

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

(Unaudited, in thousands, except per share data)

	<b>Three Months Ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
Revenues		
Product revenues	\$ 442,804	\$ 528,137
Service revenues	76,770	70,278
Total revenues	<u>519,574</u>	<u>598,415</u>
Cost of revenues		
Product cost of revenues	307,691	384,681
Service cost of revenues	44,839	42,168
Total cost of revenues	<u>352,530</u>	<u>426,849</u>
Gross profit	167,044	171,566
Operating expenses		
Sales, general and administrative	75,992	80,498
Research and development	51,727	53,781
Amortization of intangible assets	8,973	11,165
Restructuring	(1,980)	(248)
Loss on sale of business	1,392	—
Total operating expenses	<u>136,104</u>	<u>145,196</u>
Operating income	30,940	26,370
Other income (expense)		
Interest income	542	553
Interest expense	(10,475)	(11,277)
Other income (expense), net	(2,766)	1,066
Total other income (expense)	<u>(12,699)</u>	<u>(9,658)</u>
Income before income taxes	18,241	16,712
Income tax provision	(4,661)	(7,550)
Net income	13,580	9,162
Net income attributable to noncontrolling interests	977	478
Net income attributable to Itron, Inc.	<u>\$ 12,603</u>	<u>\$ 8,684</u>
Net income per common share - Basic	<u>\$ 0.30</u>	<u>\$ 0.22</u>
Net income per common share - Diluted	<u>\$ 0.30</u>	<u>\$ 0.21</u>
Weighted average common shares outstanding - Basic	41,526	40,043
Weighted average common shares outstanding - Diluted	41,964	40,474

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[www.itron.com](http://www.itron.com)

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

(Unaudited, in thousands)

	<b>Three Months Ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>Product revenues</b>		
Device Solutions	\$ 170,331	\$ 200,168
Networked Solutions	258,703	315,437
Outcomes	13,770	12,532
Total Company	<u>\$ 442,804</u>	<u>\$ 528,137</u>
<b>Service revenues</b>		
Device Solutions	\$ 2,450	\$ 2,111
Networked Solutions	29,611	25,408
Outcomes	44,709	42,759
Total Company	<u>\$ 76,770</u>	<u>\$ 70,278</u>
<b>Total revenues</b>		
Device Solutions	\$ 172,781	\$ 202,279
Networked Solutions	288,314	340,845
Outcomes	58,479	55,291
Total Company	<u>\$ 519,574</u>	<u>\$ 598,415</u>
<b>Gross profit</b>		
Device Solutions	\$ 32,296	\$ 32,367
Networked Solutions	112,759	121,750
Outcomes	21,989	17,449
Total Company	<u>\$ 167,044</u>	<u>\$ 171,566</u>
<b>Operating income (loss)</b>		
Device Solutions	\$ 21,701	\$ 18,198
Networked Solutions	79,291	88,680
Outcomes	10,336	8,198
Corporate unallocated	(80,388)	(88,706)
Total Company	<u>\$ 30,940</u>	<u>\$ 26,370</u>

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

(Unaudited, in thousands)

	<u>March 31, 2021</u>	<u>December 31, 2020</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 574,592	\$ 206,933
Accounts receivable, net	365,826	369,828
Inventories	169,412	182,377
Other current assets	150,271	171,124
Total current assets	<u>1,260,101</u>	<u>930,262</u>
Property, plant, and equipment, net	199,650	207,816
Deferred tax assets, net	94,620	76,142
Other long-term assets	57,599	51,656
Operating lease right-of-use assets, net	74,815	76,276
Intangible assets, net	122,861	132,955
Goodwill	1,118,322	1,131,916
Total assets	<u>\$ 2,927,968</u>	<u>\$ 2,607,023</u>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities		
Accounts payable	\$ 181,606	\$ 215,639
Other current liabilities	70,890	72,591
Wages and benefits payable	90,383	86,249
Taxes payable	14,256	15,804
Current portion of debt	400,000	18,359
Current portion of warranty	22,024	28,329
Unearned revenue	130,403	112,928
Total current liabilities	<u>909,562</u>	<u>549,899</u>
Long-term debt, net	496,531	902,577
Long-term warranty	17,310	13,061
Pension benefit obligation	115,257	119,457
Deferred tax liabilities, net	1,806	1,921
Operating lease liabilities	65,822	66,823
Other long-term obligations	100,512	113,012
Total liabilities	<u>1,706,800</u>	<u>1,766,750</u>
Equity		
Common stock	1,768,517	1,389,419
Accumulated other comprehensive loss, net	(150,309)	(138,526)
Accumulated deficit	(421,742)	(434,345)
Total Itron, Inc. shareholders' equity	<u>1,196,466</u>	<u>816,548</u>
Noncontrolling interests	24,702	23,725
Total equity	<u>1,221,168</u>	<u>840,273</u>
Total liabilities and equity	<u>\$ 2,927,968</u>	<u>\$ 2,607,023</u>

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

(Unaudited, in thousands)

	<b>Three Months Ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>Operating activities</b>		
Net income	\$ 13,580	\$ 9,162
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	21,810	24,031
Non-cash operating lease expense	4,330	5,496
Stock-based compensation	6,498	8,482
Amortization of prepaid debt fees	2,695	1,007
Deferred taxes, net	2,109	4,062
Loss on sale of business	1,392	—
Restructuring, non-cash	(45)	(955)
Other adjustments, net	391	(874)
Changes in operating assets and liabilities, net of sale of business:		
Accounts receivable	(2,078)	1,185
Inventories	9,008	(543)
Other current assets	15,692	(4,526)
Other long-term assets	(7,627)	(6,501)
Accounts payable, other current liabilities, and taxes payable	(26,978)	135
Wages and benefits payable	5,458	(19,977)
Unearned revenue	18,050	17,395
Warranty	(1,382)	(4,250)
Other operating, net	(12,948)	(14,435)
Net cash provided by operating activities	<u>49,955</u>	<u>18,894</u>
<b>Investing activities</b>		
Net proceeds related to the sale of business	2,842	—
Acquisitions of property, plant, and equipment	(11,412)	(12,602)
Other investing, net	2,764	3,345
Net cash used in investing activities	<u>(5,806)</u>	<u>(9,257)</u>
<b>Financing activities</b>		
Proceeds from borrowings	460,000	400,000
Payments on debt	(475,000)	—
Issuance of common stock	2,238	2,911
Proceeds from common stock offering	389,419	—
Proceeds from sale of warrants	45,349	—
Purchases of convertible note hedge contracts	(84,139)	—
Repurchase of common stock	—	(664)
Prepaid debt fees	(11,722)	(175)
Other financing, net	(1,564)	(335)
Net cash provided by financing activities	<u>324,581</u>	<u>401,737</u>
Effect of foreign exchange rate changes on cash and cash equivalents	<u>(1,071)</u>	<u>(6,758)</u>
Increase in cash and cash equivalents	367,659	404,616
Cash and cash equivalents at beginning of period	<u>206,933</u>	<u>149,904</u>

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Cash and cash equivalents at end of period

\$	574,592	\$	554,520
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### **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, loss on sale of business, or restructuring 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, and acquisition and integration. 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, and acquisition and integration. 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.

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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, debt extinguishment, restructuring, loss on sale of business, corporate transition cost, acquisition and integration, and the tax effect of excluding these expenses. We define non-GAAP diluted EPS as non-GAAP net income divided by diluted weighted-average shares outstanding during the period calculated on a GAAP basis and then reduced to reflect the anti-dilutive impact of the convertible note hedge transaction entered into in connection with the 0% Convertible Notes due 2026 issued in March 2021. 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 the budgeted annual effective tax rate (AETR) is used, adjusted for any discrete items, as defined in Accounting Standards Codification (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, debt extinguishment, restructuring, loss on sale of business, corporate transition cost, acquisition and integration related expense, 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 the entity's functional currency 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 tables below reconcile the non-GAAP financial measures of operating expenses, operating income, net income, diluted EPS, adjusted EBITDA, and free cash flow with the most directly comparable GAAP 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 March 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>NON-GAAP OPERATING EXPENSES</b>		
GAAP operating expenses	\$ 136,104	\$ 145,196
Amortization of intangible assets	(8,973)	(11,165)
Restructuring	1,980	248
Loss on sale of business	(1,392)	—
Corporate transition cost	—	40
Acquisition and integration related expense	377	(1,272)
Non-GAAP operating expenses	<u>\$ 128,096</u>	<u>\$ 133,047</u>
<b>NON-GAAP OPERATING INCOME</b>		
GAAP operating income	\$ 30,940	\$ 26,370
Amortization of intangible assets	8,973	11,165
Restructuring	(1,980)	(248)
Loss on sale of business	1,392	—
Corporate transition cost	—	(40)
Acquisition and integration related expense	(377)	1,272
Non-GAAP operating income	<u>\$ 38,948</u>	<u>\$ 38,519</u>
<b>NON-GAAP NET INCOME &amp; DILUTED EPS</b>		
GAAP net income attributable to Itron, Inc.	\$ 12,603	\$ 8,684
Amortization of intangible assets	8,973	11,165
Amortization of debt placement fees	2,652	963
Debt extinguishment	1,681	—
Restructuring	(1,980)	(248)
Loss on sale of business	1,392	—
Corporate transition cost	—	(40)
Acquisition and integration related expense	(377)	1,272
Income tax effect of non-GAAP adjustments	(2,997)	1,173
Non-GAAP net income attributable to Itron, Inc.	<u>\$ 21,947</u>	<u>\$ 22,969</u>
Non-GAAP diluted EPS	<u>\$ 0.52</u>	<u>\$ 0.57</u>
Non-GAAP weighted average common shares outstanding - Diluted	<u>41,964</u>	<u>40,474</u>
<b>ADJUSTED EBITDA</b>		
GAAP net income attributable to Itron, Inc.	\$ 12,603	\$ 8,684
Interest income	(542)	(553)
Interest expense	10,475	11,277
Income tax provision	4,661	7,550
Debt extinguishment	1,681	—
Depreciation and amortization	21,810	24,031
Restructuring	(1,980)	(248)
Loss on sale of business	1,392	—
Corporate transition cost	—	(40)
Acquisition and integration related expense	(377)	1,272
Adjusted EBITDA	<u>\$ 49,723</u>	<u>\$ 51,973</u>
<b>FREE CASH FLOW</b>		
Net cash provided by operating activities	\$ 49,955	\$ 18,894
Acquisitions of property, plant, and equipment	(11,412)	(12,602)
Free Cash Flow	<u>\$ 38,543</u>	<u>\$ 6,292</u>