

Extracts from the Financial Report 2018

Consolidated Statements of Operations (unaudited)

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

Consolidated Balance Sheets (unaudited)

USD in thousands, except share data	March 31, 2019	March 31, 2018
ASSETS		
Current assets		
Cash and cash equivalents	73'381	101'763
Restricted cash	–	5'000
Accounts receivable, net of allowance for doubtful accounts of USD 9.9 million and USD 6.2 million	367'943	315'788
Inventories, net	133'659	121'398
Prepaid expenses and other current assets	54'798	45'363
Total current assets	629'781	589'312
Property, plant and equipment, net	142'058	164'400
Intangible assets, net	332'030	381'674
Goodwill	1'354'094	1'361'591
Deferred tax assets	15'821	16'021
Other long-term assets	78'156	37'683
TOTAL ASSETS	2'551'940	2'550'681
LIABILITIES AND EQUITY		
Current liabilities		
Trade accounts payable	220'314	150'168
Accrued liabilities	31'232	40'015
Warranty provision	34'257	47'870
Payroll and benefits payable	66'842	65'210
Loans payable	90'661	142'327
Other current liabilities	81'438	69'655
Total current liabilities	524'744	515'245
Warranty provision – non current	10'920	25'557
Pension and other employee liabilities	48'382	55'743
Deferred tax liabilities	37'347	32'520
Tax provision	29'172	25'492
Other long-term liabilities	68'000	88'103
Total liabilities	718'565	742'660
Shareholders' equity		
Landis+Gyr Group AG shareholders' equity		
Registered ordinary shares (29'510'000 issued shares at March 31, 2019 and 2018, respectively)	309'050	309'050
Additional paid-in capital	1'408'122	1'475'421
Retained earnings	177'966	55'721
Accumulated other comprehensive loss	(52'145)	(35'554)
Treasury shares, at cost (199'214 and nil shares at March 31, 2019 and March 31, 2018, respectively)	(12'332)	–
Total Landis+Gyr Group AG shareholders' equity	1'830'661	1'804'638
Noncontrolling interests	2'714	3'383
Total shareholders' equity	1'833'375	1'808'021
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2'551'940	2'550'681

Consolidated Statements of Cash Flows (unaudited)

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

Supplemental Reconciliation and Definitions (unaudited)

Adjusted EBITDA

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

USD in millions, unless otherwise indicated	L+G GROUP AG		AMERICAS		EMEA		ASIA PACIFIC		CORPORATE AND ELIMINATIONS	
	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017
Operating income	158.3	44.0	148.8	102.8	1.0	(41.9)	(4.0)	(15.7)	12.5	(1.2)
Amortization of intangible assets	48.7	49.8	33.0	33.5	7.3	7.4	1.6	2.1	6.8	6.8
Depreciation	44.1	47.5	25.1	29.0	15.1	14.6	3.3	3.7	0.6	0.2
EBITDA	251.1	141.3	206.9	165.3	23.4	(19.9)	0.9	(9.9)	19.9	5.8
Restructuring charges	4.8	14.7	2.1	0.6	1.0	13.6	0.6	–	1.1	0.5
Exceptional warranty related expenses	1.1	2.4	–	–	(1.0)	2.2	–	–	2.1	0.2
Normalized warranty related expenses	(16.1)	24.2	(15.3)	32.8	(0.7)	(7.9)	–	(0.6)	(0.1)	(0.1)
Timing difference on FX Derivatives	(3.0)	–	–	–	(3.0)	–	–	–	–	–
Special items	–	25.6	–	–	–	–	–	0.9	–	24.7
Adjusted EBITDA	237.9	208.2	193.7	198.7	19.7	(12.0)	1.5	(9.6)	23.0	31.1
Adjusted EBITDA margin (%)	13.5%	12.0%	19.6%	20.4%	3.1%	(1.9%)	1.0%	(6.9%)		

Adjusted Gross Profit

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

USD in millions, unless otherwise indicated	L+G GROUP AG		AMERICAS		EMEA		ASIA PACIFIC		CORPORATE AND ELIMINATIONS	
	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017
Gross Profit	576.3	510.1	380.4	345.8	171.6	135.0	26.7	25.6	(2.4)	3.7
Amortization of intangible assets	13.8	14.1	5.4	5.6	7.0	7.0	1.4	1.5	–	–
Depreciation	36.4	39.5	21.5	25.1	13.3	12.6	1.7	1.8	(0.1)	–
Restructuring charges	0.8	7.0	0.9	–	(0.3)	7.0	0.2	–	–	–
Exceptional warranty related expenses	1.1	2.4	–	–	(1.0)	2.2	–	–	2.1	0.2
Normalized warranty related expenses	(16.1)	24.2	(15.4)	32.7	(0.7)	(7.9)	–	(0.6)	–	–
Timing difference on FX Derivatives	(3.0)	–	–	–	(3.0)	–	–	–	–	–
Adjusted Gross Profit	609.3	597.3	392.8	409.2	186.9	155.9	30.0	28.3	(0.4)	3.9
Adjusted Gross Profit margin (%)	34.5%	34.4%	39.8%	42.1%	29.5%	24.9%	20.4%	20.4%		

Adjusted Operating Expenses

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

USD in millions, unless otherwise indicated	FY 2018	FY 2017
Research and development	156.8	163.8
Depreciation	(4.0)	(4.4)
Restructuring charges	(0.9)	(1.4)
Adjusted Research and Development	151.9	158.0
Sales and Marketing	95.4	104.9
General and administrative	130.9	161.6
Depreciation	(3.7)	(3.6)
Restructuring charges	(3.1)	(6.2)
Special items	–	(25.6)
Adjusted Sales and Marketing, General and Administrative	219.5	231.1
Adjusted Operating Expenses	371.4	389.1