown as currency translation differences under financial expense. Foreign currency exchange gains arising from translation are deferred on the balance sheet. A foreign exchange translation gain of CHF 54.5 million (prior year: CHF 72.9 million) has been deferred on the balance sheet.

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

3.3 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 does not have any employees in the years ended March 31, 2018 and 2017.

NOTE 5: INVESTMENTS

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

COMPANY	NOMINAL CAPITAL	OWNERSHIP & VOTING RIGHTS MARCH 31,	
		2018	2017
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,	
		2018	2017
Landis+Gyr Investments LLC, Lafayette USA	USD 20	100%	100%
Bayard Metering (UK) Unlimited, Peterborough, United Kingdom	GBP 6'986'360	100%	100%

NOTE 6: STATUTORY CAPITAL RESERVES

The statutory capital reserves from additional paid-in capital are shown as a separate item in the balance sheet. They resulted from a contribution in kind of shares in Landis+Gyr AG, Zug and a loan from Landis+Gyr AG, Zug. The amount has been approved by the tax authorities.

NOTE 7: CONTINGENT LIABILITIES

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

NOTE 8: SHARE CAPITAL

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

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

Registered ordinary shares carry one vote per share, as well as the right to dividends. No dividends have been declared in the current period. There are 29'510'000 (PY: 295'100'000) registered shares outstanding with a nominal value of CHF 10 (prior year: CHF 1) each.

The share capital of the Company may be increased by up to CHF 4'500'000 by issuing up to 450'000 fully paid up registered shares with a nominal value of CHF 10 each, upon the exercise of option rights or in connection with similar rights regarding shares granted to officers and employees at all levels of the Company and its group companies according to respective regulations and resolutions of the Board of Directors.

NOTE 9: 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 333 million and nil as of March 31, 2018 and 2017, respectively.

The exchange rate used to convert the maximum liability amounts into CHF is USD 0.95 (prior year: 1.00).

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 10: SHAREHOLDINGS OF BOARD AND EXECUTIVE MANAGEMENT

At March 31, 2018 and 2017, the members of the Board and the Executive Management held the following number of shares:

NAME	FUNCTION	NUMBER OF SHARES HELD AT MARCH 31,	
		2018	2017
Executive Management			
Richard Mora	Chief Executive Officer	41'641	–
Jonathan Elmer	Chief Financial Officer	9'030	–
Roger Amhof	Chief Strategy Officer	6'425	–
Ellie Doyle	Head of Asia Pacific	3'774	–
Oliver Iltisberger	Head of EMEA	9'143	–
Prasanna Venkatesan	Head of Americas	21'372	–
Board of Directors			
Andreas Umbach	Chairman of the Board	66'501	–
Eric Elzvik	Lead Independent Director	2'564	–
Dave Geary	Independent Member	–	–
Pierre-Alain Graf	Independent Member	385	–
Andreas Spreiter	Independent Member	6'410	–
Christina Stercken	Independent Member	650	–

NOTE 11: SIGNIFICANT SHAREHOLDERS

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

Name	Number of Shares	Holding %
Rudolf Maag	3’000’000	10.17%
Franklin Resources Inc	1’852’813	6.19%
KIRKBI AG	1’513’717	5.13%

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

Proposed Appropriation of the Accumulated Deficit and Statutory Capital Reserves

PROPOSED APPROPRIATION OF THE ACCUMULATED DEFICIT

	FISCAL YEAR ENDED MARCH 31,	
CHF	2018	2017
Balance carried forward from previous year	(10'968'358)	(18'130'483)
Profit for the year	1'452'936	7'162'125
Accumulated deficit	**(9'515'422)**	**(10'968'358)**

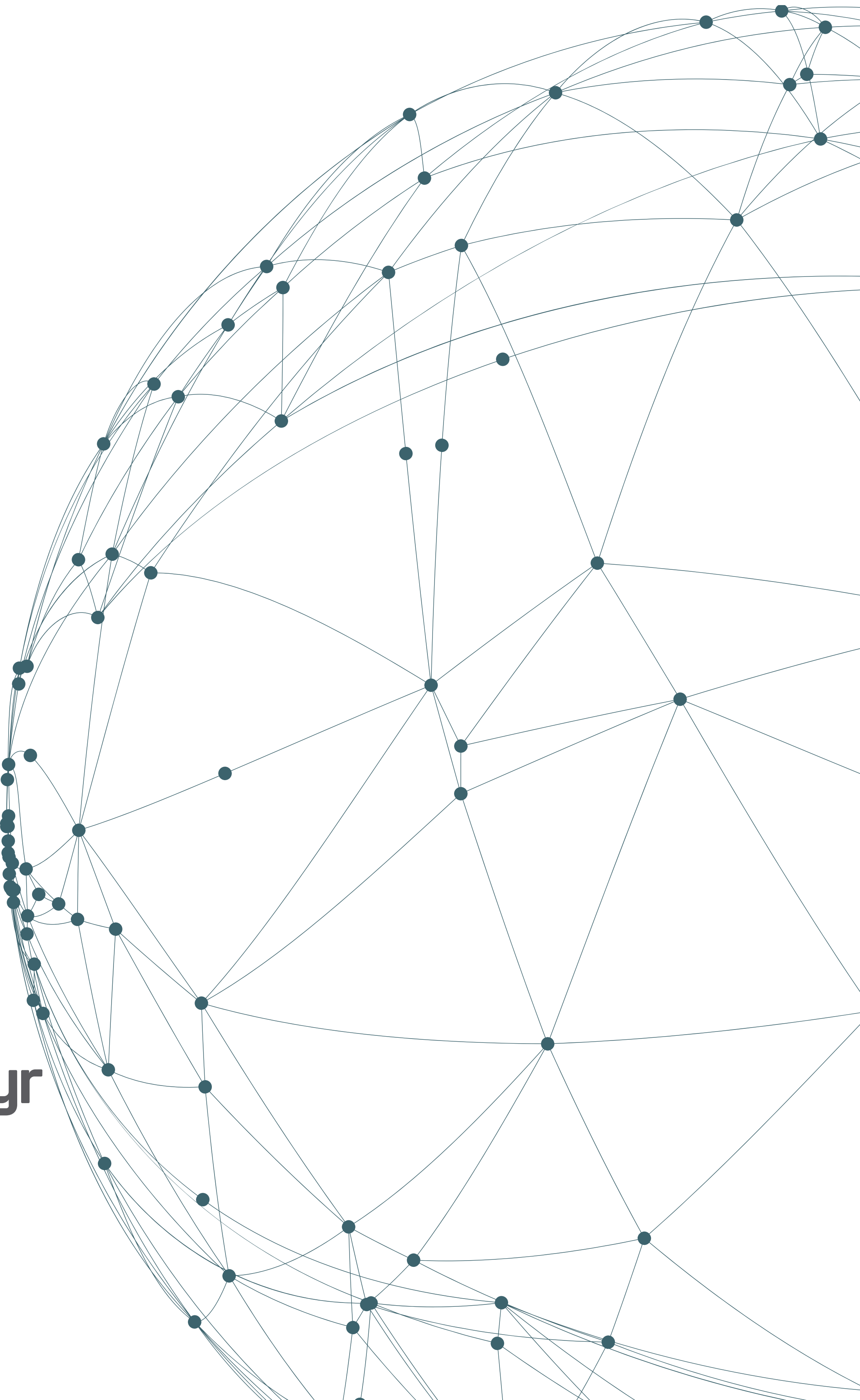
The Board of Directors proposes to the Annual General Meeting to carry forward accumulated losses of CHF (9.5) million.

PROPOSED APPROPRIATION OF STATUTORY CAPITAL RESERVES

	FISCAL YEAR ENDED MARCH 31,	
CHF	2018	2017
Statutory capital reserves as at March 31	1'064'500'869	1'064'500'869
Proposed dividend payment of CHF 2.30 per share on 29'510'000 shares out of statutory capital reserves	(67'873'000)	–
Statutory capital reserves carried forward	**996'627'869**	**1'064'500'869**

Provided that the proposal of the Board of Directors is approved by the Annual General Meeting, the dividend will amount to CHF 2.30 per share. There is no withholding tax required to be paid. The last trading day with entitlement to receive the dividend is June 29, 2018. The shares will be traded ex-dividend as of July 2, 2018. The dividend will be payable as from July 4, 2018.

Notes



Landis+Gyr

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