

ITRON, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited, in thousands, except per share data)

	Three Months Ended March 31,	
	2018	2017
Revenues		
Product revenues	\$ 537,110	\$ 432,365
Service revenues	70,111	45,227
Total revenues	<u>607,221</u>	<u>477,592</u>
Cost of revenues		
Product cost of revenues	382,850	287,093
Service cost of revenues	44,516	32,862
Total cost of revenues	<u>427,366</u>	<u>319,955</u>
Gross profit	179,855	157,637
Operating expenses		
Sales and marketing	51,921	41,255
Product development	60,284	40,767
General and administrative	102,493	37,187
Amortization of intangible assets	17,740	4,549
Restructuring	87,865	3,052
Total operating expenses	<u>320,303</u>	<u>126,810</u>
Operating income (loss)	(140,448)	30,827
Other income (expense)		
Interest income	661	269
Interest expense	(15,504)	(3,199)
Other income (expense), net	(1,167)	(2,836)
Total other income (expense)	<u>(16,010)</u>	<u>(5,766)</u>
Income (loss) before income taxes	(156,458)	25,061
Income tax benefit (provision)	11,188	(9,047)
Net income (loss)	(145,270)	16,014
Net income attributable to noncontrolling interests	396	169
Net income (loss) attributable to Itron, Inc.	<u>\$ (145,666)</u>	<u>\$ 15,845</u>
Earnings (loss) per common share - Basic	\$ (3.74)	\$ 0.41
Earnings (loss) per common share - Diluted	<u>\$ (3.74)</u>	<u>\$ 0.40</u>
Weighted average common shares outstanding - Basic	38,945	38,474
Weighted average common shares outstanding - Diluted	38,945	39,215

ITRON, INC.
SEGMENT INFORMATION

(Unaudited, in thousands)

	Three Months Ended March 31,	
	2018	2017
Product revenues		
Electricity	\$ 213,877	\$ 205,903
Gas	130,243	117,127
Water	125,587	109,335
Networks	67,403	—
Total Company	<u>\$ 537,110</u>	<u>\$ 432,365</u>
Service revenues		
Electricity	\$ 38,528	\$ 32,848
Gas	7,496	7,084
Water	5,607	5,295
Networks	18,480	—
Total Company	<u>\$ 70,111</u>	<u>\$ 45,227</u>
Revenues		
Electricity	\$ 252,405	\$ 238,751
Gas	137,739	124,211
Water	131,194	114,630
Networks	85,883	—
Total Company	<u>\$ 607,221</u>	<u>\$ 477,592</u>
Gross profit		
Electricity	\$ 69,975	\$ 67,250
Gas	43,471	50,815
Water	37,805	39,572
Networks	28,604	—
Total Company	<u>\$ 179,855</u>	<u>\$ 157,637</u>
Operating income (loss)		
Electricity	\$ (2,768)	\$ 17,084
Gas	(28,348)	21,731
Water	(11,710)	8,804
Networks	(75,510)	—
Corporate unallocated	(22,112)	(16,792)
Total Company	<u>\$ (140,448)</u>	<u>\$ 30,827</u>

METER AND MODULE SUMMARY

(Units in thousands)

	Three Months Ended March 31,	
	2018	2017
Meters ⁽¹⁾		
Standard	4,140	4,010
Smart	3,060	2,440
Total meters	<u>7,200</u>	<u>6,450</u>
Stand-alone communication modules and cards ⁽²⁾		
Smart	<u>2,480</u>	<u>1,400</u>

⁽¹⁾ The Networks segment shipped an immaterial number of meters during the three months ended March 31, 2018.

⁽²⁾ The Networks segment shipped approximately 990,000 network interface cards during the three months ended March 31, 2018.

The stand-alone communication modules and cards category includes communicating radio modules shipped in Electric, Gas and Water segments and network interface cards, the primary product sold by our Networks segment.

ITRON, INC.
CONSOLIDATED BALANCE SHEETS

(Unaudited, in thousands)

	March 31, 2018	December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 143,951	\$ 176,274
Accounts receivable, net	481,389	398,029
Inventories	209,373	193,835
Other current assets	97,925	81,604
Total current assets	<u>932,638</u>	<u>849,742</u>
Property, plant, and equipment, net	234,924	200,768
Deferred tax assets, net	58,917	49,971
Restricted cash	1,466	311,010
Other long-term assets	46,843	43,666
Intangible assets, net	318,984	95,228
Goodwill	1,142,757	555,762
Total assets	<u>\$ 2,736,529</u>	<u>\$ 2,106,147</u>
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	\$ 275,702	\$ 262,166
Other current liabilities	90,259	56,736
Wages and benefits payable	119,312	90,505
Taxes payable	22,659	16,100
Current portion of debt	16,250	19,688
Current portion of warranty	26,533	21,150
Unearned revenue	87,293	41,438
Total current liabilities	<u>638,008</u>	<u>507,783</u>
Long-term debt	1,105,538	593,572
Long-term warranty	15,446	13,712
Pension benefit obligation	100,045	95,717
Deferred tax liabilities, net	1,571	1,525
Other long-term obligations	171,318	88,206
Total liabilities	<u>2,031,926</u>	<u>1,300,515</u>
Equity		
Common stock	1,310,379	1,294,767
Accumulated other comprehensive loss, net	(152,595)	(170,478)
Accumulated deficit	(471,812)	(337,873)
Total Itron, Inc. shareholders' equity	<u>685,972</u>	<u>786,416</u>
Non-controlling interests	18,631	19,216
Total equity	<u>704,603</u>	<u>805,632</u>
Total liabilities and equity	<u>\$ 2,736,529</u>	<u>\$ 2,106,147</u>

ITRON, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited, in thousands)

	Three Months Ended March 31,	
	2018	2017
Operating activities		
Net income (loss)	\$ (145,270)	\$ 16,014
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	31,072	14,378
Stock-based compensation	8,095	5,211
Amortization of prepaid debt fees	3,386	266
Deferred taxes, net	(16,508)	882
Restructuring, non-cash	47	—
Other adjustments, net	(106)	946
Changes in operating assets and liabilities, net of acquisitions		
Accounts receivable	(7,768)	13,119
Inventories	(253)	(11,274)
Other current assets	(8,849)	(11,169)
Other long-term assets	4,509	646
Accounts payable, other current liabilities, and taxes payable	7,826	28,277
Wages and benefits payable	16,438	(1,796)
Unearned revenue	23,317	14,020
Warranty	663	(2,303)
Other operating, net	58,953	(3,960)
Net cash provided by (used in) operating activities	(24,448)	63,257
Investing activities		
Acquisitions of property, plant, and equipment	(17,433)	(9,122)
Business acquisitions, net of cash equivalents acquired	(802,488)	—
Other investing, net	100	(78)
Net cash used in investing activities	(819,821)	(9,200)
Financing activities		
Proceeds from borrowings	555,938	—
Payments on debt	(32,395)	(2,813)
Issuance of common stock	3,384	405
Prepaid debt fees	(24,042)	—
Other financing, net	(1,046)	155
Net cash provided by (used in) financing activities	501,839	(2,253)
Effect of foreign exchange rate changes on cash, cash equivalents, and restricted cash	563	2,559
Increase (decrease) in cash, cash equivalents, and restricted cash	(341,867)	54,363
Cash, cash equivalents, and restricted cash at beginning of period	487,335	133,565
Cash, cash equivalents, and restricted cash at end of period	\$ 145,468	\$ 187,928

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, 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 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, 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, the transition to the Tax Cuts and Jobs 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 March 31,	
	2018	2017
NON-GAAP NET INCOME & DILUTED EPS		
GAAP net income (loss) attributable to Itron, Inc.	\$ (145,666)	\$ 15,845
Amortization of intangible assets	17,740	4,549
Amortization of debt placement fees	3,343	241
Restructuring	87,865	3,052
Acquisition and integration related expense	62,647	333
Income tax effect of non-GAAP adjustments	(20,835)	(1,834)
Non-GAAP net income attributable to Itron, Inc.	<u>\$ 5,094</u>	<u>\$ 22,186</u>
Non-GAAP diluted EPS	<u>\$ 0.13</u>	<u>\$ 0.57</u>
Weighted average common shares outstanding - Diluted	<u>39,773</u>	<u>39,215</u>
ADJUSTED EBITDA		
GAAP net income (loss) attributable to Itron, Inc.	\$ (145,666)	\$ 15,845
Interest income	(661)	(269)
Interest expense	15,504	3,199
Income tax provision (benefit)	(11,188)	9,047
Depreciation and amortization	31,072	14,378
Restructuring	87,865	3,052
Acquisition and integration related expense	62,647	333
Adjusted EBITDA	<u>\$ 39,573</u>	<u>\$ 45,585</u>
FREE CASH FLOW		
Net cash provided (used) by operating activities	\$ (24,448)	\$ 63,257
Acquisitions of property, plant, and equipment	(17,433)	(9,122)
Free Cash Flow	<u>\$ (41,881)</u>	<u>\$ 54,135</u>
NON-GAAP OPERATING INCOME		
GAAP operating income (loss)	\$ (140,448)	\$ 30,827
Amortization of intangible assets	17,740	4,549
Restructuring	87,865	3,052
Acquisition and integration related expense	62,647	333
Non-GAAP operating income	<u>\$ 27,804</u>	<u>\$ 38,761</u>
NON-GAAP OPERATING EXPENSES		
GAAP operating expenses	\$ 320,303	\$ 126,810
Amortization of intangible assets	(17,740)	(4,549)
Restructuring	(87,865)	(3,052)
Acquisition and integration related expense	(62,647)	(333)
Non-GAAP operating expenses	<u>\$ 152,051</u>	<u>\$ 118,876</u>

ITRON, INC.
RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES
TO THE MOST DIRECTLY COMPARABLE GAAP FINANCIAL MEASURES

(Unaudited, in thousands)

SEGMENT RECONCILIATIONS	Three Months Ended March 31,	
	2018	2017
NON-GAAP OPERATING INCOME - ELECTRICITY		
Electricity - GAAP operating income (loss)	\$ (2,768)	\$ 17,084
Amortization of intangible assets	2,880	2,362
Restructuring	19,600	(176)
Acquisition and integration related expense	323	—
Electricity - Non-GAAP operating income	<u>\$ 20,035</u>	<u>\$ 19,270</u>
NON-GAAP OPERATING INCOME - GAS		
Gas - GAAP operating income (loss)	\$ (28,348)	\$ 21,731
Amortization of intangible assets	1,124	1,277
Restructuring	43,547	1,084
Gas - Non-GAAP operating income	<u>\$ 16,323</u>	<u>\$ 24,092</u>
NON-GAAP OPERATING INCOME - WATER		
Water - GAAP operating income (loss)	\$ (11,710)	\$ 8,804
Amortization of intangible assets	835	910
Restructuring	16,714	1,018
Water - Non-GAAP operating income	<u>\$ 5,839</u>	<u>\$ 10,732</u>
NON-GAAP OPERATING INCOME - NETWORKS		
Networks - GAAP operating loss	\$ (75,510)	\$ —
Amortization of intangible assets	12,901	—
Acquisition and integration related expense	62,448	—
Networks - Non-GAAP operating loss	<u>\$ (161)</u>	<u>\$ —</u>
NON-GAAP OPERATING INCOME - CORPORATE UNALLOCATED		
Corporate unallocated - GAAP operating loss	\$ (22,112)	\$ (16,792)
Restructuring	8,004	1,126
Acquisition and integration related expense (recovery)	(124)	333
Corporate unallocated - Non-GAAP operating loss	<u>\$ (14,232)</u>	<u>\$ (15,333)</u>