

ITRON, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited, in thousands, except per share data)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2015	2014	2015	2014
Revenues	\$ 490,371	\$ 510,095	\$ 1,877,813	\$ 1,970,697
Cost of revenues	334,989	355,308	1,318,695	1,347,572
Gross profit	155,382	154,787	559,118	623,125
Operating expenses				
Sales and marketing	38,078	47,027	161,380	185,239
Product development	35,928	44,789	162,327	175,500
General and administrative	37,124	48,472	140,319	163,101
Amortization of intangible assets	7,943	10,523	31,673	43,619
Restructuring	960	53,068	(8,726)	50,857
Goodwill impairment	-	-	-	977
Total operating expenses	120,033	203,879	486,973	619,293
Operating income (loss)	35,349	(49,092)	72,145	3,832
Other income (expense)				
Interest income	321	181	761	494
Interest expense	(2,953)	(2,765)	(12,289)	(11,602)
Other income (expense), net	(1,213)	(2,191)	(4,216)	(7,633)
Total other income (expense)	(3,845)	(4,775)	(15,744)	(18,741)
Income (loss) before income taxes	31,504	(53,867)	56,401	(14,909)
Income tax benefit (provision)	(9,637)	5,038	(29,310)	(6,641)
Net income (loss)	21,867	(48,829)	27,091	(21,550)
Net income attributable to non-controlling interests	508	404	2,325	1,370
Net income (loss) attributable to Itron, Inc.	\$ 21,359	\$ (49,233)	\$ 24,766	\$ (22,920)
Earnings (loss) per common share - Basic	\$ 0.56	\$ (1.25)	\$ 0.65	\$ (0.58)
Earnings (loss) per common share - Diluted	\$ 0.56	\$ (1.25)	\$ 0.64	\$ (0.58)
Weighted average common shares outstanding - Basic	37,912	38,937	38,224	39,184
Weighted average common shares outstanding - Diluted	38,256	38,937	38,506	39,184

ITRON, INC.
SEGMENT INFORMATION

(Unaudited, in thousands)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2015	2014	2015	2014
Revenues				
Electricity	\$ 214,257	\$ 226,730	\$ 817,908	\$ 794,144
Gas	140,562	149,374	541,625	599,081
Water	135,552	133,991	518,280	577,472
Total Company	\$ 490,371	\$ 510,095	\$ 1,877,813	\$ 1,970,697
Gross profit				
Electricity	\$ 64,237	\$ 66,801	\$ 228,838	\$ 208,476
Gas	48,773	43,206	182,314	211,815
Water	42,372	44,780	147,966	202,834
Total Company	\$ 155,382	\$ 154,787	\$ 559,118	\$ 623,125
Operating income (loss)				
Electricity	\$ 18,882	\$ (37,064)	\$ 35,757	\$ (72,476)
Gas	19,793	1,709	63,868	75,598
Water	11,650	10,687	22,526	71,006
Corporate unallocated	(14,976)	(24,424)	(50,006)	(70,296)
Total Company	\$ 35,349	\$ (49,092)	\$ 72,145	\$ 3,832

METER AND MODULE SUMMARY

(Units in thousands)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2015	2014	2015	2014
Meters				
Standard	4,020	4,610	17,560	18,740
Advanced and Smart	1,960	1,810	7,290	6,090
Total meters	5,980	6,420	24,850	24,830
Stand-alone communication modules				
Advanced and Smart	1,590	1,360	5,840	5,770

ITRON, INC.
CONSOLIDATED BALANCE SHEETS

(Unaudited, in thousands)

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 131,018	\$ 112,371
Accounts receivable, net	331,955	348,389
Inventories	190,877	154,504
Deferred tax assets current, net	-	39,115
Other current assets	103,613	104,307
Total current assets	<u>757,463</u>	<u>758,686</u>
Property, plant, and equipment, net	190,002	207,789
Deferred tax assets noncurrent, net	96,327	74,598
Other long-term assets	31,309	28,503
Intangible assets, net	101,932	139,909
Goodwill	468,122	500,820
Total assets	<u>\$ 1,645,155</u>	<u>\$ 1,710,305</u>
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	\$ 195,721	\$ 184,132
Other current liabilities	62,511	100,945
Wages and benefits payable	76,980	95,248
Taxes payable	14,740	21,951
Current portion of debt	11,250	30,000
Current portion of warranty	33,622	21,063
Unearned revenue	57,367	43,436
Total current liabilities	<u>452,191</u>	<u>496,775</u>
Long-term debt	359,962	293,969
Long-term warranty	14,695	15,403
Pension plan benefit liability	85,971	101,432
Deferred tax liabilities noncurrent, net	1,723	3,808
Other long-term obligations	80,973	84,437
Total liabilities	<u>995,515</u>	<u>995,824</u>
Equity		
Preferred stock	-	-
Common stock	1,246,671	1,270,045
Accumulated other comprehensive loss, net	(203,151)	(136,514)
Accumulated deficit	(411,825)	(436,591)
Total Itron, Inc. shareholders' equity	<u>631,695</u>	<u>696,940</u>
Non-controlling interests	17,945	17,541
Total equity	<u>649,640</u>	<u>714,481</u>
Total liabilities and equity	<u>\$ 1,645,155</u>	<u>\$ 1,710,305</u>

ITRON, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited, in thousands)

	<u>Twelve Months Ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Operating activities		
Net income (loss)	\$ 27,091	\$ (21,550)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	76,933	98,463
Stock-based compensation	14,089	17,860
Amortization of prepaid debt fees	2,128	1,612
Deferred taxes, net	8,529	(31,542)
Goodwill impairment	-	977
Restructuring, non-cash	1,354	5,220
Other adjustments, net	2,040	914
Changes in operating assets and liabilities:		
Accounts receivable	(7,921)	(16,789)
Inventories	(52,897)	6,021
Other current assets	(3,757)	(9,447)
Other long-term assets	2,761	1,582
Accounts payable, other current liabilities, and taxes payable	(13,290)	55,924
Wages and benefits payable	(11,268)	10,334
Unearned revenue	15,537	9,240
Warranty	14,053	(6,364)
Other operating, net	(2,032)	10,518
Net cash provided by operating activities	<u>73,350</u>	<u>132,973</u>
Investing activities		
Acquisitions of property, plant, and equipment	(43,918)	(44,495)
Business acquisitions, net of cash equivalents acquired	(5,754)	-
Other investing, net	721	2,999
Net cash used in investing activities	<u>(48,951)</u>	<u>(41,496)</u>
Financing activities		
Proceeds from borrowings	113,467	47,657
Payments on debt	(62,998)	(102,438)
Issuance of common stock	2,663	3,647
Repurchase of common stock	(38,283)	(39,665)
Other financing, net	(7,109)	(1,078)
Net cash provided by (used in) financing activities	<u>7,740</u>	<u>(91,877)</u>
Effect of foreign exchange rate changes on cash and cash equivalents	(13,492)	(12,034)
Increase (decrease) in cash and cash equivalents	18,647	(12,434)
Cash and cash equivalents at beginning of period	112,371	124,805
Cash and cash equivalents at end of period	<u>\$ 131,018</u>	<u>\$ 112,371</u>

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,	
	2015	2014	2015	2014
NON-GAAP NET INCOME & DILUTED EPS				
GAAP net income (loss)	\$ 21,359	\$ (49,233)	\$ 24,766	\$ (22,920)
Amortization of intangible assets	7,943	10,523	31,673	43,619
Amortization of debt placement fees	248	375	2,021	1,512
Restructuring	960	53,068	(8,726)	50,857
Acquisition related expenses (release)	16	14,743	(5,538)	15,538
Goodwill impairment	-	-	-	977
Income tax effect of non-GAAP adjustments	(1,311)	(15,326)	(5,234)	(26,374)
Non-GAAP net income	<u>\$ 29,215</u>	<u>\$ 14,150</u>	<u>\$ 38,962</u>	<u>\$ 63,209</u>
Non-GAAP diluted EPS	<u>\$ 0.76</u>	<u>\$ 0.36</u>	<u>\$ 1.01</u>	<u>\$ 1.60</u>
Weighted average common shares outstanding - Diluted	<u>38,256</u>	<u>39,300</u>	<u>38,506</u>	<u>39,461</u>
ADJUSTED EBITDA				
GAAP net income (loss)	\$ 21,359	\$ (49,233)	\$ 24,766	\$ (22,920)
Interest income	(321)	(181)	(761)	(494)
Interest expense	2,953	2,765	12,289	11,602
Income tax provision (benefit)	9,637	(5,038)	29,310	6,641
Depreciation and amortization	18,419	23,164	76,933	98,378
Restructuring	960	53,068	(8,726)	50,857
Acquisition related expenses (release)	16	14,743	(5,538)	15,538
Goodwill impairment	-	-	-	977
Adjusted EBITDA	<u>\$ 53,023</u>	<u>\$ 39,288</u>	<u>\$ 128,273</u>	<u>\$ 160,579</u>
FREE CASH FLOW				
Net cash provided by operating activities	\$ 53,196	\$ 16,435	\$ 73,350	\$ 132,973
Acquisitions of property, plant, and equipment	(10,594)	(12,435)	(43,918)	(44,495)
Free Cash Flow	<u>\$ 42,602</u>	<u>\$ 4,000</u>	<u>\$ 29,432</u>	<u>\$ 88,478</u>
NON-GAAP OPERATING INCOME				
GAAP operating income (loss)	\$ 35,349	\$ (49,092)	\$ 72,145	\$ 3,832
Amortization of intangible assets	7,943	10,523	31,673	43,619
Restructuring	960	53,068	(8,726)	50,857
Acquisition related expenses (release)	16	14,743	(5,538)	15,538
Goodwill impairment	-	-	-	977
Non-GAAP operating income	<u>\$ 44,268</u>	<u>\$ 29,242</u>	<u>\$ 89,554</u>	<u>\$ 114,823</u>
NON-GAAP OPERATING EXPENSE				
GAAP operating expense	\$ 120,033	\$ 203,879	\$ 486,973	\$ 619,293
Amortization of intangible assets	(7,943)	(10,523)	(31,673)	(43,619)
Restructuring	(960)	(53,068)	8,726	(50,857)
Acquisition related expenses (release)	(16)	(14,743)	5,538	(15,538)
Goodwill impairment	-	-	-	(977)
Non-GAAP operating expense	<u>\$ 111,114</u>	<u>\$ 125,545</u>	<u>\$ 469,564</u>	<u>\$ 508,302</u>
SEGMENT RECONCILIATIONS				
	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2015	2014	2015	2014
NON-GAAP OPERATING INCOME - ELECTRICITY				
Electricity - GAAP operating income (loss)	\$ 18,882	\$ (37,064)	\$ 35,757	\$ (72,476)
Amortization of intangible assets	4,367	5,979	17,663	24,452
Restructuring	(724)	29,659	(8,514)	21,115
Acquisition related expenses (release)	18	14,743	(5,655)	15,491
Goodwill impairment	-	-	-	977
Electricity - Non-GAAP operating income (loss)	<u>\$ 22,543</u>	<u>\$ 13,317</u>	<u>\$ 39,251</u>	<u>\$ (10,441)</u>
NON-GAAP OPERATING INCOME - GAS				
Gas - GAAP operating income	\$ 19,793	\$ 1,709	\$ 63,868	\$ 75,598
Amortization of intangible assets	1,922	2,489	7,787	10,471
Restructuring	1,372	9,454	69	9,192
Gas - Non-GAAP operating income	<u>\$ 23,087</u>	<u>\$ 13,652</u>	<u>\$ 71,724</u>	<u>\$ 95,261</u>
NON-GAAP OPERATING INCOME - WATER				
Water - GAAP operating income	\$ 11,650	\$ 10,687	\$ 22,526	\$ 71,006
Amortization of intangible assets	1,654	2,055	6,223	8,696
Restructuring	232	1,106	829	2,279
Acquisition related expenses	-	-	104	-
Water - Non-GAAP operating income	<u>\$ 13,536</u>	<u>\$ 13,848</u>	<u>\$ 29,682</u>	<u>\$ 81,981</u>
NON-GAAP OPERATING INCOME - CORPORATE UNALLOCATED				
Corporate unallocated - GAAP operating loss	\$ (14,976)	\$ (24,424)	\$ (50,006)	\$ (70,296)
Restructuring	80	12,849	(1,110)	18,271
Acquisition related expenses (release)	(2)	-	13	47
Corporate unallocated - Non-GAAP operating loss	<u>\$ (14,898)</u>	<u>\$ (11,575)</u>	<u>\$ (51,103)</u>	<u>\$ (51,978)</u>