

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

(Unaudited, in thousands, except per share data)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2017	2016	2017	2016
Revenues				
Product revenues	\$ 492,863	\$ 451,174	\$ 1,813,925	\$ 1,830,070
Service revenues	57,913	44,539	204,272	183,116
Total revenues	<u>550,776</u>	<u>495,713</u>	<u>2,018,197</u>	<u>2,013,186</u>
Cost of revenues				
Product cost of revenues	339,114	311,023	1,205,548	1,239,152
Services cost of revenues	36,911	28,027	137,495	113,714
Total cost of revenues	<u>376,025</u>	<u>339,050</u>	<u>1,343,043</u>	<u>1,352,866</u>
Gross profit	174,751	156,663	675,154	660,320
Operating expenses				
Sales and marketing	43,007	39,846	170,008	158,883
Product development	43,438	40,123	169,977	168,209
General and administrative	36,466	32,034	156,540	162,815
Amortization of intangible assets	5,641	6,110	20,785	25,112
Restructuring	(999)	7,796	6,418	49,090
Total operating expenses	<u>127,553</u>	<u>125,909</u>	<u>523,728</u>	<u>564,109</u>
Operating income	47,198	30,754	151,426	96,211
Other income (expense)				
Interest income	658	271	2,126	865
Interest expense	(3,133)	(2,604)	(11,581)	(10,948)
Other income (expense), net	(270)	(427)	(7,396)	(1,501)
Total other income (expense)	<u>(2,745)</u>	<u>(2,760)</u>	<u>(16,851)</u>	<u>(11,584)</u>
Income before income taxes	44,453	27,994	134,575	84,627
Income tax provision	(42,079)	(15,325)	(74,326)	(49,574)
Net income	2,374	12,669	60,249	35,053
Net income attributable to noncontrolling interests	594	1,020	2,951	3,283
Net income attributable to Itron, Inc.	<u>\$ 1,780</u>	<u>\$ 11,649</u>	<u>\$ 57,298</u>	<u>\$ 31,770</u>
Earnings per common share - Basic	<u>\$ 0.05</u>	<u>\$ 0.30</u>	<u>\$ 1.48</u>	<u>\$ 0.83</u>
Earnings per common share - Diluted	<u>\$ 0.05</u>	<u>\$ 0.30</u>	<u>\$ 1.45</u>	<u>\$ 0.82</u>
Weighted average common shares outstanding - Basic	38,745	38,283	38,655	38,207
Weighted average common shares outstanding - Diluted	39,530	39,028	39,387	38,643

**ITRON**

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Liberty Lake, WA 99019

[www.itron.com](http://www.itron.com)

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

(Unaudited, in thousands)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2017	2016	2017	2016
<b>Revenues</b>				
Electricity	\$ 293,714	\$ 245,589	\$ 1,022,939	\$ 938,374
Gas	138,933	135,769	533,624	569,476
Water	118,129	114,355	461,634	505,336
Total Company	<u>\$ 550,776</u>	<u>\$ 495,713</u>	<u>\$ 2,018,197</u>	<u>\$ 2,013,186</u>
<b>Gross profit</b>				
Electricity	\$ 96,726	\$ 71,837	\$ 318,953	\$ 282,677
Gas	44,267	46,907	191,303	205,063
Water	33,758	37,919	164,898	172,580
Total Company	<u>\$ 174,751</u>	<u>\$ 156,663</u>	<u>\$ 675,154</u>	<u>\$ 660,320</u>
<b>Operating income</b>				
Electricity	\$ 41,937	\$ 17,195	\$ 93,566	\$ 68,287
Gas	16,357	18,002	74,206	66,813
Water	4,236	8,559	44,494	37,266
Corporate unallocated	(15,332)	(13,002)	(60,840)	(76,155)
Total Company	<u>\$ 47,198</u>	<u>\$ 30,754</u>	<u>\$ 151,426</u>	<u>\$ 96,211</u>

**METER AND MODULE SUMMARY**

(Units in thousands)

	Three Months Ended December 31,		Year Ended December 31,	
	2017	2016	2017	2016
<b>Meters</b>				
Standard	3,740	3,520	15,740	15,540
Smart	2,790	2,440	10,390	9,340
Total meters	<u>6,530</u>	<u>5,960</u>	<u>26,130</u>	<u>24,880</u>
<b>Stand-alone communication modules</b>				
Smart	<u>1,840</u>	<u>1,510</u>	<u>6,250</u>	<u>5,980</u>

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

(Unaudited, in thousands)

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 176,274	\$ 133,565
Accounts receivable, net	398,029	351,506
Inventories	193,835	163,049
Other current assets	81,604	84,346
Total current assets	<u>849,742</u>	<u>732,466</u>
Property, plant, and equipment, net	200,768	176,458
Deferred tax assets, net	49,971	94,113
Restricted cash	311,010	—
Other long-term assets	43,666	50,129
Intangible assets, net	95,228	72,151
Goodwill	555,762	452,494
Total assets	<u>\$ 2,106,147</u>	<u>\$ 1,577,811</u>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities		
Accounts payable	\$ 262,166	\$ 172,711
Other current liabilities	56,736	43,625
Wages and benefits payable	90,505	82,346
Taxes payable	16,100	10,451
Current portion of debt	19,688	14,063
Current portion of warranty	21,150	24,874
Unearned revenue	41,438	64,976
Total current liabilities	<u>507,783</u>	<u>413,046</u>
Long-term debt	593,572	290,460
Long-term warranty	13,712	18,428
Pension benefit obligation	95,717	84,498
Deferred tax liabilities, net	1,525	3,073
Other long-term obligations	88,206	117,953
Total liabilities	<u>1,300,515</u>	<u>927,458</u>
Equity		
Common stock	1,294,767	1,270,467
Accumulated other comprehensive loss, net	(170,478)	(229,327)
Accumulated deficit	(337,873)	(409,536)
Total Itron, Inc. shareholders' equity	<u>786,416</u>	<u>631,604</u>
Non-controlling interests	19,216	18,749
Total equity	<u>805,632</u>	<u>650,353</u>
Total liabilities and equity	<u>\$ 2,106,147</u>	<u>\$ 1,577,811</u>

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

(Unaudited, in thousands)

	Year Ended December 31,	
	2017	2016
Operating activities		
Net income	\$ 60,249	\$ 35,053
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	63,215	68,318
Stock-based compensation	21,407	18,035
Amortization of prepaid debt fees	1,067	1,076
Deferred taxes, net	50,667	13,790
Restructuring, non-cash	(2,297)	7,188
Other adjustments, net	3,673	4,309
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(17,573)	(27,162)
Inventories	(16,242)	22,343
Other current assets	8,112	20,705
Other long-term assets	11,230	(339)
Accounts payable, other current liabilities, and taxes payable	78,463	(37,312)
Wages and benefits payable	1,926	7,808
Unearned revenue	(41,309)	(25,810)
Warranty	(10,554)	(10,246)
Other operating, net	(20,680)	18,086
Net cash provided by operating activities	191,354	115,842
Investing activities		
Acquisitions of property, plant, and equipment	(49,495)	(43,543)
Business acquisitions, net of cash equivalents acquired	(99,386)	(951)
Other investing, net	702	(3,034)
Net cash used in investing activities	(148,179)	(47,528)
Financing activities		
Proceeds from borrowings	335,000	15,877
Payments on debt	(29,063)	(79,119)
Issuance of common stock	3,609	2,891
Other financing, net	(7,587)	(2,672)
Net cash provided by (used in) financing activities	301,959	(63,023)
Effect of foreign exchange rate changes on cash, cash equivalents, and restricted cash	8,636	(2,744)
Increase in cash, cash equivalents, and restricted cash	353,770	2,547
Cash, cash equivalents, and restricted cash at beginning of period	133,565	131,018
Cash, cash equivalents, and restricted cash at end of period	\$ 487,335	\$ 133,565

## About Non-GAAP Financial Measures

The accompanying press release contains non-GAAP financial measures. To supplement our consolidated financial statements, which are prepared in accordance with GAAP, we use certain non-GAAP financial measures, including non-GAAP operating expense, non-GAAP operating income, non-GAAP net income, non-GAAP diluted EPS, adjusted EBITDA, constant currency and free cash flow. The presentation of this financial information is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP, and other companies may define such measures differently. For more information on these non-GAAP financial measures please see the table captioned "Reconciliations of Non-GAAP Financial Measures to Most Directly Comparable GAAP Financial Measures."

We use these non-GAAP financial measures for financial and operational decision making and/or as a means for determining executive compensation. Management believes that these non-GAAP financial measures provide meaningful supplemental information regarding our performance and ability to service debt by excluding certain expenses that may not be indicative of our recurring core operating results. These non-GAAP financial measures facilitate management's internal comparisons to our historical performance as well as comparisons to our competitors' operating results. Our executive compensation plans exclude non-cash charges related to amortization of intangibles and certain discrete cash and non-cash charges such as purchase accounting adjustments, restructuring charges or goodwill impairment charges, and the impact of the Tax Cuts and Jobs Act ("Tax Act"). We believe that both management and investors benefit from referring to these non-GAAP financial measures in assessing our performance and when planning, forecasting and analyzing future periods. We believe these non-GAAP financial measures are useful to investors because they provide greater transparency with respect to key metrics used by management in its financial and operational decision making and because they are used by our institutional investors and the analyst community to analyze the health of our business.

Non-GAAP operating expenses and non-GAAP operating income - We define non-GAAP operating expenses as operating expenses excluding certain expenses related to the amortization of intangible assets, restructuring, acquisition and integration, and goodwill impairment. We define non-GAAP operating income as operating income excluding the expenses related to the amortization of intangible assets, restructuring, acquisition and integration, and goodwill impairment. Acquisition and integration related expenses include costs which are incurred to affect and integrate business combinations, such as professional fees, certain employee retention and salaries related to integration, severances, contract terminations, travel costs related to knowledge transfer, system conversion costs, and asset impairment charges. We consider these non-GAAP financial measures to be useful metrics for management and investors because they exclude the effect of expenses that are related to acquisitions and restructuring projects. By excluding these expenses, we believe that it is easier for management and investors to compare our financial results over multiple periods and analyze trends in our operations. For example, in certain periods expenses related to amortization of intangible assets may decrease, which would improve GAAP operating margins, yet the improvement in GAAP operating margins due to this lower expense is not necessarily reflective of an improvement in our core business. There are some limitations related to the use of non-GAAP operating expenses and non-GAAP operating income versus operating expenses and operating income calculated in accordance with GAAP. We compensate for these limitations by providing specific information about the GAAP amounts excluded from non-GAAP operating expense and non-GAAP operating income and evaluating non-GAAP operating expense and non-GAAP operating income together with GAAP operating expense and GAAP operating income.

Non-GAAP net income and non-GAAP diluted EPS - We define non-GAAP net income as net income attributable to Itron, Inc. excluding the expenses associated with amortization of intangible assets, restructuring, acquisition and integration, goodwill impairment, amortization of debt placement fees, impact from the Tax Act and the tax effect of excluding these expenses. We define non-GAAP diluted EPS as non-GAAP net income divided by the weighted average shares, on a diluted basis, outstanding during each period. We consider these financial measures to be useful metrics for management and investors for the same reasons that we use non-GAAP operating income. The same limitations described above regarding our use of non-GAAP operating income apply to our use of non-GAAP net income and non-GAAP diluted EPS. We compensate for these limitations by providing specific information regarding the GAAP amounts excluded from these non-GAAP measures and evaluating non-GAAP net income and non-GAAP diluted EPS together with GAAP net income attributable to Itron, Inc. and GAAP diluted EPS.

Adjusted EBITDA - We define adjusted EBITDA as net income (a) minus interest income, (b) plus interest expense, depreciation and amortization, restructuring, acquisition and integration related expense, goodwill impairment and (c) excluding income tax provision or benefit. Management uses adjusted EBITDA as a performance measure for executive compensation. A limitation to using adjusted EBITDA is that it does not represent the total increase or decrease in the cash balance for the period and the measure includes some non-cash items and excludes other non-cash items. Additionally, the items that we exclude in our calculation of adjusted EBITDA may differ from the items that our peer companies exclude when they report their results. We compensate for these limitations by providing a reconciliation of this measure to GAAP net income.

Free cash flow - We define free cash flow as net cash provided by operating activities less cash used for acquisitions of property, plant and equipment. We believe free cash flow provides investors with a relevant measure of liquidity and a useful basis for assessing our ability to fund our operations and repay our debt. The same limitations described above regarding our use of adjusted EBITDA apply to our use of free cash flow. We compensate for these limitations by providing specific information regarding the GAAP amounts and reconciling to free cash flow.

Constant currency - We refer to the impact of foreign currency exchange rate fluctuations in our discussions of financial results, which references the differences between the foreign currency exchange rates used to translate operating results from local currencies into U.S. dollars for financial reporting purposes. We also use the term “constant currency,” which represents financial results adjusted to exclude changes in foreign currency exchange rates as compared with the rates in the comparable prior year period. We calculate the constant currency change as the difference between the current period results and the comparable prior period’s results restated using current period foreign currency exchange rates.

The accompanying tables have more detail on the GAAP financial measures that are most directly comparable to the non-GAAP financial measures and the related reconciliations between these financial measures.

ITRON, INC.

RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES  
TO THE MOST DIRECTLY COMPARABLE GAAP FINANCIAL MEASURES

(Unaudited, in thousands, except per share data)

TOTAL COMPANY RECONCILIATIONS	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2017	2016	2017	2016
<b>NON-GAAP NET INCOME &amp; DILUTED EPS</b>				
GAAP net income attributable to Itron, Inc.	\$ 1,780	\$ 11,649	\$ 57,298	\$ 31,770
Amortization of intangible assets	5,641	6,110	20,785	25,112
Amortization of debt placement fees	241	245	966	987
Restructuring	(999)	7,796	6,418	49,090
Acquisition and integration related (recovery) expense	3,095	5	17,139	(197)
Tax Cuts and Jobs Act adjustment	30,424	—	30,424	—
Income tax effect of non-GAAP adjustments	(391)	608	(12,544)	(8,478)
Non-GAAP net income attributable to Itron, Inc.	\$ 39,791	\$ 26,413	\$ 120,486	\$ 98,284
Non-GAAP diluted EPS	\$ 1.01	\$ 0.68	\$ 3.06	\$ 2.54
Weighted average common shares outstanding - Diluted	39,530	39,028	39,387	38,643
<b>ADJUSTED EBITDA</b>				
GAAP net income attributable to Itron, Inc.	\$ 1,780	\$ 11,649	\$ 57,298	\$ 31,770
Interest income	(658)	(271)	(2,126)	(865)
Interest expense	3,133	2,604	11,581	10,948
Income tax provision	42,079	15,325	74,326	49,574
Depreciation and amortization	17,215	16,755	63,215	68,318
Restructuring	(999)	7,796	6,418	49,090
Acquisition and integration related (recovery) expense	3,095	5	17,139	(197)
Adjusted EBITDA	\$ 65,645	\$ 53,863	\$ 227,851	\$ 208,638
<b>FREE CASH FLOW</b>				
Net cash provided by operating activities	\$ 76,853	\$ 33,961	\$ 191,354	\$ 115,842
Acquisitions of property, plant, and equipment	(16,002)	(12,980)	(49,495)	(43,543)
Free Cash Flow	\$ 60,851	\$ 20,981	\$ 141,859	\$ 72,299
<b>NON-GAAP OPERATING INCOME</b>				
GAAP operating income	\$ 47,198	\$ 30,754	\$ 151,426	\$ 96,211
Amortization of intangible assets	5,641	6,110	20,785	25,112
Restructuring	(999)	7,796	6,418	49,090
Acquisition and integration related (recovery) expense	3,095	5	17,139	(197)
Non-GAAP operating income	\$ 54,935	\$ 44,665	\$ 195,768	\$ 170,216
<b>NON-GAAP OPERATING EXPENSES</b>				
GAAP operating expenses	\$ 127,553	\$ 125,909	\$ 523,728	\$ 564,109
Amortization of intangible assets	(5,641)	(6,110)	(20,785)	(25,112)
Restructuring	999	(7,796)	(6,418)	(49,090)
Acquisition and integration related recovery (expense)	(3,095)	(5)	(17,139)	197
Non-GAAP operating expenses	\$ 119,816	\$ 111,998	\$ 479,386	\$ 490,104

ITRON

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

(Unaudited, in thousands)

<b>SEGMENT RECONCILIATIONS</b>	<b>Three Months Ended December 31,</b>		<b>Twelve Months Ended December 31,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>NON-GAAP OPERATING INCOME</b>				
<b>- ELECTRICITY</b>				
Electricity - GAAP operating income	\$ 41,937	\$ 17,195	\$ 93,566	\$ 68,287
Amortization of intangible assets	3,268	3,223	11,618	13,273
Restructuring	(1,359)	2,283	198	7,694
Acquisition and integration related (recovery) expense	471	5	10,258	(197)
Electricity - Non-GAAP operating income	\$ 44,317	\$ 22,706	\$ 115,640	\$ 89,057
<b>NON-GAAP OPERATING INCOME</b>				
<b>- GAS</b>				
Gas - GAAP operating income	\$ 16,357	\$ 18,002	\$ 74,206	\$ 66,813
Amortization of intangible assets	1,388	1,568	5,349	6,456
Restructuring	496	3,754	5,213	25,744
Gas - Non-GAAP operating income	\$ 18,241	\$ 23,324	\$ 84,768	\$ 99,013
<b>NON-GAAP OPERATING INCOME</b>				
<b>- WATER</b>				
Water - GAAP operating income	\$ 4,236	\$ 8,559	\$ 44,494	\$ 37,266
Amortization of intangible assets	985	1,319	3,818	5,383
Restructuring	254	651	700	13,116
Water - Non-GAAP operating income	\$ 5,475	\$ 10,529	\$ 49,012	\$ 55,765
<b>NON-GAAP OPERATING INCOME</b>				
<b>- CORPORATE UNALLOCATED</b>				
Corporate unallocated - GAAP operating loss	\$ (15,332)	\$ (13,002)	\$ (60,840)	\$ (76,155)
Restructuring	(390)	1,108	307	2,536
Acquisition and integration related expense	2,624	—	6,881	—
Corporate unallocated - Non-GAAP operating loss	\$ (13,098)	\$ (11,894)	\$ (53,652)	\$ (73,619)