

**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>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Revenues				
Product revenues	\$ 516,718	\$ 492,863	\$ 2,095,458	\$ 1,813,925
Service revenues	70,326	57,913	280,659	204,272
Total revenues	<u>587,044</u>	<u>550,776</u>	<u>2,376,117</u>	<u>2,018,197</u>
Cost of revenues				
Product cost of revenues	369,912	338,839	1,476,498	1,204,127
Services cost of revenues	40,342	36,855	169,300	137,319
Total cost of revenues	<u>410,254</u>	<u>375,694</u>	<u>1,645,798</u>	<u>1,341,446</u>
Gross profit	176,790	175,082	730,319	676,751
Operating expenses				
Sales, general and administrative	90,377	79,083	423,210	325,264
Product development	45,607	43,161	207,905	169,407
Amortization of intangible assets	18,014	5,641	71,713	20,785
Restructuring	(5,725)	(999)	77,183	6,418
Total operating expenses	<u>148,273</u>	<u>126,886</u>	<u>780,011</u>	<u>521,874</u>
Operating income (loss)	28,517	48,196	(49,692)	154,877
Other income (expense)				
Interest income	428	658	2,153	2,126
Interest expense	(13,883)	(3,769)	(58,203)	(13,845)
Other income (expense), net	(811)	(632)	(3,409)	(8,583)
Total other income (expense)	<u>(14,266)</u>	<u>(3,743)</u>	<u>(59,459)</u>	<u>(20,302)</u>
Income (loss) before income taxes	14,251	44,453	(109,151)	134,575
Income tax benefit (provision)	10,878	(42,079)	12,570	(74,326)
Net income (loss)	25,129	2,374	(96,581)	60,249
Net income attributable to noncontrolling interests	1,252	594	2,669	2,951
Net income (loss) attributable to Itron, Inc.	<u>\$ 23,877</u>	<u>\$ 1,780</u>	<u>\$ (99,250)</u>	<u>\$ 57,298</u>
Earnings (loss) per common share - Basic	<u>\$ 0.61</u>	<u>\$ 0.05</u>	<u>\$ (2.53)</u>	<u>\$ 1.48</u>
Earnings (loss) per common share - Diluted	<u>\$ 0.60</u>	<u>\$ 0.05</u>	<u>\$ (2.53)</u>	<u>\$ 1.45</u>
Weighted average common shares outstanding - Basic	39,444	38,745	39,244	38,655
Weighted average common shares outstanding - Diluted	39,885	39,530	39,244	39,387

**ITRON**

2111 North Molter Road  
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,	
	2018	2017	2018	2017
<b>Revenues</b>				
Device Solutions	\$ 227,602	\$ 238,438	\$ 933,365	\$ 882,896
Networked Solutions	305,132	253,588	1,224,144	947,384
Outcomes	54,310	58,750	218,608	187,917
Total Company	<u>\$ 587,044</u>	<u>\$ 550,776</u>	<u>\$ 2,376,117</u>	<u>\$ 2,018,197</u>
<b>Gross profit</b>				
Device Solutions	\$ 38,423	\$ 54,244	\$ 187,254	\$ 216,631
Networked Solutions	122,883	105,868	482,471	412,375
Outcomes	15,484	14,970	60,594	47,745
Total Company	<u>\$ 176,790</u>	<u>\$ 175,082</u>	<u>\$ 730,319</u>	<u>\$ 676,751</u>
<b>Operating income</b>				
Device Solutions	\$ 25,267	\$ 40,324	\$ 130,988	\$ 159,641
Networked Solutions	94,897	82,867	360,779	322,367
Outcomes	6,668	3,752	16,634	4,915
Corporate unallocated	(98,315)	(78,747)	(558,093)	(332,046)
Total Company	<u>\$ 28,517</u>	<u>\$ 48,196</u>	<u>\$ (49,692)</u>	<u>\$ 154,877</u>

**METER AND MODULE SUMMARY**

(Units in thousands)

	Three Months Ended December 31,		Year Ended December 31,	
	2018	2017	2018	2017
<b>Itron Endpoints</b>				
Standard endpoints	4,140	3,740	16,360	15,740
Networked endpoints	5,170	4,630	21,540	16,640
Total endpoints	<u>9,310</u>	<u>8,370</u>	<u>37,900</u>	<u>32,380</u>

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

(Unaudited, in thousands)

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 120,221	\$ 176,274
Accounts receivable, net	437,161	398,029
Inventories	220,674	193,835
Other current assets	118,085	81,604
Total current assets	<u>896,141</u>	<u>849,742</u>
Property, plant, and equipment, net	226,551	200,768
Deferred tax assets, net	64,830	49,971
Restricted cash	2,056	311,010
Other long-term assets	45,288	43,666
Intangible assets, net	257,583	95,228
Goodwill	1,116,533	555,762
Total assets	<u>\$ 2,608,982</u>	<u>\$ 2,106,147</u>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities		
Accounts payable	\$ 309,951	\$ 262,166
Other current liabilities	70,136	56,736
Wages and benefits payable	88,603	90,505
Taxes payable	14,753	16,100
Current portion of debt	28,438	19,688
Current portion of warranty	47,205	21,150
Unearned revenue	93,621	41,438
Total current liabilities	<u>652,707</u>	<u>507,783</u>
Long-term debt	988,185	593,572
Long-term warranty	13,238	13,712
Pension benefit obligation	91,522	95,717
Deferred tax liabilities, net	1,543	1,525
Other long-term obligations	127,739	88,206
Total liabilities	<u>1,874,934</u>	<u>1,300,515</u>
Equity		
Common stock	1,334,364	1,294,767
Accumulated other comprehensive loss, net	(196,305)	(170,478)
Accumulated deficit	(425,396)	(337,873)
Total Itron, Inc. shareholders' equity	<u>712,663</u>	<u>786,416</u>
Non-controlling interests	21,385	19,216
Total equity	<u>734,048</u>	<u>805,632</u>
Total liabilities and equity	<u>\$ 2,608,982</u>	<u>\$ 2,106,147</u>

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

(Unaudited, in thousands)

	Year Ended December 31,	
	2018	2017
Operating activities		
Net income (loss)	\$ (96,581)	\$ 60,249
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	122,497	63,215
Stock-based compensation	31,263	21,407
Amortization of prepaid debt fees	7,046	1,067
Deferred taxes, net	(19,130)	50,667
Restructuring, non-cash	859	(2,297)
Other adjustments, net	1,452	3,673
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	15,524	(17,573)
Inventories	(25,613)	(16,242)
Other current assets	(23,589)	8,112
Other long-term assets	3,020	11,230
Accounts payable, other current liabilities, and taxes payable	20,101	78,463
Wages and benefits payable	(9,565)	1,926
Unearned revenue	27,584	(41,309)
Warranty	20,815	(10,554)
Other operating, net	34,072	(20,680)
Net cash provided by operating activities	109,755	191,354
Investing activities		
Acquisitions of property, plant, and equipment	(59,952)	(49,495)
Business acquisitions, net of cash equivalents acquired	(803,075)	(99,386)
Other investing, net	369	702
Net cash used in investing activities	(862,658)	(148,179)
Financing activities		
Proceeds from borrowings	778,938	335,000
Payments on debt	(363,359)	(29,063)
Issuance of common stock	9,171	3,609
Prepaid debt fees	(24,042)	—
Other financing, net	(4,887)	(7,587)
Net cash provided by financing activities	395,821	301,959
Effect of foreign exchange rate changes on cash, cash equivalents, and restricted cash	(7,925)	8,636
(Decrease) increase in cash, cash equivalents, and restricted cash	(365,007)	353,770
Cash, cash equivalents, and restricted cash at beginning of period	487,335	133,565
Cash, cash equivalents, and restricted cash at end of period	\$ 122,328	\$ 487,335

## 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,	
	2018	2017	2018	2017
<b>NON-GAAP NET INCOME &amp; DILUTED EPS</b>				
GAAP net income (loss) attributable to Itron, Inc.	\$ 23,877	\$ 1,780	\$ (99,250)	\$ 57,298
Amortization of intangible assets	18,014	5,641	71,713	20,785
Amortization of debt placement fees	1,176	241	6,869	966
Restructuring	(5,725)	(999)	77,183	6,418
Acquisition and integration related expense	8,042	3,095	91,916	17,139
Tax Cuts and Jobs Act adjustment	—	30,424	—	30,424
Income tax effect of non-GAAP adjustments	(10,249)	(391)	(42,700)	(12,544)
Non-GAAP net income attributable to Itron, Inc.	\$ 35,135	\$ 39,791	\$ 105,731	\$ 120,486
Non-GAAP diluted EPS	\$ 0.88	\$ 1.01	\$ 2.65	\$ 3.06
Weighted average common shares outstanding - Diluted	39,885	39,530	39,840	39,387
<b>ADJUSTED EBITDA</b>				
GAAP net income (loss) attributable to Itron, Inc.	\$ 23,877	\$ 1,780	\$ (99,250)	\$ 57,298
Interest income	(428)	(658)	(2,153)	(2,126)
Interest expense	13,883	3,769	58,203	13,845
Income tax (benefit) provision	(10,878)	42,079	(12,570)	74,326
Depreciation and amortization	30,069	17,215	122,497	63,215
Restructuring	(5,725)	(999)	77,183	6,418
Acquisition and integration related expense	8,042	3,095	91,916	17,139
Adjusted EBITDA	\$ 58,840	\$ 66,281	\$ 235,826	\$ 230,115
<b>FREE CASH FLOW</b>				
Net cash provided by operating activities	\$ 42,372	\$ 76,853	\$ 109,755	\$ 191,354
Acquisitions of property, plant, and equipment	(17,459)	(16,002)	(59,952)	(49,495)
Free Cash Flow	\$ 24,913	\$ 60,851	\$ 49,803	\$ 141,859
<b>NON-GAAP OPERATING INCOME</b>				
GAAP operating income (loss)	\$ 28,517	\$ 48,196	\$ (49,692)	\$ 154,877
Amortization of intangible assets	18,014	5,641	71,713	20,785
Restructuring	(5,725)	(999)	77,183	6,418
Acquisition and integration related expense	8,042	3,095	91,916	17,139
Non-GAAP operating income	\$ 48,848	\$ 55,933	\$ 191,120	\$ 199,219
<b>NON-GAAP OPERATING EXPENSES</b>				
GAAP operating expenses	\$ 148,273	\$ 126,886	\$ 780,011	\$ 521,874
Amortization of intangible assets	(18,014)	(5,641)	(71,713)	(20,785)
Restructuring	5,725	999	(77,183)	(6,418)
Acquisition and integration related expense	(8,042)	(3,095)	(91,916)	(17,139)
Non-GAAP operating expenses	\$ 127,942	\$ 119,149	\$ 539,199	\$ 477,532

ITRON

2111 North Molter Road  
Liberty Lake, WA 99019

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