

ITRON, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited, in thousands, except per share data)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2021	2020	2021	2020
Revenues				
Product revenues	\$ 412,725	\$ 451,393	\$ 1,678,195	\$ 1,889,173
Service revenues	72,912	73,764	303,377	284,177
Total revenues	<u>485,637</u>	<u>525,157</u>	<u>1,981,572</u>	<u>2,173,350</u>
Cost of revenues				
Product cost of revenues	322,307	336,344	1,231,230	1,408,615
Services cost of revenues	42,043	39,980	177,173	162,568
Total cost of revenues	<u>364,350</u>	<u>376,324</u>	<u>1,408,403</u>	<u>1,571,183</u>
Gross profit	121,287	148,833	573,169	602,167
Operating expenses				
Sales, general and administrative	78,546	61,902	300,520	276,920
Research and development	49,856	45,102	197,235	194,101
Amortization of intangible assets	8,887	11,223	35,801	44,711
Restructuring	55,453	(4,518)	54,623	37,013
Loss on sale of business	36,015	2,522	64,289	59,817
Total operating expenses	<u>228,757</u>	<u>116,231</u>	<u>652,468</u>	<u>612,562</u>
Operating income (loss)	(107,470)	32,602	(79,299)	(10,395)
Other income (expense)				
Interest income	231	833	1,557	2,998
Interest expense	(1,531)	(10,230)	(28,638)	(44,001)
Other income (expense), net	(746)	(1,827)	(17,430)	(5,241)
Total other income (expense)	<u>(2,046)</u>	<u>(11,224)</u>	<u>(44,511)</u>	<u>(46,244)</u>
Income (loss) before income taxes	(109,516)	21,378	(123,810)	(56,639)
Income tax benefit (provision)	51,093	128	45,512	(238)
Net income (loss)	(58,423)	21,506	(78,298)	(56,877)
Net income (loss) attributable to noncontrolling interests	443	(14)	2,957	1,078
Net income (loss) attributable to Itron, Inc.	<u>\$ (58,866)</u>	<u>\$ 21,520</u>	<u>\$ (81,255)</u>	<u>\$ (57,955)</u>
Net income (loss) per common share - Basic	<u>\$ (1.30)</u>	<u>\$ 0.53</u>	<u>\$ (1.83)</u>	<u>\$ (1.44)</u>
Net income (loss) per common share - Diluted	<u>\$ (1.30)</u>	<u>\$ 0.53</u>	<u>\$ (1.83)</u>	<u>\$ (1.44)</u>
Weighted average common shares outstanding - Basic	45,246	40,412	44,301	40,253
Weighted average common shares outstanding - Diluted	45,246	40,762	44,301	40,253

ITRON

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ITRON, INC.
SEGMENT INFORMATION

(Unaudited, in thousands)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2021	2020	2021	2020
Product revenues				
Device Solutions	\$ 154,295	\$ 183,360	\$ 635,103	\$ 684,517
Networked Solutions	238,134	250,233	974,531	1,148,698
Outcomes	20,296	17,800	68,561	55,958
Total Company	<u>\$ 412,725</u>	<u>\$ 451,393</u>	<u>\$ 1,678,195</u>	<u>\$ 1,889,173</u>
Service revenues				
Device Solutions	\$ 2,827	\$ 3,063	\$ 10,001	\$ 9,478
Networked Solutions	26,627	27,185	118,100	100,704
Outcomes	43,458	43,516	175,276	173,995
Total Company	<u>\$ 72,912</u>	<u>\$ 73,764</u>	<u>\$ 303,377</u>	<u>\$ 284,177</u>
Total revenues				
Device Solutions	\$ 157,122	\$ 186,423	\$ 645,104	\$ 693,995
Networked Solutions	264,761	277,418	1,092,631	1,249,402
Outcomes	63,754	61,316	243,837	229,953
Total Company	<u>\$ 485,637</u>	<u>\$ 525,157</u>	<u>\$ 1,981,572</u>	<u>\$ 2,173,350</u>
Gross profit				
Device Solutions	\$ 14,127	\$ 22,016	\$ 99,355	\$ 86,859
Networked Solutions	80,006	100,538	378,633	432,906
Outcomes	27,154	26,279	95,181	82,402
Total Company	<u>\$ 121,287</u>	<u>\$ 148,833</u>	<u>\$ 573,169</u>	<u>\$ 602,167</u>
Operating income (loss)				
Device Solutions	\$ 3,433	\$ 12,674	\$ 57,217	\$ 40,769
Networked Solutions	49,363	70,633	254,434	308,099
Outcomes	15,984	18,151	50,631	47,619
Corporate unallocated	(176,250)	(68,856)	(441,581)	(406,882)
Total Company	<u>\$ (107,470)</u>	<u>\$ 32,602</u>	<u>\$ (79,299)</u>	<u>\$ (10,395)</u>

ITRON, INC.
CONSOLIDATED BALANCE SHEETS

(Unaudited, in thousands)

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 162,579	\$ 206,933
Accounts receivable, net	298,459	369,828
Inventories	165,799	182,377
Other current assets	123,092	171,124
Total current assets	<u>749,929</u>	<u>930,262</u>
Property, plant, and equipment, net	163,184	207,816
Deferred tax assets, net	181,472	76,142
Other long-term assets	42,178	51,656
Operating lease right-of-use assets, net	65,523	76,276
Intangible assets, net	92,529	132,955
Goodwill	1,098,975	1,131,916
Total assets	<u>\$ 2,393,790</u>	<u>\$ 2,607,023</u>
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	\$ 193,129	\$ 215,639
Other current liabilities	81,253	72,591
Wages and benefits payable	113,532	86,249
Taxes payable	12,208	15,804
Current portion of debt	—	18,359
Current portion of warranty	18,406	28,329
Unearned revenue	82,816	112,928
Total current liabilities	<u>501,344</u>	<u>549,899</u>
Long-term debt, net	450,228	902,577
Long-term warranty	13,616	13,061
Pension benefit obligation	87,863	119,457
Deferred tax liabilities, net	2,000	1,921
Operating lease liabilities	57,314	66,823
Other long-term obligations	138,666	113,012
Total liabilities	<u>1,251,031</u>	<u>1,766,750</u>
Equity		
Common stock	1,779,775	1,389,419
Accumulated other comprehensive loss, net	(148,098)	(138,526)
Accumulated deficit	(515,600)	(434,345)
Total Itron, Inc. shareholders' equity	<u>1,116,077</u>	<u>816,548</u>
Noncontrolling interests	26,682	23,725
Total equity	<u>1,142,759</u>	<u>840,273</u>
Total liabilities and equity	<u>\$ 2,393,790</u>	<u>\$ 2,607,023</u>

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ITRON, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited, in thousands)	Year Ended December 31,	
	2021	2020
Operating activities		
Net income (loss)	\$ (78,298)	\$ (56,877)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization of intangible assets	84,153	97,290
Non-cash operating lease expense	17,107	18,178
Stock-based compensation	23,618	25,053
Amortization of prepaid debt fees	18,253	4,130
Deferred taxes, net	(85,574)	(12,939)
Loss on sale of business	64,289	59,817
Loss on extinguishment of debt, net	10,000	—
Restructuring, non-cash	8,744	5,888
Other adjustments, net	2,930	10,392
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	60,242	108,256
Inventories	(3,721)	35,403
Other current assets	41,461	(11,832)
Other long-term assets	4,515	(11,391)
Accounts payable, other current liabilities, and taxes payable	(23,391)	(111,724)
Wages and benefits payable	30,915	(34,664)
Unearned revenue	(29,366)	8,212
Warranty	(8,169)	(13,538)
Other operating, net	17,086	(10,140)
Net cash provided by operating activities	154,794	109,514
Investing activities		
Net proceeds related to the sale of business	3,142	1,133
Acquisitions of property, plant, and equipment	(34,682)	(46,208)
Business acquisitions, net of cash and cash equivalents acquired	(8,670)	—
Other investing, net	5,326	4,039
Net cash used in investing activities	(34,884)	(41,036)
Financing activities		
Proceeds from borrowings	460,000	400,000
Payments on debt	(946,094)	(414,063)
Issuance of common stock	5,080	8,886
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	(8,028)	—
Prepaid debt fees	(12,031)	(1,571)
Other financing, net	(2,443)	(4,828)
Net cash used in financing activities	(152,887)	(11,576)
Less: Cash classified within assets held for sale	(9,750)	—
Effect of foreign exchange rate changes on cash and cash equivalents	(1,627)	127
Increase (decrease) in cash and cash equivalents	(44,354)	57,029
Cash and cash equivalents at beginning of period	206,933	149,904
Cash and cash equivalents at end of period	\$ 162,579	\$ 206,933

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About 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 a reconciliation of each non-GAAP measure to the most comparable financial measure prepared and presented in accordance with GAAP, 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 (loss) 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.

Non-GAAP net income and non-GAAP diluted EPS – We define non-GAAP net income as net income (loss) 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

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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.

Adjusted EBITDA – We define adjusted EBITDA as net income (loss) (a) minus interest income, (b) plus interest expense, depreciation and amortization, debt extinguishment, restructuring, loss on sale of business, corporate transition cost, acquisition and integration, 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 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 December 31,		Twelve Months Ended December 31,	
	2021	2020	2021	2020
NON-GAAP OPERATING EXPENSES				
GAAP operating expenses	\$ 228,757	\$ 116,231	\$ 652,468	\$ 612,562
Amortization of intangible assets	(8,887)	(11,223)	(35,801)	(44,711)
Restructuring	(55,453)	4,518	(54,623)	(37,013)
Loss on sale of business	(36,015)	(2,522)	(64,289)	(59,817)
Corporate transition cost	—	—	—	33
Acquisition and integration	(519)	(1,764)	(151)	(1,026)
Non-GAAP operating expenses	<u>\$ 127,883</u>	<u>\$ 105,240</u>	<u>\$ 497,604</u>	<u>\$ 470,028</u>
NON-GAAP OPERATING INCOME (LOSS)				
GAAP operating income (loss)	\$ (107,470)	\$ 32,602	\$ (79,299)	\$ (10,395)
Amortization of intangible assets	8,887	11,223	35,801	44,711
Restructuring	55,453	(4,518)	54,623	37,013
Loss on sale of business	36,015	2,522	64,289	59,817
Corporate transition cost	—	—	—	(33)
Acquisition and integration	519	1,764	151	1,026
Non-GAAP operating income (loss)	<u>\$ (6,596)</u>	<u>\$ 43,593</u>	<u>\$ 75,565</u>	<u>\$ 132,139</u>
NON-GAAP NET INCOME & DILUTED EPS				
GAAP net income (loss) attributable to Itron, Inc.	\$ (58,866)	\$ 21,520	\$ (81,255)	\$ (57,955)
Amortization of intangible assets	8,887	11,223	35,801	44,711
Amortization of debt placement fees	826	1,056	18,078	3,954
Debt extinguishment	—	—	11,681	—
Restructuring	55,453	(4,518)	54,623	37,013
Loss on sale of business	36,015	2,522	64,289	59,817
Corporate transition cost	—	—	—	(33)
Acquisition and integration	519	1,764	151	1,026
Income tax effect of non-GAAP adjustments	(8,774)	(7,243)	(25,265)	(13,280)
Non-GAAP net income attributable to Itron, Inc.	<u>\$ 34,060</u>	<u>\$ 26,324</u>	<u>\$ 78,103</u>	<u>\$ 75,253</u>
Non-GAAP diluted EPS	<u>\$ 0.75</u>	<u>\$ 0.65</u>	<u>\$ 1.75</u>	<u>\$ 1.85</u>
Non-GAAP weighted average common shares outstanding - Diluted	<u>45,469</u>	<u>40,762</u>	<u>44,617</u>	<u>40,571</u>
ADJUSTED EBITDA				
GAAP net income (loss) attributable to Itron, Inc.	\$ (58,866)	\$ 21,520	\$ (81,255)	\$ (57,955)
Interest income	(231)	(833)	(1,557)	(2,998)
Interest expense	1,531	10,230	28,638	44,001
Income tax (benefit) provision	(51,093)	(128)	(45,512)	238
Debt extinguishment	—	—	11,681	—
Depreciation and amortization	19,901	24,984	84,153	97,290
Restructuring	55,453	(4,518)	54,623	37,013
Loss on sale of business	36,015	2,522	64,289	59,817
Corporate transition cost	—	—	—	(33)
Acquisition and integration	519	1,764	151	1,026
Adjusted EBITDA	<u>\$ 3,229</u>	<u>\$ 55,541</u>	<u>\$ 115,211</u>	<u>\$ 178,399</u>
FREE CASH FLOW				
Net cash provided by operating activities	\$ 13,647	\$ 38,943	\$ 154,794	\$ 109,514
Acquisitions of property, plant, and equipment	(6,901)	(9,911)	(34,682)	(46,208)
Free Cash Flow	<u>\$ 6,746</u>	<u>\$ 29,032</u>	<u>\$ 120,112</u>	<u>\$ 63,306</u>