Media Release

# Landis+Gyr Announces FY 2018 Financial Results

Zug, Switzerland – May 6, 2019 – Landis+Gyr (LAND.SW) today announced unaudited financial results for the financial year 2018 (April 1, 2018–March 31, 2019). Key highlights include:

- **Order intake increased 34.0% in constant currency to USD 2,079.0 million with Committed Backlog up 9.0%* to USD 2,603.1 million**
- **Net Revenues reached USD 1,765.2 million, increasing 3.1% in constant currency**
- **Adjusted EBITDA was USD 237.9 million, higher by 14.3%, a margin of 13.5%**
- **Both EMEA and Asia Pacific regions delivered full year positive Adjusted EBITDA compared to the negative results posted in FY 2017**
- **Reported Net Income was USD 122.2 million, including a non-cash gain of USD 14.6 million related to the sale of intelliHUB in Australia. EPS of USD 4.15**
- **Free Cash Flow (excluding M&A) was USD 123.5 million**
- **Proposed distribution of a dividend from capital reserves of CHF 3.15 per share**

* All comparative percentages reflect year over year changes in nominal currency (except where stated to be in constant currency)

"Landis+Gyr's results for financial year 2018 represent progress towards the delivery of the commitments we made to our shareholders," said Richard Mora, Landis+Gyr's CEO. "With growth in sales, Adjusted EBITDA and Free Cash Flow, we met or exceeded the financial metrics we guided towards. Given the outperformance on Free Cash Flow (excluding M&A), and its impact on the proposed dividend payout, we have elected to publish our results earlier than originally planned."

"All regions contributed to the positive booking and committed backlog trends. Importantly, both EMEA and Asia Pacific delivered profitable results for the year. Overall, these results demonstrate the impact of the operational improvements we have been implementing," Mora added.

**Order Intake, Committed Backlog and Net Revenue**

Order intake for FY 2018 reached USD 2,079.0 million, an increase of 34.0% year-over-year in constant currency and equal to a book to bill ratio of 1.18. Committed backlog was up 9.0% year-over-year at USD 2,603.1 million. All regions reported increases in order entry and committed backlog compared to the prior year.

In FY 2018, net revenues grew 3.1% year-over-year in constant currency, to USD 1,765.2 million, with growth experienced in all three regions.

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

| Segment | FY 2018 Net revenue | FY 2017 Net revenue | Percentage Change | Percentage change in constant currencies |
|---|---|---|---|---|
| Americas | 986.0 | 972.2 | 1.4% | 2.5% |
| EMEA | 632.5 | 627.2 | 0.8% | 2.4% |
| Asia Pacific | 146.7 | 138.4 | 6.0% | 11.2% |
| **Group** | **1,765.2** | **1,737.8** | **1.6%** | **3.1%** |

The Americas region delivered higher net revenues year-over-year, growing 1.4%, or 2.5% in constant currency, thanks to several full-scale deployments currently underway in the US, which more than offset the year-over-year decline of USD 46.9 million in Japan net revenues. Americas' committed order backlog grew by 4.5%, driven by new contract wins with We Energies, Ameren Missouri and others, including opportunities to deploy grid edge technologies.

Net revenues in the EMEA region were also up compared to the prior financial year by 0.8%, or 2.4% in constant currency, despite the region experiencing lower demand during the first half of FY 2018. Strong volumes in the UK from the SMETS2 deployment ramp-up, supplemented by some UK customers building inventory to manage Brexit uncertainty, drove the region's second half performance. Contracts in France and the UK contributed strongly to the 15.4% growth in EMEA's committed order backlog.

Asia Pacific likewise contributed to higher sales with year-over-year growth of 6.0% or 11.2% in constant currency, as demand in Australia due to the Power of Choice regulatory change drove the improvement. Committed order backlog rose by 67.3%. The contract extension at CLP in Hong Kong represents a major milestone for Landis+Gyr in Asia Pacific.

**Adjusted Gross Profit, Adjusted Operating Expenses, and Adjusted and Reported EBITDA**
Adjusted Gross Profit for the reporting period was USD 609.3 million, a USD 12.0 million increase from the USD 597.3 million delivered in FY 2017. This increase was achieved despite incurring incremental costs associated with supply chain constraints of USD 17.6 million. The supply chain position improved in the second half of the year, but some challenges continue to affect the business. Adjusted Operating Expenses were further reduced by USD 17.7 million year-over-year (USD 11.3 million in constant currency) due to additional positive impacts of Project Phoenix in EMEA and expense control in the other regions. In FY 2018 Adjusted Research and Development (R&D) spending was USD 151.9 million or 8.6% of revenue, temporarily down USD 6.1 million compared to the prior year due largely to the timing of development projects.

In FY 2018, Landis+Gyr had two major cost reduction programs underway in EMEA. Project Phoenix was aimed at reducing the cost base by streamlining back office structures, unifying staff functions and improving productivity. With annualized savings achieved of USD 21.7 million against the targeted USD 20 million, Project Phoenix has been successfully concluded. In the other regions, cost control efforts were also successfully undertaken.

The second EMEA program, Project Lightfoot, is aimed at bundling and partially outsourcing manufacturing activities to enhance production efficiencies, lower supply chain costs and further reduce capital intensity. Lightfoot delivered USD 5 million in incremental savings during FY 2018, in addition to USD 5 million in prior periods. A further USD 15 million savings will be delivered over the next two years, for a total annualized impact of USD 25 million by end of FY 2020.

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

| Segment | FY 2018 Adjusted EBITDA | FY 2018 Percentage of net revenue | FY 2017 Adjusted EBITDA* | FY 2017 Percentage of net revenue |
|---|---|---|---|---|
| Americas | 193.7 | 19.6% | 198.7 | 20.4% |
| EMEA | 19.7 | 3.1% | (12.0) | (1.9%) |
| Asia Pacific | 1.5 | 1.0% | (9.6) | (6.9%) |
| Corporate unallocated | 23.0 | | 31.1 | |
| **Group** | **237.9** | **13.5%** | **208.2** | **12.0%** |

* Following the adoption by the Company of ASU 2017-07 relating to defined benefit pension scheme costs, FY 2017 EBITDA has been revised down by USD 3.8 million as all pension income and expenses other than service costs are now reported under "Other income (expense)"; net income is unchanged.

Overall, FY 2018 Adjusted EBITDA margin increased to 13.5% from 12.0% in the prior year. FY 2018 Adjusted EBITDA rose more significantly than sales, growing 14.3% year-over-year, coming in at USD 237.9 million. A resilient performance in the Americas was the largest contributor to this outcome, but notably EMEA and Asia Pacific – both under new leadership – achieved positive results through a combination of improved gross margins in EMEA as well as cost control in both regions.

Landis+Gyr's FY 2018 Reported EBITDA was USD 251.1 million versus USD 141.3 million in FY 2017.

In FY 2018 adjustments to bridge from Reported EBITDA to Adjusted EBITDA were in three primary categories. First, with respect to Restructuring Charges the USD 4.8 million related to streamlining measures taken across the organization. Second, the Normalized Warranty Expenses adjustment for FY 2018 of USD (16.1) million represented the amount of provisions made relative to the average annual actual warranty utilization for the last 3 years. Lastly, the Group has introduced a new adjustment in H2 FY 2018, Timing Difference on FX Derivatives. In FY 2018 this adjustment was USD (3.0) million.

"The economic uncertainty in the UK, Landis+Gyr's single most important European market, caused by the protracted negotiations around Brexit have led to an increased risk of exchange rate volatility. With sales in GBP and supply chain costs largely in other currencies, we have partially mitigated our FX exposure by extending our hedging program and putting hedges in place in respect of part of our exposure to the GBP for up to 24 months ahead. As unrealized gains or losses on hedges are booked on a mark to market basis each month, a movement in FX rates will cause short term volatility in our Reported EBITDA. To address this, we have introduced a new category of adjustment – Timing Difference on FX Derivatives," Jonathan Elmer, Landis+Gyr's CFO said.

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

| | FY 2018 | FY 2017* |
|---|---|---|
| **Reported EBITDA** | **251.1** | **141.3** |
| Adjustments | | |
| Restructuring Charges | 4.8 | 14.7 |
| Exceptional Warranty Expenses | 1.1 | 2.4 |
| Normalized Warranty Expenses | (16.1) | 24.2 |
| Timing difference on FX derivatives** | (3.0) | – |
| Special Items | – | 25.6 |
| **Adjusted EBITDA** | **237.9** | **208.2** |

* Following the adoption by the Company of ASU 2017-07 relating to defined benefit pension scheme costs, FY 2017 EBITDA has been revised down by USD 3.8 million as all pension income and expenses other than service costs are now reported under "Other income (expense)"; net income is unchanged.

** Unrealized mark to market gains or losses on hedges are booked each period in the Statement of Operations; however, such gains or losses are excluded from Adjusted EBITDA until the date of realization of the underlying hedged transaction or at hedge maturity, if earlier.

## Net income and EPS

Net income for FY 2018 was USD 122.2 million, or USD 4.15 per share and compares to USD 46.4 million, or USD 1.57 per share for FY 2017. In addition to year-over-year improvements in Operating Income, Net Income benefited from the USD 14.6 million gain on the contribution of assets to the intelliHUB JV. These improvements were partially offset by the year-over-year increase in the tax expense following the release of deferred tax liabilities in FY 2017 resulting from the US tax reform.

## Cash flow and net debt

Free Cash Flow (excluding M&A) was USD 123.5 million in FY 2018, an increase of USD 36.0 million compared to FY 2017. The main drivers for the increase were improved operating performance and lower tax payments, which more than offset higher warranty and warranty settlement cash outs. In FY 2018, capital expenditures were USD 40.5 million, slightly above the FY 2017 level of USD 38.0 million. The Company contributed cash of USD 19.1 million for the equity in the intelliHUB joint venture in Australia and invested USD 2.0 million in Sense in the US.

Landis+Gyr is returning cash to shareholders in two ways, via the dividend as well as the CHF 100 million share buyback program currently underway. During FY 2018, Landis+Gyr repurchased 199,214 of its own shares at an aggregate value of USD 12.7 million, both inside and outside the buyback program. Despite these uses of cash, net debt fell to USD 17.2 million at the end of FY 2018, a reduction of USD 23.3 million compared to the prior year end. The ratio of net debt to Adjusted EBITDA was 0.1x at the end of March 2019.

**Distribution to shareholders**
In line with Landis+Gyr's dividend policy, the Board of Directors proposes a distribution of CHF 3.15 per share to shareholders. Subject to Annual General Meeting approval, the distribution will be paid out of capital contribution reserves and is exempt from Swiss federal withholding tax.

**Guidance for FY 2019**
"Looking ahead, we are confident in making further progress and we expect to grow sales, Adjusted EBITDA and Free Cash Flow (excluding M&A) in FY 2019. The increase in order intake and committed backlog in FY 2018 confirms our strong positioning in the marketplace, however, many of these new contracts will only generate significant revenue from FY 2020. Project timing in some of our key markets gives us a few revenue headwinds to deal with, notably in H1 FY 2019. Accordingly, we expect our FY 2019 results to be significantly skewed to the second half." Mora concluded.

Landis+Gyr expects FY 2019 net revenue growth of approximately 2–5%, at constant currencies. Group Adjusted EBITDA is expected to be between USD 240 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 (excl. M&A). Due to project timing in some key markets, Landis+Gyr expects the first half of FY 2019 to be significantly weaker than the second half.

**Recent Corporate Developments**
- In March 2019, it was announced that We Energies signed a contract with Landis+Gyr to extend
- its advanced metering deployment to approximately 508,000 electricity customers, while adding Gridstream® Connect network components to support the expansion. Managed Service contract was extended beyond 2030.
- In March 2019, CLP Power signed an agreement with Landis+Gyr to continue deploying a Gridstream® solution to their Hong Kong service territory. The agreement includes the supply of smart meters, communications modules and associated software applications.
- On April 1, 2019, it was announced that Ameren Missouri will deploy Landis+Gyr's Gridstream® Connect solution, including 1.27 million advanced electricity meters and 130,000 gas meters. The contract also includes an extension of Landis+Gyr's Managed Services, meter data management system (MDMS) and Command Center head-end system.
- In the UK, the transition to the next generation smart meters (SMETS2) is now underway in scale since December 2018 with >800,000 SMETS2 meters on the network. As the UK market leader, Landis+Gyr added new contracts and orders to committed backlog and now has more than 20 million meters deployed or under contract.

**Investor & Media Webcast and Telephone Conference**
The management of Landis+Gyr will host an investor and media conference call to discuss the Company's results as well as the most recent developments in the industry.

| | |
|---|---|
| Date and time: | May 6, 2019 at 02:00 pm 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 financial year 2018 results".

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**Key Dates**

| | |
|---|---|
| Publication of Annual Report 2018 and Invitation to AGM 2019 | May 29, 2019 |
| Annual General Meeting 2019 | June 25, 2019 |
| Ex-Dividend Date | June 27, 2019 |
| Dividend Record Date | June 28, 2019 |
| Dividend Payment Date | July 1, 2019 |
| Release of Half Year Results 2019 | October 29, 2019 |
| Publication of Sustainability Report | October 29, 2019 |
| Capital Markets Day | January 30, 2020 |
| Release of Results for Financial Year 2019 | May 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 5,700 people in over 30 countries across five continents, with the sole mission of helping the world manage energy better.

***Disclaimer***
*Landis+Gyr has not finalized its FY 2018 Annual Report (planned for release on May 29, 2019) and Landis+Gyr's statutory auditor has not completed its audit of the consolidated financial statements (unaudited) for the period. Accordingly, the financial information contained in this document is subject to completion of year-end procedures, which may result in changes to that information.*

*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 38 to 44 of the Landis+Gyr Half Year Report 2018 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 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 upon reasonable assumptions, it can give no assurance that those expectations will be achieved.*

# Extracts from the Financial Report 2018

# Consolidated Statements of Operations (unaudited)

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

# Consolidated Balance Sheets (unaudited)

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

# Consolidated Statements of Cash Flows (unaudited)

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

# Supplemental Reconciliation and Definitions (unaudited)

## Adjusted EBITDA

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

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

## Adjusted Gross Profit

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

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

## Adjusted Operating Expenses

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

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