



## ITRON ANNOUNCES FIRST QUARTER RESULTS

LIBERTY LAKE, WA. — May 2, 2007 — Itron, Inc. (NASDAQ:ITRI), today reported financial results for its first quarter ended March 31, 2007. Highlights include:

Quarterly revenues of \$148 million;  
Quarterly GAAP diluted EPS of 26 cents per share;  
Quarterly non-GAAP diluted EPS of 43 cents per share; and  
Quarterly EBITDA of \$22 million.

### Financial Highlights:

**Revenue** – Total revenues for the first quarter of 2007 of \$148 million were approximately \$7.6 million, or 5%, lower than 2006 first quarter revenues of \$156 million. Hardware solutions revenues for the first quarter of \$132 million were approximately \$10 million, or 7%, lower than the first quarter of 2006. The 2006 first quarter hardware solutions revenues included \$32 million from our contract with Progress Energy, which was completed at the end of 2006. This contract also contributed to the higher number of meters shipped during the first quarter of 2006. Standalone automated meter reading (AMR) modules were consistent from year to year. Software revenues were \$2.3 million, or 17%, higher in the current quarter primarily due to increased software license revenue.

“First quarter revenues were in line with our projections and our prior discussions about lower revenue expectations in the first half of the year compared to the second half,” said LeRoy Nosbaum, chairman and CEO. “We had a tough comparison this quarter given the exceptional first quarter we had last year. As we said coming into 2007, this will be an interesting year as the industry builds momentum for AMI. Our AMI development, conversion to a new ERP system in the first quarter and other activities produced some higher expenses. Obviously our highlight of the quarter was our acquisition of Actaris which brings us a diversification of revenue and a geographical platform that should allow for nice growth going forward.”

**Gross Margin** – Total gross margin of 41% was two percentage points lower in the first quarter of 2007 compared with the same period of 2006. The entire decline was due to lower hardware solutions gross margin which was primarily caused by lower production volumes for electricity meters and some increased warranty expense. Software solutions gross margin of 46% in the current quarter was consistent with the same period in 2006.

**Operating Expenses** – Total operating expenses for the first quarter of 2007 were \$52 million, an increase of approximately \$4 million compared with the first quarter of 2006. Research and development expenses were higher in 2007 primarily related to our advanced metering infrastructure (AMI) initiative, OpenWay. General and administrative expenses were higher in 2007 due to expenses related to the acquisition of Actaris, increased professional services and depreciation expense associated with the new ERP system and higher expenses related to maintaining two corporate facilities, one of which is held for sale. Stock-based compensation expenses of \$2.9 million were \$800,000 higher than the \$2.1 million in 2006.

**Interest and Other Income** – Interest income of \$6.1 million in the first quarter of 2007 was substantially higher than the \$362,000 in the comparable period of 2006. The increased interest income in 2007 was due to interest earned on the investment of net proceeds from our \$345 million convertible debt issuance in August of 2006 and the \$235 million Private Investor Placement of Equity (PIPE) which was completed on March 1, 2007. Interest expense of \$5.5 million for the first quarter of 2007 was similar to the \$5.7 million in the first quarter of 2006. The first quarter of 2007 also included a foreign exchange gain of \$1.6 million due to an increase in fair value for foreign exchange transactions executed in the first quarter of 2007 related to our acquisition of Actaris.

**Income Taxes** – Our GAAP tax rate was 37% for the first quarter of 2007, which was substantially lower than the rate of 46% in the same quarter of 2006. The lower rate is primarily due to the renewal and extension of the federal research and development tax credit at the end of 2006 and increased deductions related to the American Jobs Creation Act of 2004.

**GAAP Net Income and EPS** – Our GAAP net income and fully diluted EPS for the first quarter of 2007 was \$7.2 million, or 26 cents per share, compared with \$7.1 million, or 27 cents per share, in the same period in 2006

**Non-GAAP Operating Income, Net Income and EPS** – Non-GAAP operating income, which excludes amortization expense of intangibles assets, was \$16 million, or 11% of revenues, in the first quarter of 2007, compared with \$26 million, or 17% of revenues, in the first quarter of 2006. Non-GAAP net income and EPS of \$12 million and 43 cents per share in 2007 was lower

than the \$13 million and 51 cents per share in the 2006 period. Non-GAAP net income and EPS include expenses for stock-based compensation and are lower in the first quarter of 2007 due to lower revenue, higher expenses and an increased number of shares outstanding in 2007. Our non-GAAP tax rates were 38% and 43% for the first quarter of 2007 and 2006, respectively.

**New Order Bookings and Backlog** - New order bookings for the first quarter were \$118 million, compared with \$206 million in the first quarter of 2006. New order bookings in 2006 included bookings for three large mobile AMR deployments. Our first quarter 2007 book-to-bill ratio was .9 to 1. Total backlog was \$376 million at March 31, 2007 compared to \$392 million at December 31, 2006. Twelve month backlog of \$225 million at March 31, 2007 remained level with twelve month backlog at the end of 2006.

**Cash Flows from Operations** – Net cash provided by operating activities was \$9 million for the first quarter of 2007, compared with \$37 million in the first quarter of 2006. The decrease was primarily the result of an increase in accounts receivable due to delayed invoicing and decreased collection activity related to our conversion to a new ERP system on January 1, 2007. Earnings before interest, taxes, depreciation and amortization (EBITDA) in the first quarter of 2007, was \$22 million compared with \$29 million for the same period in 2006. The lower EBITDA in 2007 was due primarily to decreased operating income.

“As we indicated on our year end earnings call, our revenue has returned to a more traditional quarterly pattern, therefore so have our related financial results,” said Nosbaum. “We had acceptable earnings in the first quarter while making great strategic progress with our acquisition of Actaris. We are very excited about 2007 and our prospects going forward as a larger, more diversified global company with an unmatched breadth of solutions for our customers.”

#### **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 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, 2006 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 and includes the effect of the Actaris acquisition which closed on April 18, 2007. Itron assumes no obligation to publicly update or revise our business outlook. Our future performance involves risks and uncertainties.

For the full year 2007, we expect:

Revenues between \$1.40 billion and \$1.43 billion;

Diluted non-GAAP EPS of between \$2.60 and \$2.90 (includes approximately \$0.30 of stock-based compensation expense); and

EBITDA in excess of \$230 million

Second quarter revenues are expected to be between \$370 and \$390 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 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 1:45 p.m. (PDT) on May 2, 2007. The call will be webcast in a listen only mode and can be accessed online at [www.itron.com](http://www.itron.com), “Investors – Investor Events.” The live webcast will begin at 1:45 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 # **6599584**.

**About Itron:**

Itron is a leading technology provider and critical source of knowledge to the global energy and water industries. Itron operates in two divisions; as Itron in North America and as Actaris outside of North America. Our company is the world's leading provider of metering, data collection and software solutions, with nearly 8,000 utilities worldwide relying on our technology to optimize the delivery and use of energy and water. Itron delivers industry leading solutions for electricity, gas and water utilities by offering meters; data collection and communication systems, including automated meter reading (AMR) and advanced metering infrastructure (AMI); meter data management and utility software applications; as well as comprehensive project management, installation, and consulting services. To know more, start here: [www.itron.com](http://www.itron.com).

For additional information, contact:

Deloris Duquette

Vice President, Investor Relations and Corporate Communications

(509) 891-3523

[deloris.duquette@itron.com](mailto:deloris.duquette@itron.com)

Statements of operations, reconciliations between GAAP and non-GAAP results, segment information, balance sheets and cash flows follow.

**Related Documents**

[Itron Q1 Earnings Statement](#)