



ITRON, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited, in thousands, except per share data)

	Three Months Ended March 31,	
	2016	2015
Revenues	\$ 497,590	\$ 446,746
Cost of revenues	334,387	308,324
Gross profit	163,203	138,422
Operating expenses		
Sales and marketing	40,767	41,027
Product development	45,346	41,522
General and administrative	45,069	39,585
Amortization of intangible assets	6,210	7,973
Restructuring	2,237	(5,181)
Total operating expenses	139,629	124,926
Operating income	23,574	13,496
Other income (expense)		
Interest income	271	48
Interest expense	(2,918)	(2,682)
Other income (expense), net	(1,517)	21
Total other income (expense)	(4,164)	(2,613)
Income before income taxes	19,410	10,883
Income tax provision	(8,626)	(5,030)
Net income	10,784	5,853
Net income attributable to non-controlling interests	695	455
Net income attributable to Itron, Inc.	\$ 10,089	\$ 5,398
Earnings per common share - Basic	\$ 0.27	\$ 0.14
Earnings per common share - Diluted	\$ 0.26	\$ 0.14
Weighted average common shares outstanding - Basic	38,059	38,442
Weighted average common shares outstanding - Diluted	38,376	38,758

ITRON

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ITRON, INC.
SEGMENT INFORMATION

(Unaudited, in thousands)

	Three Months Ended March 31,	
	2016	2015
Revenues		
Electricity	\$ 217,295	\$ 191,840
Gas	139,256	125,081
Water	141,039	129,825
Total Company	<u>\$ 497,590</u>	<u>\$ 446,746</u>
Gross profit		
Electricity	\$ 64,586	\$ 54,204
Gas	48,577	44,037
Water	50,040	40,181
Total Company	<u>\$ 163,203</u>	<u>\$ 138,422</u>
Operating income (loss)		
Electricity	\$ 10,632	\$ 1,114
Gas	16,299	14,491
Water	18,076	8,715
Corporate unallocated	(21,433)	(10,824)
Total Company	<u>\$ 23,574</u>	<u>\$ 13,496</u>

METER AND MODULE SUMMARY

(Units in thousands)

	Three Months Ended March 31,	
	2016	2015
Meters		
Standard	4,370	4,740
Advanced and Smart	2,190	1,540
Total meters	<u>6,560</u>	<u>6,280</u>
Stand-alone communication modules		
Advanced and Smart	<u>1,460</u>	<u>1,310</u>



ITRON, INC.
CONSOLIDATED BALANCE SHEETS

(Unaudited, in thousands)

	<u>March 31, 2016</u>	<u>December 31, 2015</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 132,615	\$ 131,018
Accounts receivable, net	368,432	330,895
Inventories	189,010	190,465
Other current assets	110,996	106,562
Total current assets	<u>801,053</u>	<u>758,940</u>
Property, plant, and equipment, net	190,004	190,256
Deferred tax assets noncurrent, net	108,161	109,387
Other long-term assets	48,201	51,679
Intangible assets, net	96,386	101,932
Goodwill	475,872	468,122
Total assets	<u>\$ 1,719,677</u>	<u>\$ 1,680,316</u>
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	\$ 201,001	\$ 185,827
Other current liabilities	73,753	78,630
Wages and benefits payable	86,827	76,980
Taxes payable	15,877	14,859
Current portion of debt	11,250	11,250
Current portion of warranty	32,244	36,927
Unearned revenue	96,808	73,301
Total current liabilities	<u>517,760</u>	<u>477,774</u>
Long-term debt	336,908	358,915
Long-term warranty	18,498	17,585
Pension benefit obligation	88,312	85,971
Deferred tax liabilities noncurrent, net	1,729	1,723
Other long-term obligations	111,242	115,645
Total liabilities	<u>1,074,449</u>	<u>1,057,613</u>
Equity		
Common stock	1,251,231	1,246,671
Accumulated other comprehensive loss, net	(193,425)	(200,607)
Accumulated deficit	(431,217)	(441,306)
Total Itron, Inc. shareholders' equity	<u>626,589</u>	<u>604,758</u>
Non-controlling interests	18,639	17,945
Total equity	<u>645,228</u>	<u>622,703</u>
Total liabilities and equity	<u>\$ 1,719,677</u>	<u>\$ 1,680,316</u>

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ITRON, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited, in thousands)

	Three Months Ended March 31,	
	2016	2015
Operating activities		
Net income	\$ 10,784	\$ 5,853
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	16,674	19,355
Stock-based compensation	3,900	4,108
Amortization of prepaid debt fees	276	390
Deferred taxes, net	4,507	(4,932)
Restructuring, non-cash	1,114	(110)
Other adjustments, net	66	337
Changes in operating assets and liabilities:		
Accounts receivable	(33,308)	237
Inventories	3,244	(23,732)
Other current assets	(5,457)	(7,888)
Other long-term assets	2,945	(3,081)
Accounts payable, other current liabilities, and taxes payable	10,161	3,760
Wages and benefits payable	9,349	(9,913)
Unearned revenue	14,343	14,582
Warranty	(4,045)	2,384
Other operating, net	(748)	(5,305)
Net cash provided by (used in) operating activities	<u>33,805</u>	<u>(3,955)</u>
Investing activities		
Acquisitions of property, plant, and equipment	(8,791)	(9,472)
Other investing, net	558	(118)
Net cash used in investing activities	<u>(8,233)</u>	<u>(9,590)</u>
Financing activities		
Proceeds from borrowings	-	63,000
Payments on debt	(23,406)	(22,373)
Issuance of common stock	661	451
Repurchase of common stock	-	(16,341)
Other financing, net	(2,290)	1,186
Net cash provided by (used in) financing activities	<u>(25,035)</u>	<u>25,923</u>
Effect of foreign exchange rate changes on cash and cash equivalents	1,060	(6,665)
Increase in cash and cash equivalents	1,597	5,713
Cash and cash equivalents at beginning of period	131,018	112,371
Cash and cash equivalents at end of period	<u>\$ 132,615</u>	<u>\$ 118,084</u>

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Itron, Inc.

About Non-GAAP Financial Measures

The accompanying press release contains non-GAAP financial measures. To supplement our consolidated financial statements, which are prepared and presented 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 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. 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 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. In addition, management analyzes revenue growth and operational results on a constant currency basis to assess how our business performed excluding the effect of foreign currency rate fluctuations. Our executive compensation plans exclude non-cash charges related to amortization of intangibles acquired through a business acquisition and non-recurring discrete cash and non-cash charges that are infrequent in nature such as purchase accounting adjustments, 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 expense and non-GAAP operating income – We define non-GAAP operating expense as operating expense excluding certain expenses related to the amortization of intangible assets acquired through a business acquisition, restructuring, acquisitions and goodwill impairment. We define non-GAAP operating income as operating income excluding the expenses related to the amortization of intangible assets acquired through a business acquisition, restructuring, acquisitions and goodwill impairment. 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 previous acquisitions and restructurings. 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

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are some limitations related to the use of non-GAAP operating expense and non-GAAP operating income versus operating expense and operating income calculated in accordance with GAAP. Non-GAAP operating expense and non-GAAP operating income exclude some costs that are recurring. Additionally, the expenses that we exclude in our calculation of non-GAAP operating expense and non-GAAP operating income may differ from the expenses that our peer companies exclude when they report the results of their operations. We compensate for these limitations by providing specific information about the GAAP amounts we have excluded from our 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 excluding the expenses associated with amortization of intangible assets acquired through a business acquisition, restructuring, acquisitions, goodwill impairment and amortization of debt placement fees. 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 and GAAP diluted EPS.

Adjusted EBITDA – We define adjusted EBITDA as net income (a) minus interest income, (b) plus interest expense, depreciation and amortization of business acquisition related intangible asset expenses, restructuring expense, acquisition related expense, goodwill impairment and (c) exclude the tax expense or benefit. We believe that providing this financial measure is important for management and investors to understand our ability to service our debt as it is a measure of the cash generated by our core business. 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 may 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 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 March 31,	
	2016	2015
NON-GAAP NET INCOME & DILUTED EPS		
GAAP net income attributable to Itron, Inc.	\$ 10,089	\$ 5,398
Amortization of intangible assets	6,210	7,973
Amortization of debt placement fees	247	365
Restructuring	2,237	(5,181)
Acquisition related expenses	3	2,324
Income tax effect of non-GAAP adjustments	(1,955)	(2,330)
Non-GAAP net income attributable to Itron, Inc.	<u>\$ 16,831</u>	<u>\$ 8,549</u>
Non-GAAP diluted EPS	<u>\$ 0.44</u>	<u>\$ 0.22</u>
Weighted average common shares outstanding - Diluted	<u>38,376</u>	<u>38,758</u>
ADJUSTED EBITDA		
GAAP net income attributable to Itron, Inc.	\$ 10,089	\$ 5,398
Interest income	(271)	(48)
Interest expense	2,918	2,682
Income tax provision	8,626	5,030
Depreciation and amortization	16,674	19,355
Restructuring	2,237	(5,181)
Acquisition related expenses	3	2,324
Adjusted EBITDA	<u>\$ 40,276</u>	<u>\$ 29,560</u>
FREE CASH FLOW		
Net cash provided by operating activities	\$ 33,805	\$ (3,955)
Acquisitions of property, plant, and equipment	(8,791)	(9,472)
Free Cash Flow	<u>\$ 25,014</u>	<u>\$ (13,427)</u>
NON-GAAP OPERATING INCOME		
GAAP operating income	\$ 23,574	\$ 13,496
Amortization of intangible assets	6,210	7,973
Restructuring	2,237	(5,181)
Acquisition related expenses	3	2,324
Non-GAAP operating income	<u>\$ 32,024</u>	<u>\$ 18,612</u>
NON-GAAP OPERATING EXPENSE		
GAAP operating expense	\$ 139,629	\$ 124,926
Amortization of intangible assets	(6,210)	(7,973)
Restructuring	(2,237)	5,181
Acquisition related expenses	(3)	(2,324)
Non-GAAP operating expense	<u>\$ 131,179</u>	<u>\$ 119,810</u>

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

(Unaudited, in thousands, except per share data)

SEGMENT RECONCILIATIONS	Three Months Ended March 31,	
	2016	2015
NON-GAAP OPERATING INCOME - ELECTRICITY		
Electricity - GAAP operating income	\$ 10,632	\$ 1,114
Amortization of intangible assets	3,250	4,455
Restructuring	528	(2,762)
Acquisition related expenses	3	2,324
Electricity - Non-GAAP operating income	<u>\$ 14,413</u>	<u>\$ 5,131</u>
NON-GAAP OPERATING INCOME - GAS		
Gas - GAAP operating income	\$ 16,299	\$ 14,491
Amortization of intangible assets	1,619	1,970
Restructuring	1,264	125
Gas - Non-GAAP operating income	<u>\$ 19,182</u>	<u>\$ 16,586</u>
NON-GAAP OPERATING INCOME - WATER		
Water - GAAP operating income	\$ 18,076	\$ 8,715
Amortization of intangible assets	1,341	1,548
Restructuring	(64)	117
Water - Non-GAAP operating income	<u>\$ 19,353</u>	<u>\$ 10,380</u>
NON-GAAP OPERATING INCOME - CORPORATE UNALLOCATED		
Corporate unallocated - GAAP operating loss	\$ (21,433)	\$ (10,824)
Restructuring	509	(2,661)
Corporate unallocated - Non-GAAP operating loss	<u>\$ (20,924)</u>	<u>\$ (13,485)</u>