



Itron Releases Fourth Quarter and Year-End Results for 1999

SPOKANE, WA: Itron, Inc. (NASDAQ:ITRI), today reported its financial results for the fourth quarter and year-ended December 31, 1999. The results include a number of significant charges related to restructuring activities in the second half of 1999 as well as one-time charges the Company has taken to recognize the impact of unprofitable contracts and asset write-downs. These significant charges, detailed below, totaled \$73.5 million pre-tax in the fourth quarter.

Itron Chairman, President and CEO Mike Chesser said, "In the last half of 1999, we put tremendous energy and effort into creating a more efficient, effective and focused organization. We also took action with respect to certain assets. These activities resulted in very large write-offs during the fourth quarter. However, I am confident that Itron is now poised for solid financial performance beginning in 2000, that our strategic direction is sound, and that the stage is set for growth."

For the quarter, the Company reported a net loss of \$56.5 million, or \$3.78 per share. For the year, the loss was \$60.5 million or \$4.07 per share.

Subsequent to quarter-end, the Company and DQE, a multi-utility delivery and services company and parent of Duquesne Light Company, signed a non-binding memorandum of understanding for the sale by the Company of its fixed network AMR system at Duquesne to DQE or its affiliate. Closing is expected to occur by March 31, 2000, and is subject to completion of due diligence and negotiation of final agreements. The purchase price would be paid in cash at closing. The Company recorded a charge to outsourcing cost of sales in the fourth quarter of approximately \$51 million to reflect the loss on the sale. "The increased liquidity this sale gives the Company to pursue other investment opportunities should result in far greater returns to our shareholders than continued ownership of the system," said Chesser. Chesser emphasized that both Duquesne Light and the Company were very pleased with the performance and operation of the system.

Also related to the Duquesne system, the Company incurred fourth quarter charges of approximately \$10.5 million pre-tax for revisions to estimated revenues and expenses for the Company's long-term outsourcing contract with Duquesne, \$6.6 million of which is reflected as a reduction of outsourcing revenues. Revenues, excluding this adjustment, were \$48.3 million for the quarter and \$200 million for the year.

Restructuring activities during the fourth quarter consisted primarily of costs related to workforce reductions and facility closures and resulted in restructuring charges of \$6.7 million pre-tax. In addition, during the fourth quarter, the Company incurred one-time charges of \$2.6 million pre-tax, impacting both cost of sales and operating expenses, related to restructuring activities.

Fourth quarter operations also included \$2.9 million pre-tax in charges for four international custom development contracts concerning which the Company now expects a loss.

The Company said that while AMR revenues during the last half of 1999 had been negatively impacted by the July 1999 FCC freeze on applications for licenses in the frequency band used by the Company for certain of its AMR products, the FCC announced it had lifted the freeze on applications for these licenses shortly before the end of the year.

Despite the large book losses, cash flow during 1999 showed dramatic improvement. The Company generated \$24.4 million in cash flow from operations for the year compared with a use of cash from operations in 1998 of \$1.9 million. After investing, cash flow was still a positive \$8.4 million for the year, versus a use of \$19.0 million in 1998. Subsequent to quarter-end, the Company signed an agreement for a new \$35 million, four year revolving line of credit to replace its previous one year line of credit.

The growth rate for new AMR customers was strong in 1999 at 36%. The Company added 40 new AMR customers during the quarter, and 146 customers during the year. Cumulatively, as of December 31, 1999, Itron has shipped 15.4 million AMR meter modules to almost 550 utilities. Backlog at December 31, 1999 remained level with amounts at the end of the third quarter. Backlog at December 31, 1999, adjusted to exclude amounts related to the Duquesne contract, was \$50 million shippable within the next twelve months, and \$164 million in total.

Itron, Inc., a leading provider to the utility industry of integrated systems solutions for collecting, communicating, analyzing and managing information about electric, gas and water usage, serves over 1,500 customers in more than 45 countries around the world. The Company is headquartered in Spokane, Washington, and has engineering, design, and manufacturing facilities in

several US locations and subsidiaries in the United Kingdom, France, and Australia

This release contains forward-looking statements concerning Itron's operations, economic performance, sales, earnings growth and cost reduction programs. These statements reflect the Company's current plans and expectations and are based on information currently available to it. They rely on a number of assumptions and estimates, which could be inaccurate, and which are subject to risks and uncertainties that could cause the Company's actual results to vary materially from those anticipated. Risks and uncertainties include the ability to complete negotiations with Duquesne for the AMR system purchase, the Company's estimates of revenue and expenses on long-term contracts, changes in law and regulation (including FCC licensing actions), the rate of customer demand for the Company's products, effectiveness of cost reduction programs, the ability of the Company to effectuate additional initiatives for improving growth and profitability, and other factors which are more fully described in the Company's Annual Report, Form 10K and Form 10Q on file with the Securities and Exchange commission. Itron undertakes no obligation to update publicly or revise any forward-looking statements.

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[Itron Q4 and year end 1999 Earnings Statement](#)