



Itron Announces Second Quarter 2000 Financial Results

SPOKANE, WA—Itron, Inc. (NASDAQ:ITRI), today reported its financial results for the quarter-ended June 30, 2000.

The Company reported net income of \$876,000 or 6 cents per share for the second quarter of 2000 compared with a net loss of \$1.6 million or 11 cents per share for the second quarter of 1999. For the six months ended June 30, 2000, net income was \$2.7 million, or 18 cents per share compared with net income of \$1.8 million or 12 cents per share for the first six months of 1999. The year-to-date results for both periods include extraordinary gains from the exchange or repurchase of convertible subordinated debt. Excluding those extraordinary gains, year-to-date net income was \$1.7 million or 11 cents per share in 2000, compared with a net loss of \$1.8 million or 12 cents per share in 1999.

Total revenues for the second quarter of 2000 were \$44.8 million, compared with \$51.2 million in the second quarter of 1999, and \$47.7 million in the first quarter of 2000. The largest decrease compared with 1999 was in the Natural Gas Systems segment. Natural Gas Systems revenues in the second quarter of 1999 included a large shipment to a single customer under a multi-year contract, for which the installation is currently winding down. The decrease of \$2.9 million from the first quarter of 2000 is almost entirely the result of the absence of outsourcing revenues from the Company's project with Duquesne Light, which the Company sold at the end of the first quarter.

"We had a very solid quarter," commented LeRoy Nosbaum, president and CEO. "Revenues were less than we would like in our Electric business, however, we continued to experience good momentum in our Water & Public Power and in our Energy Information Systems businesses. We had excellent participation at a number of industry trade shows in June and are pleased to see increasing customer awareness of how Itron's technology and systems help them successfully meet the challenges of today's deregulated marketplace."

Gross margins improved and were 38% of revenues in the second quarter of 2000 compared with 33% in the second quarter of 1999. Year-to-date gross margins were 38% of revenues in 2000 compared with 34% in 1999.

Operating expenses were significantly lower in the second quarter of 2000 at \$15.0 million, down \$2.3 million or 13% compared to the second quarter of 1999, and down \$1.0 million from the first quarter of 2000. The decreases reflect the impact of the Company's restructuring activities that began in the last half of 1999.

The Company had net income from equity in affiliates of \$248,000 and \$755,000 during the second quarter and first six months of 2000, compared with a loss of \$146,000 and \$311,000 in the second quarter and first six months of 1999. The improved results primarily reflect increased business with a large water utility through a joint venture entity in which the Company has a 50% interest.

Net interest expense was \$974,000 and \$2.5 million for the second quarter and first six months of 2000, compared with \$1.5 million and \$3.4 million for the second quarter and first six months of 1999. The decrease in interest expense results from lower convertible debt levels as a result of the exchange and repurchase of the Company's subordinated debt as well as lower line of credit borrowings.

Inclusive of carryover restructuring expenses from 1999, cash flow from operations was \$416,000 for the second quarter of 2000 compared with cash flow from operations of \$6.9 million in the second quarter of 1999. Similarly, for the six months ended June 30, 2000, cash flow from operations was \$7.6 million compared with \$13.0 million in the first half of 1999. The Company used approximately \$2.6 million and \$7.5 million in cash in the second quarter and first six months of 2000 for severance and other 1999 restructuring related expense accruals. The Company had \$30.7 million in cash and cash equivalents at June 30, 2000 and no amounts outstanding under line of credit borrowings.

The Company had \$40 million in twelve-month backlog at June 30, 2000 compared with \$42 million at March 31, 2000. Total backlog, including revenues beyond the next twelve months, was up nicely at \$163 million at June 30, 2000 compared with \$144 million at March 31, 2000. Significant bookings in the second quarter of 2000 included a large order for the City of Denver to automate approximately 220,000 water meters.

About Itron:

Itron Inc. is a leading provider to the utility industry of solutions for collecting, communicating, and analyzing information about electric, gas and water usage. Itron technology touches more than \$200 billion in energy and water transactions annually in

North America. Itron systems are installed at more than 1,500 utilities in 45 countries around the world and are used to collect data from 275 million electric, gas and water meters. Approximately 16.5 million meters have also been automated with Itron technology making Itron the leading technology choice for utilities upgrading to more advanced energy and water usage data management and communication systems. Itron technology has also been chosen by a number of wholesale energy markets in the U.S. and Canada to provide critical billing and settlement systems for those deregulating markets.

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