

ITRON, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited, in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Revenues				
Product revenues	\$ 438,985	\$ 566,047	\$ 967,122	\$ 1,110,897
Service revenues	70,609	68,990	140,887	138,716
Total revenues	509,594	635,037	1,108,009	1,249,613
Cost of revenues				
Product cost of revenues	329,293	401,033	713,974	787,135
Service cost of revenues	41,784	42,790	83,952	84,001
Total cost of revenues	371,077	443,823	797,926	871,136
Gross profit	138,517	191,214	310,083	378,477
Operating expenses				
Sales, general and administrative	69,538	88,259	150,036	180,974
Research and development	48,994	49,449	102,775	99,939
Amortization of intangible assets	11,140	16,117	22,305	32,090
Restructuring	(2,683)	(6,169)	(2,931)	1,093
Loss on sale of business	56,915	—	56,915	—
Total operating expenses	183,904	147,656	329,100	314,096
Operating income (loss)	(45,387)	43,558	(19,017)	64,381
Other income (expense)				
Interest income	1,258	534	1,811	862
Interest expense	(11,684)	(13,496)	(22,961)	(27,031)
Other income (expense), net	(1,873)	(2,060)	(807)	(3,704)
Total other income (expense)	(12,299)	(15,022)	(21,957)	(29,873)
Income (loss) before income taxes	(57,686)	28,536	(40,974)	34,508
Income tax provision	(4,801)	(8,419)	(12,351)	(14,540)
Net income (loss)	(62,487)	20,117	(53,325)	19,968
Net income attributable to noncontrolling interests	315	671	793	2,429
Net income (loss) attributable to Itron, Inc.	\$ (62,802)	\$ 19,446	\$ (54,118)	\$ 17,539
Net income (loss) per common share - Basic	\$ (1.56)	\$ 0.49	\$ (1.35)	\$ 0.44
Net income (loss) per common share - Diluted	\$ (1.56)	\$ 0.49	\$ (1.35)	\$ 0.44
Weighted average common shares outstanding - Basic	40,216	39,389	40,130	39,523
Weighted average common shares outstanding - Diluted	40,216	39,686	40,130	39,875

ITRON

2111 North Molter Road
Liberty Lake, WA 99019

www.itron.com

ITRON, INC.
SEGMENT INFORMATION

(Unaudited, in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Product revenues				
Device Solutions	\$ 126,950	\$ 214,589	\$ 327,118	\$ 433,158
Networked Solutions	300,351	333,422	615,788	647,772
Outcomes	11,684	18,036	24,216	29,967
Total Company	\$ 438,985	\$ 566,047	\$ 967,122	\$ 1,110,897
Service revenues				
Device Solutions	\$ 2,215	\$ 3,134	\$ 4,326	\$ 6,320
Networked Solutions	24,129	22,494	49,537	44,571
Outcomes	44,265	43,362	87,024	87,825
Total Company	\$ 70,609	\$ 68,990	\$ 140,887	\$ 138,716
Total revenues				
Device Solutions	\$ 129,165	\$ 217,723	\$ 331,444	\$ 439,478
Networked Solutions	324,480	355,916	665,325	692,343
Outcomes	55,949	61,398	111,240	117,792
Total Company	\$ 509,594	\$ 635,037	\$ 1,108,009	\$ 1,249,613
Gross profit				
Device Solutions	\$ 11,948	\$ 41,590	\$ 44,315	\$ 81,506
Networked Solutions	108,323	126,243	230,073	253,311
Outcomes	18,246	23,381	35,695	43,660
Total Company	\$ 138,517	\$ 191,214	\$ 310,083	\$ 378,477
Operating income (loss)				
Device Solutions	\$ (1,120)	\$ 28,355	\$ 17,078	\$ 53,812
Networked Solutions	77,382	98,035	166,062	193,357
Outcomes	9,226	14,367	17,424	24,777
Corporate unallocated	(130,875)	(97,199)	(219,581)	(207,565)
Total Company	\$ (45,387)	\$ 43,558	\$ (19,017)	\$ 64,381

ITRON, INC.
METER AND MODULE SUMMARY

(Unaudited, Units in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Itron Endpoints				
Standard endpoints	3,130	5,570	8,520	11,040
Networked endpoints	4,190	4,260	8,090	8,240
Total endpoints	7,320	9,830	16,610	19,280

ITRON, INC.
CONSOLIDATED BALANCE SHEETS

(Unaudited, in thousands)

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 544,823	\$ 149,904
Accounts receivable, net	411,200	472,925
Inventories	226,564	227,896
Other current assets	172,241	146,526
Total current assets	<u>1,354,828</u>	<u>997,251</u>
Property, plant, and equipment, net	216,319	233,228
Deferred tax assets, net	57,835	63,899
Other long-term assets	45,610	44,686
Operating lease right-of-use assets, net	78,777	79,773
Intangible assets, net	157,125	185,097
Goodwill	1,101,648	1,103,907
Total assets	<u>\$ 3,012,142</u>	<u>\$ 2,707,841</u>
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	\$ 240,221	\$ 328,128
Other current liabilities	63,429	63,785
Wages and benefits payable	106,215	119,220
Taxes payable	19,878	22,193
Current portion of debt	14,063	—
Current portion of warranty	33,039	38,509
Unearned revenue	124,834	99,556
Total current liabilities	<u>601,679</u>	<u>671,391</u>
Long-term debt, net	1,320,004	932,482
Long-term warranty	11,718	14,732
Pension benefit obligation	99,184	98,712
Deferred tax liabilities, net	1,794	1,809
Operating lease liabilities	69,337	68,919
Other long-term obligations	105,557	118,981
Total liabilities	<u>2,209,273</u>	<u>1,907,026</u>
Equity		
Common stock	1,376,134	1,357,600
Accumulated other comprehensive loss, net	(167,827)	(204,672)
Accumulated deficit	(430,508)	(376,390)
Total Itron, Inc. shareholders' equity	<u>777,799</u>	<u>776,538</u>
Noncontrolling interests	25,070	24,277
Total equity	<u>802,869</u>	<u>800,815</u>
Total liabilities and equity	<u>\$ 3,012,142</u>	<u>\$ 2,707,841</u>

ITRON

2111 North Molter Road
Liberty Lake, WA 99019

www.itron.com

ITRON, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited, in thousands)

	Six Months Ended June 30,	
	2020	2019
Operating activities		
Net income (loss)	\$ (53,325)	\$ 19,968
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	48,230	57,068
Non-cash operating lease expense	9,909	9,481
Stock-based compensation	15,581	13,783
Amortization of prepaid debt fees	2,013	2,402
Deferred taxes, net	5,904	2,076
Loss on sale of business	56,915	—
Restructuring, non-cash	(1,146)	(5,295)
Other adjustments, net	287	(3,471)
Changes in operating assets and liabilities		
Accounts receivable	52,031	(29,121)
Inventories	(16,529)	(9,202)
Other current assets	(7,861)	(14,413)
Other long-term assets	(3,919)	6,616
Accounts payable, other current liabilities, and taxes payable	(76,144)	(2,801)
Wages and benefits payable	(11,145)	13,484
Unearned revenue	23,099	14,961
Warranty	(8,417)	(3,270)
Other operating, net	(9,697)	5,797
Net cash provided by operating activities	<u>25,786</u>	<u>78,063</u>
Investing activities		
Net payments related to the sale of business	(3,630)	—
Acquisitions of property, plant, and equipment	(29,049)	(26,511)
Other investing, net	3,520	9,773
Net cash used in investing activities	<u>(29,159)</u>	<u>(16,738)</u>
Financing activities		
Proceeds from borrowings	400,000	50,000
Payments on debt	—	(72,188)
Issuance of common stock	4,183	4,001
Repurchase of common stock	—	(25,000)
Prepaid debt fees	(184)	(175)
Other financing, net	(2,036)	(3,165)
Net cash provided by (used in) financing activities	<u>401,963</u>	<u>(46,527)</u>
Effect of foreign exchange rate changes on cash, cash equivalents, and restricted cash	<u>(3,671)</u>	<u>727</u>
Increase in cash, cash equivalents, and restricted cash	394,919	15,525
Cash, cash equivalents, and restricted cash at beginning of period	149,904	122,328
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 544,823</u>	<u>\$ 137,853</u>

ITRON

2111 North Molter Road
Liberty Lake, WA 99019

www.itron.com

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, free cash flow, and constant currency. 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 the 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 acquisition and integration related expenses, restructuring charges or goodwill impairment charges. 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, loss on sale of business, corporate transition cost, 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, loss on sale of business, corporate transition cost, 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 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, amortization of debt placement fees, restructuring, loss on sale of business, corporate transition cost,

ITRON

2111 North Molter Road
Liberty Lake, WA 99019

www.itron.com

acquisition and integration, goodwill impairment, 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.

For interim periods, beginning the first quarter of 2019, the budgeted annual effective tax rate (AETR) is used, adjusted for any discrete items, as defined in ASC 740 - Income Taxes. The budgeted AETR is determined at the beginning of the fiscal year. The AETR is revised throughout the year based on changes to our full-year forecast. If the revised AETR increases or decreases by 200 basis points or more from the budgeted AETR due to changes in the full-year forecast during the year, the revised AETR is used in place of the budgeted AETR beginning with the quarter the 200 basis point threshold is exceeded and going forward for all subsequent interim quarters in the year. We continue to assess the AETR based on latest forecast throughout the year and use the most recent AETR anytime it increases or decreases by 200 basis points or more from the prior interim period.

Adjusted EBITDA – We define adjusted EBITDA as net income (a) minus interest income, (b) plus interest expense, depreciation and amortization of intangible assets, restructuring, loss on sale of business, corporate transition cost, 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 (loss).

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 June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
NON-GAAP OPERATING EXPENSES				
GAAP operating expenses	\$ 183,904	\$ 147,656	\$ 329,100	\$ 314,096
Amortization of intangible assets	(11,140)	(16,117)	(22,305)	(32,090)
Restructuring	2,683	6,169	2,931	(1,093)
Loss on sale of business	(56,915)	—	(56,915)	—
Corporate transition cost	(7)	(473)	33	(1,556)
Acquisition and integration related expense	(338)	(9,194)	(1,610)	(20,759)
Non-GAAP operating expenses	<u>\$ 118,187</u>	<u>\$ 128,041</u>	<u>\$ 251,234</u>	<u>\$ 258,598</u>
NON-GAAP OPERATING INCOME				
GAAP operating income (loss)	\$ (45,387)	\$ 43,558	\$ (19,017)	\$ 64,381
Amortization of intangible assets	11,140	16,117	22,305	32,090
Restructuring	(2,683)	(6,169)	(2,931)	1,093
Loss on sale of business	56,915	—	56,915	—
Corporate transition cost	7	473	(33)	1,556
Acquisition and integration related expense	338	9,194	1,610	20,759
Non-GAAP operating income	<u>\$ 20,330</u>	<u>\$ 63,173</u>	<u>\$ 58,849</u>	<u>\$ 119,879</u>
NON-GAAP NET INCOME & DILUTED EPS				
GAAP net income (loss) attributable to Itron, Inc.	\$ (62,802)	\$ 19,446	\$ (54,118)	\$ 17,539
Amortization of intangible assets	11,140	16,117	22,305	32,090
Amortization of debt placement fees	963	1,159	1,926	2,315
Restructuring	(2,683)	(6,169)	(2,931)	1,093
Loss on sale of business	56,915	—	56,915	—
Corporate transition cost	7	473	(33)	1,556
Acquisition and integration related expense	338	9,194	1,610	20,759
Income tax effect of non-GAAP adjustments	(2,552)	(5,620)	(1,379)	(12,862)
Non-GAAP net income attributable to Itron, Inc.	<u>\$ 1,326</u>	<u>\$ 34,600</u>	<u>\$ 24,295</u>	<u>\$ 62,490</u>
Non-GAAP diluted EPS	<u>\$ 0.03</u>	<u>\$ 0.87</u>	<u>\$ 0.60</u>	<u>\$ 1.57</u>
Non-GAAP weighted average common shares outstanding - Diluted	<u>40,488</u>	<u>39,686</u>	<u>40,481</u>	<u>39,875</u>
ADJUSTED EBITDA				
GAAP net income (loss) attributable to Itron, Inc.	\$ (62,802)	\$ 19,446	\$ (54,118)	\$ 17,539
Interest income	(1,258)	(534)	(1,811)	(862)
Interest expense	11,684	13,496	22,961	27,031
Income tax provision	4,801	8,419	12,351	14,540
Depreciation and amortization	24,199	28,641	48,230	57,068
Restructuring	(2,683)	(6,169)	(2,931)	1,093
Loss on sale of business	56,915	—	56,915	—
Corporate transition cost	7	473	(33)	1,556
Acquisition and integration related expense	338	9,194	1,610	20,759
Adjusted EBITDA	<u>\$ 31,201</u>	<u>\$ 72,966</u>	<u>\$ 83,174</u>	<u>\$ 138,724</u>
FREE CASH FLOW				
Net cash provided by operating activities	\$ 6,892	\$ 53,139	\$ 25,786	\$ 78,063
Acquisitions of property, plant, and equipment	(16,447)	(15,096)	(29,049)	(26,511)
Free Cash Flow	<u>\$ (9,555)</u>	<u>\$ 38,043</u>	<u>\$ (3,263)</u>	<u>\$ 51,552</u>