Media Release

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Landis+Gyr Announces First Half FY 2018 Financial Results

Zug, Switzerland. – October 26, 2018 – Landis+Gyr (LAND.SW) today announced financial results for the first half of fiscal year 2018 (April 1 – September 30, 2018). Key highlights included:

- **Order intake increased 10.3% in constant currency year over year, reaching USD 910.0 million in H1 FY 2018 with committed backlog in EMEA increasing by 9.6% in constant currency to USD 760.2 million**
- **As supply chain constraints continued, net revenue decreased 1.9% in constant currency to USD 852.9 million compared to the first half of FY 2017**
- **Adjusted EBITDA was USD 106.8 million compared to USD 106.5 million* in the first half of FY 2017**
- **Reported EBITDA was USD 114.9 million compared to USD 40.8 million* in the first half of FY 2017**
- **EMEA Adjusted EBITDA essentially breakeven as Adjusted Gross Profit margins increased by 290 basis points**
- **Reported net income was USD 59.2 million including a non-cash gain of USD 15.5 million related to the sale of intelliHUB in Australia. EPS of USD 2.01**
- **Free cash flow (excluding M&A activities) was USD 14.1 million**

* Following the adoption by the Company of ASU 2017-07 relating to defined benefit pension scheme costs, H1 FY 2017 EBITDA has been revised down by USD 2.3 million as all pension income and expenses other than service costs are now reported under "Other income (expense)"; net income is unchanged.

"Landis+Gyr's results for the first half FY 2018 show the resilience of our America's business while our strong efforts to drive operational improvements in EMEA are becoming visible. America's net revenues excluding Japan were up 14% and Adjusted EBITDA margin remained over 20%. EMEA's Adjusted EBITDA was essentially breakeven as the benefits from new product introductions and our restructuring programs showed through. However, our results were impacted by ongoing supply chain constraints as we incurred higher costs to keep the supply chain flowing and even then we could not fulfill all orders on hand," said Richard Mora, Landis+Gyr's CEO.

"The company is poised for further improvement in H2 FY 2018. Given the continued challenges in the supply chain, we have made minor adjustments to our full year guidance," Mora concluded.

Net Revenue, Order Intake and Order Backlog

Order intake for the first half of FY 2018 was USD 910.0 million, up USD 84.9 million or 10.3% (both in constant currency terms) over the same period in FY 2017. The increase was driven by EMEA where committed backlog rose 9.6% in constant currency terms to USD 760.2 million. For the Group as a whole, committed backlog was USD 2'348 million at the end of H1 FY 2018.

In H1 FY 2018, net revenue for the group reached USD 852.9 million compared to USD 865.6 million in H1 FY 2017, a decrease of 1.5% (or 1.9% in constant currency terms). Revenue was negatively impacted by industry wide supply chain constraints, as the company experienced shortages of certain electronic components. As a result, Landis+Gyr deferred shipment of about USD 20 million worth of customer orders on hand.

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

Segment	H1 FY 2018	H1 FY 2017	Percentage Change	Percentage change in constant currencies
Americas	497.5	475.2	4.7%	5.6%
EMEA	291.6	320.7	(9.1%)	(11.6%)
Asia Pacific	63.8	69.7	(8.5%)	(6.6%)
Group	**852.9**	**865.6**	**(1.5%)**	**(1.9%)**

In the Americas region, strong H1 FY 2018 sales growth in North America offset a significant reduction in Japan's year over year revenues. EMEA experienced lower net revenues compared to last year. In addition to supply chain constraint impacts, the region experienced lower demand in some AMI markets, including a temporary slowdown in the UK as the market prepares for the transition to a new generation of meters, SMETS2, which will start in December 2018, and in Spain, as a project rolled off.

Adjusted Gross Profit

Adjusted Gross Profit for the reporting period was USD 291.9 million, a decrease of USD 12.5 million from USD 304.4 million in the first half of FY 2017. In total during H1 FY 2018 Landis+Gyr booked USD 12.1 million (approximately 140 basis points of gross profit impact) in incremental costs associated with supply chain constraints. A reconciliation between Gross Profit and Adjusted Gross Profit can be found in the Supplemental Reconciliations and Definitions section of the Half Year Report 2018.

The Adjusted Gross Profit by segment was as follows (in USD millions, except where indicated):

Segment	H1 FY 2018	H1 FY 2018 Percentage	H1 FY 2017	H1 FY 2017 Percentage
Americas	198.0	39.8%	208.5	43.9%
EMEA	81.0	27.8%	79.8	24.9%
Asia Pacific	12.8	20.1%	15.0	21.5%
Eliminations	0.1		1.1	
Group	**291.9**	**34.2%**	**304.4**	**35.2%**

Adjusted Operating Expenses

Adjusted Operating Expenses for the reporting period were USD 185.2 million, a decrease of USD 12.6 million year over year due to further positive impacts of Project Phoenix in EMEA and expense control in other regions. In H1 FY 2018 adjusted research and development (R&D) spending was USD 76.4 million or 9.0% of revenue. A reconciliation between Operating Expenses and Adjusted Operating Expenses can be found in the Supplemental Reconciliations and Definitions section of the Half Year Report 2018.

In H1 FY 2018, Landis+Gyr had two major cost reduction programs underway in EMEA. Project Phoenix aimed at reducing the cost base by closing certain offices, unifying various back office functions and improving productivity in all functions. Phoenix is now delivering USD 20 million of annualized savings and the program is complete having reached its target. The second program, Project Lightfoot, is aimed at bundling and in part outsourcing manufacturing activities to enhance production efficiencies, lower supply chain costs and further reduce capital intensity. Lightfoot is on track and by the end of FY 2020 is expected to achieve USD 25 million of annual savings, versus USD 20 million as initially planned, relative to the cost base at the time of the IPO.

Adjusted and Reported EBITDA

First half FY 2018 Adjusted EBITDA was USD 106.8 million, compared to USD 106.5 million in the first half of FY 2017. Asia Pacific and EMEA saw improved results while Americas posted reduced Adjusted EBITDA results compared to the first half of FY 2017.

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

Segment	H1 FY 2018	H1 FY 2018 Percentage of net revenue	H1 FY 2017	H1 FY 2017 Percentage of net revenue
Americas	102.2	20.5%	105.9	22.3%
EMEA	(0.4)	(0.1%)	(3.9)	(1.2%)
Asia Pacific	(3.6)	(5.6%)	(5.5)	(7.9%)
Corporate unallocated	8.6	N/A	10.0	N/A
Group	**106.8**	**12.5%**	**106.5**	**12.3%**

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

	H1 FY 2018	H1 FY 2017
Reported EBITDA*	**114.9**	**40.8**
Adjustments		
Restructuring Charges	2.6	8.1
Exceptional Warranty Expenses	0.6	2.4
Normalized Warranty Expenses	(11.3)	30.3
Special Items	–	24.8
Adjusted EBITDA*	**106.8**	**106.5**

* Following the adoption by the Company of ASU 2017-07 relating to defined benefit pension scheme costs, H1 FY 2017 EBITDA has been revised down by USD 2.3 million as all pension income and expenses other than service costs are now reported under "Other income (expense)"; net income is unchanged.

H1 FY 2018 restructuring charges mainly relate to measures taken in Brazil. The normalized warranty expense adjustment for the first half of FY 2018 reflects that the level of warranty expense in the Interim Condensed Consolidated Statement of Operations was below the three-year average utilization by USD 11.3 million.

Landis+Gyr's first half FY 2018 Reported EBITDA was USD 114.9 million, compared to USD 40.8 million in the first half of FY 2017.

Net income and EPS
Net income for first half of FY 2018 was USD 59.2 million, or USD 2.01 per share. Net income included a non-cash gain of USD 15.5 million related to the sale of intelliHUB to the joint venture which was established together with Pacific Equity Partners in Australia in order to acquire Acumen. Net income increased by USD 54.1 million compared to the first half of FY 2017.

Capital Expenditure
In the first half of FY 2018, capital expenditure was USD 16.9 million, slightly below the first half of FY 2017 level.

Cash Flow and Net Debt
Free Cash Flow, defined as cash flow provided by operating activities (including changes in net working capital) minus cash flow used in investing activities (capital expenditure on tangible and intangible assets) excluding merger and acquisition activities (M&A) was USD 14.1 million in the first half of FY 2018, a decrease of USD 6.5 million from the first half of FY 2017. The main driver for the decrease was higher legacy warranty cash-outs.

"Landis+Gyr has a strong record of cash generation with free cash flow excluding M&A activities over the four fiscal years FY 2014 to FY 2017 averaging around USD 84 million per year. It's also the case that our cash generation tends to be skewed to the second half, given the timing of certain cash-outs. We expect another strong cash flow year in FY 2018," added Jonathan Elmer, Landis+Gyr's Chief Financial Officer.

Net debt was USD 110.4 million and USD 107.3 million at September 30, 2018 and 2017, respectively, an increase of USD 3.1 million (net of the dividend payment of USD 68.4 million in July 2018, and the equity contribution of USD 18.9 million to the joint venture in Australia which acquired Acumen). The ratio of net debt to trailing twelve months Adjusted EBITDA was 0.5 at the end of September 2018.

FY 2018 Outlook
Landis+Gyr expects the second half of FY 2018 to be stronger than the first half; however, the supply chain situation remains challenging and leads to greater uncertainty than usual. Landis+Gyr's outlook for FY 2018 net revenues is 1–3% growth year over year. Adjusted EBITDA is expected to be in the range between USD 217 million and USD 237 million, as EMEA and Asia Pacific further improve their performance over the course of the second half and the Americas remains resilient. FY 2018 Free Cash Flow (excluding M&A activities) is expected to be between USD 90 million and USD 110 million. The FY 2018 dividend is expected to be the Swiss franc equivalent of at least 75% of Free Cash Flow (excluding M&A activities) and is expected to be not less than the FY 2017 dividend amount of CHF 2.30 per share.

Regional Leadership
Susanne Seitz will join Landis+Gyr as the new Executive Vice President for EMEA on November 19, 2018. In Asia Pacific, Steve Jeston has been named as the Interim Head of the region. The Company has set January 29, 2019 as the date for Landis+Gyr's first Capital Markets Day and the opportunity to meet the extended Executive Team.

Sustainability Report

Landis+Gyr's FY 2017 Sustainability Report was issued today. In FY 2017: water consumption within the Group decreased by 10.0%; total use of chemicals decreased by 2.4%; total waste produced increased by 5.3%, primarily due to the transfer of manufacturing capacities internally and to external partners; and total CO_2 emissions fell by 11.1%. Since measurement began of Landis+Gyr's carbon footprint in 2007, CO_2 emissions have been reduced on a per-turnover basis by 31%. For more information please see: Link

Recent Corporate Developments

- In North America, Public Power customers across the US signed new Landis+Gyr technology solution agreements totaling over 270'000 additional AMI endpoints planned for deployment along with a refresh of software and technology. Key customer names include Kissimmee Utility Authority, South Plains and Sulphur Springs.
- In the UK, the transition to the next generation smart meters (SMETS2) is now confirmed by government for December 2018. As the UK market leader, Landis+Gyr added orders to committed backlog of GBP 161 million with 18 million meters now deployed or under contract.
- In France, Enedis awarded Landis+Gyr a contract to supply approx. 20% of their future volumes (with potential for further expansion) in the planned rollout of the next thirteen million Linky meters by 2023; in line with the previous tenders and contracts to supply Linky meters and data concentrators.
- Landis+Gyr launched a comprehensive managed services solution to operate all of Caruna Oy's 660'000 smart metering points in Finland with more than 17 million validated metering values provided to Caruna and its customers every day. The service includes full smart metering operations responsibility for a duration of six years and an optional extension for an additional three years.
- Landis+Gyr and Pacific Equity Partners (PEP) established a joint venture which acquired Acumen from Origin Energy Limited, Australia's largest energy retailer. The Acumen business includes the existing management of an already deployed 170'000 smart meters and a material long-term contract with Origin for the deployment and management of additional smart meters across Australia.

Landis+Gyr Group's Half Year Report 2018, the Sustainability Report 2017/2018 and the Half Year 2018 investor presentation were published today and can be downloaded at www.landisgyr.com/investors.

Analyst and Media Webcast and Telephone Conference

The management of Landis+Gyr will host an analyst and media call to discuss the company's results.

Date and time:	October 26, 2018 at 09:00 am CET
Speakers:	Richard Mora (CEO) and Jonathan Elmer (CFO)
Audio webcast:	Link
Telephone:	Europe: +41 (0)58 310 5000 UK: +44 (0)207 107 0613 US: +1 (1)631 570 5613

Please dial in 10–15 minutes before the start of the presentation and ask for "Landis+Gyr half year results 2018".

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Key Dates

Capital Markets Day	January 29, 2019
Release of Results for Financial Year 2018	May 29, 2019
Annual General Meeting 2019	June 25, 2019
Release of Half Year Results 2019	October 25, 2019

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 of products and services to address complex industry challenges, the company delivers comprehensive solutions for the foundation of a smarter grid, including smart metering, distribution network sensing and automation tools, load control, analytics and energy storage. Landis+Gyr operates in over 30 countries across five continents. With sales of approximately USD 1.7 billion, the company employs c. 6'000 people with the sole mission of helping the world manage energy better. More information is available at www.landisgyr.com.

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Extracts from the Half-Year Report 2018

Interim Condensed Consolidated Statements of Operations (unaudited)

	SIX MONTHS ENDED SEPTEMBER 30,	
USD in thousands, except per share data and number of shares	**2018**	2017
Net revenue	**$852’910**	**$865’639**
Cost of revenue	576’979	622’913
Gross profit	**275’931**	**242’726**
Operating expenses		
Research and development	78’862	83’247
Sales and marketing	46’870	54’725
General and administrative	64’897	94’896
Amortization of intangible assets	17’714	17’674
Operating income (loss)	**67’588**	**(7’816)**
Other income (expense)		
Interest income	272	368
Interest expense	(3’114)	(3’761)
Non-operational pension (cost) credit	2’080	2’274
Gain on divestments	15’545	–
Income (loss) on foreign exchange, net	(2’484)	7’862
Income (loss) before income tax expense	**79’887**	**(1’073)**
Income tax benefit (expense)	(19’114)	6’330
Net income before noncontrolling interests and equity method investments	**60’773**	**5’257**
Net loss from equity investments	(1’701)	–
Net income before noncontrolling interests	**59’072**	**5’257**
Net income (loss) attributable to noncontrolling interests, net of tax	(137)	185
Net income attributable to Landis+Gyr Group AG Shareholders	**$59’209**	**$5’072**
Earnings per share:		
Basic and diluted	$ 2.01	$ 0.17
Weighted average number of shares used in computing earnings per share:		
Basic and diluted	29’507’940	29’510’000

The accompanying footnotes, included in the Half Year Report, are an integral part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Balance Sheets (unaudited)

USD in thousands, except share data	September 30, 2018	March 31, 2018 AUDITED
ASSETS		
Current assets		
Cash and cash equivalents	$ 45’891	$ 101’763
Restricted cash	–	5’000
Accounts receivable, net of allowance for doubtful accounts of $5.7 million and $6.2 million	329’151	315’788
Inventories, net	138’777	121’398
Prepaid expenses and other current assets	55’384	45’363
Total current assets	**569’203**	**589’312**
Property, plant and equipment, net	144’832	164’400
Intangible assets, net	355’850	381’674
Goodwill	1’353’910	1’361’591
Deferred tax assets	15’742	16’021
Other long-term assets	79’552	37’683
TOTAL ASSETS	**$ 2’519’089**	**$ 2’550’681**
LIABILITIES AND EQUITY		
Current liabilities		
Trade accounts payable	$ 186’889	$ 150’168
Accrued liabilities	35’222	40’015
Warranty provision	33’306	47’870
Payroll and benefits payable	49’406	65’210
Loans payable	156’373	142’327
Other current liabilities	66’074	69’655
Total current liabilities	**527’270**	**515’245**
Warranty provision – non current	16’560	25’557
Pension and other employee liabilities	45’754	55’743
Deferred tax liabilities	31’713	32’520
Tax provision	26’347	25’492
Other long-term liabilities	80’449	88’103
Total liabilities	**728’093**	**742’660**
Commitments and contingencies – Note 13		
Shareholders’ equity		
Landis+Gyr Group AG shareholders’ equity Registered ordinary shares (29’510’000 issued shares at September 30, 2018 and March 31, 2018, respectively)	309’050	309’050
Additional paid-in capital	1’407’474	1’475’421
Retained earnings	114’930	55’721
Accumulated other comprehensive loss	(42’842)	(35’554)
Treasury shares, at cost (5’000 and nil shares at September 30, and March 31, 2018, respectively)	(316)	–
Total Landis+Gyr Group AG shareholders’ equity	**1’788’296**	**1’804’638**
Noncontrolling interests	2’700	3’383
Total shareholders’ equity	**1’790’996**	**1’808’021**
TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY	**$ 2’519’089**	**$ 2’550’681**

The accompanying footnotes, included in the Half Year Report, are an integral part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Cash Flows (unaudited)

	SIX MONTHS ENDED SEPTEMBER 30,	
USD in thousands	**2018**	2017
Cash flow from operating activities		
Net income (loss)	$ 59'072	$ 5'257
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	47'280	48'629
Net loss (income) from equity investments	1'701	–
Share-based compensation	556	–
Gain on divestments	(15'545)	–
IPO recognition bonus – equity component	–	6'551
Gain on disposal of property, plant and equipment	103	516
Effect of foreign currencies translation on non-operating items, net	(2'459)	2'886
Change in allowance for doubtful accounts	(484)	1'662
Deferred income tax	(1'507)	(1'654)
Change in operating assets and liabilities, net of effect of businesses acquired and effect of changes in exchange rates:		
Accounts receivable	(30'747)	20'253
Inventories	(19'351)	(5'310)
Trade accounts payable	52'365	(5'318)
Other assets and liabilities	(60'113)	(34'379)
Net cash provided by operating activities	**30'871**	**39'093**
Cash flow from investing activities		
Payments for property, plant and equipment	(16'525)	(19'055)
Payments for intangible assets	(326)	(46)
Proceeds from the sale of property, plant and equipment	126	558
Business acquisitions	(18'945)	–
Net cash used in investing activities	**(35'670)**	**(18'543)**
Cash flow from financing activities		
Purchase of treasury shares	(436)	–
Dividends paid	(68'383)	–
Proceeds from third party facility	18'081	215'000
Repayment of borrowings to third party facility	(2'279)	(24)
Capital contribution related to IPO recognition bonus – cash component	–	3'275
Repayment of borrowings to shareholders and related party facility	–	(215'000)
Net cash provided by (used in) financing activities	**(53'017)**	**3'251**
Net increase (decrease) in cash and cash equivalents	**(57'816)**	**23'801**
Cash and cash equivalents at beginning of period, including restricted cash	106'763	101'033
Effects of foreign exchange rate changes on cash and cash equivalents	(3'056)	580
Cash and cash equivalents at end of period, including restricted cash	**$ 45'891**	**$ 125'414**
Supplemental cash flow information		
Cash paid for income tax	$ 17'005	$ 22'296
Cash paid for interest	$ 2'619	$ 4'661

The accompanying footnotes, included in the Half Year Report, are an integral part of these interim condensed consolidated financial statements.

Supplemental Reconciliation and Definitions

Adjusted EBITDA

The reconciliation of EBITDA to Adjusted EBITDA is as follows for the six months period ended September 30, 2018 and 2017:

	L+G GROUP AG		AMERICAS		EMEA		ASIA PACIFIC		CORPORATE AND ELIMINATIONS	
USD in millions, unless otherwise indicated	**H1 18**	H1 17	**H1 18**	H1 17	**H1 18**	H1 17	**H1 18**	H1 17	**H1 18**	H1 17
Operating income	**$ 67.6**	**$ (7.8)**	**$ 79.8**	**$ 36.7**	**$ (9.3)**	**$ (17.4)**	**$ (6.7)**	**$ (8.2)**	**$ 3.8**	**$ (18.9)**
Amortization of intangible assets	24.6	24.7	16.7	16.6	3.7	3.7	0.9	1.1	3.3	3.3
Depreciation	22.7	23.9	13.3	15.1	7.4	6.8	1.7	1.8	0.3	0.2
Impairment of intangible assets	–	–	–	–	–	–	–	–	–	–
EBITDA	**114.9**	**40.8**	**109.8**	**68.4**	**1.8**	**(6.9)**	**(4.1)**	**(5.3)**	**7.4**	**(15.4)**
Restructuring charges	2.6	8.1	1.5	(0.1)	0.5	7.7	0.6	–	–	0.5
Exceptional warranty related expenses	0.6	2.4	–	–	(0.6)	2.4	–	–	1.2	–
Normalized warranty related expenses	(11.3)	30.3	(9.1)	37.6	(2.1)	(7.1)	(0.1)	(0.2)	0.0	–
Special items	–	24.8	–	–	–	–	–	–	–	24.8
Adjusted EBITDA	**$ 106.8**	**$ 106.5**	**$ 102.2**	**$ 105.9**	**$ (0.4)**	**$ (3.9)**	**$ (3.6)**	**$ (5.5)**	**$ 8.6**	**$ 10.0**
Adjusted EBITDA margin (%)	12.5%	12.3%	20.5%	22.3%	(0.1%)	(1.2%)	(5.6%)	(7.9%)		

Adjusted Gross Profit

The reconciliation of Gross Profit to Adjusted Gross Profit is as follows for the six months period ended September 30, 2018 and 2017:

	L+G GROUP AG		AMERICAS		EMEA		ASIA PACIFIC		CORPORATE AND ELIMINATIONS	
USD in millions, unless otherwise indicated	**H1 18**	H1 17	**H1 18**	H1 17	**H1 18**	H1 17	**H1 18**	H1 17	**H1 18**	H1 17
Gross Profit	**$ 275.9**	**$ 242.7**	**$ 192.1**	**$ 154.9**	**$ 73.8**	**$ 73.1**	**$ 11.1**	**$ 13.5**	**$ (1.1)**	**$ 1.2**
Amortization of intangible assets	6.9	7.1	2.7	2.8	3.5	3.5	0.7	0.8	–	–
Depreciation	18.8	19.9	11.5	13.2	6.4	5.8	0.9	0.9	–	–
Restructuring charges	1.0	2.0	0.8	–	–	2.0	0.2	–	–	–
Exceptional warranty related expenses	0.6	2.4	–	–	(0.6)	2.4	–	–	1.2	–
Normalized warranty related expenses	(11.3)	30.3	(9.1)	37.6	(2.1)	(7.0)	(0.1)	(0.2)	0.0	(0.1)
Adjusted Gross Profit	**$ 291.9**	**$ 304.4**	**$ 198.0**	**$ 208.5**	**$ 81.0**	**$ 79.8**	**$ 12.8**	**$ 15.0**	**$ 0.1**	**$ 1.1**
Adjusted Gross Profit margin (%)	34.2%	35.2%	39.8%	43.9%	27.8%	24.9%	20.0%	21.5%		

Adjusted Operating Expenses

The reconciliation of Operating Expenses to Adjusted Operating Expenses is as follows for the six months period ended September 30, 2018 and 2017:

USD in millions, unless otherwise indicated	**H1 2018**	H1 2017
Research and development	**$ 78.9**	**$ 83.2**
Depreciation	(2.0)	(2.2)
Restructuring charges	(0.5)	(0.7)
Adjusted Research and Development	**76.4**	**80.3**
Sales and Marketing	46.9	54.7
General and administrative	64.9	94.9
Depreciation	(1.9)	(1.8)
Restructuring charges	(1.1)	(5.5)
Special items	–	(24.8)
Adjusted Sales, General and Administrative	**108.8**	**117.5**
Adjusted Operating Expenses	**$ 185.2**	**$ 197.8**