



Philip Mezey

President and Chief Executive Officer

Mark Schmitz

Executive Vice President and Chief Financial Officer

Barbara Doyle

Vice President, Investor Relations



Third Quarter 2014 Earnings Conference Call

November 4, 2014

CONFERENCE CALL AGENDA

- **CEO – Q3 Highlights**
- **CFO – Q3 Financial Results**
- **CEO – Closing Remarks**
- **Q&A**

SAFE HARBOR

- » Certain matters being discussed today that are not statements of historical fact constitute forward-looking statements relating to current or future financial performance, management's plans and objectives for future operations, product plans and performance, management's assessment of market factors, and statements regarding the strategy and plans of the Company. Such forward looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements are not guarantees of Itron's future performance. Listeners are cautioned that all forward-looking statements are subject to a number of risks and uncertainties that could cause the Company's actual results in the future to differ materially from these forward-looking statements. These risks and uncertainties are detailed in the Company's filings with the Securities and Exchange Commission, including its 10-K filed on February 26, 2014, copies of which may be accessed through the SEC's website at <http://www.sec.gov>.
- » Current data and other statistical information used throughout this presentation are based on independent industry publications, government publications, and reports by market research firms or other published independent sources. Some data are also based on our good faith estimates, which are derived from our review of internal surveys, as well as the independent sources listed above. We believe that these sources are reliable.

Q3 2014 – REVENUE YEAR-OVER-YEAR REVENUE BRIDGE

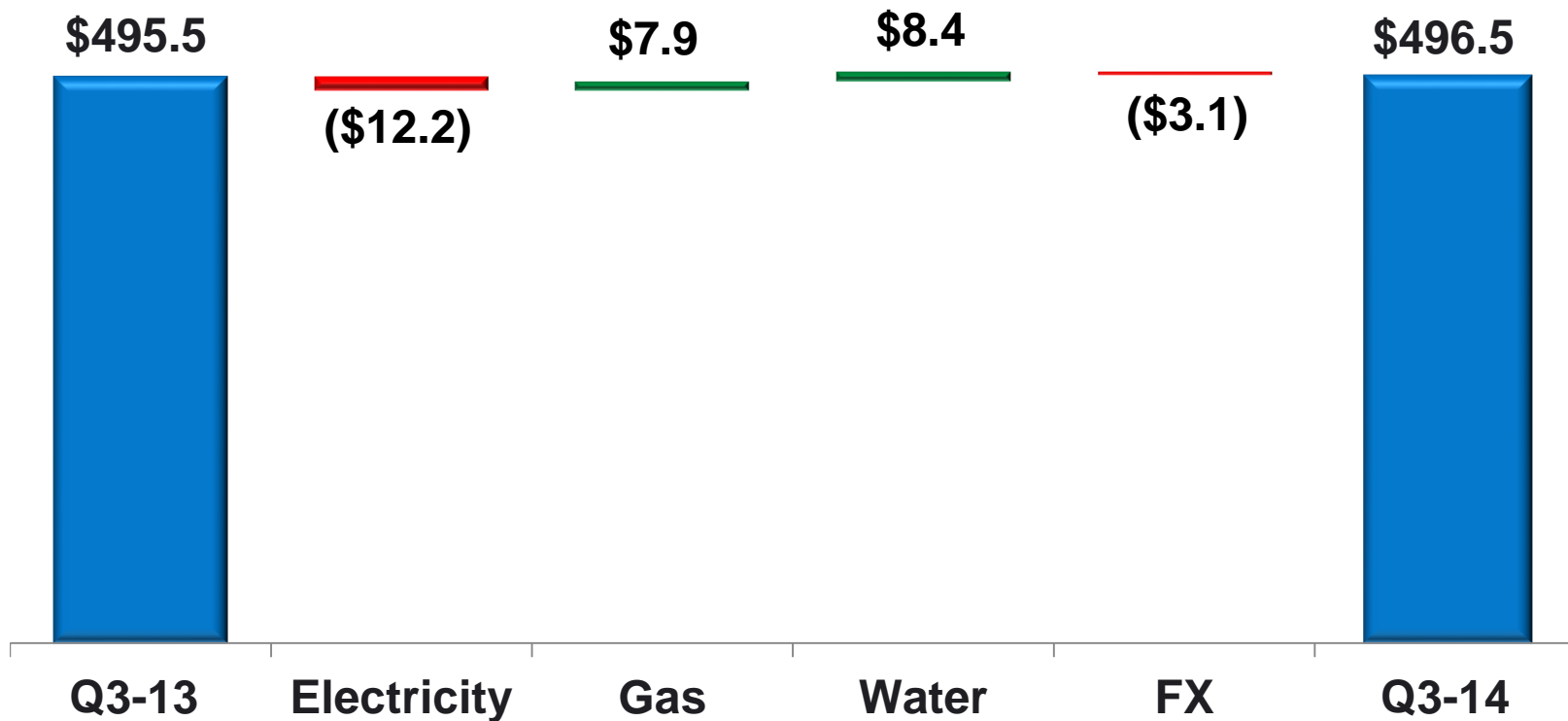


Chart in Millions, actual currency rates

TRENDED TWELVE MONTH & TOTAL BACKLOG

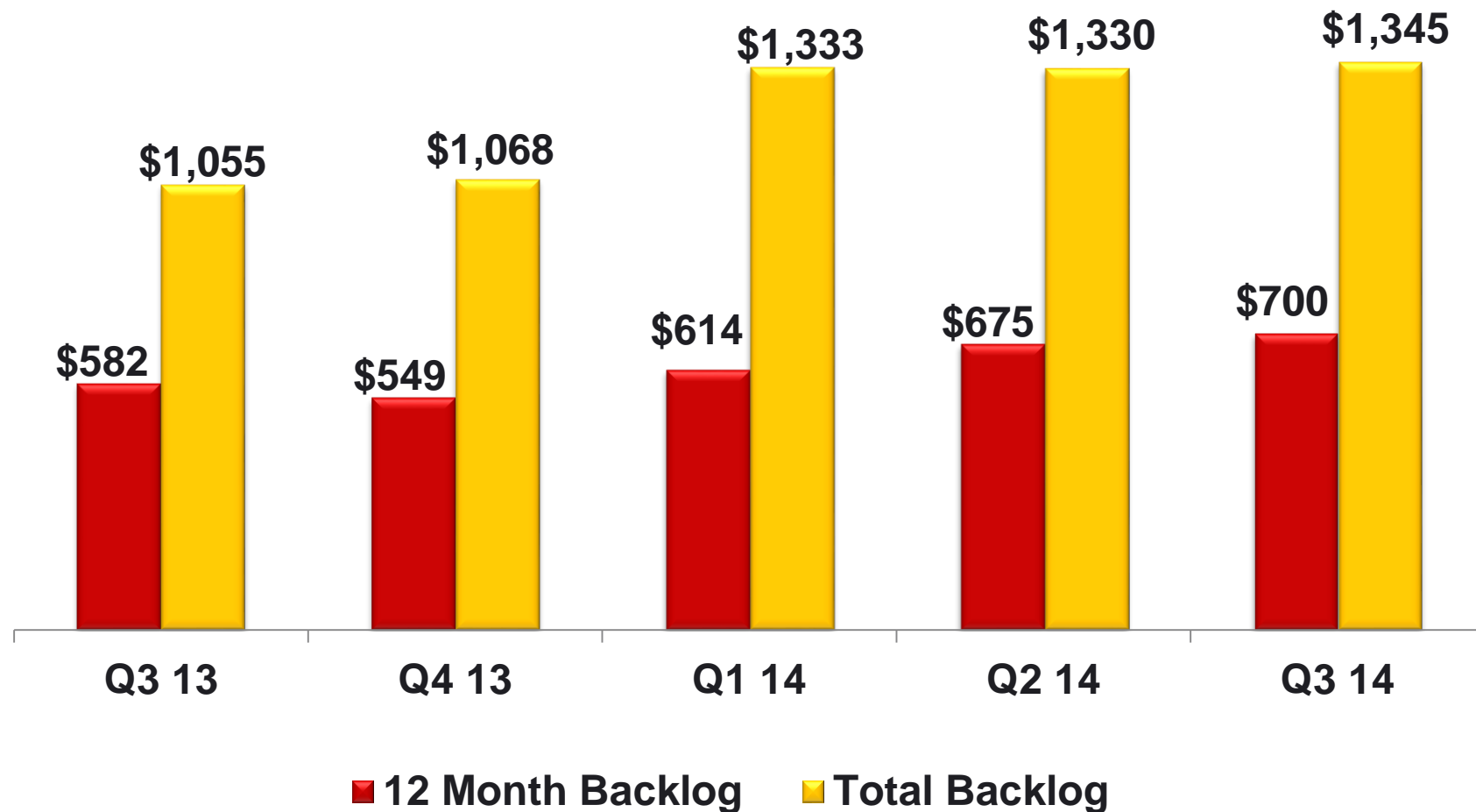


Chart in Millions, actual currency rates

BOOKINGS BY SEGMENT

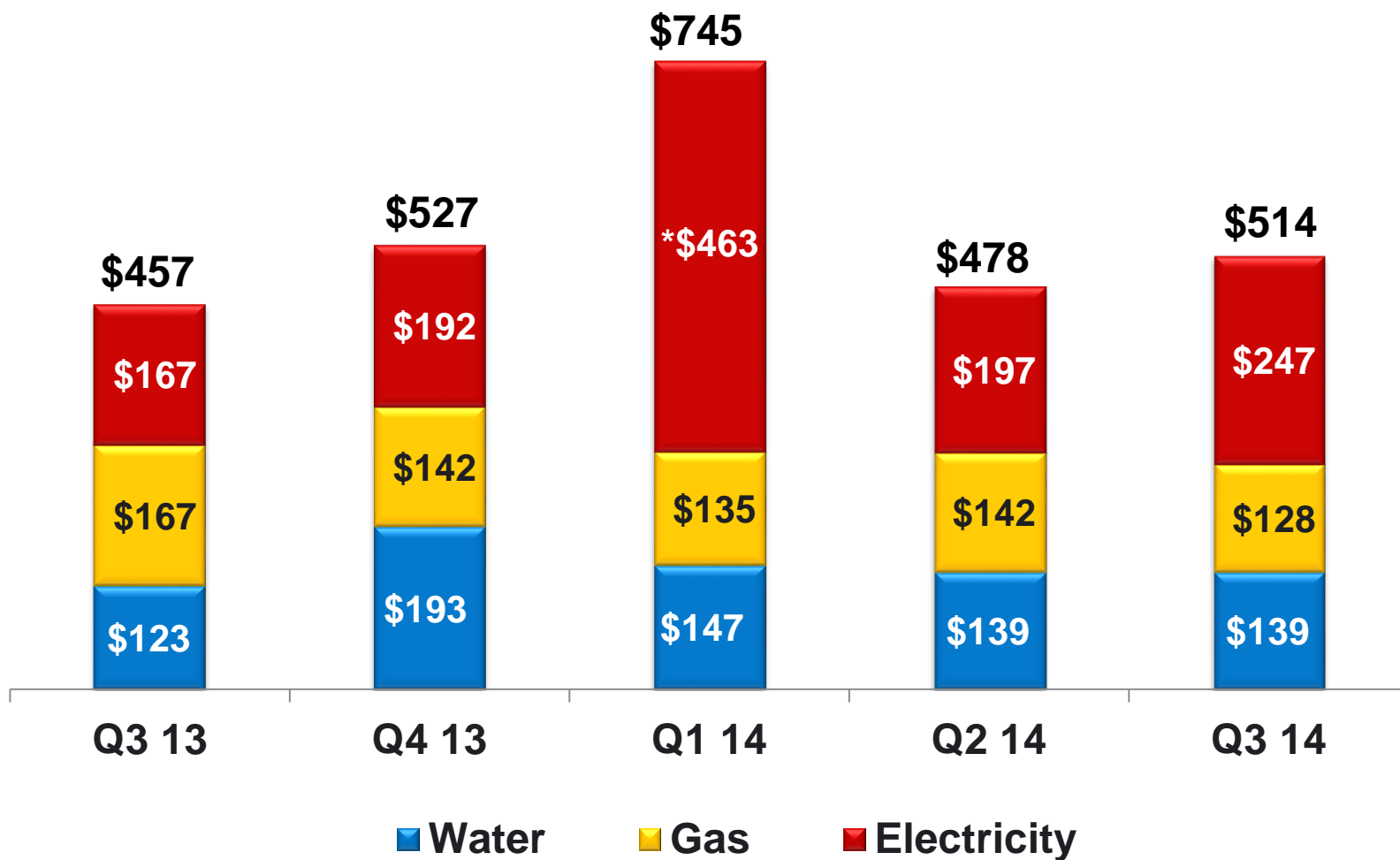


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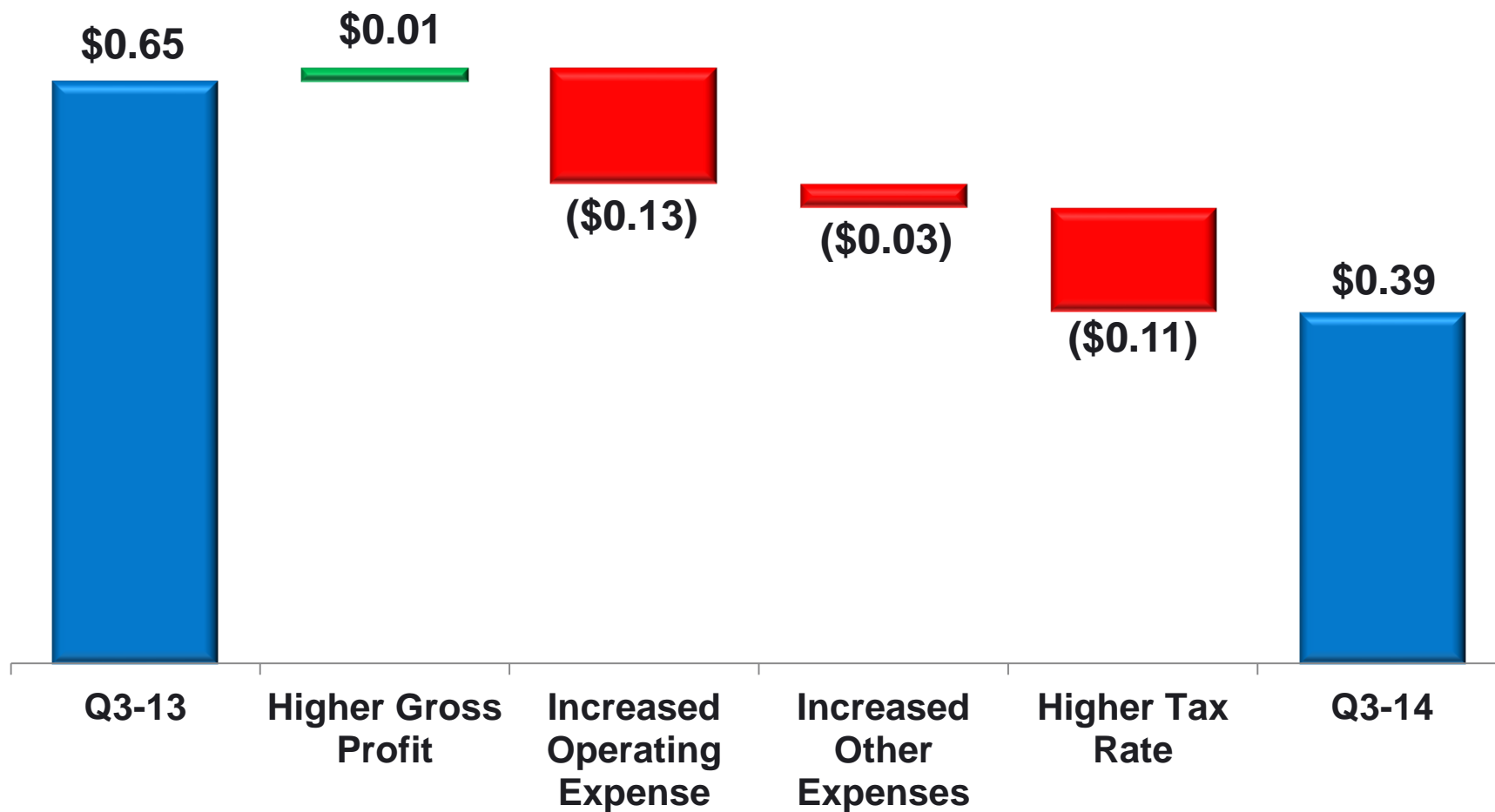
*Q1'14 Electricity bookings include \$279m for First Energy contract

YEAR-OVER-YEAR SUMMARY– Q3 2014

	Q3 2014	Q3 2013	Change
Revenue (in millions)	\$496.5	\$495.5	+0.2%
Gross margin	30.4%	30.3%	+10 bps
Non-GAAP operating margin	5.6%	6.6%	-100 bps
Adjusted EBITDA margin	8.0%	9.4%	-140 bps
GAAP diluted EPS	\$0.19	-\$0.19	+\$0.38
Non-GAAP diluted EPS	\$0.39	\$0.65	-\$0.26
Free cash flow (in millions)	\$36.7	\$31.3	+\$5.4
Bookings (in millions)	\$514	\$457	+12.5%

Reconciliation of GAAP to Non-GAAP results available on our website

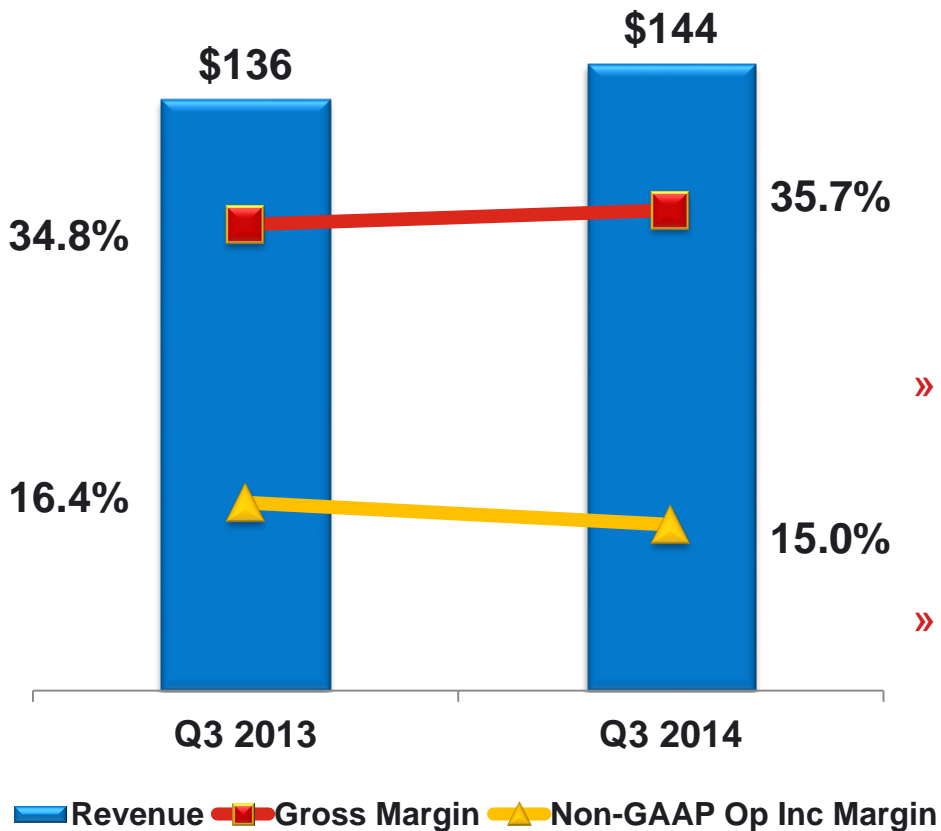
Q3 2014 - NON-GAAP EPS YEAR-OVER-YEAR BRIDGE



Reconciliation of GAAP to Non-GAAP results available on our website

WATER SEGMENT

REVENUE AND NON-GAAP MARGINS



» Revenue grew 6% year-over year

- Strong EMEA growth due to Smart projects and new products
- New business growth in Asia Pacific and Latin America
- Strong book & ship orders

» Gross margin +90 basis pts

- Benefits from higher volumes and manufacturing efficiencies

» Non-GAAP operating margin -140 basis pts

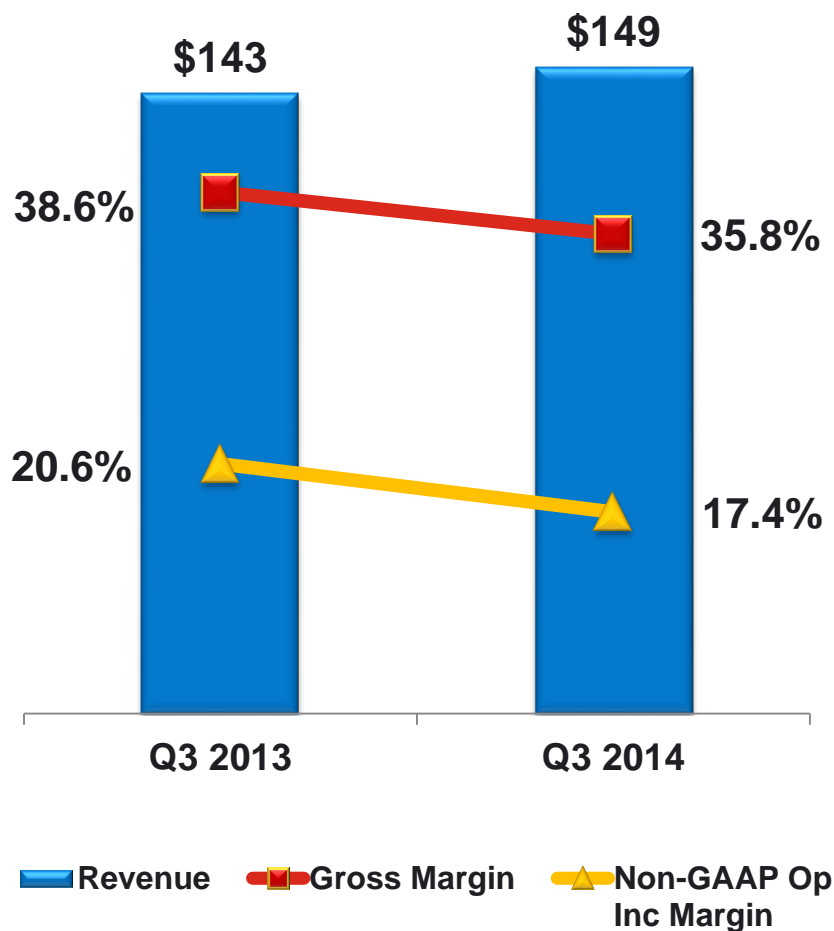
- Increased gross profit due to volumes
- Increased sales and variable compensation
- R&D investment in new products

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Chart in Millions, actual currency rates

GAS SEGMENT

REVENUE AND NON-GAAP MARGINS



» Revenues grew 4% year-over-year

- Record revenue in North America - strong orders of meters, regulators and communication modules
- Decline in EMEA – fewer standard and pre-payment meters, partially offset by increased smart meter sales

» Gross margin -280 basis pts

- Unfavorable product mix and decreased volumes in EMEA offset increased volumes and favorable product mix in North America

» Non-GAAP operating margin -320 basis pts

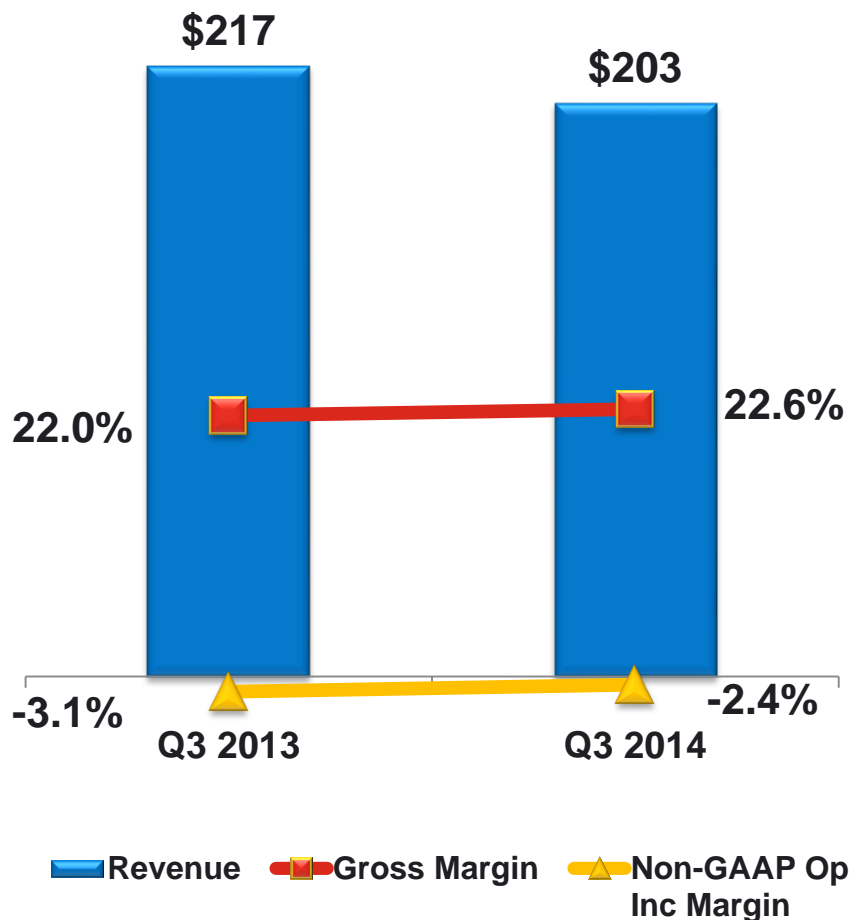
- Lower gross profit
- R&D investment for new products

Chart in Millions, actual currency rates

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ELECTRICITY SEGMENT

REVENUE AND NON-GAAP MARGINS



» Revenues decreased 6% year-over-year

- Decline in EMEA – decreased volumes, timing of projects/orders including some impact due to pending smart projects (France & UK)
- \$7m revenue loss due to planned exit from low margin standard meter market in Brazil

» Gross margin +60 basis pts

- Benefits from product mix
- OpenWay project net costs of \$11.4m in North America (\$13.6 million in Q3 2013)

» Non-GAAP operating margin +70 basis pts

- Lower operating expenses from reduced headcount, litigation and other reserves

» \$62m ERDF booking: 1.2m Linky meters

Chart in Millions, actual currency rates

Reconciliation of GAAP to Non-GAAP results available on our website

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THANK YOU



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SUPPLEMENTAL SLIDES

– TRENDED REVENUE

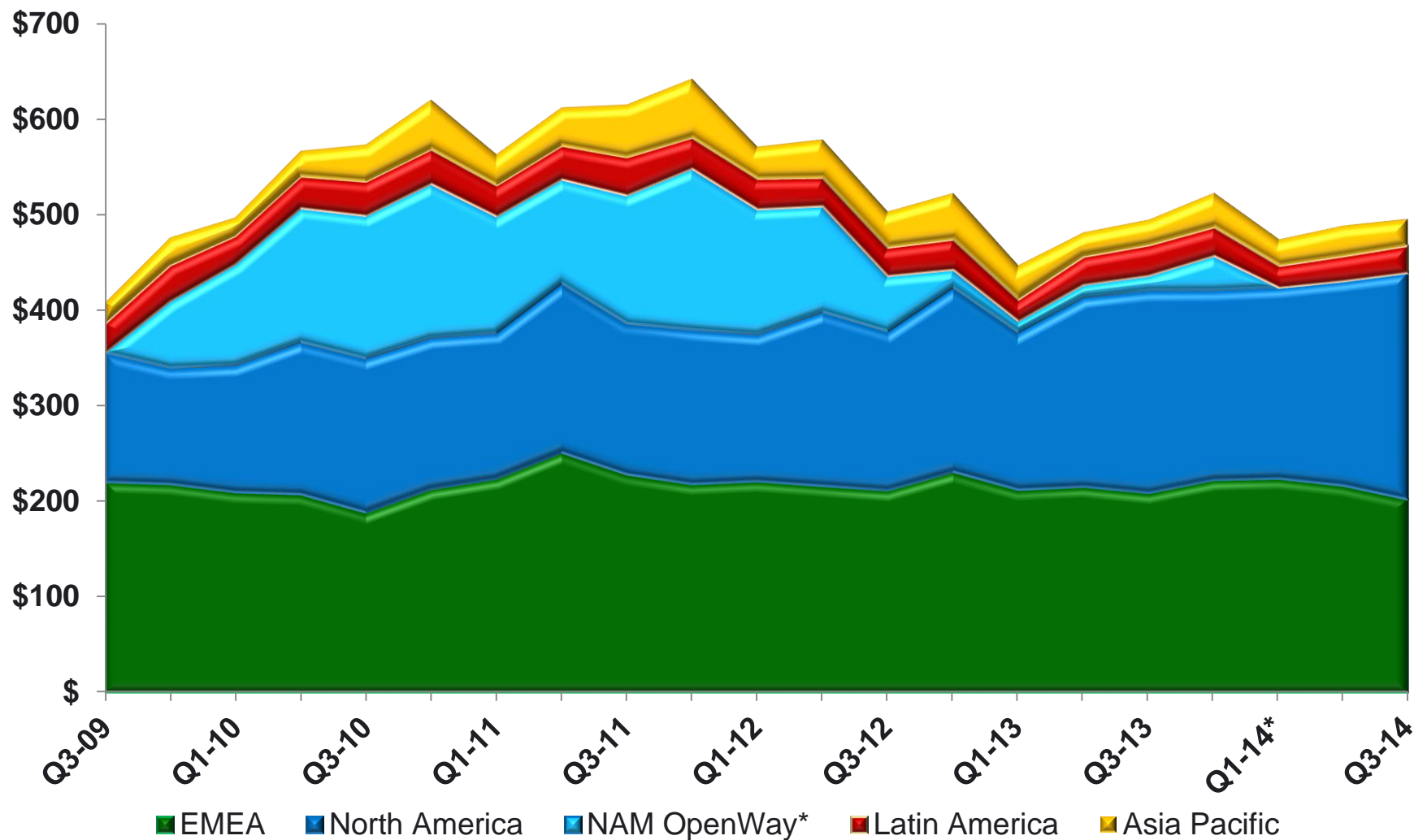
- Historical Revenue Trend by Region

– YTD RESULTS

- Summary Results
- Year-Over-Year Revenue Bridge
- Year-Over-Year Non-GAAP EPS Bridge
- Water Segment
- Gas Segment
- Electricity Segment

HISTORICAL REVENUE BY REGION

\$ In Millions



* Top 5 OpenWay revenues no longer reported separately effective Jan 1, 2014 due to substantial completion of these projects

YTD SEPTEMBER 2014 - SUMMARY RESULTS

	YTD Q3 2014	YTD Q3 2013	Change
Revenue (in millions)	\$1,460.6	\$1,425.2	+2.5%
Gross margin	32.1%	31.6%	+50 bps
Non-GAAP operating margin	5.9%	5.6%	+30 bps
Adjusted EBITDA margin	8.3%	8.3%	Flat
GAAP diluted EPS	\$0.67	\$0.19	+\$0.48
Non-GAAP diluted EPS	\$1.24	\$1.54	-\$0.30
Free cash flow (in millions)	\$84.5	\$21.3	+\$63.2
Bookings (in millions)	\$1,737	\$1,419	+22.4%

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YTD SEPTEMBER 2014 - REVENUE BRIDGE

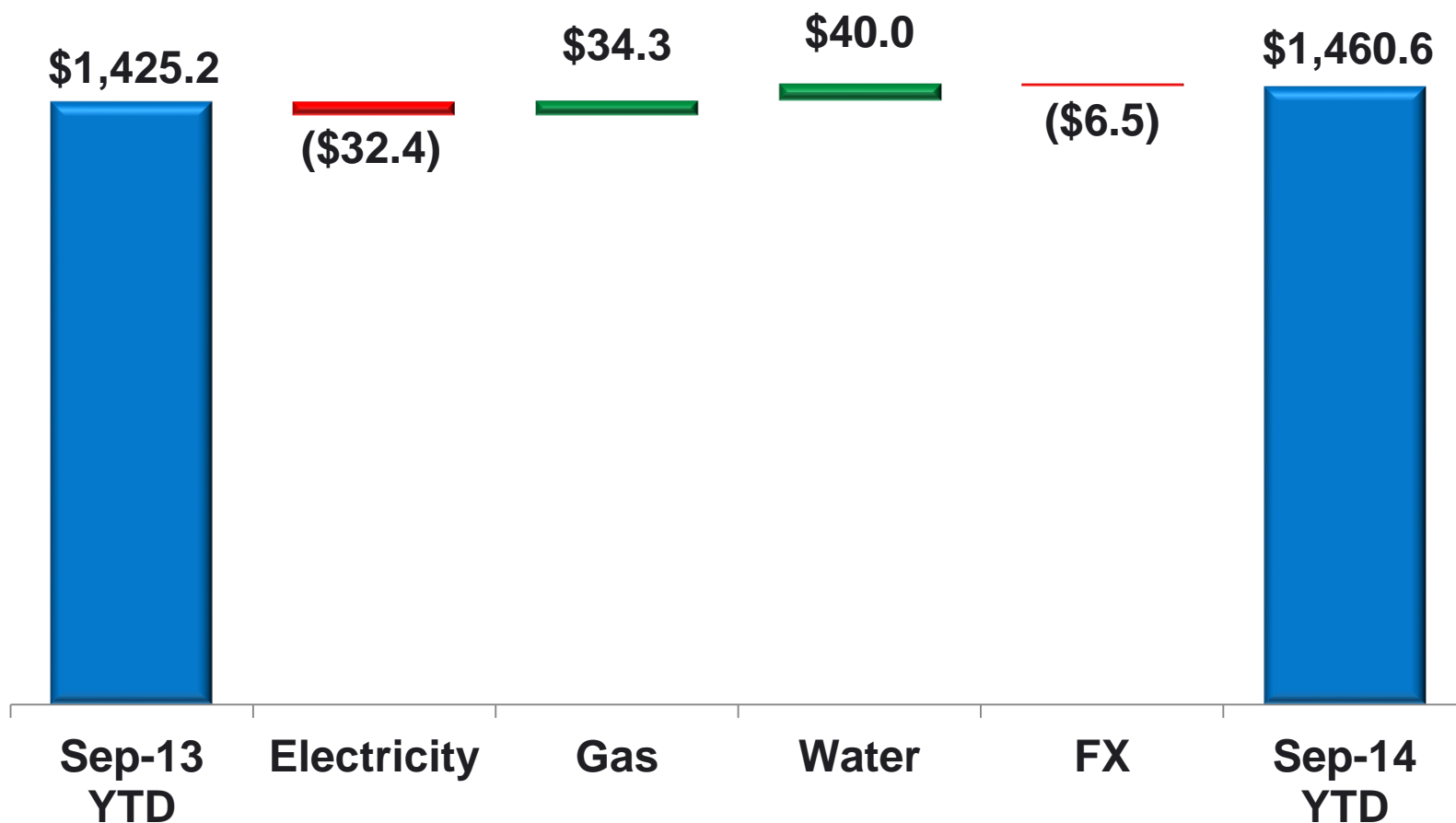
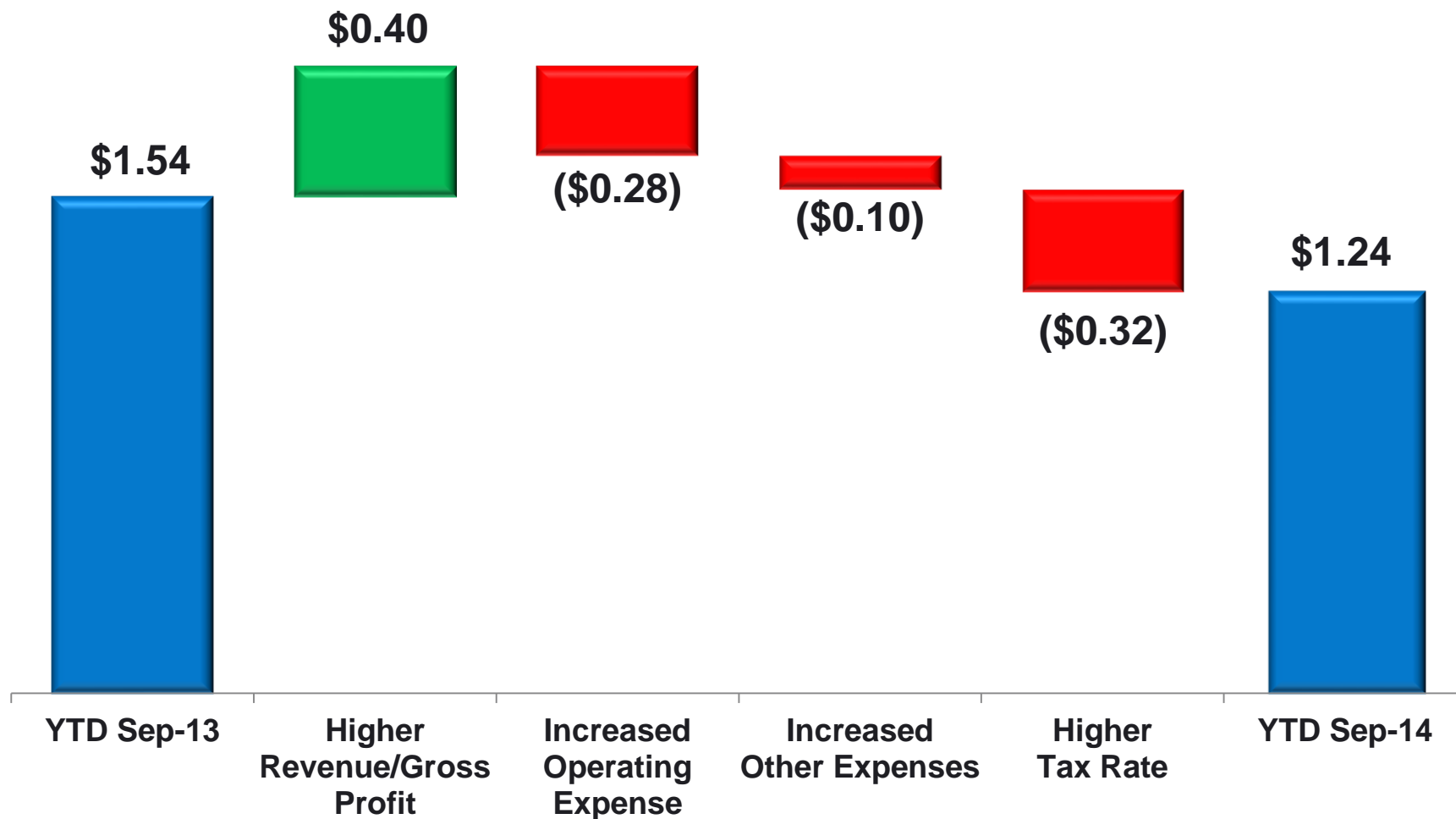


Chart in Millions, actual currency rates

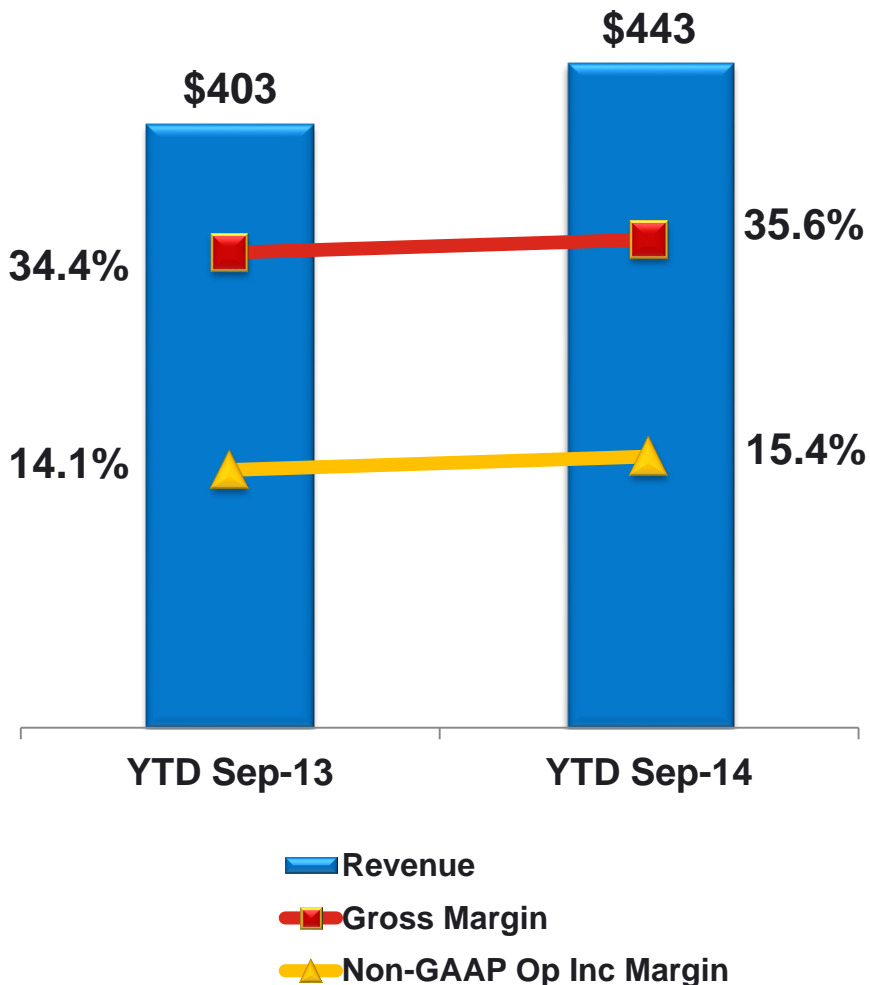
YTD SEPT 2014 - NON-GAAP EPS BRIDGE



Reconciliation of GAAP to Non-GAAP results available on our website

WATER SEGMENT – YTD SEPT 2014

REVENUE AND NON-GAAP MARGINS



» Revenue grew 10% year-over year

- Increased volumes
- Significant growth in EMEA
- New business growth in Asia Pacific and Latin America
- Benefits from smart AMI projects

» Gross margin +120 basis pts

- Benefits from increased volumes, manufacturing efficiencies

» Non-GAAP operating margin +130 basis pts

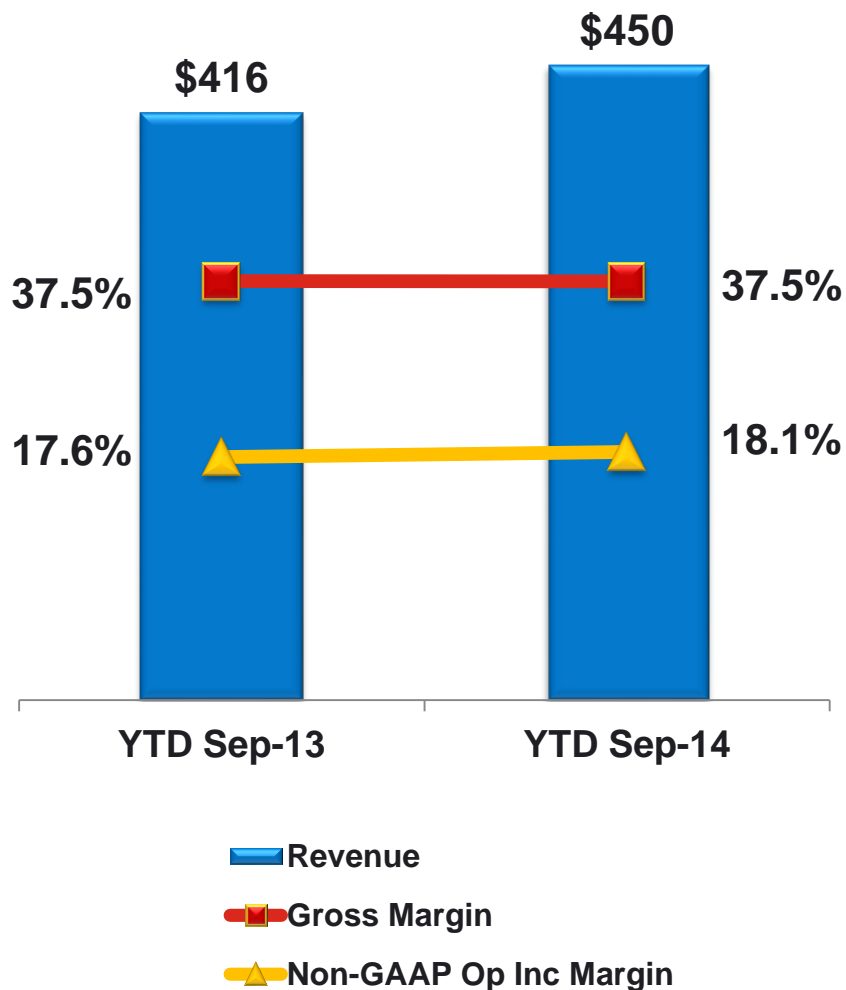
- Increased gross profit
- Increased sales and variable compensation
- R&D investment in new products

Chart in Millions, actual currency rates

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GAS SEGMENT – YTD SEPT 2014

REVENUE AND NON-GAAP MARGINS



» Revenues grew 8% year-over-year

- Growth in every region
- Strong customer meter, module and regulator orders in North America
- Increased smart meters in EMEA

» Gross margin flat year-over-year

- Lower warranty expense offset unfavorable product mix

» Non-GAAP operating margin +50 basis pts

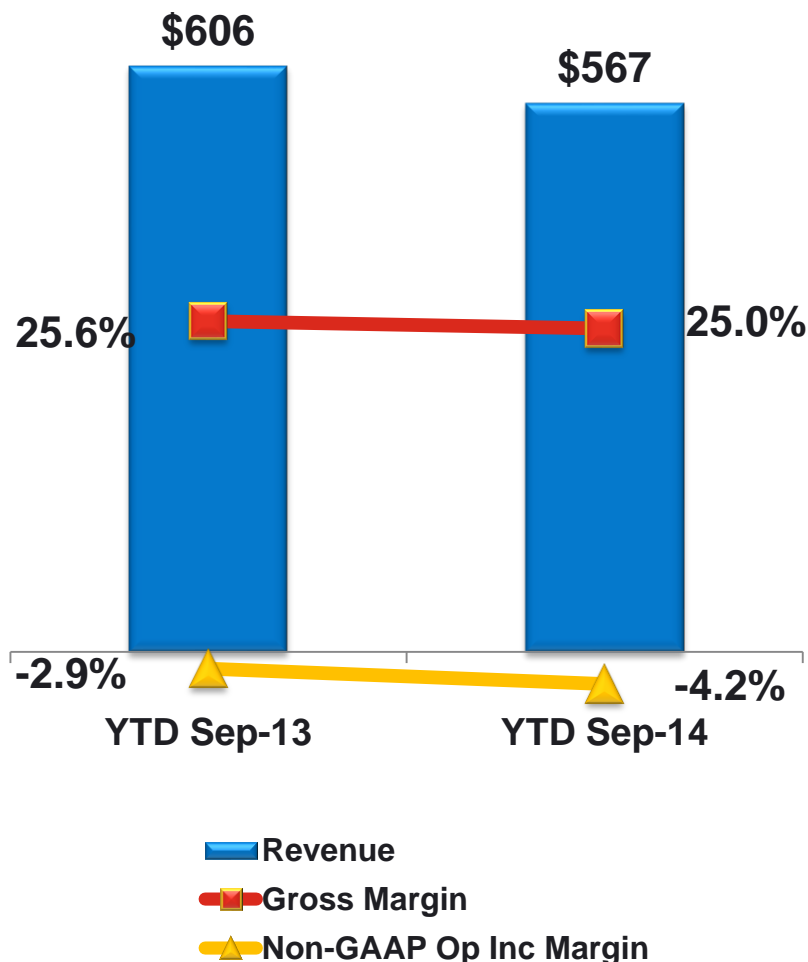
- Higher gross profit on higher revenues
- Lower G&A costs related to litigation
- R&D investment for new products

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ELECTRICITY SEGMENT – YTD SEPT 2014

REVENUE AND NON-GAAP MARGINS



» Revenues down 6% year-over-year

- Decline in smart and standard meters due to shipments and project timing
- \$14m revenue loss due to planned exit from low margin standard meter market in Brazil
- Lower prepayment volumes and pricing in Indonesia

» Gross margin -60 basis pts

- Lower warranty and manufacturing costs
- OpenWay project net costs in North America of \$11.4m in Q3 2014 (\$13.6 million in Q3 2013)

» Non-GAAP operating margin -130 basis pts

- Lower gross profit due to decreased revenue
- Decreased operating expenses Y-o-Y
 - Reduced headcount/employee expenses
 - Higher professional fees and legal reserves

Chart in Millions, actual currency rates

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