Half Year Report 2020

Landis+Gyr
manage energy better

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Letter to Shareholders

Dear Landis+Gyr Shareholders,

We truly live in unprecedented times, facing challenges both personally and professionally. The pandemic has impacted businesses around the world and people across the globe are adjusting to a new normal. We are not exempt from these challenges and cautioned about a potentially material impact of COVID-19 on the Company when announcing our full year FY 2019 results in May 2020. Our results for the first half of FY 2020 reflect the current challenging economic environment, impacted primarily by the COVID-19 crisis, further delaying regulatory project approval processes in the Americas region and temporarily suspending installations in other key markets, such as the UK. Nevertheless, we continue to generate positive cashflow, further strengthening an already solid balance sheet. Furthermore, as a global leader in an essential industry, we are proud to provide critical infrastructure to utilities around the world, helping our customers, energy consumers and entire communities to manage energy in a more informed and sustainable way.

Over the past few months, our employees have demonstrated an incredible amount of resilience and dedication to ensure we continue to meet customer expectations and take care of each other, with health, safety and wellbeing of our employees, customers and partners being the top priority in these extraordinary times. On behalf of the Board of Directors and the leadership team, we thank them for their unwavering commitment and tireless effort. We remain laser-focused on meeting our customers' requirements and, even though some of our factories have been subject to lockdowns, all are currently operational again. We have not seen a significant impact on our supply chain and implemented social distancing and holistic hygiene measures in all facilities according to local regulations.

In addition, we have undertaken strict cost control measures throughout the organization, namely the restructuring and streamlining initiative, announced in August, which is targeted at reducing the workforce by 12% globally as well as driving efficiencies throughout the organization. Furthermore, we have established a strong leadership team, which is highly committed to driving strategic and operational results. In addition, we continue to maintain key portfolio investments and have redesigned our R&D function to improve speed to market and customer intimacy by empowering the regions while centrally leading technology strategy, software platforms and tools. Driving innovation in our strategic focus areas of smart metering, grid edge intelligence and smart infrastructure will continue to enable us to help utilities solve the challenges they face globally and allow us to win in an increasingly competitive market environment. Thus, we are well positioned for the future, having all fundamentals in place.

Half Year FY 2020 Financial Results

As expected, due to the impact of COVID-19 during the first half of FY 2020, and various government measures implemented in connection therewith, net revenue in the first half of FY 2020 fell 27.1% year-over-year in constant currency to USD 623.5 million. The Americas region delivered lower net revenue year-over-year, down 29.2% in constant currency, due to headwinds related to COVID-19, further delays in regulatory project approvals and recent project roll-offs not replaced by new business as well as slower tendering activities. Net revenue in the EMEA region was down by 30.4% in constant currency compared to the prior year. Temporary installation suspensions due to COVID-19, particularly in the UK, drove the region's decline in financial performance. Asia Pacific sales were down 2.2% year-over-year in constant currency, as growth in Hong Kong partially offset COVID-19 related declines in Australia and India.

Order intake in the first half FY 2020 was USD 456.9 million, equal to a book-to-bill ratio of 0.73 and a decrease of 43.7% year-over-year in constant currency. Committed backlog was down 17.2% year-over-year at USD 2,080.7 million with all three regions reporting decreases.

First half FY 2020 Adjusted EBITDA was USD 50.1 million and the Adjusted EBITDA margin decreased to 8.0% from 14.5% in the prior year period. Adjusted EBITDA declined due to lower gross profit given the reduced volumes in the Americas and EMEA with a partial offset from lower operating expenses. Adjusted Operating Expenses reduced by USD 32.2 million compared to the previous year. The reduction is attributable to cost control measures, lower variable compensation and COVID-19 impacts.

Net loss for the first half FY 2020 was USD 2.0 million (loss per share of USD 0.07), compared to net income of USD 71.8 million (earnings per share of USD 2.45) in the first half FY 2019.

Free Cash Flow (excl. M&A) increased by 36.9% to USD 45.3 million in the first half FY 2020. We reported a net cash position of USD 12.1 million compared to net debt of USD 99.4 million at the end of the first half FY 2019. Additionally, we established additional revolving credit facilities of CHF 200 million during the first half of FY 2020, which remain undrawn.

Global Restructuring & Streamlining Initiative (Project Hermes)

Our global restructuring and streamlining initiative, announced in August 2020 and aimed at increasing efficiencies and optimizing our cost structure, is proceeding according to plan. The initiative targets a reduction of approximately 12% of employees globally, representing around 700 employees across all levels and regions of Landis+Gyr.

Project Hermes is expected to result in annual run-rate savings of approximately USD 30 million from FY 2021 onwards. Of this, about USD 14 million relate to manufacturing and supply chain personnel, which will help to offset the lower revenue and support our gross profit margins. The remaining USD 16 million relate to Operating Expenses, both R+D and SG&A. That said, we see the need to increase investments in some key areas of our portfolio. Additionally, in the first half FY 2020, we benefited from some one-off effects in our costs, mainly due to COVID, as we took advantage of government schemes and much reduced travel expenses.

In this context, the Group Executive Management has taken a 10% reduction in base salary for six months, and the members of the Board of Directors have likewise taken a 10% reduction in their base and committee fees for six months.

Distribution to Shareholders for FY2019

After announcing to defer the decision in respect of the FY 2019 dividend in May 2020, the Board of Directors will propose a distribution of CHF 2.00 per share to an Extraordinary General Meeting on November 24th, 2020. If approved, the distribution will be paid out of capital contribution reserves and will be exempt from Swiss withholding tax. The payout corresponds to approximately 50% of the Free Cash Flow (excl. M&A) generated in FY 2019 and a dividend yield of around 4.0% based on the share price at the end of September 2020. Compared to the payout in the previous year, the proposal corresponds to a reduction of around 37%. In view of the solid financial situation of your Company, and also taking into account the current difficult market situation and the ongoing restructuring, the Board of Directors believes that this represents a balanced proposal for all stakeholders.

FY 2020 Update

In May 2020, we stated that the FY 2020 net revenue impact from the COVID-19 crisis could have a potentially material impact as we were unable to estimate said impact on the business; as a result we refrained from providing guidance for FY 2020 at that time.

We continuously monitor the impact of COVID-19 on our customers and our global operations and have contingency plans in place to mitigate risks. Nevertheless, many uncertainties remain, both due to COVID-19 as well as the general business environment in key markets, such as North America, the UK, France, the Netherlands, Switzerland, Germany, Australia, India, Brazil and other countries representing a significant part of our revenue.

Accordingly, at this stage, we can only give an approximate indication of the outlook for revenue and margins for FY 2020. We expect net revenue to be between USD 1.3 billion and USD 1.4 billion for FY 2020 with higher margins in the second half year compared to first half FY 2020, given improved operational leverage.

Finally, we are proud of our longstanding history and we remain committed to continuously delivering leading-edge innovation to customers, expanding strong partnerships, driving profitable growth and thus, actively contributing to sustainable global development. On behalf of all of us at Landis+Gyr, we thank you, our shareholders, for your continued support and ownership in Landis+Gyr and we are excited to pursue our joint mission to *manage energy better*.

Yours sincerely,

Andreas Umbach
Chairman

Werner Lieberherr
Chief Executive Officer

Key Figures

(in million USD, unless otherwise indicated)	Six months ended September 30, 2020	2019	CHANGE USD	Constant Currency
Order Intake	456.9	818.9	(44.2%)	(43.7%)
Committed Backlog	2,080.7	2,514.1	(17.2%)	(17.9%)
Net revenue	623.5	862.8	(27.7%)	(27.1%)
Reported EBITDA	31.8	128.2	(75.2%)	
Adjusted EBITDA	50.1	124.9	(59.9%)	
Adjusted EBITDA as % of net revenue	8.0%	14.5%	–	
Operating (loss) Income	(9.9)	84.9	–	
Net (loss) income attributable to Landis+Gyr Group AG Shareholders	(2.0)	71.8	–	
Earnings per share – basic (USD)	(0.07)	2.45	–	
Earnings per share – diluted (USD)	(0.07)	2.45	–	
Free Cash Flow excluding M&A [1]	45.3	33.1	36.9%	
Cash provided by operating and investing activities	45.9	33.1	38.7%	
Net Cash (Debt)	12.1	(99.4)	–	

1 Net cash provided by operating activities, minus net cash used in investing activities, excluding merger & acquisition activities.

COMMITTED BACKLOG				
Americas	1,333.1	1,634.8	(18.5%)	(17.1%)
EMEA	663.2	790.2	(16.1%)	(20.7%)
Asia Pacific	84.3	89.0	(5.3%)	(6.7%)
Total	**2,080.7**	**2,514.1**	**(17.2%)**	**(17.9%)**

NET REVENUE TO EXTERNAL CUSTOMERS				
Americas	332.6	476.0	(30.1%)	(29.2%)
EMEA	213.9	306.3	(30.2%)	(30.4%)
Asia Pacific	77.0	80.5	(4.3%)	(2.2%)
Total	**623.5**	**862.8**	**(27.7%)**	**(27.1%)**

ADJUSTED EBITDA			
Americas	40.7	92.1	(55.8%)
EMEA	(4.3)	23.4	–
Asia Pacific	5.7	4.9	16.3%
Corporate unallocated	8.0	4.5	–
Total	**50.1**	**124.9**	**(59.9%)**

ADJUSTED EBITDA % OF NET REVENUE TO EXTERNAL CUSTOMERS		
Americas	12.2%	19.3%
EMEA	(2.0%)	7.6%
Asia Pacific	7.4%	6.1%
Group	**8.0%**	**14.5%**

Interim Consolidated Financial Statements (unaudited)

Interim Consolidated Statements of Operations (unaudited)

USD in thousands, except per share data and number of shares	SIX MONTHS ENDED SEPTEMBER 30, 2020	2019
Net revenue	**623,487**	**862,755**
Cost of revenue	459,437	579,974
Gross profit	**164,050**	**282,781**
Operating expenses		
Research and development	74,939	76,833
Sales and marketing	33,356	42,086
General and administrative	48,488	61,759
Amortization of intangible assets	17,146	17,235
Operating (loss) income	**(9,879)**	**84,868**
Other income (expense)		
Interest income	251	5,053
Interest expense	(3,664)	(3,570)
Non-operational pension credit	992	2,289
Gain on sale of investments	596	–
Loss on foreign exchange, net	(1,070)	(624)
(Loss) Income before income tax expense	**(12,774)**	**88,016**
Income tax benefit (expense)	13,777	(13,184)
Net income before noncontrolling interests and equity method investments	**1,003**	**74,832**
Net loss from equity investments	(3,271)	(3,051)
Net (loss) income before noncontrolling interests	**(2,268)**	**71,781**
Net loss attributable to noncontrolling interests, net of tax	(230)	(21)
Net (loss) income attributable to Landis+Gyr Group AG Shareholders	**(2,038)**	**71,802**
Earnings per share:		
Basic	(0.07)	2.45
Diluted	(0.07)	2.45
Weighted average number of shares used in computing earnings per share:		
Basic	28,822,364	29,292,228
Diluted	28,822,364	29,358,894

The accompanying notes are an integral part of these Interim Consolidated Financial Statements.

Interim Consolidated Statements of Comprehensive Income (unaudited)

	SIX MONTHS ENDED SEPTEMBER 30,	
USD in thousands	**2020**	2019
Net (loss) income before noncontrolling interests	**(2,268)**	**71,781**
Other comprehensive (loss) income:		
Foreign currency translation adjustments, net of income tax expense	11,679	(7,167)
Pension plan benefits liability adjustments, net of income tax expense	(1,016)	(21,533)
Comprehensive income	**8,395**	**43,081**
Net loss attributable to noncontrolling interests, net of tax	230	21
Foreign currency translation adjustments attributable to the noncontrolling interests	(76)	82
Comprehensive income attributable to Landis+Gyr Group AG Shareholders	**8,549**	**43,184**

The accompanying notes are an integral part of these Interim Consolidated Financial Statements.

Interim Consolidated Balance Sheets (unaudited)

USD in thousands, except share data	September 30, 2020	March 31, 2020
ASSETS		
Current assets		
Cash and cash equivalents	368,926	319,379
Accounts receivable, net of allowance for doubtful accounts of USD 6.9 million and USD 9.7 million	235,698	335,761
Inventories, net	148,992	147,456
Prepaid expenses and other current assets	87,539	59,695
Total current assets	**841,155**	**862,291**
Property, plant and equipment, net	118,661	117,532
Intangible assets, net	266,042	288,279
Goodwill	1,354,094	1,354,094
Deferred tax assets	19,372	17,017
Other long-term assets	183,183	145,059
TOTAL ASSETS	**2,782,507**	**2,784,272**
LIABILITIES AND EQUITY		
Current liabilities		
Trade accounts payable	104,564	175,859
Accrued liabilities	40,540	28,357
Warranty provision – current	37,124	31,628
Payroll and benefits payable	39,896	55,542
Loans payable	357,029	352,171
Operating lease liabilities – current	15,878	13,212
Other current liabilities	93,131	84,569
Total current liabilities	**688,162**	**741,338**
Warranty provision – noncurrent	24,623	30,352
Pension and other employee liabilities	46,173	46,054
Deferred tax liabilities	28,194	25,034
Tax provision	22,660	20,598
Operating lease liabilities – noncurrent	99,762	59,482
Other long-term liabilities	67,024	63,769
Total liabilities	**976,598**	**986,627**
Commitments and contingencies – Note 12		
Shareholders' equity		
Landis+Gyr Group AG shareholders' equity Registered ordinary shares (29,251,249 and 29,251,249 issued shares at September 30, 2020, and March 31, 2020, respectively)	306,341	306,341
Additional paid-in capital	1,303,454	1,303,799
Retained earnings	287,355	289,393
Accumulated other comprehensive loss	(58,338)	(68,925)
Treasury shares, at cost (427,825 and 431,205 shares at September 30, 2020, and March 31, 2020, respectively)	(34,124)	(34,338)
Total Landis+Gyr Group AG shareholders' equity	**1,804,688**	**1,796,270**
Noncontrolling interests	1,221	1,375
Total shareholders' equity	**1,805,909**	**1,797,645**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,782,507**	**2,784,272**

The accompanying notes are an integral part of these Interim Consolidated Financial Statements.

Interim Consolidated Statements of Changes in Shareholders Equity (unaudited)

USD in thousands except for shares	Registered ordinary shares		Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Treasury shares	Total Landis+Gyr Group AG equity	Noncontrolling interests	Total shareholders' equity
Balance at March 31, 2019	**29,510,000**	**309,050**	**1,408,122**	**177,966**	**(52,145)**	**(12,332)**	**1,830,661**	**2,714**	**1,833,375**
Net income (loss)	–	–	–	71,802	–	–	71,802	(21)	71,781
Foreign currency translation adjustments, net of income tax expense	–	–	–	–	(7,085)	–	(7,085)	(82)	(7,167)
Pension plan benefits liability adjustments, net of income tax expense	–	–	–	–	(21,533)	–	(21,533)	–	(21,533)
Dividends paid (CHF 3.15 per share)			(93,968)				(93,968)	–	(93,968)
Dividends paid to noncontrolling interest	–	–	–	–	–	–	–	(459)	(459)
Share based compensation			1,416				1,416	–	1,416
Purchase of treasury shares						(20,478)	(20,478)	–	(20,478)
Delivery of shares	–	–	(216)	–	–	216	–	–	–
Retirement of shares	(258,751)	(2,709)	(11,514)	(2,321)	–	16,544	–	–	–
Balance at September 30, 2019	**29,251,249**	**306,341**	**1,303,840**	**247,447**	**(80,763)**	**(16,050)**	**1,760,815**	**2,152**	**1,762,967**
Balance at March 31, 2020	**29,251,249**	**306,341**	**1,303,799**	**289,393**	**(68,925)**	**(34,338)**	**1,796,270**	**1,375**	**1,797,645**
Net (loss)	–	–	–	(2,038)	–	–	(2,038)	(230)	(2,268)
Foreign currency translation adjustments, net of income tax expense	–	–	–	–	11,603	–	11,603	76	11,679
Pension plan benefits liability adjustments, net of income tax expense	–	–	–	–	(1,016)	–	(1,016)	–	(1,016)
Share based compensation	–	–	(131)	–	–	–	(131)	–	(131)
Delivery of shares	–	–	(214)	–	–	214	–	–	–
Balance at September 30, 2020	**29,251,249**	**306,341**	**1,303,454**	**287,355**	**(58,338)**	**(34,124)**	**1,804,688**	**1,221**	**1,805,909**

The accompanying notes are an integral part of these Interim Consolidated Financial Statements.

Interim Consolidated Statements of Cash Flows (unaudited)

USD in thousands	SIX MONTHS ENDED SEPTEMBER 30, 2020	2019
Cash flow from operating activities		
Net (loss) income	(2,268)	71,781
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:		
Depreciation and amortization	41,684	43,333
Net loss from equity investments	3,271	3,051
Share-based compensation	(131)	1,416
Gain on sale of investments	(596)	–
Loss on disposal of property, plant and equipment	89	248
Effect of foreign currencies translation on non-operating items, net	1,775	(308)
Change in allowance for doubtful accounts	(2,756)	(649)
Deferred income tax	2,262	(2,715)
Change in operating assets and liabilities, net of effect of businesses acquired and effect of changes in exchange rates:		
Accounts receivable	115,357	16,761
Inventories	(2,071)	(26,910)
Trade accounts payable	(81,196)	(15,352)
Other assets and liabilities	(18,856)	(44,948)
Net cash provided by operating activities	**56,564**	**45,708**
Cash flow from investing activities		
Payments for property, plant and equipment	(11,290)	(12,681)
Payments for intangible assets	(16)	–
Proceeds from the sale of property, plant and equipment	61	85
Proceeds from the sale of investments	596	–
Net cash used in investing activities	**(10,649)**	**(12,596)**
Cash flow from financing activities		
Proceeds from third party facility	2,664	176,438
Repayment of borrowings to third party facility	(2,862)	(130,929)
Debt issuance cost	(2,523)	–
Dividends paid to noncontrolling interest	–	(459)
Dividends paid	–	(93,968)
Purchase of treasury shares	–	(20,478)
Net cash used in financing activities	**(2,721)**	**(69,396)**
Net increase (decrease) in cash and cash equivalents	**43,194**	**(36,284)**
Cash and cash equivalents at beginning of period, including restricted cash	319,379	73,381
Effects of foreign exchange rate changes on cash and cash equivalents	6,353	(1,174)
Cash and cash equivalents at end of period, including restricted cash	**368,926**	**35,923**
Supplemental cash flow information		
Cash paid for income tax	8,916	16,664
Cash paid for interest	3,034	2,920

The accompanying notes are an integral part of these Interim Consolidated Financial Statements.

Notes to Interim Consolidated Financial Statements (unaudited)

Note 1: General Information and Basis of Presentation

1.1 General Information
Landis+Gyr Group AG ("Landis+Gyr"), and subsidiaries (together, the "Company") form a leading global provider of energy metering products and solutions to utilities.

The Company's registered ordinary shares are listed on the SIX Swiss Exchange (Securities number: 37115349; ISIN: CH0371153492; Ticker symbol: LAND).

The following notes relate to the Interim Consolidated Financial Statements of Landis+Gyr for each of the six months ended September 30, 2020 and September 30, 2019.

The Interim Consolidated Financial Statements have not been audited by the auditors. They were approved for publication by the Board of Directors on October 27, 2020.

1.2 Basis of Presentation
The unaudited Interim Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles in the Unites States of America ("US GAAP") for interim financial information and accordingly do not include all information and disclosures as required by US GAAP for complete financial statements. Therefore, such financial information should be read in conjunction with the audited Consolidated Financial Statements for the fiscal year ended March 31, 2020.

In the opinion of management, these unaudited Interim Consolidated Financial Statements reflect all adjustments necessary to fairly state the Consolidated Balance Sheets, Statements of Operations, Statements of Comprehensive Income, Cash Flows and Changes in Shareholders' Equity for the interim periods presented. Management considers all such adjustments to be of a normal recurring nature.

All amounts are presented in United States dollars ("$" or "USD"), unless otherwise stated.

Use of estimates
The preparation of Consolidated Financial Statements in accordance with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the Interim Consolidated Financial Statements and accompanying notes. The full extent to which the COVID-19 pandemic will directly or indirectly impact our business, results of operations and financial condition, will depend on future developments that are highly uncertain, including as a result of new information that may emerge concerning COVID-19 and the actions taken to contain it or treat COVID-19, as well as the economic impact on local, regional, national and international customers and markets. We have made estimates of the impact of COVID-19 within our financial statements and there may be changes to those estimates in future periods. Actual results could differ materially from these estimates. If the estimates and assumptions used by management to the best of its knowledge at the date of the financial statements happen to differ from subsequent actual facts, the original estimates and assumptions will be adjusted in the reporting period in which the facts have changed.

1.3 Recent Accounting Pronouncements

New accounting pronouncements

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, amending the accounting for the impairment of financial instruments, including trade receivables. The new guidance requires the use of a "current expected credit loss" model for most financial assets. Under the new model, an entity recognizes as an allowance its estimate of expected credit losses, rather than the current methodology requiring delay of recognition of credit losses until it is probable a loss has been incurred. In November 2018, the FASB issued ASU 2018-19 – Codification Improvements to Topic 326, Financial Instruments – Credit Losses to clarify, improve, and correct various aspects of ASU 2016-13. In May 2019, the FASB issued ASU 2019-05 – Financial Instruments – Credit Losses (Topic 326): Targeted Transition Relief, to simplify transition requirements. In November 2019, the FASB issued ASU 2019-11 – Codification Improvements to Topic 326, Financial Instruments – Credit Losses to clarify, improve, and correct various aspects of ASU 2016-13. The effective date and transition requirements in ASU 2018-19, ASU 2019-05 and ASU 2019-11 are the same as the effective date and transition requirements of ASU 2016-13. In November 2019, the FASB issued ASU 2019-10, – Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates, deferring the effective dates for certain major updates. As a result, 2016-13 is effective for the Company for annual and interim periods beginning on April 1, 2023, with early adoption in any interim period permitted. The requirements of the amended guidance should be applied using a modified retrospective approach except for debt securities, which require a prospective transition approach. The Company currently intends to adopt the new standard as of April 1, 2023 and is currently in the process of evaluating the effect that the amendments will have on its Consolidated Financial Statements and related disclosures.

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

Recently Adopted Accounting Pronouncements

In August 2018, the FASB issued ASU 2018-13, Changes to the Disclosure Requirements for Fair Value Measurement, which eliminates the requirements to disclose the amount of and reasons for transfers between Level 1 and 2 of the fair value hierarchy, the timing of transfers between levels and the Level 3 valuation process, while expanding the Level 3 disclosures to include the range and weighted average used to develop significant unobservable inputs and the changes in unrealized gains and losses on recurring fair value measurements. The changes and modifications to the Level 3 disclosures are to be applied prospectively, while all other amendments are to be applied retrospectively. The Company adopted ASU 2018-13 on April 1, 2020. This update modified the Company's disclosures but did not have a material effect on its consolidated financial position, results of operations, or cash flows.

In August 2018, the FASB issued ASU 2018-14, Changes to the Disclosure Requirements for Defined Benefit Plans, which removes certain disclosures relating to (i) amounts expected to be recognized in net periodic benefit cost over the next twelve months, (ii) plan assets expected to be returned to the Company, (iii) a one-percentage-point change in assumed health care costs, and (iv) related parties, including insurance and annuity contracts. It clarifies the disclosure requirements for both the projected and accumulated benefit obligations, as well as requiring additional disclosures for cash balance plans and explanations for significant gains and losses related to changes in the benefit obligations. The Company adopted ASU 2018-14 on April 1, 2020 on a retrospective basis. This update modified the Company's disclosures but did not have a material effect on its consolidated financial position, results of operations, or cash flows.

Note 2: Shareholders' Equity

At September 30, 2020 and March 31, 2020, the capital structure reflected 29,251,249 issued registered ordinary shares with restricted transferability. The restricted transferability is related to the fact that the Board of Directors can reject a shareholder not disclosing the beneficial owner.

Registered ordinary shares carry one vote per share, as well as the right to dividends.

Conditional share capital
The share capital of the Company may be increased by up to CHF 4,500,000 by issuing up to 450,000 fully paid up registered shares with a nominal value of CHF 10 each, upon the exercise of option rights or in connection with similar rights regarding shares granted to officers and employees at all levels of the Company and its group companies according to respective regulations and resolutions of the Board of Directors. This conditional share capital has been approved and is available for use. As of September 30, 2020, and March 31, 2020 no shares were issued from this conditional share capital.

Furthermore, the share capital of the Company may be increased by up to CHF 28,908,940 by the issuance of up to 2,890,894 fully paid up registered shares with a nominal value of CHF 10 each, upon the exercise or mandatory exercise of conversion, exchange, option, warrant or similar rights for the subscription of shares granted to shareholders or third parties alone or in connection with bonds, notes, loans, options, warrants or other securities or contractual obligations of the Company or any of its subsidiaries. This conditional share capital has been approved by the Annual General Meeting of Shareholders on June 30, 2020 and is available for use. As of September 30, 2020, no shares were issued from this conditional share capital.

Authorized share capital
The Board of Directors is authorized to increase the share capital at any time until June 30, 2022 by a maximum amount of CHF 28,908,940 by issuing a maximum of 2,890,894 fully paid-in registered shares with a nominal value of CHF 10 each. Increases in partial amounts are permissible. As of September 30, 2020, no shares were issued from this authorized share capital.

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

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

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

The changes in Treasury shares during the six-month periods ended September 30, 2020 and September 30, 2019 were as follows:

MOVEMENT IN TREASURY SHARES

	SIX MONTHS ENDED SEPTEMBER 30,			
	2020	**2020**	2019	2019
	Number of shares	**Average acquisition price per share (in CHF)**	Number of shares	Average acquisition price per share (in CHF)
Treasury shares – opening balance as of April 1	431,205	78.35	198,674	62.05
Purchases for share Buyback program	–	–	274,824	73.74
Other purchases	–	–	2,342	81.41
Delivery of shares	(3,380)	62.33	(3,488)	61.71
Retirement of shares	–	–	(258,751)	64.15
Treasury shares – closing balance as of September 30	**427,825**	**78.48**	**213,601**	**74.76**

Share Capital reduction

At the Annual General Meeting of Shareholders on June 30, 2020, shareholders approved the proposal of the Board of Directors to reduce the share capital of the Company by cancelling 342,305 treasury shares which were acquired under the Buyback program. This cancellation was completed in October 2020.

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

Dividend

As a precautionary measure to reflect current uncertainties related to the financial impact from the COVID-19 pandemic, no dividends were declared during the six-month period ended September 30, 2020.

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

Accumulated Other Comprehensive Income (Loss)

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

USD in thousands	SEPTEMBER 30, 2020	2019
Foreign currency translation adjustments, net of tax	(35,932)	(42,693)
Pension plan benefits liability adjustments, net of taxes of USD 4,541 and USD 3,556 as of September 30, 2020 and September 30, 2019, respectively	(22,406)	(38,070)
Accumulated other comprehensive income (loss)	**(58,338)**	**(80,763)**

The following tables present the reclassification adjustments in AOCL by component:

USD in thousands	Defined benefit pension items	Foreign currency items	Total
Beginning balance, April 1, 2020	**(21,390)**	**(47,535)**	**(68,925)**
Other comprehensive income (loss) before reclassifications	(932)	11,603	10,671
Amounts reclassified from accumulated other comprehensive income	(84)	–	(84)
Net current-period other comprehensive income (loss)	(1,016)	11,603	10,587
Ending balance, September 30, 2020	**(22,406)**	**(35,932)**	**(58,338)**

USD in thousands	Defined benefit pension items	Foreign currency items	Total
Beginning balance, April 1, 2019	**(16,537)**	**(35,608)**	**(52,145)**
Other comprehensive income (loss) before reclassifications	(21,222)	(7,085)	(28,307)
Amounts reclassified from accumulated other comprehensive income	(311)	–	(311)
Net current-period other comprehensive income (loss)	(21,533)	(7,085)	(28,618)
Ending balance, September 30, 2019	**(38,070)**	**(42,693)**	**(80,763)**

The pension plan benefits liability adjustment, net of taxes, in the AOCL changed by USD (1.0) million and USD (21.5) million in the six-month periods ended September 30, 2020 and September 30, 2019, respectively. These changes represent the movement of the current year activity including the reclassified amounts from accumulated other comprehensive income to net income:

USD in thousands	SIX MONTHS ENDED SEPTEMBER 30, 2020	2019
Amortization of actuarial loss / (gain)	456	208
Amortization of prior service cost	(540)	(519)
Amounts reclassified from other comprehensive income to net income [1]	**(84)**	**(311)**
Net actuarial (loss) / gain	(1,484)	(22,086)
Total before tax	**(1,772)**	**(22,397)**
Tax (expense) or benefit	756	864
Total other comprehensive income (loss) from defined benefit pension plans (net of tax) for the six month period ended September 30,	**(1,016)**	**(21,533)**

1 These accumulated other comprehensive income components are included in the computation of net periodic pension costs (see Note 10: Pension and Post-Retirement Benefit Plans for additional details).

Note 3: Earnings per share

Basic earnings per share is calculated by dividing net income by the weighted average number of shares outstanding during the period.

Diluted earnings per share is calculated by dividing net income by the weighted average number of shares outstanding during the period, assuming that all potentially dilutive securities were exercised, if dilutive. Potentially dilutive securities comprise shares granted subject to certain conditions under the Company's share-based payment arrangements.

Treasury shares are not considered outstanding for share count purposes and they were excluded from the average number of ordinary shares outstanding for the purpose of calculating the basic and diluted net income per share.

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

	SIX MONTHS ENDED SEPTEMBER 30,	
USD in thousands, except per share data	**2020**	2019
Basic earnings per share		
Net (loss) income attributable to Landis+Gyr Group AG Shareholders	(2,038)	71,802
Weighted-average number of shares used in computing earnings per share	**28,822,364**	**29,292,228**
Basic earnings per share attributable to Landis+Gyr Group AG shareholders	**(0.07)**	**2.45**
Diluted earnings per share		
Net (loss) income attributable to Landis+Gyr Group AG Shareholders	(2,038)	71,802
Weighted-average number of shares used in computing earnings per share	28,822,364	29,292,228
Effect of dilutive securities	–	66,666
Adjusted weighted-average number of shares outstanding	**28,822,364**	**29,358,894**
Diluted earnings per share attributable to Landis+Gyr Group AG shareholders	**(0.07)**	**2.45**

For the six months ended September 30, 2020 there were 309,444 potentially dilutive securities from the Company's share-based long-term incentive plans, of which none were included in the computation of the adjusted weighted-average number of shares outstanding as the effect would be anti-dilutive due to the net loss per share. They could be dilutive in future periods.

For the six months ended September 30, 2019 there were 223,582 potentially dilutive securities from the Company's share-based long-term incentive plans, of which 66,666 were included in the computation of the adjusted weighted-average number of shares outstanding as they were actually dilutive.

Note 4: Revenue

The following table provides information about contract liabilities with customers:

USD in thousands	September 30, 2020	March 31, 2020
Advances from customers	4,631	6,766
Deferred revenue	57,262	58,020
Contract liabilities	**61,893**	**64,786**

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

Of the contract liabilities as of March 31, 2020, the Company recognized revenue of USD 12.4 million during the six-month period ended September 30, 2020.

Contract liabilities are included within Other current liabilities and Other non-current liabilities in the Interim Consolidated Balance Sheets.

Transaction price allocated to the remaining performance obligations
Total transaction price allocated to remaining performance obligations represent committed but undelivered products and services for contracts and purchase orders at period end. Twelve-month remaining performance obligations represent the portion of total transaction price allocated to remaining performance obligations that we estimate will be recognized as revenue over the next 12 months. Total transaction price allocated to remaining performance obligations is not a complete measure of the Company's future revenues as we also receive orders where the customer may have legal termination rights but it is not likely that the customer would exercise such rights.

Total transaction price allocated to remaining performance obligations related to contracts is approximately USD 470.4 million for the next twelve months and approximately USD 1,610.3 million for periods longer than 12 months. The total remaining performance obligations is comprised of product and services components. The services component relates primarily to maintenance agreements for which customers pay a full year's maintenance in advance, and services revenue is generally recognized over the service period. Total transaction price allocated to remaining performance obligations also includes the Company's extended warranty contracts, for which revenue is recognized over the warranty period, and hardware, which is recognized as units are delivered. The estimate of when remaining performance obligations will be recognized requires significant judgment.

Disaggregation of revenue
Refer to Note 15 – Segment Information for disclosure regarding the disaggregation of revenue into categories which depict how revenues are affected by economic factors. Specifically, the Company's operating segments are disclosed.

Note 5: Sale of investments

On May 31, 2018, the Company entered into an agreement with Pacific Equity Partners ("PEP"), an Australian private equity firm, to establish IntelliHUB Holdings Pty Ltd (the "Joint Venture"). Under the agreement, the Company contributed its wholly owned subsidiary IntelliHUB Operations Pty Ltd ("IntelliHUB").

As part of the IntelliHUB contribution, the Company may be entitled to receive additional contingent consideration from the Joint Venture if specified future events occur or conditions are met, such as the achievement of certain commercial milestones until June 30, 2023. During the half-year end period ended September 30, 2020, the Company received additional cash consideration from the Joint Venture in the amount of USD 596 thousands, which is included within Gain on sale of investments in the Interim Consolidated Statement of Operations. No additional cash consideration was received during the half-year ended September 30, 2019.

Note 6: Investments in affiliated companies

The Company owns a 20.3% equity interest in Spark Holdco Pty Ltd ("Spark"). Spark, together with its subsidiaries, provides energy data management services in Australia. As of September 30, 2020, and March 31, 2020, Spark's carrying amount was USD 27.7 million and USD 26.3 million, respectively. The Company included this amount within Other long-term assets on the Interim Consolidated Balance Sheets.

The Company has elected to record its share of earnings from Spark on a three-month lag. For the six months ended September 30, 2020, the Company's share of loss from Spark was USD 3.3 million, representing the Company's share of investee's annual operations through June 30, 2020. For the six months ended September 30, 2019, the Company's share of loss from Spark was USD 3.0 million, representing the Company's share of the investee's annual operations through June 30, 2019. The Company included these amounts within Net loss from equity investments in the Interim Consolidated Statements of Operations. The difference between the total change in the investment's carrying amount and the Company's share of loss represents the effect from the change in exchange rates and the Company's share of the investee's other comprehensive income.

Note 7: Loans payable

The components of the loans payable are as follows:

USD in thousands	September 30, 2020		March 31, 2020	
	Balance	Weighted average interest rate	Balance	Weighted average interest rate
Multicurrency Credit Facility	240,000	1.6%	240,000	1.6%
CHF Credit Facility	108,536	0.6%	103,528	0.6%
Other borrowings from banks	8,493	7.0%	8,643	7.5%
Loans payable	**357,029**		**352,171**	

At September 30, 2020, the Company had in place two credit facility agreements ("Credit Facility"), provided by a bank syndicate led by UBS Switzerland AG, to be used for general corporate purposes: (a) a USD 240 million credit facility (the "Multicurrency Credit Facility"), thereof USD 40 million maturing in February 2024 with the remaining balance maturing in February 2025 and (b) a CHF 300 million Credit Facility (the "CHF Credit Facility"), thereof CHF 200 million maturing in May 2023 with the remaining balance maturing in February 2025.

In general, borrowings under the Credit Facility agreements bear interest at a rate based on the London Interbank Offered Rate (LIBOR) in the case of borrowings in Swiss Franc, U.S. Dollar or British Pound, or on the Euro Interbank Offered Rate (EURIBOR) in case of borrowings in Euro, plus a margin ranging from 0.6% to 1.9% depending on the Net Total Debt / EBITDA ratio calculated every half-year at March 31 and September 30.

The Credit Facility agreements contain affirmative and negative covenants customarily found in loan agreements for similar transactions, subject to certain agreed exceptions, for the borrower and the Company, including with respect to, among other actions, maintaining the Company'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 preparing financial statements in accordance with US GAAP. The Credit Facility agreements restrict, among other actions, the following, subject to certain exceptions: entering into certain acquisitions, mergers and joint ventures, carrying out material changes to the Company's activities or structure, changing its accounting standards, incurring further indebtedness, granting security for indebtedness, granting credit to third parties, and carrying out certain disposals of assets. The Credit Facility agreements also contain a financial covenant requiring that the Company's Net Total Debt (as defined therein) divided by EBITDA be not greater than a maximum threshold and its EBITDA be greater than zero, on a semi-annual rolling basis in respect of the most recent two semesters of the Company. For the period until and including March 30, 2022, the Net Total Debt/ EBITDA ratio shall be not greater than 3.50x. From March 31, 2022 until and including March 30, 2023 the Net Total Debt/ EBITDA ratio shall be not greater than 3.00x. From March 31, 2023 and thereafter the Net Total Debt/ EBITDA ratio shall be not greater than 2.50x.

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

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

There may be a maximum of ten simultaneously outstanding loans with a minimum amount of USD 10 million each, or its approximate equivalent in other currencies. As of September 30, 2020, and March 31, 2020, the Company has drawn loans for a total amount of USD 240 million.

As of September 30, 2020, and March 31, 2020, the Multicurrency Credit Facility's unused portion was nil.

The Company incurs a quarterly commitment fee equal to 35% of the applicable margin of the unused portion of the revolving credit facility, as well as an annual agency fee in the amount of USD 40 thousand. In addition, in the financial year ended March 31, 2018, the Company paid USD 840 thousand as an arrangement fee which was capitalized and recognized within Other long-term assets in the Company's Consolidated Balance Sheet. The Company is amortizing the arrangement fee over the facility's term.

CHF Credit Facility
Under the CHF Credit Facility, the Company may borrow loans in Swiss Franc, or other allowed currencies, with consecutive interest periods of one, two, three, six or twelve months, or other interest periods subject to the receipt of required approvals.

During the six-month period ended September 30, 2020, the Company requested and obtained an amendment of the CHF Credit Facility, whereas the maximum available amount was increased by CHF 200 million (the “Facility B”) from CHF 100 million (the “Facility A”) to CHF 300 million.

For drawings under the Facility A, there may be a maximum of ten simultaneously outstanding loans with a minimum amount of CHF 10 million each. For drawings under the Facility B, there may be a maximum of twenty simultaneously outstanding loans with a minimum amount depending on the selected currency. As of September 30, 2020, and March 31, 2020, the Company has drawn loans for a total amount of CHF 100 million, or USD 108.5 million at the exchange rate prevailing at the balance sheet date, and CHF 100 million, or USD 103.5 million at the exchange rate prevailing at the balance sheet date, respectively.

As of September 30, 2020, and March 31, 2020, the CHF Credit Facility’s unused portion was CHF 200 million and nil, respectively.

The Company incurs a quarterly commitment fee equal to 35% of the applicable margin of the unused portion of the revolving credit facility, as well as an annual agency fee in the amount of CHF 45 thousands. The Company also incurs a quarterly utilization fee up to 0.3% of all outstanding Facility B loans.

During the six-month period ended September 30, 2020, in connection with the aforementioned amendment, the Company incurred debt issuance cost in the amount of USD 2.5 million which was capitalized and recognized within Other long-term assets in the Company’s Consolidated Balance Sheet. The Company is amortizing the debt issuance cost over the facility’s term.

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

Note 8: 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 September 30, 2020 and March 31, 2020 were USD 515.3 million and USD 383.9 million, respectively.

For the six-month periods ended September 30, 2020 and 2019, the Company recognized gains (losses) from changes in the fair value of forward foreign exchange contracts of USD (12.8) million and USD 10.2 million, respectively. These amounts are included within Cost of revenue in the Interim Consolidated Statements of Operations.

The fair values of the outstanding derivatives, included in the Interim Consolidated Balance Sheet as of September 30, 2020 were as follows:

DERIVATIVE FINANCIAL INSTRUMENTS

		Derivative assets		Derivative liabilities	
September 30, 2020 (USD in thousands)	**Notional amount**	**Prepaid expenses and other current assets**	**Other long-term assets**	**Other current liabilities**	**Other long-term liabilities**
Foreign exchange contracts:					
Foreign currency forward contracts in AUD	11,237	20	–	343	–
Foreign currency forward contracts in CHF	86,829	761	–	744	–
Foreign currency forward contracts in GBP	392,792	4,204	463	1,283	1,314
Foreign currency forward contracts in SEK	23,448	1	–	438	40
Foreign currency forward contracts in ZAR	1,019	24	–	–	–
Total derivative financial instruments		**5,010**	**463**	**2,808**	**1,354**

The fair values of the outstanding derivatives, included in the Consolidated Balance Sheet as of March 31, 2020 were as follows:

DERIVATIVE FINANCIAL INSTRUMENTS

		Derivative assets		Derivative liabilities	
March 31, 2020 (USD in thousands)	**Notional amount**	**Prepaid expenses and other current assets**	**Other long-term assets**	**Other current liabilities**	**Other long-term liabilities**
Foreign exchange contracts:					
Foreign currency forward contracts in AUD	8,237	856	–	–	–
Foreign currency forward contracts in CHF	31,058	–	–	20	–
Foreign currency forward contracts in GBP	333,180	10,902	4,935	1,685	1,631
Foreign currency forward contracts in SEK	11,459	454	282	–	–
Total derivative financial instruments		**12,212**	**5,217**	**1,705**	**1,631**

Note 9: 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 September 30, 2020 and March 31, 2020, for each of the fair value hierarchy levels, the following assets and liabilities were measured at fair value on a recurring basis:

September 30, 2020 USD in thousands	Total	Level 1	Level 2	Level 3
Assets				
Foreign currency forward contracts	5,473	–	5,473	–
Total	**5,473**	**–**	**5,473**	**–**
Liabilities				
Foreign currency forward contracts	4,162	–	4,162	–
Total	**4,162**	**–**	**4,162**	**–**

March 31, 2020 USD in thousands	Total	Level 1	Level 2	Level 3
Assets				
Foreign currency forward contracts	17,429	–	17,429	–
Total	**17,429**	**–**	**17,429**	**–**
Liabilities				
Foreign currency forward contracts	3,336	–	3,336	–
Total	**3,336**	**–**	**3,336**	**–**

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 the 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 September 30, 2020, and March 31, 2020, 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 carried on a cost basis
The carrying amounts of Cash and Loans payable approximate their fair values due to their short maturities.

Note 10: Pension and Post Retirement Benefit Plans

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

	SIX MONTHS ENDED SEPTEMBER 30,	
USD in thousands	**2020**	2019
Service cost	2,141	2,334
Operational pension cost	**2,141**	**2,334**
Interest cost	1,237	1,151
Termination benefits	1,068	–
Expected return on plan assets	(3,009)	(3,129)
Amortization of prior service costs	(540)	(519)
Amortization of actuarial loss (gain)	456	208
Settlements and curtailments	(204)	–
Non-operational pension cost (credit)	**(992)**	**(2,289)**
Net periodic benefit cost	**1,149**	**45**

Employer contributions for the six-month periods ended September 30, 2020 and 2019 were USD 2.7 million and USD 2.1 million, respectively.

Note 11: Income Taxes

The Company's tax provision as a percentage of income before tax typically differs from the statutory rate of 7.83%, and may vary from period to period, due to fluctuations in the forecast mix of earnings in domestic and international jurisdictions, new or revised tax legislation and accounting pronouncements, tax credits, state income taxes, adjustments to valuation allowances, and uncertain tax positions, among other items.

Income taxes for the six-month period ended September 30, 2020 were provided at a rate of 107.85%, including non-recurring benefits related to group restructurings and adjustments to uncertain tax provisions, as well as the benefit of losses incurred in some of the major jurisdictions where the Company operates.

Income taxes for the six-month period ended September 30, 2019 were provided at a rate of 15.0%, including benefits from changes in unrecognized tax benefits whose likelihood was reassessed in connection with closed tax audits, as well as the remeasurement of the deferred tax balances arising from enacted changes in the income tax rate in Switzerland.

Note 12: Commitments and Contingencies

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

Maximum potential payments (USD in million)	September 30, 2020
Performance guarantees obtained from third parties	136.6
Financial guarantees issued in connection with financing activities	567.2
Financial guarantees issued in connection with lease agreements	6.5
Total	**710.3**

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 September 30, 2020, the Company had total outstanding performance bonds and bank guarantees of USD 136.6 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 573.7 million as of September 30, 2020.

Furthermore, the Company is party to various guarantees whereby the Company has assured the performance of its wholly owned subsidiaries' products or services according to the terms of specific contracts. Such guarantees may include guarantees that a project will be completed within a specified time. If the subsidiary were to fail to fulfil its obligations under the contract, then the Company could be held responsible for the other party's damages resulting from such failure. Because the Company's liability under the guarantees typically matches the subsidiaries' liability under the primary contracts, such guarantees generally do not limit the guarantor's total potential liability where the liability results, for example, from personal injury or death or from intellectual property infringement. Therefore, it is not possible to specify the maximum potential amount of future payments that could be made under these or similar agreements. However, the Company has no reason to believe that any of the outstanding parent guarantees will ever be exercised, and the Company has not had to make payments against any such parent guarantees in the past.

Legal proceedings

The Company is subject to various legal proceedings and claims of which the outcomes are subject to significant uncertainty. The Company's policy is to assess the likelihood of any adverse judgments or outcomes related to legal matters, as well as ranges of probable losses. A determination of the amount of the liability required, if any, for these contingencies is made after an analysis of each known issue. A liability is recognized and charged to operating expense when the Company determines that a loss is probable, and the amount can be reasonably estimated.

The Washington Department of Revenue ("Department") has conducted several audits of business & occupation tax, sales tax and other taxes in one of our US subsidiaries for the period between January 1, 2010 through March 31, 2016. The Company received a non-income tax assessment from the Department for USD 20.0 million, including penalties and interest. The Company strongly disagrees with this assessment and believes it to be contradictory to applicable statutes and court rulings in similar cases. Although the Company cannot predict the ultimate outcome of this case, it believes that it is probable that the tax authority's assessment will be overturned on appeal, and therefore, the Company has not established an accrual. An unfavorable ruling will result in a charge of USD 20.0 million. In addition, the Company has estimated that the exposure for the period from April 1, 2016 to September 30, 2020 would increase the charge by USD 7.2 million to USD 27.2 million, should there be an unfavorable ruling.

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

On October 5, 2015, the Romanian Competition Council ("RCC") launched an ex officio investigation against Landis+Gyr together with several of its competitors on the alleged infringement of certain provisions of Romanian competition law in connection with tenders at one utility in the market for electricity meters and connected equipment. In response the Company 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 RCC 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 RCC issued its preliminary decision against Landis+Gyr and five other companies and imposed a fine of RON 27.4 million (or USD 6.6 million, converted at the exchange rate as of September 30, 2020). The full written decision was received on April 30, 2018. In May 2018, Landis+Gyr filed an appeal of the decision on the basis that it is significantly flawed and incorrect under the law. The appeal remains under consideration.

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

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

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

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

Warranty
A summary of the warranty provision account activity is as follows:

	SIX MONTHS ENDED SEPTEMBER 30,	
USD in thousands	**2020**	**2019**
Beginning balance, April 1	61,980	45,177
New product warranties	7,332	19,169
Other changes / adjustments to warranties	(1,760)	(2,351)
Claims activity	(7,228)	(13,255)
Effect of changes in exchange rates	1,423	(820)
Ending balance, September 30,	**61,747**	**47,920**
Less: current portion of warranty	(37,124)	(30,540)
Long-term warranty	24,623	17,380

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

New product warranties for the six months ended September 30, 2020 primarily consist of additions in line with the ordinary course of business.

During the six months ended September 30, 2019, the Company determined that the provision for product warranties for a legacy component quality issue was no longer sufficient to cover expected warranty costs in the remaining warranty period. Accordingly, the previously estimated product warranty provision was increased by a total of USD 11.3 million. The corresponding increase was included in Cost of revenue.

As of September 30, 2020, the product warranty provision related to a legacy component quality issue amounts to USD 35.7 million, of which the current and non-current portions are USD 14.5 million and USD 21.2 million, net of related insurance proceeds.

Note 13: Restructuring Charges

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

During the six-month periods ended September 30, 2020, the Company continued its cost reduction 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 restructuring charges, net, of approximately USD 15.4 million for the six-month periods ended September 30, 2020 consist of severance related costs. Some of the severance payments were completed during the six-month periods ended September 30, 2020 and the remaining payments are expected to be completed during the financial year ending March 31, 2021, or in the following financial year.

A summary of the Company's restructuring activity, including costs incurred during the six-month periods ended September 30, 2020 and September 30, 2019 is as follows:

	SIX MONTHS ENDED SEPTEMBER 30,	
USD in thousands	**2020**	2019
Beginning balance, April 1,	5,717	5,052
Restructuring charges	15,353	646
Cash payments	(6,435)	(3,484)
Effect of changes in exchanges rates	192	(62)
Balance as of September 30,	**14,827**	**2,152**

The outstanding balance as of September 30, 2020 and September 30, 2019, respectively, is included under Accrued liabilities in the Interim Consolidated Balance Sheets.

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

	SIX MONTHS ENDED SEPTEMBER 30,	
USD in thousands	**2020**	2019
Cost of revenue	6,574	35
Research and development	4,108	26
Sales and marketing	1,651	585
General and administrative	3,020	–
Total	**15,353**	**646**

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

USD in thousands	**Cumulative Costs incurred up to September 30, 2020**	**Total Costs incurred in the six months ended September 30, 2020**
Americas	11,704	4,592
EMEA	15,317	7,070
Asia Pacific	3,531	2,704
Corporate	2,801	987
Restructuring Charges	**33,353**	**15,353**

The cumulative costs incurred up to September 30, 2020 represent the Companies ongoing restructuring efforts under various programs over the last three years. The future costs for the restructuring programs to be recorded until the end of the current financial year are expected to be approximately USD 5 million.

Note 14: Related Party Transactions

Transactions with affiliated Companies
The Company owns a 20.3% equity interest in Spark Holdco Pty Ltd ("Spark").

In the six months period ended September 30, 2020 and 2019, revenues from Spark were USD 10.0 million and USD 11.8 million, respectively. Sales of goods were made at the Company's usual prices.

As of September 30, 2020, and March 31, 2020, receivables due from Spark were USD 3.1 million and USD 1.8 million, respectively. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognized in the current or prior years for bad or doubtful debts in respect of the amounts owed by related parties.

Transactions with other related parties
The Company conducts business with certain companies where members of the Company's Board of Directors or Group Executive Management act, or in recent years have acted, as directors or senior executives.

Eric A. Elzvik is a board member of LM Ericsson, Sweden. In the six months ended September 30, 2020, sales to and purchases from LM Ericsson and its group companies were USD 1.4 million and nil, respectively. In the six months ended September 30, 2019, the Company sold products to and purchased products from LM Ericsson and its group companies of USD 1.5 million and USD 0.9 million, respectively.

Note 15: Segment Information

The Company has organized itself into the following operating segments: Americas, EMEA (Europe, Middle East and Africa) and Asia Pacific, which are also our reportable segments.

A description of each reportable segment is as follows:

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.

Headquarter activities and other centralized functions are included within Corporate unallocated.

The Chief Operating Decision Maker (CODM) is the Company's Chief Executive Officer. The CODM allocates resources to and assesses the performance of each operating segment using the information outlined in the table below. Each operating segment offers products for different applications and markets and provides separate financial information that is evaluated regularly by the CODM. Decisions by the CODM on how to allocate resources and assess performance are based on a reported measure of segment profitability.

The Company has two primary measures for evaluating segment performance: net revenue to third parties (excluding any inter-company sales) and the adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA). Management defines Adjusted EBITDA as operating income (loss) excluding (i) depreciation and amortization, (ii) impairment of intangible assets, (iii) restructuring charges, (iv) exceptional warranty related expenses, (v) warranty normalization adjustments and (vi) timing difference on FX derivatives.

SEGMENT INFORMATION

	SIX MONTHS ENDED SEPTEMBER 30,	
USD in thousands	**2020**	2019
Net revenues		
Americas	336,532	478,886
thereof to external customers	332,580	475,955
thereof to other segments	3,952	2,931
EMEA	233,801	344,379
thereof to external customers	213,902	306,307
thereof to other segments	19,899	38,072
Asia Pacific	79,253	81,738
thereof to external customers	77,005	80,493
thereof to other segments	2,248	1,245
Elimination	(26,099)	(42,248)
Total Company	**623,487**	**862,755**
Adjusted EBITDA		
Americas	40,730	92,052
EMEA	(4,313)	23,369
Asia Pacific	5,717	4,937
Corporate unallocated	8,009	4,585
Total Company	**50,143**	**124,943**
Restructuring charges [1]	(15,353)	(646)
Exceptional warranty related expenses [2]	–	98
Warranty normalization adjustments [3]	6,671	(4,766)
Timing difference on FX derivatives [4]	(9,656)	8,572
Depreciation	(17,900)	(19,860)
Amortization of intangible assets	(23,784)	(23,473)
Interest income	251	5,053
Interest expense	(3,664)	(3,570)
Non-operational pension (cost) credit	992	2,289
Gain on sale of investments	596	–
Income (loss) on foreign exchange, net	(1,070)	(624)
Income (loss) before income tax expense	**(12,774)**	**88,016**

1 Restructuring charges are summarized in Note 13: Restructuring Charges including the line items in the Interim Consolidated Statements of Operations that include the restructuring charges.
2 Exceptional warranty related expense relates to a legacy component issue in the EMEA segment.
3 Warranty normalization adjustments represents warranty expense that diverges from three-year average of actual warranty costs incurred (in cash or the value of other compensation paid out to customers) in respect of warranty and warranty-like claims.
4 Timing difference on FX derivatives represents unrealized gains and losses on derivatives where the underlying hedged transactions have not yet been realized.

Note 16: Subsequent Events

The Board of Directors has decided to propose a distribution of CHF 2.00 per share, equivalent to approximately CHF 57.8 million (or USD 62.7 million at the exchange rate prevailing at the balance sheet date) to an Extraordinary General Meeting on November 24, 2020. If approved, the declared distribution will be paid on November 30, 2020.

Supplemental Reconciliations and Definitions

Adjusted EBITDA

The reconciliation of Operating (loss) income to Adjusted EBITDA is as follows for the six-month periods ended September 30, 2020 and 2019:

	L+G GROUP AG		AMERICAS		EMEA		ASIA PACIFIC		CORPORATE AND ELIMINATIONS	
	SIX MONTHS ENDED SEPTEMBER 30,		SIX MONTHS ENDED SEPTEMBER 30,		SIX MONTHS ENDED SEPTEMBER 30,		SIX MONTHS ENDED SEPTEMBER 30,		SIX MONTHS ENDED SEPTEMBER 30,	
USD in millions, unless otherwise indicated	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Operating (loss) income	**(9.9)**	**84.9**	**19.5**	**60.8**	**(33.1)**	**20.2**	**0.3**	**2.8**	**3.4**	**1.1**
Amortization of intangible assets	23.8	23.4	16.3	16.2	3.4	3.3	0.7	0.7	3.4	3.2
Depreciation	17.9	19.9	9.1	11.0	7.3	7.2	1.3	1.4	0.2	0.3
EBITDA	**31.8**	**128.2**	**44.9**	**88.0**	**(22.4)**	**30.7**	**2.3**	**4.9**	**7.0**	**4.6**
Restructuring charges	15.4	0.6	4.6	0.1	7.1	0.6	2.7	–	1.0	(0.1)
Exceptional warranty related expenses [1]	–	(0.1)	–	–	–	–	–	–	–	(0.1)
Warranty normalization adjustments [2]	(6.7)	4.8	(8.8)	4.0	1.3	0.7	0.7	–	0.1	0.1
Timing difference on FX derivatives [3]	9.7	(8.6)	–	–	9.7	(8.6)	–	–	–	–
Adjusted EBITDA	**50.1**	**124.9**	**40.7**	**92.1**	**(4.3)**	**23.4**	**5.7**	**4.9**	**8.0**	**4.5**
Adjusted EBITDA margin (%)	8.0%	14.5%	12.2%	19.3%	(2.0%)	7.6%	7.4%	6.1%		

1 Exceptional warranty related expenses related to the X2 matter. See section "Warranty Provisions".

2 Warranty normalization adjustments represents warranty expenses that diverge from a three-year average of actual warranty costs incurred (in cash or the value of other compensation paid out to customers) in respect of warranty and warranty-like claims. For the calculation of the average of actual warranty costs incurred (in cash or the value of other compensation paid out to customers) in respect of warranty-like claims for the periods under review and going forward, see section "Warranty Provisions".

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

Adjusted Gross Profit

The reconciliation of Gross Profit to Adjusted Gross Profit is as follows for the six-month periods ended September 30, 2020 and 2019:

	L+G GROUP AG		AMERICAS		EMEA		ASIA PACIFIC		CORPORATE AND ELIMINATIONS	
	SIX MONTHS ENDED SEPTEMBER 30,		SIX MONTHS ENDED SEPTEMBER 30,		SIX MONTHS ENDED SEPTEMBER 30,		SIX MONTHS ENDED SEPTEMBER 30,		SIX MONTHS ENDED SEPTEMBER 30,	
USD in millions, unless otherwise indicated	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Gross Profit	**164.1**	**282.8**	**109.8**	**170.7**	**37.1**	**96.5**	**17.0**	**17.3**	**0.2**	**(1.7)**
Amortization of intangible assets	6.6	6.2	2.7	2.5	3.2	3.0	0.7	0.7	–	–
Depreciation	14.3	16.4	7.8	9.4	5.8	6.4	0.6	0.7	0.1	(0.1)
Restructuring charges	6.6	–	2.7	–	3.8	–	0.1	–	–	–
Exceptional warranty related expenses	–	(0.1)	–	–	–	–	–	–	–	(0.1)
Warranty normalization adjustments	(6.7)	4.8	(8.8)	4.0	1.3	0.7	0.7	–	0.1	0.1
Timing difference on FX derivatives	9.7	(8.6)	–	–	9.7	(8.6)	–	–	–	–
Adjusted Gross Profit	**194.5**	**301.5**	**114.2**	**186.6**	**60.9**	**98.0**	**19.1**	**18.7**	**0.3**	**(1.8)**
Adjusted Gross Profit margin (%)	31.2%	34.9%	34.3%	39.2%	28.5%	32.0%	24.8%	23.2%		

Adjusted Operating Expenses

The reconciliation of Operating Expenses to Adjusted Operating Expenses is as follows for the six-month periods ended September 30, 2020 and 2019:

	SIX MONTHS ENDED SEPTEMBER 30,	
USD in millions, unless otherwise indicated	**2020**	2019
Research and development	**74.9**	**76.8**
Depreciation	(1.7)	(1.8)
Restructuring charges	(4.1)	–
Adjusted Research and Development	**69.1**	**75.0**
Sales and marketing	33.4	42.1
General and administrative	48.5	61.8
Depreciation	(1.9)	(1.7)
Restructuring charges	(4.7)	(0.6)
Adjusted Sales, General and Administrative	**75.3**	**101.6**
Adjusted Operating Expenses	**144.4**	**176.6**

Warranty Provisions
We offer standard warranties on our metering products and our solutions for periods ranging from one to five years. In some instances, warranty periods can be further extended based on customer specific negotiations.

Warranty accruals represent our estimate of the cost of projected warranty and are based on historical and projected warranty trends, specific quality issues identified (if any), supplier information and other business and economic projections as well as other commercial considerations. Our results in any given period are affected by additions to as well as releases of, or other adjustments to these accruals, offset by insurance proceeds, received or receivable, if any.

For the six-month periods ended September 30, 2020 and 2019, our Interim Consolidated Statements of Operations include net changes to the warranty accruals, which we recorded in Cost of revenue, of USD 5.6 million and USD 16.9 million, respectively, comprising additions to and releases of, or other adjustments to, accruals in respect of such claims.

In the six months ended September 30, 2020 net changes to warranty accruals were impacted by additional accruals of USD 0.1 million related to a legacy component issue in the Americas. In the six months ended September 30, 2019, net changes to warranty accruals were impacted by additional accruals of USD 11.3 million and insurance proceeds, net of USD (1.1) million related to a legacy component issue in the Americas.

In assessing the underlying operational performance of the business over time, Management believes 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 as an alternative to warranty accruals, which are estimates and subject to change and significant period-to-period volatility. For the purposes of determining warranty normalization adjustments, the average actual warranty costs incurred (in cash or the value of other compensation paid out to customers) in respect of warranty claims is calculated on the basis of a three-year rolling average for the six-month period ended September 30, 2020 and 2019.

Management presents Adjusted EBITDA in this Half-Year Report 2020 as an alternative performance measure (both at the Group and at the segment level). With regards to warranty, Adjusted EBITDA excludes the accruals associated with the X2 claim (as well as the associated legal expenses) and, with respect to other warranty claims, includes 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 12.2 million and USD 12.1 million for the six-month periods ended September 30, 2020 and 2019. For the six-month periods ended September 30, 2020 and 2019, the warranty normalization adjustments made in calculating Adjusted EBITDA amounted to USD (6.7) million and USD 4.8 million, respectively.

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

	SIX MONTHS ENDED SEPTEMBER 30,	FINANCIAL YEAR ENDED MARCH 31,		SIX MONTHS ENDED MARCH 31,	FINANCIAL YEAR ENDED MARCH 31,	
USD in millions, unless otherwise indicated	**2020**	**2020**	2019	2018	2018	**Average**
Beginning of the year	**62.0**	**45.2**	**73.4**		**51.7**	
Additions[1]	7.3	46.7	18.7	5.1	48.0	
Other changes / adjustments to warranties[2]	(1.8)	(3.5)	(12.8)	(1.2)	(7.3)	
Outflow in respect of X2 matter	–	–	(1.2)	(0.6)	(1.0)	
Outflow in respect of other warranty	(7.2)	(25.0)	(30.8)	(10.5)	(20.5)	(24.5)
Total outflow in respect of X2 matter and other warranty	(7.2)	(25.0)	(32.0)	(11.1)	(21.5)	
Effect of changes in exchange rates	1.4	(1.4)	(2.2)	0.8	2.6	
Ending balance	**61.7**	**62.0**	**45.2**		**73.4**	

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

The following table provides further information on our warranty claims and the derivation of the warranty normalization adjustments used in calculating Adjusted EBITDA.

	SIX MONTHS ENDED SEPTEMBER 30,	
USD in millions, unless otherwise indicated	**2020**	2019
Additions[1]	7.3	19.2
Other changes / adjustments to warranties	(1.8)	(2.3)
Net changes to warranty accruals	**5.6**	**16.9**
Three year average actual warranty costs incurred (in cash or the value of other compensation paid out to customers) in respect of warranty claims	12.2	12.1
Warranty normalization adjustments	**(6.7)**	**4.8**

1 "Additions" reflects new product warranty amounts included in warranty provisions (USD 7.3 million and USD 19.2 million for the six-month periods ended September 30, 2020 and 2019, 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, SIX MONTHS		EXCHANGE RATE ON BALANCE-SHEET DATE	
Exchange rates	**2020**	2019	**30.09.2020**	31.03.2020
Euro countries – EUR	1.1354	1.1178	1.1722	1.0971
United Kingdom – GBP	1.2671	1.2584	1.2911	1.2398
Switzerland – CHF	1.0628	1.0058	1.0854	1.0353
Brazil – BRL	0.1860	0.2536	0.1775	0.1923
Australia – AUD	0.6859	0.6927	0.7171	0.6102

Glossary

The following table provides definitions for key terms and abbreviations used within this half-year report.

Term	Definition
Adjusted EBITDA	Operating income (loss) excluding depreciation and amortization, impairment of intangible assets, restructuring charges, exceptional warranty related expenses, warranty normalization adjustments and timing difference on FX derivatives
Adjusted Gross Profit	Total revenue minus the cost of revenue, adjusted for depreciation, amortization, restructuring charges, exceptional warranty related expenses, warranty normalization adjustments and timing difference on FX derivatives
Adjusted Operating Expense	Research and development expense (net of research and development related income), plus sales and marketing expense, plus general and administrative expense, adjusted for depreciation and restructuring charges
Committed Backlog	Cumulative sum of the awarded contracts, with firm volume and price commitments, that are not fulfilled as of the end of the reporting period
Cost of Revenue	Cost of manufacturing and delivering the products or services sold during the period
EBITDA	Earnings before Interest, Taxes, Depreciation & Amortization and Impairment of intangible assets
EPS	Earnings Per Share (the Company's total earnings divided by the weighted average number of shares outstanding during the period)
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 merger & acquisition activities
Net Debt	Current and non-current loans and borrowings less cash and cash equivalents
Net Revenue	Income realized from executing and fulfilling customer orders, before any costs or expenses are deducted
Order Intake	Sum of awarded contracts during the reporting period, with firm volume and price commitments

Information for Shareholders

KEY STOCK EXCHANGE FIGURES

For the period	**01.04.2020 – 30.09.2020**	01.10.2019 – 31.03.2020	01.04.2019 – 30.09.2019
Share price period end (CHF)	50.45	66.60	89.45
Share price high (CHF)	70.65	105.20	91.40
Share price low (CHF)	48.44	57.30	63.50
Average volume per trading day (number of shares)[1]	153,292	155,883	126,331
Market capitalization period end (excl. treasury shares; CHF million)	1,454	1,939	2,597
Number of issued shares (period end)	29,251,249	29,251,249	29,251,249
Number of treasury shares (period end)	427,825	431,205	213,601
Number of registered shareholders (period end)	7,546	6,829	7,855

1 On SIX Swiss Exchange.

KEY PER SHARE FIGURES

For the six months ended	**30.09.2020**	31.03.2020	30.09.2019
Earnings per share – diluted (USD)	(0.07)	1.45	2.45

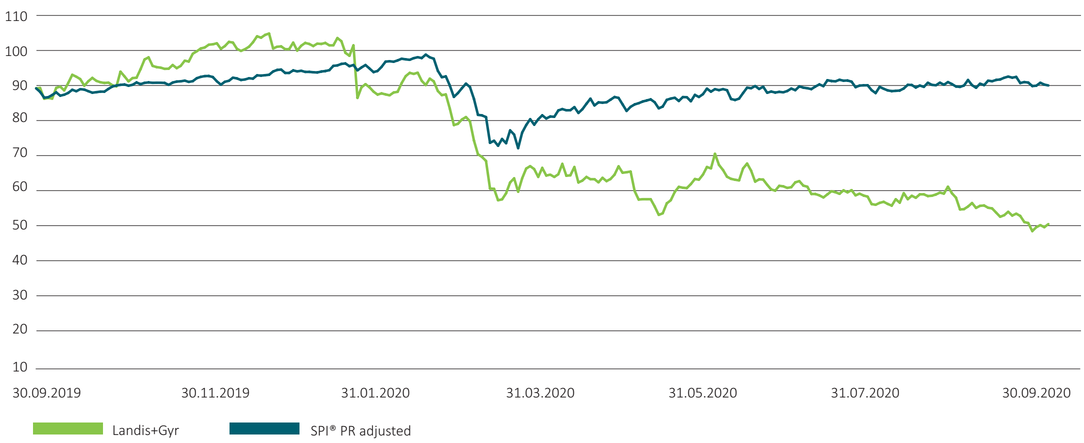
SHAREHOLDER STRUCTURE

As of September 30, 2020, the following shareholders held 3% or more of the outstanding share capital of Landis+Gyr Group AG (as per SIX Swiss Exchange filings):

Shareholder	Number of shares	% of share capital[1]
KIRKBI Invest A/S, Denmark	4,445,265	15.20%
Rudolf Maag, Switzerland	3,000,000	10.26%
UBS Fund Management, Switzerland	901,841	3.08%
Franklin Resources, Inc., United States	881,574	3.01%

1 Based on the number of shares outstanding as of September 30, 2020

SHARE PRICE PERFORMANCE LANDIS+GYR GROUP AG



LANDIS+GYR GROUP AG REGISTERED SHARES	
Listing	SIX Swiss Exchange (International Reporting Standard)
Bloomberg Symbol	LAND SW
Reuters Symbol	LANDI.S
ISIN	CH0371153492
Valor Number	37115349
Indices	SPI®, SPI EXTRA®, SPI ex SLI®, Swiss All Share Index, UBS 100 Index, Ethos Swiss Corporate Governance Index
Accounting Standard	US GAAP

CORPORATE CALENDAR	
Extraordinary General Meeting	November 24, 2020
Capital Markets Day 2021	January 27, 2021
Release of Results for Financial Year 2020	May 5, 2021
Publication of Annual Report 2020	May 28, 2021
Annual General Meeting 2021	June 24, 2021

Information Policy
Landis+Gyr maintains an open dialog with all internal and external stakeholders. Our information policy is based on consistent, effective, open, honest and timely communication. Matters affecting the share price are published immediately in accordance with the ad hoc publicity rules of the SIX Swiss Exchange.

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This Half Year Report contains information regarding alternative performance measures. Definitions of these measures and reconciliations between such measures and their USGAAP counterparts may be found in pages 34 to 37 of this Half Year Report.

This Half Year Report includes forward-looking information and statements including statements concerning the outlook for our businesses. These statements are based on current expectations, estimates and projections about the factors that may affect our future performance, including global economic conditions, and the economic conditions of the regions and industries that are major markets for Landis+Gyr Group AG. These expectations, estimates and projections are generally identifiable by statements containing words such as “expects”, “believes”, “estimates”, “targets”, “plans”, “outlook”, “guidance” or similar expressions. All forward-looking statements are based only on data available to Landis+Gyr at the time of preparation of this Half Year Report. Landis+Gyr does not undertake any obligation to update any forward-looking statements contained in this Half Year Report as a result of new information, future events or otherwise.

There are numerous risks, uncertainties and other factors, many of which are beyond our control, that could cause our actual results to differ materially from the forward-looking information and statements made in this report and which could affect our ability to achieve our stated targets. The important factors that could cause such differences include, among others: business risks associated with the volatile global economic environment and political conditions; costs associated with compliance activities; market acceptance of new products and services; changes in governmental regulations and currency exchange rates; estimates of future warranty claims and expenses and sufficiency of accruals; and such other factors as may be discussed from time to time in Landis+Gyr Group AG filings with the SIX Swiss Exchange. Although Landis+Gyr Group AG believes that its expectations reflected in any such forward-looking statement are based on reasonable assumptions, it can give no assurance that those expectations will be achieved.

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