

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

(Unaudited, in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Revenues	\$ 503,082	\$ 513,024	\$ 980,674	\$ 1,010,614
Cost of revenues	325,222	343,319	645,589	677,706
Gross profit	177,860	169,705	335,085	332,908
Operating expenses				
Sales and marketing	44,753	39,376	86,221	80,143
Product development	43,111	43,354	83,979	88,700
General and administrative	43,161	45,328	80,407	90,397
Amortization of intangible assets	4,970	7,796	9,519	14,006
Restructuring	5,043	(1,622)	8,095	615
Total operating expenses	141,038	134,232	268,221	273,861
Operating income	36,822	35,473	66,864	59,047
Other income (expense)				
Interest income	470	221	739	492
Interest expense	(2,876)	(2,735)	(5,550)	(5,653)
Other income (expense), net	(2,849)	(264)	(5,425)	(1,781)
Total other income (expense)	(5,255)	(2,778)	(10,236)	(6,942)
Income before income taxes	31,567	32,695	56,628	52,105
Income tax provision	(16,560)	(12,193)	(25,607)	(20,819)
Net income	15,007	20,502	31,021	31,286
Net income attributable to non-controlling interests	910	585	1,079	1,280
Net income attributable to Itron, Inc.	\$ 14,097	\$ 19,917	\$ 29,942	\$ 30,006
Earnings per common share - Basic	\$ 0.36	\$ 0.52	\$ 0.78	\$ 0.79
Earnings per common share - Diluted	\$ 0.36	\$ 0.52	\$ 0.76	\$ 0.78
Weighted average common shares outstanding - Basic	38,683	38,236	38,579	38,147
Weighted average common shares outstanding - Diluted	39,332	38,516	39,274	38,446

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

(Unaudited, in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
<b>Revenues</b>				
Electricity	\$ 250,332	\$ 232,823	\$ 489,083	\$ 450,118
Gas	138,700	150,266	262,911	289,522
Water	114,050	129,935	228,680	270,974
Total Company	\$ 503,082	\$ 513,024	\$ 980,674	\$ 1,010,614
<b>Gross profit</b>				
Electricity	\$ 78,595	\$ 70,892	\$ 145,787	\$ 135,478
Gas	50,272	53,483	100,776	102,060
Water	48,993	45,330	88,522	95,370
Total Company	\$ 177,860	\$ 169,705	\$ 335,085	\$ 332,908
<b>Operating income (loss)</b>				
Electricity	\$ 17,653	\$ 20,008	\$ 34,515	\$ 30,640
Gas	16,563	25,376	37,819	41,675
Water	16,686	14,177	25,421	32,253
Corporate unallocated	(14,080)	(24,088)	(30,891)	(45,521)
Total Company	\$ 36,822	\$ 35,473	\$ 66,864	\$ 59,047

**METER AND MODULE SUMMARY**

(Units in thousands)

	Three Months Ended March 31,		Six Months Ended June 30,	
	2017	2016	2017	2016
<b>Meters</b>				
Standard	4,350	4,130	8,360	8,500
Smart	2,570	2,320	5,010	4,510
Total meters	6,920	6,450	13,370	13,010
<b>Stand-alone communication modules</b>				
Smart	1,530	1,440	2,930	2,900

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

(Unaudited, in thousands)

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 127,880	\$ 133,565
Accounts receivable, net	374,180	351,506
Inventories	203,634	163,049
Other current assets	93,266	84,346
Total current assets	<u>798,960</u>	<u>732,466</u>
Property, plant, and equipment, net	186,506	176,458
Deferred tax assets, net	96,062	94,113
Other long-term assets	52,881	50,129
Intangible assets, net	104,144	72,151
Goodwill	541,071	452,494
Total assets	<u>\$ 1,779,624</u>	<u>\$ 1,577,811</u>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities		
Accounts payable	\$ 208,379	\$ 172,711
Other current liabilities	60,124	43,625
Wages and benefits payable	99,318	82,346
Taxes payable	15,395	10,451
Current portion of debt	16,875	14,063
Current portion of warranty	25,584	24,874
Unearned revenue	79,112	64,976
Total current liabilities	<u>504,787</u>	<u>413,046</u>
Long-term debt	307,484	290,460
Long-term warranty	14,226	18,428
Pension benefit obligation	93,263	84,498
Deferred tax liabilities, net	3,350	3,073
Other long-term obligations	113,017	117,953
Total liabilities	<u>1,036,127</u>	<u>927,458</u>
Equity		
Common stock	1,282,085	1,270,467
Accumulated other comprehensive loss, net	(193,209)	(229,327)
Accumulated deficit	(365,229)	(409,536)
Total Itron, Inc. shareholders' equity	<u>723,647</u>	<u>631,604</u>
Non-controlling interests	19,850	18,749
Total equity	<u>743,497</u>	<u>650,353</u>
Total liabilities and equity	<u>\$ 1,779,624</u>	<u>\$ 1,577,811</u>

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

(Unaudited, in thousands)

	<b>Six Months Ended June 30,</b>	
	<b>2017</b>	<b>2016</b>
<b>Operating activities</b>		
Net income	\$ 31,021	\$ 31,286
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	29,468	35,481
Stock-based compensation	10,135	7,878
Amortization of prepaid debt fees	533	534
Deferred taxes, net	7,077	9,706
Restructuring, non-cash	80	(131)
Other adjustments, net	2,395	(366)
Changes in operating assets and liabilities:		
Accounts receivable	(2,032)	(35,283)
Inventories	(29,470)	2,882
Other current assets	(3,905)	(10,549)
Other long-term assets	2,186	2,667
Accounts payable, other current liabilities, and taxes payable	36,861	(735)
Wages and benefits payable	12,299	14,709
Unearned revenue	6,701	5,513
Warranty	(4,825)	(9,065)
Other operating, net	(5,080)	(3,400)
Net cash provided by operating activities	<u>93,444</u>	<u>51,127</u>
<b>Investing activities</b>		
Acquisitions of property, plant, and equipment	(21,898)	(19,884)
Business acquisitions, net of cash and cash equivalents acquired	(99,477)	(951)
Other investing, net	(456)	(974)
Net cash used in investing activities	<u>(121,831)</u>	<u>(21,809)</u>
<b>Financing activities</b>		
Proceeds from borrowings	35,000	—
Payments on debt	(20,625)	(26,218)
Issuance of common stock	2,198	1,956
Other financing, net	952	(4,679)
Net cash provided by (used) in financing activities	<u>17,525</u>	<u>(28,941)</u>
Effect of foreign exchange rate changes on cash and cash equivalents	5,177	619
Increase (decrease) in cash and cash equivalents	<u>(5,685)</u>	<u>996</u>
Cash and cash equivalents at beginning of period	133,565	131,018
Cash and cash equivalents at end of period	<u>\$ 127,880</u>	<u>\$ 132,014</u>

## 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 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 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. 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 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 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)

<b>TOTAL COMPANY RECONCILIATIONS</b>	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>NON-GAAP NET INCOME &amp; DILUTED EPS</b>				
GAAP net income attributable to Itron, Inc.	\$ 14,097	\$ 19,917	\$ 29,942	\$ 30,006
Amortization of intangible assets	4,970	7,796	9,519	14,006
Amortization of debt placement fees	242	248	483	495
Restructuring	5,043	(1,622)	8,095	615
Acquisition and integration related expenses	6,468	(25)	6,801	(22)
Income tax effect of non-GAAP adjustments	(2,896)	(1,170)	(4,730)	(3,125)
Non-GAAP net income attributable to Itron, Inc.	<u>\$ 27,924</u>	<u>\$ 25,144</u>	<u>\$ 50,110</u>	<u>\$ 41,975</u>
Non-GAAP diluted EPS	<u>\$ 0.71</u>	<u>\$ 0.65</u>	<u>\$ 1.28</u>	<u>\$ 1.09</u>
Weighted average common shares outstanding - Diluted	<u>39,332</u>	<u>38,516</u>	<u>39,274</u>	<u>38,446</u>
<b>ADJUSTED EBITDA</b>				
GAAP net income attributable to Itron, Inc.	\$ 14,097	\$ 19,917	\$ 29,942	\$ 30,006
Interest income	(470)	(221)	(739)	(492)
Interest expense	2,876	2,735	5,550	5,653
Income tax provision	16,560	12,193	25,607	20,819
Depreciation and amortization	15,090	18,807	29,468	35,481
Restructuring	5,043	(1,622)	8,095	615
Acquisition and integration related expenses	6,468	(25)	6,801	(22)
Adjusted EBITDA	<u>\$ 59,664</u>	<u>\$ 51,784</u>	<u>\$ 104,724</u>	<u>\$ 92,060</u>
<b>FREE CASH FLOW</b>				
Net cash provided by operating activities	\$ 30,187	\$ 17,322	\$ 93,444	\$ 51,127
Acquisitions of property, plant, and equipment	(12,776)	(11,093)	(21,898)	(19,884)
Free Cash Flow	<u>\$ 17,411</u>	<u>\$ 6,229</u>	<u>\$ 71,546</u>	<u>\$ 31,243</u>
<b>NON-GAAP OPERATING INCOME</b>				
GAAP operating income	\$ 36,822	\$ 35,473	\$ 66,864	\$ 59,047
Amortization of intangible assets	4,970	7,796	9,519	14,006
Restructuring	5,043	(1,622)	8,095	615
Acquisition and integration related expenses	6,468	(25)	6,801	(22)
Non-GAAP operating income	<u>\$ 53,303</u>	<u>\$ 41,622</u>	<u>\$ 91,279</u>	<u>\$ 73,646</u>
<b>NON-GAAP OPERATING EXPENSES</b>				
GAAP operating expenses	\$ 141,038	\$ 134,232	\$ 268,221	\$ 273,861
Amortization of intangible assets	(4,970)	(7,796)	(9,519)	(14,006)
Restructuring	(5,043)	1,622	(8,095)	(615)
Acquisition and integration related expenses	(6,468)	25	(6,801)	22
Non-GAAP operating expenses	<u>\$ 124,557</u>	<u>\$ 128,083</u>	<u>\$ 243,806</u>	<u>\$ 259,262</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 June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>NON-GAAP OPERATING INCOME - ELECTRICITY</b>				
Electricity - GAAP operating income	\$ 17,653	\$ 20,008	\$ 34,515	\$ 30,640
Amortization of intangible assets	2,728	4,617	5,090	7,867
Restructuring	506	(1,560)	330	(1,032)
Acquisition and integration related expenses	6,201	(25)	6,201	(22)
Electricity - Non-GAAP operating income	<u>\$ 27,088</u>	<u>\$ 23,040</u>	<u>\$ 46,136</u>	<u>\$ 37,453</u>
<b>NON-GAAP OPERATING INCOME - GAS</b>				
Gas - GAAP operating income	\$ 16,563	\$ 25,376	\$ 37,819	\$ 41,675
Amortization of intangible assets	1,309	1,756	2,586	3,375
Restructuring	4,339	(12)	5,423	1,252
Gas - Non-GAAP operating income	<u>\$ 22,211</u>	<u>\$ 27,120</u>	<u>\$ 45,828</u>	<u>\$ 46,302</u>
<b>NON-GAAP OPERATING INCOME - WATER</b>				
Water - GAAP operating income	\$ 16,686	\$ 14,177	\$ 25,421	\$ 32,253
Amortization of intangible assets	933	1,423	1,843	2,764
Restructuring	995	115	2,013	51
Water - Non-GAAP operating income	<u>\$ 18,614</u>	<u>\$ 15,715</u>	<u>\$ 29,277</u>	<u>\$ 35,068</u>
<b>NON-GAAP OPERATING INCOME - CORPORATE UNALLOCATED</b>				
Corporate unallocated - GAAP operating loss	\$ (14,080)	\$ (24,088)	\$ (30,891)	\$ (45,521)
Restructuring	(797)	(165)	329	344
Acquisition and integration related expenses	267	—	600	—
Corporate unallocated - Non-GAAP operating loss	<u>\$ (14,610)</u>	<u>\$ (24,253)</u>	<u>\$ (29,962)</u>	<u>\$ (45,177)</u>