



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

(Unaudited, in thousands, except per share data)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2016	2015	2016	2015
Revenues	\$ 495,713	\$ 496,448	\$ 2,013,186	\$ 1,883,533
Cost of revenues	339,050	344,029	1,352,866	1,326,848
Gross profit	156,663	152,419	660,320	556,685
Operating expenses				
Sales and marketing	39,846	38,078	158,883	161,380
Product development	40,123	35,935	168,209	162,334
General and administrative	32,034	52,520	162,815	155,715
Amortization of intangible assets	6,110	7,943	25,112	31,673
Restructuring	7,796	1,565	49,090	(7,263)
Total operating expenses	125,909	136,041	564,109	503,839
Operating income	30,754	16,378	96,211	52,846
Other income (expense)				
Interest income	271	321	865	761
Interest expense	(2,604)	(2,953)	(10,948)	(12,289)
Other income (expense), net	(427)	(1,213)	(1,501)	(4,216)
Total other income (expense)	(2,760)	(3,845)	(11,584)	(15,744)
Income before income taxes	27,994	12,533	84,627	37,102
Income tax provision	(15,325)	(3,039)	(49,574)	(22,099)
Net income	12,669	9,494	35,053	15,003
Net income attributable to noncontrolling interests	1,020	508	3,283	2,325
Net income attributable to Itron, Inc.	\$ 11,649	\$ 8,986	\$ 31,770	\$ 12,678
Earnings per common share - Basic	\$ 0.30	\$ 0.23	\$ 0.83	\$ 0.33
Earnings per common share - Diluted	\$ 0.30	\$ 0.23	\$ 0.82	\$ 0.33
Weighted average common shares outstanding - Basic	38,283	37,912	38,207	38,224
Weighted average common shares outstanding - Diluted	39,028	38,256	38,643	38,506



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

(Unaudited, in thousands)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2016	2015	2016	2015
<b>Revenues</b>				
Electricity	\$ 245,589	\$ 217,307	\$ 938,374	\$ 820,306
Gas	135,769	142,706	569,476	543,805
Water	114,355	136,435	505,336	519,422
Total Company	\$ 495,713	\$ 496,448	\$ 2,013,186	\$ 1,883,533
<b>Gross profit</b>				
Electricity	\$ 71,837	\$ 62,116	\$ 282,677	\$ 225,446
Gas	46,907	50,705	205,063	185,559
Water	37,919	39,598	172,580	145,680
Total Company	\$ 156,663	\$ 152,419	\$ 660,320	\$ 556,685
<b>Operating income (loss)</b>				
Electricity	\$ 17,195	\$ 16,146	\$ 68,287	\$ 31,104
Gas	18,002	22,485	66,813	67,471
Water	8,559	8,449	37,266	19,864
Corporate unallocated	(13,002)	(30,702)	(76,155)	(65,593)
Total Company	\$ 30,754	\$ 16,378	\$ 96,211	\$ 52,846

**METER AND MODULE SUMMARY**

(Units in thousands)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2016	2015	2016	2015
<b>Meters</b>				
Standard	3,520	4,020	15,540	17,560
Advanced and Smart	2,440	1,960	9,340	7,290
Total meters	5,960	5,980	24,880	24,850
<b>Stand-alone communication modules</b>				
Advanced and Smart	1,510	1,590	5,980	5,840



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

(Unaudited, in thousands)

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 133,565	\$ 131,018
Accounts receivable, net	351,506	330,895
Inventories	163,049	190,465
Other current assets	84,346	106,562
Total current assets	<u>732,466</u>	<u>758,940</u>
Property, plant, and equipment, net	176,458	190,256
Deferred tax assets, net	94,113	109,387
Other long-term assets	50,129	51,679
Intangible assets, net	72,151	101,932
Goodwill	452,494	468,122
Total assets	<u>\$ 1,577,811</u>	<u>\$ 1,680,316</u>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities		
Accounts payable	\$ 172,711	\$ 185,827
Other current liabilities	43,625	78,630
Wages and benefits payable	82,346	76,980
Taxes payable	10,451	14,859
Current portion of debt	14,063	11,250
Current portion of warranty	24,874	36,927
Unearned revenue	64,976	73,301
Total current liabilities	<u>413,046</u>	<u>477,774</u>
Long-term debt	290,460	358,915
Long-term warranty	18,428	17,585
Pension benefit obligation	84,498	85,971
Deferred tax liabilities, net	3,073	1,723
Other long-term obligations	117,953	115,645
Total liabilities	<u>927,458</u>	<u>1,057,613</u>
Equity		
Preferred stock	-	-
Common stock	1,270,467	1,246,671
Accumulated other comprehensive loss, net	(229,327)	(200,607)
Accumulated deficit	(409,536)	(441,306)
Total Itron, Inc. shareholders' equity	<u>631,604</u>	<u>604,758</u>
Noncontrolling interests	18,749	17,945
Total equity	<u>650,353</u>	<u>622,703</u>
Total liabilities and equity	<u>\$ 1,577,811</u>	<u>\$ 1,680,316</u>

**ITRON**

2111 North Molter Road  
Liberty Lake, WA 99019

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

(Unaudited, in thousands)

	<b>Twelve Months Ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>Operating activities</b>		
Net income	\$ 35,053	\$ 15,003
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	68,318	75,993
Stock-based compensation	18,035	14,089
Amortization of prepaid debt fees	1,076	2,128
Deferred taxes, net	13,790	1,488
Restructuring, non-cash	7,188	976
Other adjustments, net	4,309	2,003
Changes in operating assets and liabilities:		
Accounts receivable	(27,162)	(9,009)
Inventories	22,343	(52,737)
Other current assets	20,705	12,512
Other long-term assets	(339)	(3,721)
Accounts payable, other current liabilities, and taxes payable	(37,312)	(7,060)
Wages and benefits payable	7,808	(10,866)
Unearned revenue	(25,810)	11,943
Warranty	(10,246)	20,161
Other operating, net	18,086	447
Net cash provided by operating activities	115,842	73,350
<b>Investing activities</b>		
Acquisitions of property, plant, and equipment	(43,543)	(43,918)
Business acquisitions, net of cash equivalents acquired	(951)	(5,754)
Other investing, net	(3,034)	721
Net cash used in investing activities	(47,528)	(48,951)
<b>Financing activities</b>		
Proceeds from borrowings	15,877	113,467
Payments on debt	(79,119)	(62,998)
Issuance of common stock	2,891	2,663
Repurchase of common stock	-	(38,283)
Other financing, net	(2,672)	(7,109)
Net cash provided by (used in) financing activities	(63,023)	7,740
Effect of foreign exchange rate changes on cash and cash equivalents	(2,744)	(13,492)
Increase in cash and cash equivalents	2,547	18,647
Cash and cash equivalents at beginning of period	131,018	112,371
Cash and cash equivalents at end of period	\$ 133,565	\$ 131,018

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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)

<b>TOTAL COMPANY RECONCILIATIONS</b>	<b>Three Months Ended December 31,</b>		<b>Twelve Months Ended December 31,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>NON-GAAP NET INCOME &amp; DILUTED EPS</b>				
GAAP net income attributable to Itron, Inc.	\$ 11,649	\$ 8,986	\$ 31,770	\$ 12,678
Amortization of intangible assets	6,110	7,943	25,112	31,673
Amortization of debt placement fees	245	248	987	2,021
Restructuring	7,796	1,565	49,090	(7,263)
Acquisition-related expense (recovery)	5	16	(197)	(5,538)
Income tax effect of non-GAAP adjustments	608	(1,392)	(8,478)	(5,590)
Non-GAAP net income attributable to Itron, Inc.	<u>\$ 26,413</u>	<u>\$ 17,366</u>	<u>\$ 98,284</u>	<u>\$ 27,981</u>
Non-GAAP diluted EPS	<u>\$ 0.68</u>	<u>\$ 0.45</u>	<u>\$ 2.54</u>	<u>\$ 0.73</u>
Weighted average common shares outstanding - Diluted	<u>39,028</u>	<u>38,256</u>	<u>38,643</u>	<u>38,506</u>
<b>ADJUSTED EBITDA</b>				
GAAP net income attributable to Itron, Inc.	\$ 11,649	\$ 8,986	\$ 31,770	\$ 12,678
Interest income	(271)	(321)	(865)	(761)
Interest expense	2,604	2,953	10,948	12,289
Income tax provision	15,325	3,039	49,574	22,099
Depreciation and amortization	16,755	18,203	68,318	75,993
Restructuring	7,796	1,565	49,090	(7,263)
Acquisition-related expense (recovery)	5	16	(197)	(5,538)
Adjusted EBITDA	<u>\$ 53,863</u>	<u>\$ 34,441</u>	<u>\$ 208,638</u>	<u>\$ 109,497</u>
<b>FREE CASH FLOW</b>				
Net cash provided by operating activities	\$ 33,961	\$ 53,196	\$ 115,842	\$ 73,350
Acquisitions of property, plant, and equipment	(12,980)	(10,594)	(43,543)	(43,918)
Free Cash Flow	<u>\$ 20,981</u>	<u>\$ 42,602</u>	<u>\$ 72,299</u>	<u>\$ 29,432</u>
<b>NON-GAAP OPERATING INCOME</b>				
GAAP operating income	\$ 30,754	\$ 16,378	\$ 96,211	\$ 52,846
Amortization of intangible assets	6,110	7,943	25,112	31,673
Restructuring	7,796	1,565	49,090	(7,263)
Acquisition-related expense (recovery)	5	16	(197)	(5,538)
Non-GAAP operating income	<u>\$ 44,665</u>	<u>\$ 25,902</u>	<u>\$ 170,216</u>	<u>\$ 71,718</u>
<b>NON-GAAP OPERATING EXPENSE</b>				
GAAP operating expense	\$ 125,909	\$ 136,041	\$ 564,109	\$ 503,839
Amortization of intangible assets	(6,110)	(7,943)	(25,112)	(31,673)
Restructuring	(7,796)	(1,565)	(49,090)	7,263
Acquisition-related recovery (expense)	(5)	(16)	197	5,538
Non-GAAP operating expense	<u>\$ 111,998</u>	<u>\$ 126,517</u>	<u>\$ 490,104</u>	<u>\$ 484,967</u>



**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>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>NON-GAAP OPERATING INCOME - ELECTRICITY</b>				
Electricity - GAAP operating income	\$ 17,195	\$ 16,146	\$ 68,287	\$ 31,104
Amortization of intangible assets	3,223	4,367	13,273	17,663
Restructuring	2,283	(110)	7,694	(7,253)
Acquisition-related expense (recovery)	5	18	(197)	(5,655)
Electricity - Non-GAAP operating income	<u>\$ 22,706</u>	<u>\$ 20,421</u>	<u>\$ 89,057</u>	<u>\$ 35,859</u>
<b>NON-GAAP OPERATING INCOME - GAS</b>				
Gas - GAAP operating income	\$ 18,002	\$ 22,485	\$ 66,813	\$ 67,471
Amortization of intangible assets	1,568	1,922	6,456	7,787
Restructuring	3,754	614	25,744	(287)
Gas - Non-GAAP operating income	<u>\$ 23,324</u>	<u>\$ 25,021</u>	<u>\$ 99,013</u>	<u>\$ 74,971</u>
<b>NON-GAAP OPERATING INCOME - WATER</b>				
Water - GAAP operating income	\$ 8,559	\$ 8,449	\$ 37,266	\$ 19,864
Amortization of intangible assets	1,319	1,654	5,383	6,223
Restructuring	651	232	13,116	778
Acquisition-related expense	-	-	-	104
Water - Non-GAAP operating income	<u>\$ 10,529</u>	<u>\$ 10,335</u>	<u>\$ 55,765</u>	<u>\$ 26,969</u>
<b>NON-GAAP OPERATING INCOME - CORPORATE UNALLOCATED</b>				
Corporate unallocated - GAAP operating loss	\$ (13,002)	\$ (30,702)	\$ (76,155)	\$ (65,593)
Restructuring	1,108	829	2,536	(501)
Acquisition-related expense (recovery)	-	(2)	-	13
Corporate unallocated - Non-GAAP operating loss	<u>\$ (11,894)</u>	<u>\$ (29,875)</u>	<u>\$ (73,619)</u>	<u>\$ (66,081)</u>

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