

**ITRON, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

(Unaudited, in thousands, except per share data)

	<b>Three Months Ended December 31,</b>		<b>Twelve Months Ended December 31,</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Revenues	\$ 480,544	\$ 159,973	\$ 1,464,048	\$ 644,042
Cost of revenues	324,106	95,762	976,761	376,600
Gross profit	<u>156,438</u>	<u>64,211</u>	<u>487,287</u>	<u>267,442</u>
Operating expenses				
Sales and marketing	40,852	16,609	125,842	63,587
Product development	27,089	15,358	94,926	58,774
General and administrative	30,937	15,109	100,071	52,213
Amortization of intangible assets	25,873	7,916	84,000	31,125
In-process research and development	155	-	35,975	-
Total operating expenses	<u>124,906</u>	<u>54,992</u>	<u>440,814</u>	<u>205,699</u>
Operating income	31,532	9,219	46,473	61,743
Other income (expense)				
Interest income	1,587	5,308	10,477	9,497
Interest expense	(26,689)	(5,426)	(89,965)	(17,785)
Other income (expense), net	(5,633)	(344)	435	(1,220)
Total other income (expense)	<u>(30,735)</u>	<u>(462)</u>	<u>(79,053)</u>	<u>(9,508)</u>
Income (loss) before income taxes	797	8,757	(32,580)	52,235
Income tax benefit (provision)	<u>3,205</u>	<u>(1,486)</u>	<u>16,436</u>	<u>(18,476)</u>
Net income (loss)	<u>\$ 4,002</u>	<u>\$ 7,271</u>	<u>\$ (16,144)</u>	<u>\$ 33,759</u>
Earnings (loss) per share				
Basic	<u>\$ 0.13</u>	<u>\$ 0.28</u>	<u>\$ (0.55)</u>	<u>\$ 1.33</u>
Diluted	<u>\$ 0.12</u>	<u>\$ 0.28</u>	<u>\$ (0.55)</u>	<u>\$ 1.28</u>
Weighted average number of shares outstanding				
Basic	30,608	25,624	29,584	25,414
Diluted	32,725	26,378	29,584	26,283

**ITRON, INC.**  
**SEGMENT INFORMATION**

(Unaudited, in thousands)

	<u>Three Months Ended December 31,</u>		<u>Twelve Months Ended December 31,</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b>Revenues</b>				
Itron North America	\$ 177,311	\$ 159,973	\$ 630,304	\$ 644,042
Actaris	303,233	-	833,744	-
Total Company	<u>\$ 480,544</u>	<u>\$ 159,973</u>	<u>\$ 1,464,048</u>	<u>\$ 644,042</u>
<b>Gross profit</b>				
Itron North America	\$ 70,560	\$ 64,211	\$ 256,784	\$ 267,442
Actaris	85,878	-	230,503	-
Total Company	<u>\$ 156,438</u>	<u>\$ 64,211</u>	<u>\$ 487,287</u>	<u>\$ 267,442</u>
<b>Operating income (loss)</b>				
Itron North America	\$ 23,578	\$ 16,944	\$ 74,631	\$ 89,028
Actaris	16,232	-	3,878	-
Corporate unallocated	(8,278)	(7,725)	(32,036)	(27,285)
Total Company	<u>\$ 31,532</u>	<u>\$ 9,219</u>	<u>\$ 46,473</u>	<u>\$ 61,743</u>
<b>Unit Shipments</b>				
	<u>Three Months Ended December 31,</u>		<u>Twelve Months Ended December 31,</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Total meters (with and without AMR)	(units in thousands)			
Electricity	3,225	1,450	9,450	6,625
Gas	875	-	2,550	-
Water	1,950	-	5,575	-
Total meters	<u>6,050</u>	<u>1,450</u>	<u>17,575</u>	<u>6,625</u>
AMR units (Itron and Actaris)				
Meters with AMR	1,350	675	3,600	4,000
AMR modules	1,175	1,100	4,675	4,625
Total AMR units	<u>2,525</u>	<u>1,775</u>	<u>8,275</u>	<u>8,625</u>
Meters with other vendors' AMR	275	225	925	925

**ITRON, INC.**  
**CONSOLIDATED BALANCE SHEETS**

(Unaudited, in thousands)

	<b>At December 31,</b>	
	<b>2007</b>	<b>2006</b>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 91,988	\$ 361,405
Short-term investments, held to maturity	-	34,583
Accounts receivable, net	339,018	109,924
Inventories	169,238	52,496
Deferred income taxes, net	12,026	20,916
Other	42,459	17,121
Total current assets	654,729	596,445
Property, plant and equipment, net	323,003	88,689
Intangible assets, net	695,900	112,682
Goodwill	1,266,133	126,266
Prepaid debt fees	21,616	13,161
Deferred income taxes, net	123,933	47,400
Other	15,235	3,879
Total assets	\$ 3,100,549	\$ 988,522
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Trade payables	\$ 198,997	\$ 35,803
Accrued expenses	57,275	6,402
Wages and benefits payable	70,486	24,214
Taxes payable	17,493	1,717
Current portion of long-term debt	11,980	-
Current portion of warranty	21,277	7,999
Deferred income taxes, net	37,448	-
Unearned revenue	20,912	27,449
Total current liabilities	435,868	103,584
Long-term debt	1,578,561	469,324
Warranty	11,564	10,149
Pension plan benefits	60,623	-
Deferred income taxes, net	191,472	-
Other obligations	63,659	14,483
Total liabilities	2,341,747	597,540
Commitments and contingencies		
Shareholders' equity		
Preferred stock	-	-
Common stock	609,902	351,018
Accumulated other comprehensive income, net	126,668	1,588
Retained earnings	22,232	38,376
Total shareholders' equity	758,802	390,982
Total liabilities and shareholders' equity	\$ 3,100,549	\$ 988,522

**ITRON, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited, in thousands)

	<b>Twelve Months Ended December 31,</b>	
	<b>2007</b>	<b>2006</b>
Operating activities		
Net income (loss)	\$ (16,144)	\$ 33,759
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	126,440	46,234
In-process research and development	35,975	-
Employee stock plans income tax (provision) benefit	(389)	13,547
Excess tax benefits from stock-based compensation	-	(9,717)
Stock-based compensation	11,656	9,689
Amortization of prepaid debt fees	13,526	4,526
Deferred income taxes, net	(36,373)	1,624
Other, net	1,326	828
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(40,718)	(3,275)
Inventories	19,419	(1,599)
Trade payables, accrued expenses and taxes payable	10,033	(8,278)
Wages and benefits payable	198	(1,774)
Unearned revenue	2,660	5,698
Warranty	1,761	2,872
Effect of foreign exchange rate changes	4,168	-
Other, net	(211)	639
Net cash provided by operating activities	<u>133,327</u>	<u>94,773</u>
Investing activities		
Proceeds from the maturities of investments, held to maturity	35,000	170,434
Purchases of investments, held to maturity	-	(204,995)
Acquisitions of property, plant and equipment	(40,602)	(31,739)
Business acquisitions, net of cash and cash equivalents acquired	(1,716,253)	(21,121)
Other, net	7,439	1,922
Net cash used in investing activities	<u>(1,714,416)</u>	<u>(85,499)</u>
Financing activities		
Proceeds from borrowings	1,159,023	345,000
Payments on debt	(76,099)	(42,703)
Issuance of common stock	247,617	15,250
Excess tax benefits from stock-based compensation	-	9,717
Prepaid debt fees	(22,083)	(8,771)
Other, net	1,902	-
Net cash provided by financing activities	<u>1,310,360</u>	<u>318,493</u>
Effect of exchange rate changes on cash and cash equivalents	1,312	-
Increase (decrease) in cash and cash equivalents	(269,417)	327,767
Cash and cash equivalents at beginning of period	<u>361,405</u>	<u>33,638</u>
Cash and cash equivalents at end of period	<u>\$ 91,988</u>	<u>\$ 361,405</u>

**ITRON, INC.**  
**RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES**  
**TO MOST DIRECTLY COMPARABLE GAAP FINANCIAL MEASURES**

(Unaudited, in thousands, except per share data)

	<u>Three Months Ended December 31,</u>		<u>Twelve Months Ended December 31,</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Non-GAAP operating income:				
GAAP operating income	\$ 31,532	\$ 9,219	\$ 46,473	\$ 61,743
Amortization of intangible assets	25,873	7,916	84,000	31,125
In-process research and development	155	-	35,975	-
Purchase accounting adjustment - inventory	-	-	16,023	-
Non-GAAP operating income	<u>\$ 57,560</u>	<u>\$ 17,135</u>	<u>\$ 182,471</u>	<u>\$ 92,868</u>
Non-GAAP net income:				
GAAP net income (loss)	\$ 4,002	\$ 7,271	\$ (16,144)	\$ 33,759
Amortization of intangible assets	25,873	7,916	84,000	31,125
Amortization of debt placement fees	1,412	742	13,262	4,377
In-process research and development	155	-	35,975	-
Purchase accounting adjustment - inventory	-	-	16,023	-
Income tax effect of non-GAAP adjustments	<u>(4,952)</u>	<u>(3,394)</u>	<u>(45,804)</u>	<u>(13,653)</u>
Non-GAAP net income	<u>\$ 26,490</u>	<u>\$ 12,535</u>	<u>\$ 87,312</u>	<u>\$ 55,608</u>
Non-GAAP diluted EPS	<u>\$ 0.81</u>	<u>\$ 0.48</u>	<u>\$ 2.81</u>	<u>\$ 2.12</u>
Weighted average number of shares outstanding - Diluted	<u>32,725</u>	<u>26,378</u>	<u>31,093</u>	<u>26,283</u>
Adjusted EBITDA:				
GAAP net income (loss)	\$ 4,002	\$ 7,271	\$ (16,144)	\$ 33,759
Interest income	(1,587)	(5,308)	(10,477)	(9,497)
Interest expense	26,689	5,426	89,965	17,785
Income tax (benefit) provision	(3,205)	1,486	(16,436)	18,476
Depreciation and amortization	41,111	11,968	126,440	46,234
In-process research and development	155	-	35,975	-
Purchase accounting adjustment - inventory	-	-	16,023	-
Adjusted EBITDA	<u>\$ 67,165</u>	<u>\$ 20,843</u>	<u>\$ 225,346</u>	<u>\$ 106,757</u>