



Itron Announces First Quarter Results

Strong Quarter for Revenue, Non-GAAP EPS, EBITDA and Bookings

LIBERTY LAKE, WA. — April 30, 2008 — Itron, Inc. (NASDAQ:ITRI) today reported financial results for its first quarter ended March 31, 2008. Financial results for 2008 include Actaris operations, which we purchased on April 18, 2007. Highlights include:

Quarterly revenues of \$478 million;
Quarterly non-GAAP diluted EPS of 82 cents;
Quarterly Adjusted EBITDA of \$72 million; and
Quarterly Bookings of \$484 million.

“Both operating segments continue to perform as expected, and in some cases exceed expectations,” said LeRoy Nosbaum, chairman and CEO. “With the promotion of Malcolm Unsworth to the role of President and COO, we should now be in a position to concentrate on improving the operations between the segments, increasing revenue and moderating expenses through operational focus.”

Operations Highlights:

Revenues – Total revenues of \$478 million for the first quarter of 2008 were \$331 million, or 223%, higher than 2007 first quarter revenues of \$148 million. Itron North America (INA) revenues of \$150 million for the first quarter of 2008 were \$8.5 million, or 6%, higher than the first quarter of 2007. Actaris revenues were \$328 million for the first quarter of 2008. Shipments of products to electric, gas and water utilities comprised approximately 38%, 30% and 32% of total Actaris revenue.

Gross Margin – Gross margin for the first quarter of 2008 was 34%. This compares with 41% in the first quarter of 2007. First quarter 2008 INA gross margin of 39% was lower than 2007 gross margin of 43% in the first quarter of 2007 due to a lower proportion of standalone automated meter reading (AMR) module shipments and increased services costs. Actaris gross margin of 32% was higher than full year 2007 gross margin primarily due to product mix and a greater percentage of meters shipped with AMR.

Operating Expenses – Total operating expenses for the first quarter of 2008 were \$135 million. INA operating expenses were \$41 million, which was comparable with the first quarter of 2007. INA operating expenses as a percentage of revenue were 27%, which was lower than the 30% in 2007, due to the increased revenue. Actaris operating expenses of \$84 million were 26% of revenue. Corporate unallocated expenses of \$9.8 million for the first quarter of 2008 were \$2.3 million higher than the first quarter of 2007 due to increased compensation expense and Actaris-related integration expenses for implementation of internal controls for financial reporting and tax consulting.

Interest and Other Income – Net interest expense of \$24 million in the first quarter of 2008 was substantially higher than the \$592,000 in the comparable period in 2007, primarily due to the placement of \$1.2 billion in senior secured bank debt for the Actaris acquisition in the second quarter of 2007. Debt fee amortization expense, which is included in net interest expense, was \$1.8 million in the first quarter of 2008 compared with \$742,000 in the comparable period of 2007. Other income was \$188,000 in 2008 compared with \$1.5 million in 2007. The first quarter of 2007 included a foreign exchange gain of \$1.6 million due to an increase in fair value for foreign exchange transactions executed in conjunction with the acquisition of Actaris.

Income Taxes – Our GAAP tax rate was 19% for the first quarter of 2008, which was substantially lower than the rate of 37% in the same quarter of 2007. The lower rate in 2008 is primarily due to lower tax rates for Actaris as well as a one-time net tax benefit in the first quarter related to subsidiary interest expense.

GAAP Net Income/Loss and EPS – Our GAAP net income and fully diluted EPS for the first quarter of 2008 was \$3.0 million, or 9 cents per share, compared with net income of \$7.2 million, or 26 cents per share, in the same period in 2007.

Non-GAAP Operating Income, Net Income and Diluted EPS – Non-GAAP operating income, which excludes amortization expense related to intangible assets, was \$58.5 million, or 12.2% of revenues, in the first quarter of 2008, compared with \$16.3 million, or 11.0% of revenues, in the first quarter of 2007. Non-GAAP net income, which also excludes amortization of debt fees, was \$26.9 million in 2008 compared with \$12.0 million in the 2007 period. Non-GAAP diluted EPS was 82 cents in the 2008

period compared with 43 cents in 2007. Fully diluted shares outstanding in the first quarter of 2008 were approximately 5 million higher than the same period in 2007 due to the equity offering of 4.1 million shares in the first quarter of 2007 and the dilutive effect of our convertible debt. Non-GAAP net income and diluted EPS were higher in the first quarter of 2008 primarily due to the Actaris acquisition. Our non-GAAP tax rates were 26.7% and 37.5% for the first quarter of 2008 and 2007. The lower 2008 rate is due to lower tax rates for Actaris.

Other Financial Highlights:

New Order Bookings and Backlog - New order bookings for the first quarter of 2008 were \$484 million, compared with \$118 million in the first quarter of 2007. Our first quarter 2008 book-to-bill ratio was 1.02 to 1. Total backlog was \$683 million at March 31, 2008 compared with \$376 million at March 31, 2007. Twelve month backlog of \$552 million at March 31, 2008 was higher than twelve month backlog at March 31, 2007 of \$225 million and higher than twelve month backlog at December 31, 2007 of \$501 million. We have approximately \$470 million related to a contract that we signed with Southern California Edison in December 2007 that is not included in our reported backlog. We will include new order bookings related to this contract as firm purchase orders are received.

Cash Flows from Operations – Net cash provided by operating activities during the first quarter of 2008 was \$56 million, which is a new record. This compares with \$9 million in the same period in 2007. Adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA) in the first quarter of 2008 was \$72 million compared with \$22 million for the same period in 2007.

Forward Looking Statements:

This release contains forward-looking statements concerning our expectations about operations, financial performance, sales, earnings and cash flows. These statements reflect our current plans and expectations and are based on information currently available. They rely on a number of assumptions and estimates, which could be inaccurate, and which are subject to risks and uncertainties that could cause our actual results to vary materially from those anticipated. Risks and uncertainties include the rate and timing of customer demand for our products, rescheduling of current customer orders, changes in estimated liabilities for product warranties, changes in laws and regulations, our dependence on new product development and intellectual property, future acquisitions, changes in estimates for stock-based and bonus compensation, changes in foreign exchange rates, foreign business risks and other factors which are more fully described in our Annual Report on Form 10-K for the year ended December 31, 2007 and other reports on file with the Securities and Exchange Commission. Itron undertakes no obligation to update publicly or revise any forward-looking statements, including our business outlook.

Business Outlook:

The outlook information provided below and elsewhere in this release is based on information available today. Itron assumes no obligation to publicly update or revise our business outlook. Our future performance involves risks and uncertainties.

For the full year 2008, we expect

Revenues between \$1.88 billion and \$1.93 billion;
Diluted non-GAAP EPS of between \$3.25 and \$3.45; and
Adjusted EBITDA in excess of \$280 million.
Second quarter 2008 revenue between \$470 million and \$490 million.

Non-GAAP Financial Information:

To supplement our consolidated financial statements presented in accordance with GAAP, we use certain non-GAAP financial measures, including non-GAAP operating income, non-GAAP net income and diluted EPS and Adjusted EBITDA. We provide these non-GAAP financial measures because we believe they provide greater transparency and represent supplemental information used by management in its financial and operational decision making. Specifically, these non-GAAP financial measures are provided to enhance investors' overall understanding of our current financial performance and our future anticipated performance by excluding infrequent costs associated with acquisitions. We exclude these expenses in our non-GAAP financial measures as we believe that they are a measure of our core business that is not subject to the variations of expenses associated with these infrequently occurring items. Non-GAAP performance measures should be considered in addition to, and not as a substitute for, results prepared in accordance with GAAP. Finally, our non-GAAP financial measures may be different from those reported by other companies. A more detailed discussion of why we use non-GAAP financial measures, the limitations of using such measures and reconciliations between non-GAAP and the nearest GAAP financial measures are included in this press release.

Earnings Conference Call:

Itron will host a conference call to discuss the financial results contained in this release at 2:00 p.m. (PDT) on April 30, 2008. The call will be webcast in a listen only mode and can be accessed online at www.itron.com/, "Investors – Investor Presentations." The live webcast will begin at 2:00 p.m. (PDT). The webcast replay will begin after the conclusion of the live call and will be available for two weeks. A telephone replay of the call will also be available approximately one hour after the conclusion of the live call, for 48 hours, and is accessible by dialing (888) 203-1112 (Domestic) or (719) 457-0820

(International), entering passcode #4372276. You may also view presentation materials related to the earnings call on Itron's website, [www.itron.com/ Investors / Presentations](http://www.itron.com/Investors/Presentations).

About Itron:

Itron Inc. is a leading technology provider to the global energy and water industries. Itron Inc. consists of Itron in North America and Actaris outside of North America. Our company is the world's leading provider of metering, data collection and utility software solutions, with nearly 8,000 utilities worldwide relying on our technology to optimize the delivery and use of energy and water. Our products include electricity, gas and water meters, data collection and communication systems, including automated meter reading (AMR) and advanced metering infrastructure (AMI); meter data management and related software applications; as well as project management, installation, and consulting services. To know more, start here: www.itron.com.

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Related Documents:

[Itron Q1 2008 Earnings Statement](#)