Itron Reports Fourth Quarter and Full Year 2000 Results

Year of Significant Financial Turnaround and Positive Cash Flow; Backlog Up to $56 Million; SAB 101 Implemented in Fourth Quarter

SPOKANE, WA. — February 15, 2001 — Itron, Inc. (NASDAQ:ITRI), today reported its financial results for the quarter and year-ended December 31, 2000.

Fourth Quarter and Full Year 2000 Financial Results
Revenues were $48.2 million for the fourth quarter of 2000, up 16% from the fourth quarter of last year and from the prior quarter. The higher revenues in the fourth quarter of this year were driven by new sales of mobile automatic meter reading (“AMR”) systems to electric utilities, as well as increased international sales. For the full year 2000, revenues were $184.0 million compared to $193.4 million in 1999.

Net income for the fourth quarter of 2000 grew to $2.2 million, or 15 cents per share, compared to a net loss in 1999 of $64.5 million. For the full year 2000, net income grew to $4.7 million, or 30 cents per share, compared to a net loss of $68.6 million in 1999. Results for the fourth quarter and full year 1999 reflect significant one-time charges associated with restructuring efforts we began to implement in late 1999, as well as one-time charges to recognize the impact of unprofitable contracts and asset write-downs.

“Our primary goals for the year 2000 were first, to return Itron to profitability, and second, to focus on growth opportunities,” commented LeRoy Nosbaum, president and CEO. “We are delighted with what we were able to achieve this year. Cost cutting measures initiated at the start of the year were matched with top-line growth as we finished the year. Today we are making a profit, generating cash, and reinforcing our role as the market leader.”

“We were able to reduce spending in a number of areas,” added Nosbaum. “However, even more important, we were able to shift our energies and focus in product development away from legacy products and systems to new products with solid future prospects. I believe we are on track to continue to enhance our existing business while developing new products and services that will help utilities and consumers deal with rising energy and water prices.”

Gross margins have steadily improved throughout 2000 primarily as a result of the restructuring actions we began in late 1999. Gross margins in 2000 were 41% and 39% for the fourth quarter and year, respectively. Comparisons to 1999 gross margins are not meaningful due to the significant one-time charges in 1999.

Operating spending was down significantly in 2000 compared to 1999, primarily as a result of workforce reductions, facility consolidations, and other restructuring actions in the last half of 1999. Excluding restructuring charges, operating expenses in the fourth quarter of 2000 were $15.5 million, or 32% of revenues compared to $18.4 million, or 44% of revenues in the fourth quarter of 1999. For the full year 2000, excluding restructuring charges, operating expenses were $61.4 million, or 33% of revenues, compared with $67.5 million, or 35% of revenues in 1999.

We generated $2.3 million in cash from operations during the fourth quarter of 2000 and $1.1 million from operations for the full year 2000. In 2000, we consumed $9.3 million in cash to pay severance and other restructuring related expenses accrued in 1999. Excluding those cash payments, we would have generated $10.4 million in cash from operations in 2000. Cash generated from operations in 1999 was $24.5 million and was unusually large as a result of collections in 1999 from two large turn-key installations in which invoicing had been deferred.

At December 31, 2000, we had $21.2 million in cash and cash equivalents and no short-term borrowings under our line of credit, compared to $1.5 million in cash and $3.6 million in line of credit borrowings one year ago.

“While the portion of our business represented by book and ship orders is growing, we are still having success with longer-term contracts, and as a result, our backlog of booked business for shipments in the next twelve months has again increased during the quarter,” commented Nosbaum. Twelve-month backlog at December 31, 2000 rose to $56 million compared with $52 million at the end of September and $44 million at the end of June. Total backlog, including revenues beyond the next twelve months, was $151 million at December 31, 2000 comparable with the prior quarter.

Significant bookings in the fourth quarter of 2000 included a mobile AMR order from a large east-coast natural gas utility for

150,000 meter modules, a mobile AMR order with a large south-eastern electric utility for 170,000 meter modules, and a large handheld meter reading system order for delivery in Japan.

Effect of SAB 101
During the fourth quarter, the Company implemented the Securities and Exchange Commission's Staff Accounting Bulletin No. 101 (SAB 101), which outlines the Staff's views on revenue recognition. As a result, we have changed our revenue recognition for certain transactions related to customer acceptance and F.O.B destination shipments. The net impact of the implementation of SAB 101 to the Company for the full year 2000 was not material.

The implementation has been accounted for as a cumulative change in accounting principle. As a result of this implementation, approximately $5.0 million in revenues that had been recognized in 1999 were deferred, $4.6 million of which were recognized in 2000. The impact of the implementation of SAB 101 for the full year 2000 was not material, as the positive effect of those previously recognized revenues moving into 2000 was offset by a nonrecurring, non-cash charge for the cumulative effect of the change in accounting principle, of $1.6 million, or 11 cents per share. We have restated our financial results for the first three quarters of 2000 to conform revenue recognition to the requirements of SAB 101.

Business Outlook
The following statements are based on current expectations. These statements are forward-looking, and actual results may differ materially. Itron undertakes no obligation to update publicly or revise any forward-looking statements.

We expect that revenues in our current business in 2001 will be 5% to 15% higher than in 2000, and net income after tax is expected to grow by at least 30%. First quarter revenues are expected to be down by several million from the fourth quarter, reflecting the seasonal slowdown we typically experience in the first quarter. We expect our operating margin will improve throughout 2001 based on additional improvements in gross margins offset by slightly higher investments in product development.

Itron will host a conference call to discuss further the results of the quarter at 4:45 p.m. EDT on February 15, 2001. The call will be webcast live in a listen only mode, and later archived. To access the live or archived webcasts, please visit the Investor Relations section of Itron's website, www.itron.com. An audio replay of the call will be available following the conclusion of the call for 48 hours and is accessible by dialing (800)-633-8284 (Domestic) or (858)-812-6440 (International), and entering reservation number 17726851.

About Itron
Itron has evolved from a company that creates automated usage measurement devices into a market-leading solution provider that collects, analyzes and applies critical data for the electric, gas and water industries. Itron's hardware, software and communications solutions serve a worldwide customer base, touching more than $200 billion in annual energy and water transactions in North America alone. With Itron, energy and water distributors, generators and marketers are streamlining operations, simplifying load forecasting, and launching new services. Even consumers can benefit from Itron technology and expertise. With Itron, data becomes information. Information becomes knowledge. And knowledge, will shape the future of the energy and water industries.

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 rate and timing of customer demand for the Company's products, the ability of the Company to effectuate additional initiatives for improving growth and profitability, changes in law and regulation (including FCC licensing actions), and other factors which are more fully described in the Company's Annual Report on Form 10K and Quarterly Reports on 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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Related Documents
Itron Q4 and Year End 2000 Earnings Statement