Media Release

Landis+Gyr manage energy better

Landis+Gyr Announces First Half FY 2019 Financial Results

Zug, Switzerland – October 29, 2019 – Landis+Gyr (LAND.SW) today announced unaudited financial results for first half of financial year 2019 (April 1–September 30, 2019). Key highlights included:

- **Net revenue reached USD 862.8 million, increasing 3.4% in constant currency**
- **Order intake was USD 818.9 million, a book to bill ratio of 0.95**
- **Committed backlog up 7.1% year-over-year to USD 2.51 billion**
- **Adjusted EBITDA up 16.9% to USD 124.9 million, a margin of 14.5%; includes one-off gain of USD 5.6 million resulting from a Brazilian VAT court case ruling (13.8% excluding the VAT court case ruling)**
- **Reported EBITDA of USD 128.2 million compared to USD 114.9 million in the prior year**
- **Both the EMEA and Asia Pacific regions experienced sales growth of 10.5% and 32.0% in constant currency respectively as well as Adjusted EBITDA margin expansion. The Americas posted resilient margins despite lower sales.**
- **Net income up 21.3% to USD 71.8 million or USD 2.45 per share**
- **Free Cash Flow, excluding M&A, USD 33.1 million**

"Landis+Gyr's results for the first half FY 2019 offer further evidence of our ongoing efforts to further strengthen the company's market position and improve profitability. As expected, net revenue in the Americas experienced a decline due to project timing, while EMEA and Asia Pacific both delivered strong growth. These top line performances, coupled with continued cost control, translated to a 130-basis point improvement in the Group Adjusted EBITDA margin, excluding the impact from the Brazilian VAT court case ruling," said Richard Mora, Landis+Gyr's CEO.

Order Intake, Committed Backlog and Net Revenue

Order intake for H1 FY 2019 was USD 818.9 million, a decrease of 7.1% year-over-year in constant currency and equal to a book to bill ratio of 0.95. Committed backlog was up 7.1% year-over-year at USD 2,514.1 million. All regions reported increases in committed backlog compared to the prior year.

In H1 FY 2019, net revenue grew 3.4% year-over-year in constant currency, to USD 862.8 million.

Net revenue to external customers per segment was as follows (in USD millions, except where indicated):

Segment	H1 FY 2019	H1 FY 2018	Percentage change	Percentage change in constant currencies
Americas	476.0	497.5	(4.3%)	(4.1%)
EMEA	306.3	291.6	5.0%	10.5%
Asia Pacific	80.5	63.8	26.2%	32.0%
Group	**862.8**	**852.9**	**1.2%**	**3.4%**

The Americas region delivered lower net revenue year-over-year, falling 4.3%, or 4.1% in constant currency, due to the timing of the roll off of two full-scale deployments previously underway in the US. The Americas' committed order backlog grew by 7.4%, driven by new contract wins with Ameren, Colorado Springs Utilities, PSEG Long Island and others.

Net revenue in the EMEA region was up compared to the prior year by 5.0%, or 10.5% in constant currency. Strong volumes in the UK drove the region's first half performance, as destocking related to Brexit did not materialize. EMEA's committed order backlog stood at USD 790.2 million at the period end, up 3.9% year-over-year.

Asia Pacific likewise contributed to higher sales with year-over-year growth of 26.2%, or 32.0% in constant currency, as demand in Australia, Hong Kong and India drove the increase. Committed backlog was USD 89.0 million, up 36.7% compared to H1 FY 2018.

Adjusted and Reported EBITDA
The Adjusted EBITDA by segment was as follows (in USD millions, except where indicated):

Segment	H1 FY 2019	H1 FY 2019 Percentage of net revenue	H1 FY 2018	H1 FY 2018 Percentage of net revenue
Americas	92.1	19.3%	102.2	20.5%
EMEA	23.4	7.6%	(0.4)	(0.1%)
Asia Pacific	4.9	6.1%	(3.6)	(5.6%)
Corporate unallocated	4.5	N/A	8.6	N/A
Group	**124.9**	**14.5%**	**106.8**	**12.5%**

Overall, H1 FY 2019 Adjusted EBITDA margin increased to 14.5% from 12.5% in the prior year. H1 FY 2019 Adjusted EBITDA rose more significantly than sales, growing 16.9% year-over-year, coming in at USD 124.9 million, including the one-off positive impact from the Brazilian court VAT ruling of USD 5.6 million. Continued cost and efficiency improvements in EMEA and Asia Pacific more than offset a revenue driven decline in the Americas' results, while lower incremental costs associated with eased supply chain constraints contributed USD 8.8 million to the Adjusted EBITDA improvement.

The one-off positive Americas' adjusted EBITDA impact of USD 5.6 million comes from a recent decision by the Federal Court in Rio de Janeiro in a lawsuit between Landis+Gyr's Brazilian subsidiary and the Brazilian tax authority that became final and non-appealable in September 2019. Based on this decision, Landis+Gyr is able to reclaim VAT payments made in prior years. The Company expects that this amount will be recovered over several years by means of an offset against future VAT payments due in Brazil. In addition, there is a further positive impact in interest income of USD 4.8 million in respect of accrued interest.

Project Lightfoot, aimed at bundling and partially outsourcing manufacturing activities to enhance production efficiencies, lower supply chain costs and further reduce capital intensity, is ahead of plan and is expected to deliver USD 20 million of annual savings in FY 2019. The Company expects a further USD 5 million of savings to be delivered next financial year, for total annual savings of USD 25 million in FY 2020.

In H1 FY 2019, Operating income was USD 84.9 million, an increase of 25.6% from the USD 67.6 million achieved in H1 FY 2018. Reported EBITDA was USD 128.2 million versus USD 114.9 million in H1 FY 2018.

In H1 FY 2019, adjustments to bridge from Reported EBITDA to Adjusted EBITDA were in three primary categories. First, with respect to Restructuring Charges, the USD 0.6 million related to streamlining measures taken across the organization. Second, Normalized Warranty Expenses adjustment of USD 4.8 million represents the amount of provisions made relative to the average annualized actual warranty utilization for the last three years; H1 FY 2019 reported EBITDA included an increase to the legacy component provision of USD 11.3 million*. Thirdly, the Group introduced a new adjustment in H2 FY 2018, Timing Difference on FX Derivatives. In H1 FY 2019, this adjustment was USD (8.6) million. Hedges put in place by the Group experienced unrealized gains on a mark-to-market basis each month, primarily as a result of GBP exchange rate volatility.

* See note 13 in the Notes to Interim Consolidated Financial Statements for further details.

The adjustments made to bridge between EBITDA as reported in the Group's financial statements and Adjusted EBITDA are as follows (in USD millions):

	H1 FY 2019	H1 FY 2018
Reported EBITDA	**128.2**	**114.9**
Adjustments		
Restructuring Charges	0.6	2.6
Exceptional Warranty Expenses	(0.1)	0.6
Normalized Warranty Expenses	4.8	(11.3)
Timing Difference on FX Derivatives	(8.6)	–*
Adjusted EBITDA	**124.9**	**106.8**

* Adjustment introduced in H2 FY 2018.

Net Income and EPS
Net income for H1 FY 2019 was USD 71.8 million, or USD 2.45 per share, and compares to USD 59.2 million, or USD 2.01 per share, for H1 FY 2018, an increase of 21.3% and 21.9% respectively.

Cash Flow and Net Debt
Cash provided by operating and investing activities was USD 33.1 million in H1 FY 2019 compared to USD (4.8) million in the prior year. H1 FY 2018 included a USD 18.9 million equity contribution cash outflow for the intelliHUB JV.

Free Cash Flow (excluding M&A) was USD 33.1 million in H1 FY 2019, an increase of USD 19.0 million compared to H1 FY 2018, as the seasonal pattern of a markedly lower Free Cash Flow (excluding M&A) in the financial year's first half continued.

In H1 FY 2019, capital expenditure amounted to USD 12.7 million, below the H1 FY 2018 level of USD 16.9 million, consistent with the Company's asset-light business model. As of September 30, 2019, the ratio of net debt to the trailing twelve month Adjusted EBITDA ratio was 0.4 times, with net debt USD 11.0 million lower year-over-year, even after the payment of USD 94.0 million in dividends and USD 20.3 million for share buyback during H1 FY 2019. The share buyback program is approximately 30% completed.

Guidance for FY 2019
"We remain positive on the balance of FY 2019, although regulatory delays could slow some project starts in the US. As a result, we have lowered our top line guidance somewhat. Our guidance for FY 2019 Adjusted EBITDA and Free Cash Flow (excluding M&A) remains unchanged," Mora concluded.

Landis+Gyr now expects FY 2019 net revenue growth of approximately 1–4% in constant currency, versus the earlier range of 2–5%. Group Adjusted EBITDA is expected to be between USD 240 million and USD 255 million. Free Cash Flow (excluding M&A) is expected to be between USD 120 million and USD 135 million, with a dividend payout of at least 75% of Free Cash Flow (excluding M&A).

Sustainability Report
Landis+Gyr's FY 2018/19 Sustainability Report was issued today. In FY 2018, total CO_2 emissions fell by 2.7%, and since measurement began of Landis+Gyr's carbon footprint in 2007, CO_2 emissions have been reduced on a per-turnover basis by 32.4%. Total use of chemicals decreased by 10.7% and has fallen 50% over the past six years. Water consumption within the Group increased by 9.9% and total waste produced increased by 6.4%, being negatively impacted by weather conditions and one-time effects.

Recent Corporate Developments

- In North America, Colorado Springs Utilities will deploy the Gridstream® Connect platform connecting more than 590,000 electric, natural gas and water meters to an integrated network management and data acquisition system. The new contract provides for managed services by Landis+Gyr for a 20-year period, including deployment and post-deployment services.
- In Sweden, Landis+Gyr will deliver its Gridstream® Connect solution for 1 million metering points to E.ON Sweden. With the contract, E.ON transitions to second generation Smart Metering technology for excellent customer service and grid efficiency.
- In the UK, the transition to the next generation smart meters (SMETS2) is since December 2018 underway in scale with more than 2.5 million SMETS2 meters on the network. As the UK market leader, Landis+Gyr has approximately 21 million meters deployed or under contract.
- Landis+Gyr has been awarded a new Software as a Service (SaaS) contract for the Smart Metering system of Liechtensteinische Kraftwerke (LKW), the public body that provides electric power to the principality of Liechtenstein. The contract expands an existing partnership with LKW, which has been using Landis+Gyr's Advanced Metering Infrastructure (AMI) solution since 2011.
- Frost & Sullivan selected Landis+Gyr as their Global AMI Company of the Year for 2019. This is the fifth consecutive time the company has received the award.

Landis+Gyr Group's Half Year Report 2019, the Sustainability Report 2018/2019 and the Half Year 2019 investor presentation were published today and can be downloaded at www.landisgyr.com/investors.

Investor Webcast and Telephone Conference
The management of Landis+Gyr will host an investor/analyst call to discuss the company's results.

Date and time:	October 29, 2019 at 10:00 am CET
Speakers:	Richard Mora (CEO) and Jonathan Elmer (CFO)
Audio webcast:	www.landisgyr.com/investors
Telephone:	Europe: +41 (0)58 310 5000
	UK: +44 (0)207 107 0613
	US: +1 631 570 5613

Please dial in 10–15 minutes before the start of the presentation and ask for "Landis+Gyr's first half year results 2019".

Contact

Stan March	Christian Waelti
Phone +1 678 258 1321	Phone +41 41 935 6331
Stan.March@landisgyr.com	Christian.Waelti@landisgyr.com

Key Dates

Capital Markets Day	January 27, 2020
Release of Results for Financial Year 2019	May 28, 2020
Annual General Meeting 2020	June 30, 2020
Release of Half Year Results 2020	October 28, 2020

About Landis+Gyr
Landis+Gyr is the leading global provider of integrated energy management solutions for the utility sector. Offering one of the broadest portfolios, we deliver innovative and flexible solutions to help utilities solve their complex challenges in Smart Metering, Grid Edge Intelligence and Smart Infrastructure. With sales of USD 1.8 billion, Landis+Gyr employs approximately 6,000 people in over 30 countries across five continents, with the sole mission of helping the world manage energy better.

Disclaimer
This release contains information regarding alternative performance measures. Definitions of these measures and reconciliations between such measures and their USGAAP counterparts if not defined in this release may be found on pages 36 to 42 of the Landis+Gyr Half Year Report 2019 on our website at www.landisgyr.com/investors.

Forward-looking information
This press release 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.

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 presentation 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 other such 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 upon reasonable assumptions, it can give no assurance that those expectations will be achieved.

Extracts from the Half-Year Report 2019

Interim Condensed Consolidated Statements of Operations (unaudited)

	SIX MONTHS ENDED SEPTEMBER 30,	
USD in thousands, except per share data and number of shares	**2019**	2018
Net revenue	**862,755**	**852,910**
Cost of revenue	579,974	576,979
Gross profit	**282,781**	**275,931**
Operating expenses		
Research and development	76,833	78,862
Sales and marketing	42,086	46,870
General and administrative	61,759	64,897
Amortization of intangible assets	17,235	17,714
Operating income	**84,868**	**67,588**
Other income (expense)		
Interest income	5,053	272
Interest expense	(3,570)	(3,114)
Non-operational pension credit	2,289	2,080
Gain on divestments	–	15,545
Loss on foreign exchange, net	(624)	(2,484)
Income before income tax expense	**88,016**	**79,887**
Income tax expense	(13,184)	(19,114)
Net income before noncontrolling interests and equity method investments	**74,832**	**60,773**
Net loss from equity investments	(3,051)	(1,701)
Net income before noncontrolling interests	**71,781**	**59,072**
Net loss attributable to noncontrolling interests, net of tax	(21)	(137)
Net income attributable to Landis+Gyr Group AG Shareholders	**71,802**	**59,209**
Earnings per share:		
Basic	2.45	2.01
Diluted	2.45	2.01
Weighted average number of shares used in computing earnings per share:		
Basic	29,292,228	29,507,940
Diluted	29,358,894	29,507,940

Interim Condensed Consolidated Balance Sheets (unaudited)

USD in thousands, except share data	September 30, 2019	March 31, 2019 AUDITED
ASSETS		
Current assets		
Cash and cash equivalents	35,923	73,381
Accounts receivable, net of allowance for doubtful accounts of USD 9.2 million and USD 9.9 million	342,556	367,943
Inventories, net	155,655	133,659
Prepaid expenses and other current assets	63,903	54,798
Total current assets	**598,037**	**629,781**
Property, plant and equipment, net	129,741	142,058
Intangible assets, net	309,045	332,030
Goodwill	1,354,094	1,354,094
Deferred tax assets	16,667	15,821
Other long-term assets	129,331	78,156
TOTAL ASSETS	**2,536,915**	**2,551,940**
LIABILITIES AND EQUITY		
Current liabilities		
Trade accounts payable	197,552	220,314
Accrued liabilities	30,009	31,232
Warranty provision	30,540	34,257
Payroll and benefits payable	50,208	66,842
Loans payable	135,444	90,661
Operating lease liabilities – current	14,671	–
Other current liabilities	75,550	81,438
Total current liabilities	**533,974**	**524,744**
Warranty provision – non-current	17,380	10,920
Pension and other employee liabilities	63,425	48,382
Deferred tax liabilities	35,036	37,347
Tax provision	27,021	29,172
Operating lease liabilities – non-current	31,940	–
Other long-term liabilities	65,172	68,000
Total liabilities	**773,948**	**718,565**
Commitments and contingencies – Note 13		
Shareholders' equity		
Landis+Gyr Group AG shareholders' equity Registered ordinary shares (29,251,249 and 29,510,000 issued shares at September 30, 2019 and March 31, 2019, respectively)	306,341	309,050
Additional paid-in capital	1,303,840	1,408,122
Retained earnings	247,447	177,966
Accumulated other comprehensive loss	(80,763)	(52,145)
Treasury shares, at cost (213,601 and 198,674 shares at September 30 2019, and March 31, 2019, respectively)	(16,050)	(12,332)
Total Landis+Gyr Group AG shareholders' equity	**1,760,815**	**1,830,661**
Noncontrolling interests	2,152	2,714
Total shareholders' equity	**1,762,967**	**1,833,375**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,536,915**	**2,551,940**

Interim Condensed Consolidated Statements of Cash Flows (unaudited)

USD in thousands	SIX MONTHS ENDED SEPTEMBER 30, 2019	2018
Cash flow from operating activities		
Net income	71,781	59,072
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	43,333	47,280
Net loss from equity investments	3,051	1,701
Share-based compensation	1,416	556
Gain on divestments	–	(15,545)
Gain on disposal of property, plant and equipment	248	103
Effect of foreign currencies translation on non-operating items, net	(308)	(2,459)
Change in allowance for doubtful accounts	(649)	(484)
Deferred income tax	(2,715)	(1,507)
Change in operating assets and liabilities, net of effect of businesses acquired and effect of changes in exchange rates:		
Accounts receivable	16,761	(30,747)
Inventories	(26,910)	(19,351)
Trade accounts payable	(15,352)	52,365
Other assets and liabilities	(44,948)	(60,113)
Net cash provided by operating activities	**45,708**	**30,871**
Cash flow from investing activities		
Payments for property, plant and equipment	(12,681)	(16,525)
Payments for intangible assets	–	(326)
Proceeds from the sale of property, plant and equipment	85	126
Business acquisitions	–	(18,945)
Net cash used in investing activities	**(12,596)**	**(35,670)**
Cash flow from financing activities		
Purchase of treasury shares	(20,478)	(436)
Dividends paid	(93,968)	(68,383)
Dividends paid to noncontrolling interest	(459)	–
Proceeds from third party facility	176,438	18,081
Repayment of borrowings to third party facility	(130,929)	(2,279)
Net cash provided by (used in) financing activities	**(69,396)**	**(53,017)**
Net increase (decrease) in cash and cash equivalents	**(36,284)**	**(57,816)**
Cash and cash equivalents at beginning of period, including restricted cash	73,381	106,763
Effects of foreign exchange rate changes on cash and cash equivalents	(1,174)	(3,056)
Cash and cash equivalents at end of period, including restricted cash	**35,923**	**45,891**
Supplemental cash flow information		
Cash paid for income tax	16,664	17,005
Cash paid for interest	2,920	2,619

Supplemental Reconciliation and Definitions (unaudited)

Adjusted EBITDA

The reconciliation of EBITDA to Adjusted EBITDA is as follows for the six months period ended September 30, 2019 and 2018:

	L+G GROUP AG		AMERICAS		EMEA		ASIA PACIFIC		CORPORATE AND ELIMINATIONS	
USD in millions, unless otherwise indicated	**H1 19**	H1 18	**H1 19**	H1 18	**H1 19**	H1 18	**H1 19**	H1 18	**H1 19**	H1 18
Operating income	**84.9**	**67.6**	**60.8**	**79.8**	**20.2**	**(9.3)**	**2.8**	**(6.7)**	**1.1**	**3.8**
Amortization of intangible assets	23.4	24.6	16.2	16.7	3.3	3.7	0.7	0.9	3.2	3.3
Depreciation	19.9	22.7	11.0	13.3	7.2	7.4	1.4	1.7	0.3	0.3
Impairment of intangible assets	–	–	–	–	–	–	–	–	–	–
EBITDA	**128.2**	**114.9**	**88.0**	**109.8**	**30.7**	**1.8**	**4.9**	**(4.1)**	**4.6**	**7.4**
Restructuring charges	0.6	2.6	0.1	1.5	0.6	0.5	–	0.6	(0.1)	–
Exceptional warranty related expenses	(0.1)	0.6	–	–	0.0	(0.6)	–	–	(0.1)	1.2
Normalized warranty related expenses	4.8	(11.3)	4.0	(9.1)	0.7	(2.1)	0.0	(0.1)	0.1	–
Timing difference on FX derivatives	(8.6)	–	–	–	(8.6)	–	–	–	–	–
Adjusted EBITDA	**124.9**	**106.8**	**92.1**	**102.2**	**23.4**	**(0.4)**	**4.9**	**(3.6)**	**4.5**	**8.6**
Adjusted EBITDA margin (%)	14.5%	12.5%	19.3%	20.5%	7.6%	(0.1%)	6.1%	(5.6%)		

Adjusted Gross Profit

The reconciliation of Gross Profit to Adjusted Gross Profit is as follows for the six months period ended September 30, 2019 and 2018:

	L+G GROUP AG		AMERICAS		EMEA		ASIA PACIFIC		CORPORATE AND ELIMINATIONS	
USD in millions, unless otherwise indicated	**H1 19**	H1 18	**H1 19**	H1 18	**H1 19**	H1 18	**H1 19**	H1 18	**H1 19**	H1 18
Gross Profit	**282.8**	**275.9**	**170.7**	**192.1**	**96.5**	**73.8**	**17.3**	**11.1**	**(1.7)**	**(1.1)**
Amortization of intangible assets	6.2	6.9	2.5	2.7	3.0	3.5	0.7	0.7	0.0	–
Depreciation	16.4	18.8	9.4	11.5	6.4	6.4	0.7	0.9	(0.1)	–
Restructuring charges	–	1.0	–	0.8	–	–	–	0.2	–	–
Exceptional warranty related expenses	(0.1)	0.6	–	–	–	(0.6)	–	–	(0.1)	1.2
Normalized warranty related expenses	4.8	(11.3)	4.0	(9.1)	0.7	(2.1)	–	(0.1)	0.1	–
Timing difference on FX derivatives	(8.6)	–	–	–	(8.6)	–	–	–	–	–
Adjusted Gross Profit	**301.5**	**291.9**	**186.6**	**198.0**	**98.0**	**81.0**	**18.7**	**12.8**	**(1.8)**	**0.1**
Adjusted Gross Profit margin (%)	34.9%	34.2%	39.2%	39.8%	32.0%	27.8%	23.2%	20.0%		

Adjusted Operating Expenses

The reconciliation of Operating Expenses to Adjusted Operating Expenses is as follows for the six months period ended September 30, 2019 and 2018:

USD in millions, unless otherwise indicated	H1 2019	H1 2018
Research and development	**76.8**	**78.9**
Depreciation	(1.8)	(2.0)
Restructuring charges	0.0	(0.5)
Adjusted Research and Development	**75.0**	**76.4**
Sales and Marketing	42.1	46.9
General and administrative	61.8	64.9
Depreciation	(1.7)	(1.9)
Restructuring charges	(0.6)	(1.1)
Adjusted Sales, General and Administrative	**101.6**	**108.8**
Adjusted Operating Expenses	**176.6**	**185.2**