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Second Quarter 2015 Earnings Conference Call

August 5, 2015

CONFERENCE CALL AGENDA

- CEO – Q2 Highlights
- CFO – Q2 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 20, 2015, 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.

Q2 2015 - REVENUE YEAR-OVER-YEAR BRIDGE

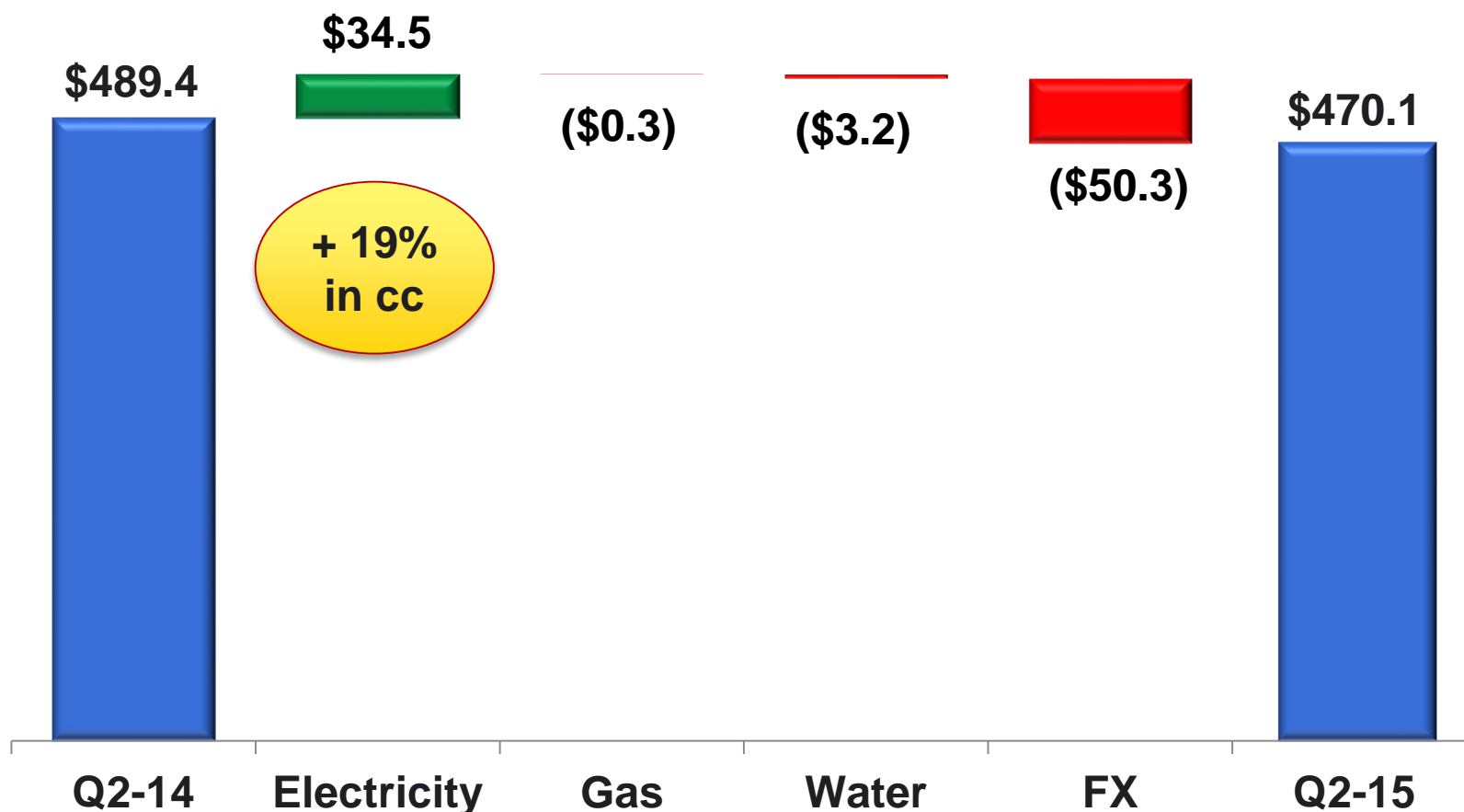
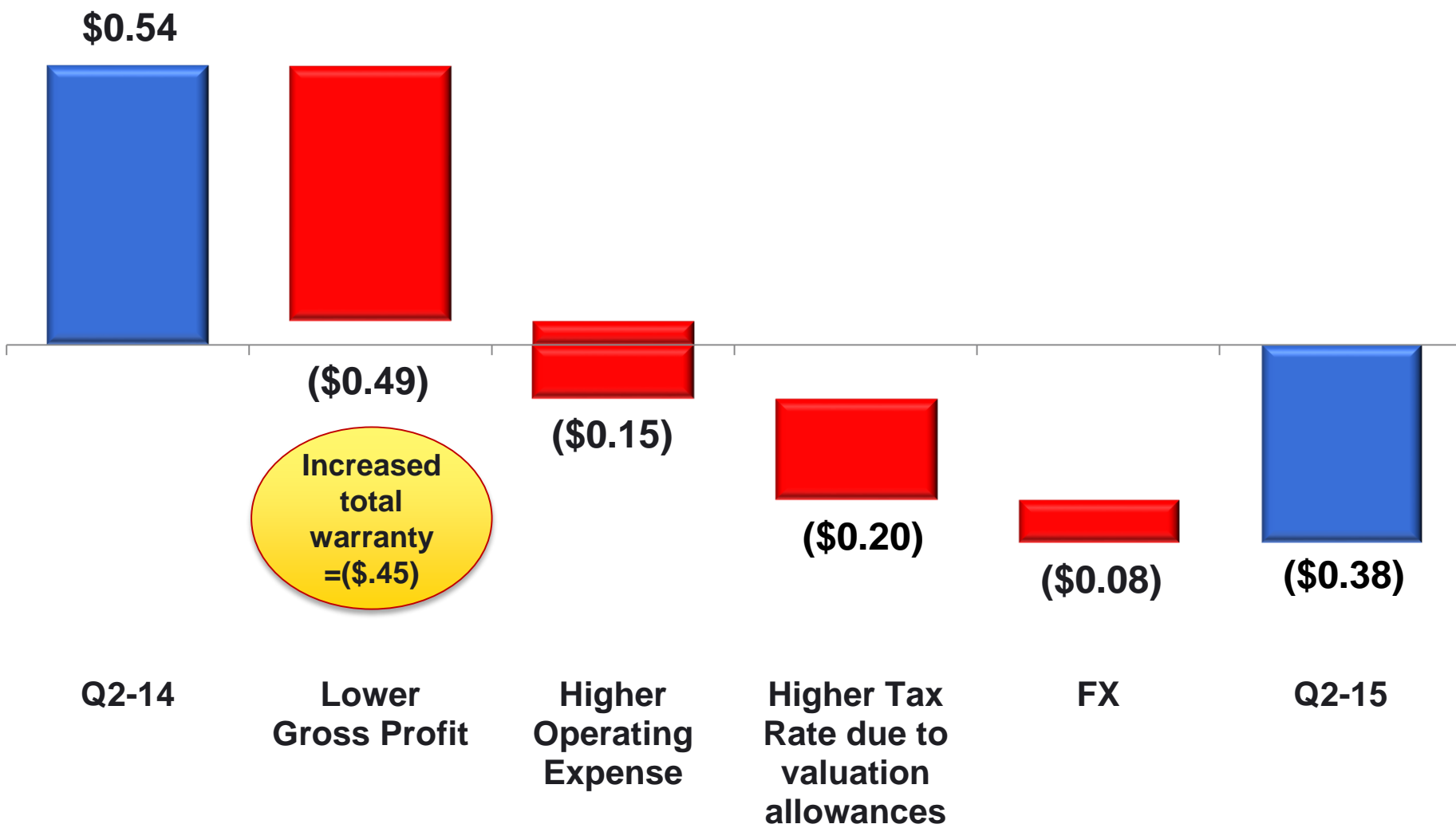


Chart in Millions, actual currency rates

Q2 2015 - NON-GAAP EPS YEAR-OVER-YEAR BRIDGE



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

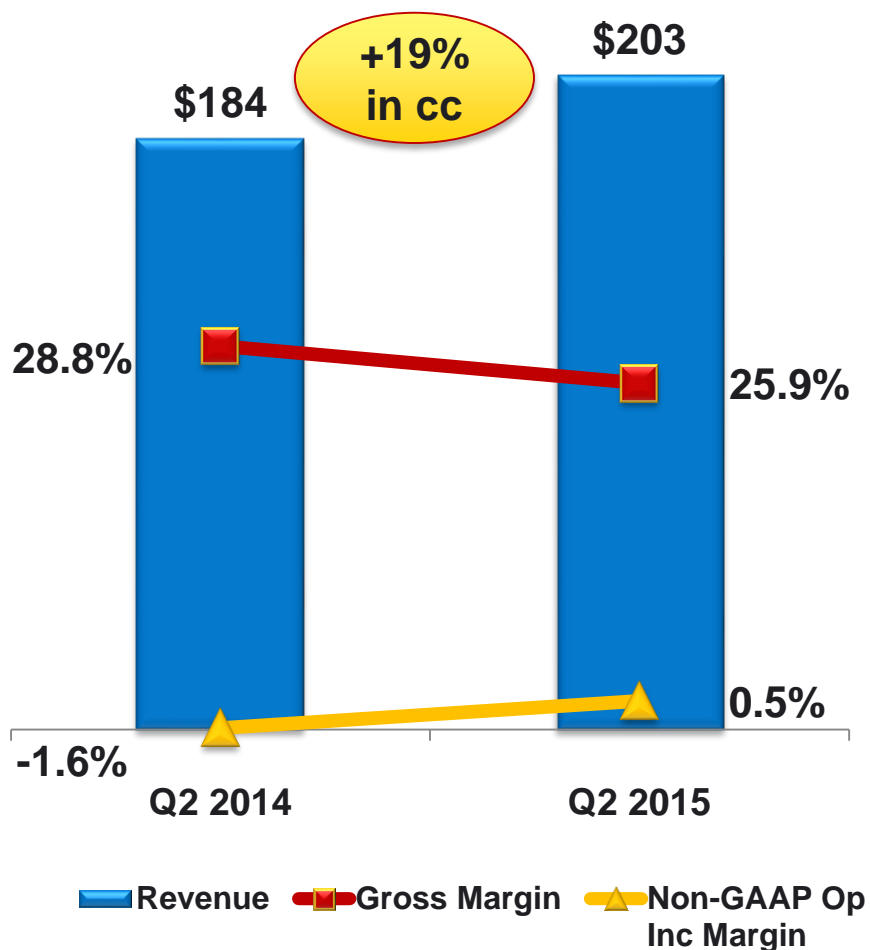
YEAR-OVER-YEAR SUMMARY– Q2 2015

	Q2 2015	Q2 2014	Change
Revenue (in millions)	\$470.1	\$489.4	-3.9%
<i>Growth in constant currency</i>			+6.3%
Gross margin	25.2%	33.3%	-810 bps
<i>Excluding increased Water warranty</i>	30.0%		
Non-GAAP operating margin	-1.0%	7.2%	-820 bps
<i>Excluding increased Water warranty</i>	4.0%		
Adjusted EBITDA (in millions)	\$4.0	\$47.3	-91.6%
<i>Excluding increased Water warranty</i>	\$27.6		
Adjusted EBITDA margin	0.8%	9.7%	-890 bps
<i>Excluding increased Water warranty</i>	5.9%		

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

ELECTRICITY SEGMENT

REVENUE AND NON-GAAP MARGINS



» **Revenue up 11%, and 19% in constant currency**

- Significant growth in North America smart meter projects

» **Gross margin -290 basis points**

- Benefits from product mix and increased volumes were offset by inventory write-off related to restructuring
- -170 bps year-over-year due to \$3.6m warranty reversal in Q2'14

» **Non-GAAP operating margin +210 basis points**

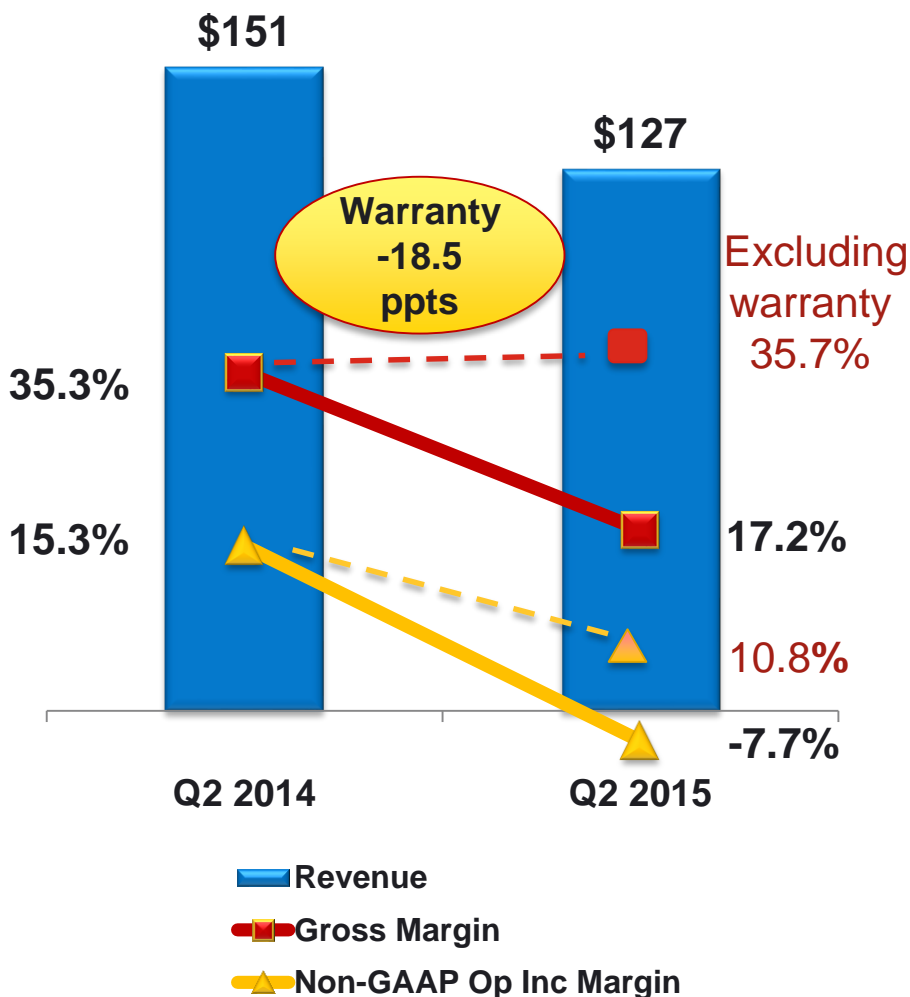
- Lower operating expenses from reduced headcount and decreased litigation in Brazil

Chart in Millions, actual currency rates

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WATER SEGMENT

REVENUE AND NON-GAAP MARGINS



» Revenue decreased 16%, and 2% in constant currency

- Lower volumes in Latin America related to economic conditions in Brazil
- Delivery of warranty replacement product in North America commenced in the quarter
- North America is managing scheduled vs warranty production requirements; Q2 revenues and scheduled deliveries were achieved

» Gross margin down 18.1 pts

- Increased warranty expense impacted gross margin 18.5 pts year-over-year

» Non-GAAP operating margin down 23 pts

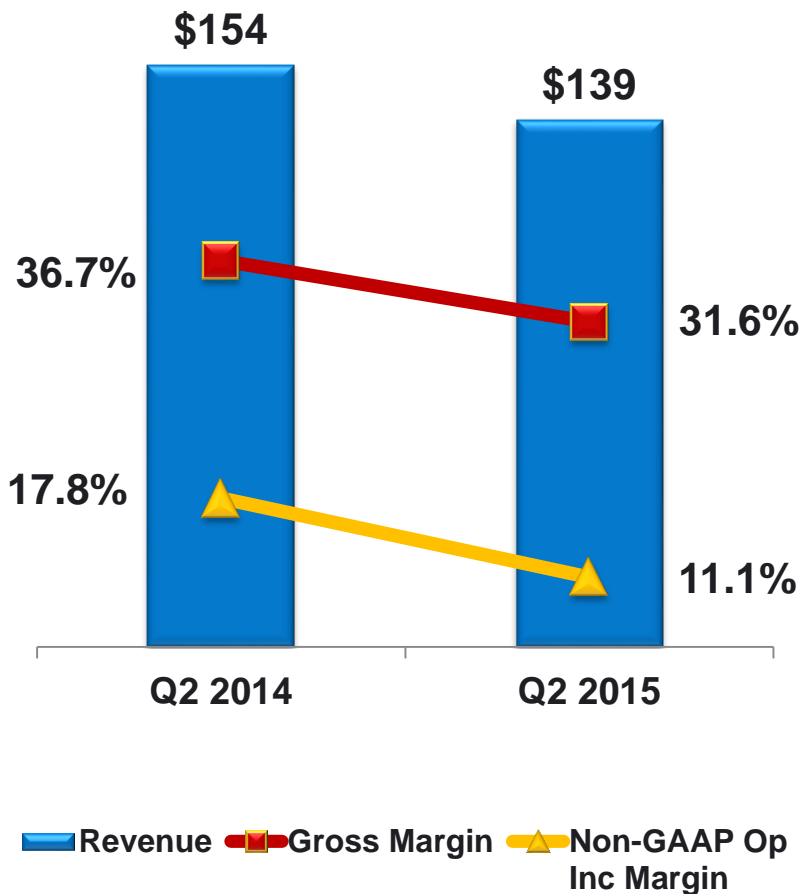
- Net FX impact -\$3m
- Increased R&D investment & allocations

Chart in Millions, actual currency rates

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

GAS SEGMENT

REVENUE AND NON-GAAP MARGINS



- » Revenues down 10% year-over-year due to negative FX impact of \$15 million
- » Revenues flat year-over-year in constant currency
 - Higher sales of smart meters in Western Europe more than offset lower standard meter volumes
 - Decrease in EMEA due to project timing
 - Increased meter & regulator shipments offset lower modules in North America
- » Gross margin down 510 basis points
 - Unfavorable impact from product mix
 - Lower volumes and first generation smart meter in EMEA
 - Manufacturing inefficiencies and temporary disruption related to restructuring and new ERP system
- » Non-GAAP operating margin down 670 basis points due to lower gross profit

Chart in Millions, actual currency rates

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

BOOKINGS BY SEGMENT

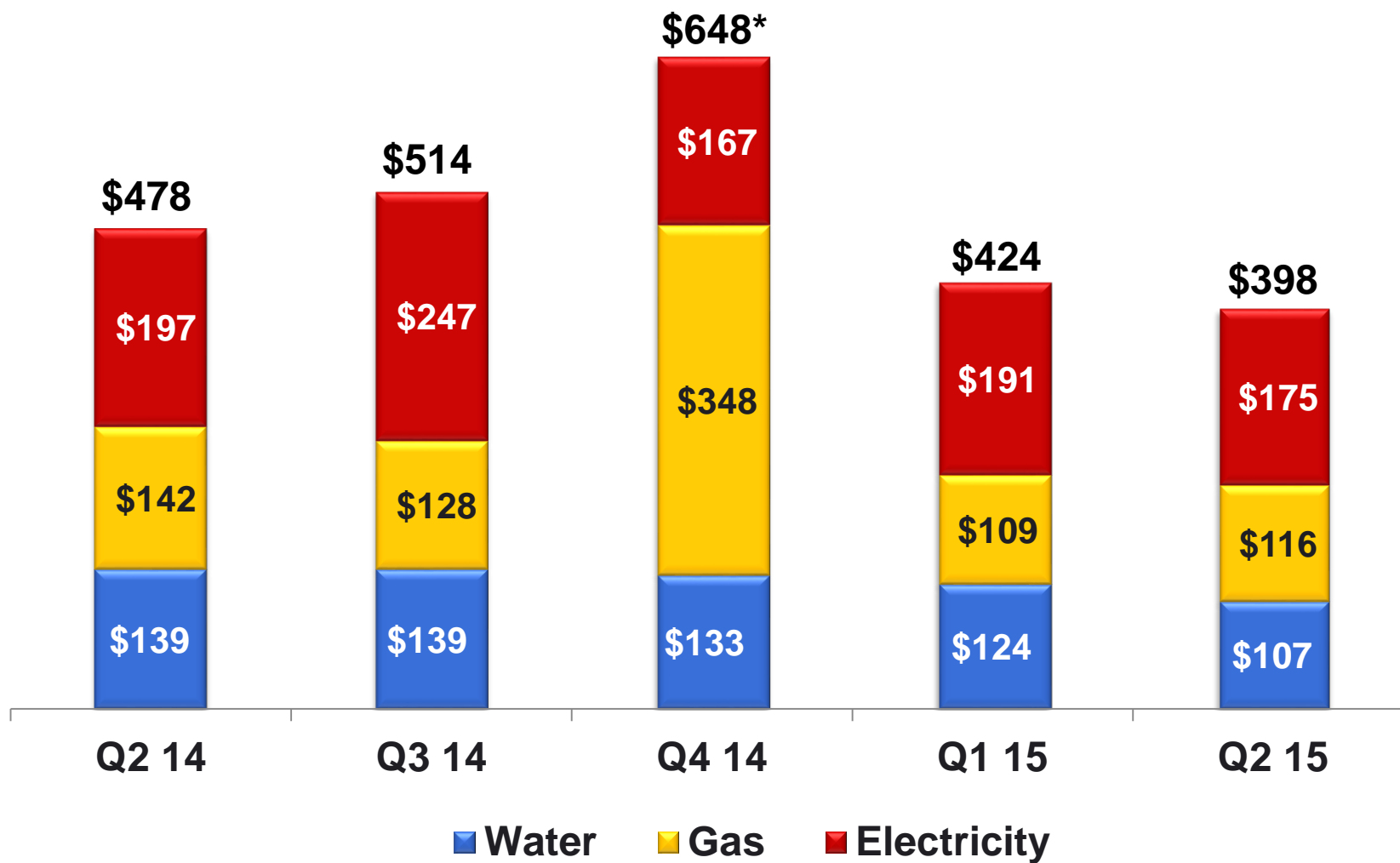


Chart in Millions, actual currency rates

*Q4'14 Gas bookings include \$82m for GrDF & \$207m North America

TRENDED TWELVE MONTH & TOTAL BACKLOG

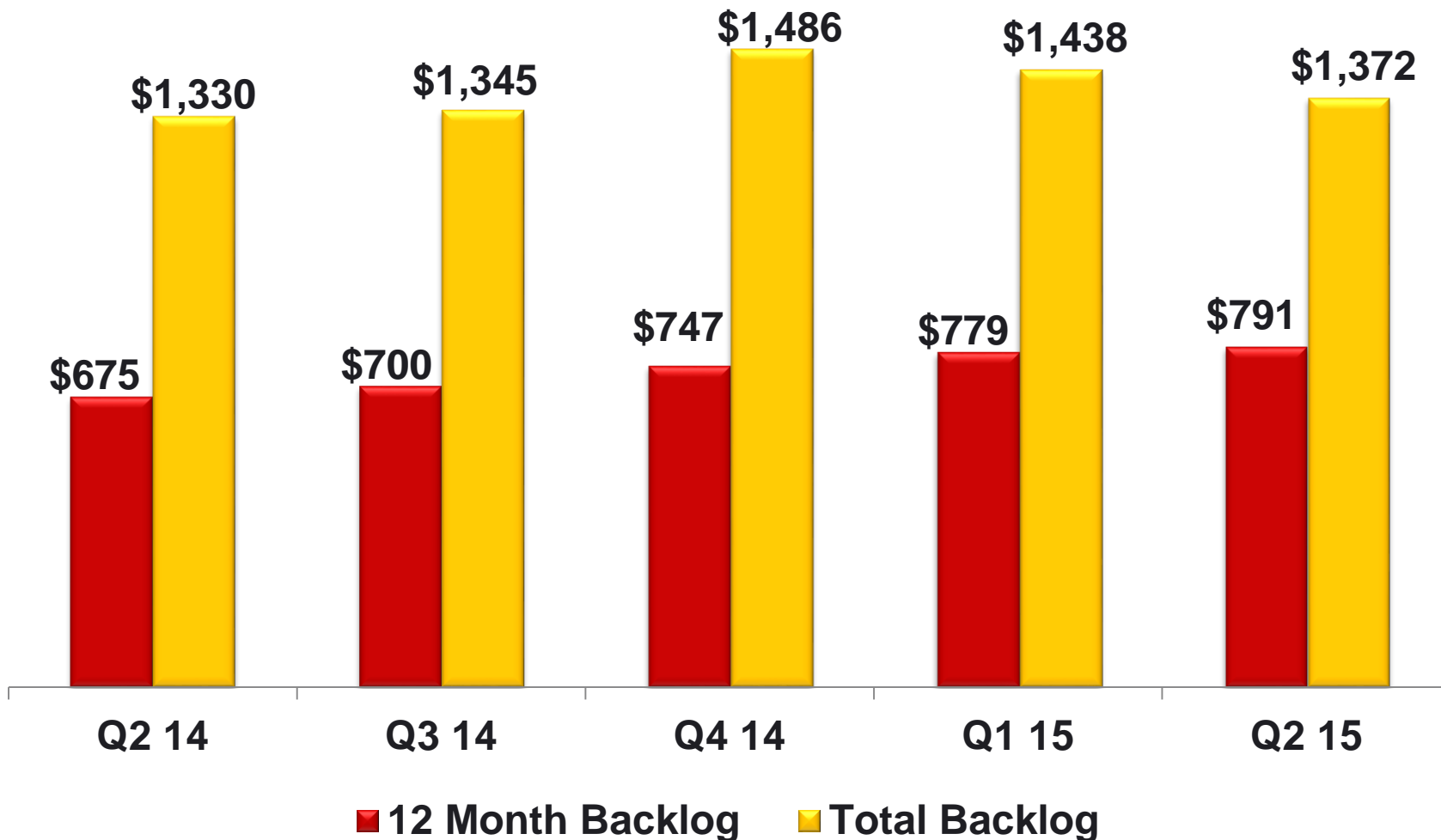


Chart in Millions, actual currency rates

FY 2015 FINANCIAL GUIDANCE UPDATE

- Revenue between \$1.85 and \$1.95 billion
- Non-GAAP diluted EPS between \$1.00 and \$1.30

ASSUMPTIONS:

- » Gross margin of ~30 percent
- » Euro to U.S. dollar exchange rate of \$1.12
- » Average shares outstanding of ~38.5 million
- » Modest upward pressure on previously guided non-GAAP annual effective tax rate of 37 percent

SUPPLEMENTAL SLIDES

- YTD June 2015 Results
 - Summary Results
 - Year-Over-Year Revenue Bridge
 - Year-Over-Year Non-GAAP EPS Bridge
 - Electricity Segment
 - Water Segment
 - Gas Segment
- FX Impact Summary

SUMMARY RESULTS – YTD JUNE 2015

	YTD 2015	YTD 2014	Change
Revenue (in millions)	\$918.4	\$964.1	-4.8%
<i>Growth in constant currency</i>			+5.0%
Gross margin	28.0%	32.9%	-490 bps
<i>Excluding increased Water warranty</i>	30.9%		
Non-GAAP operating margin	1.5%	6.0%	-450 bps
<i>Excluding increased Water warranty</i>	4.4%		
Adjusted EBITDA (in millions)	\$33.3	\$81.8	-59.3%
<i>Excluding increased Water warranty</i>	\$60.1		
Adjusted EBITDA margin	3.6%	8.5%	-490 bps
<i>Excluding increased Water warranty</i>	6.5%		

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YTD JUNE 2015 - REVENUE BRIDGE

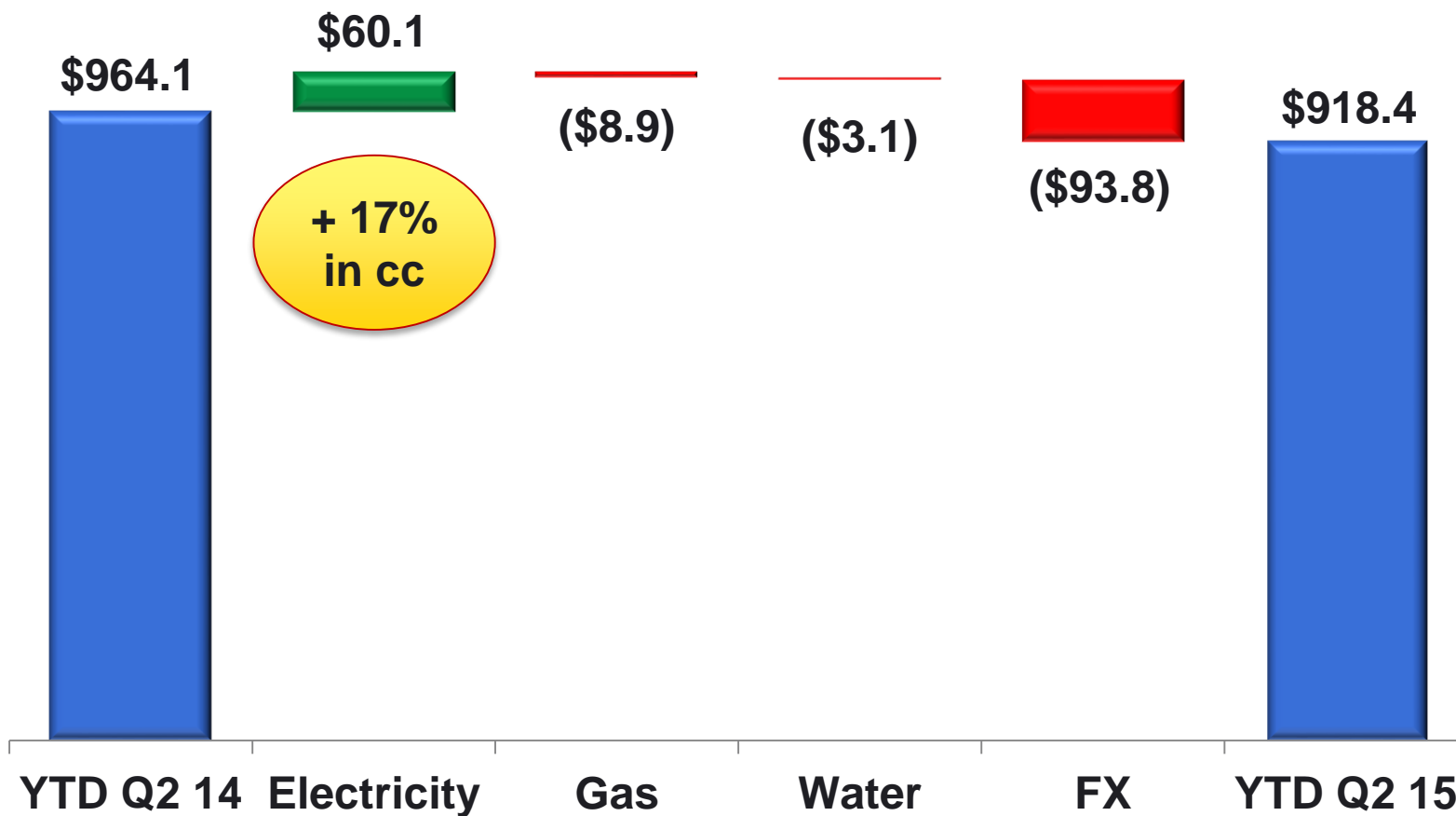
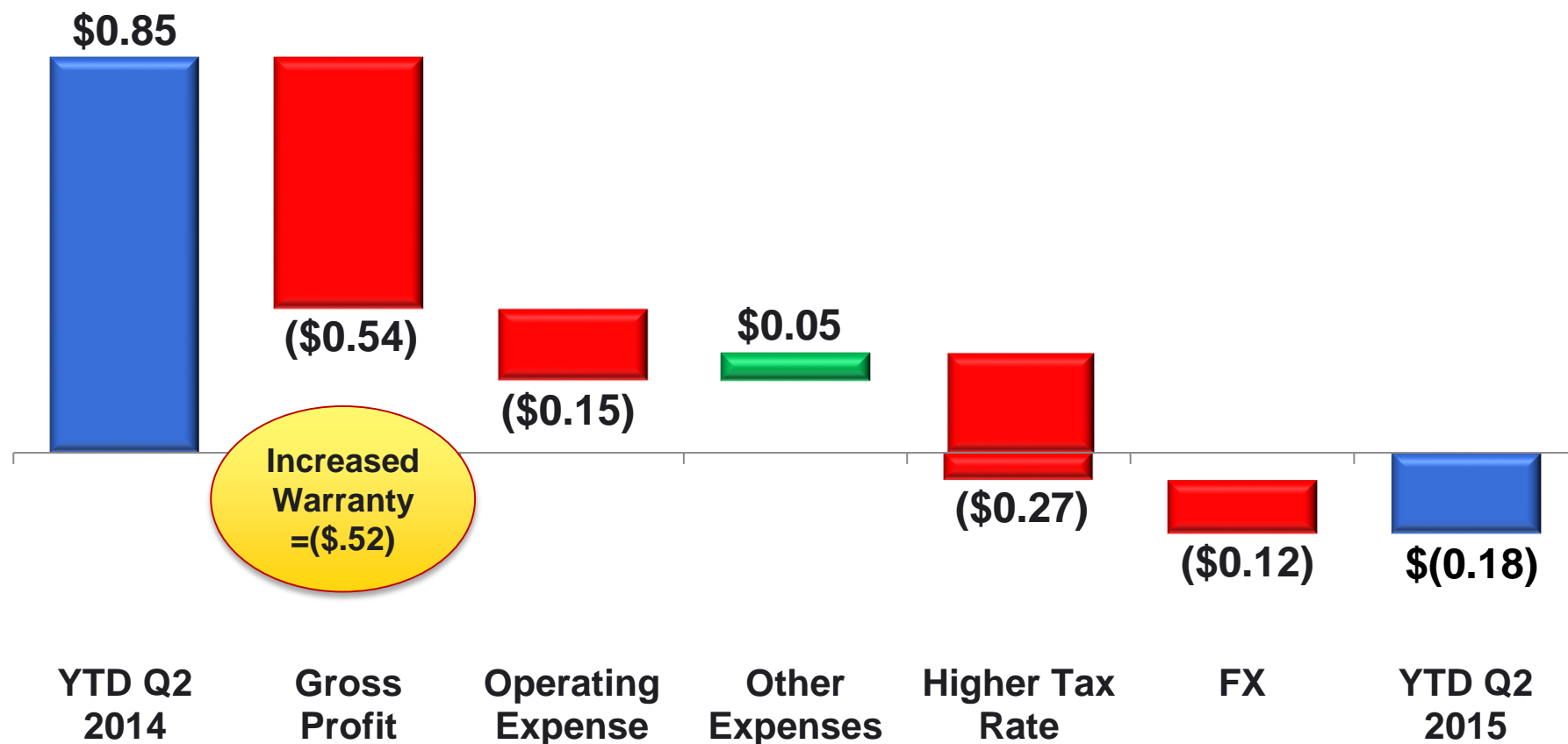


Chart in Millions, actual currency rates

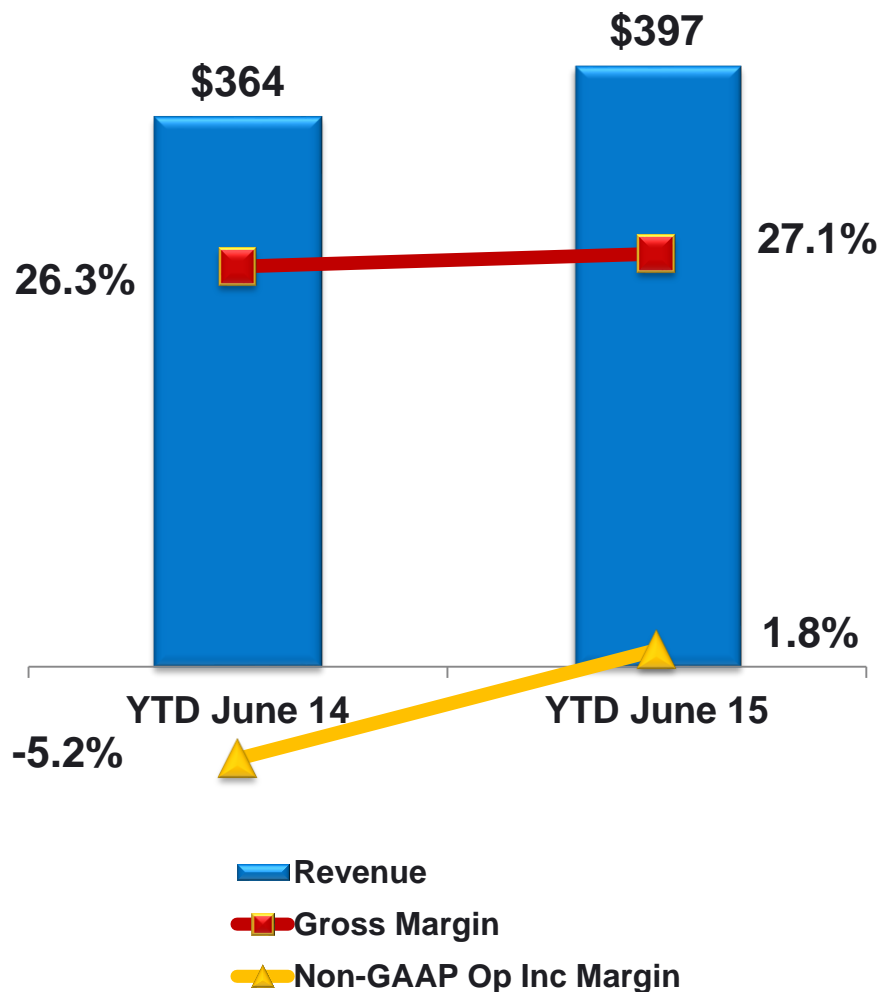
YTD JUNE 2015 - NON-GAAP EPS BRIDGE



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ELECTRICITY SEGMENT – YTD JUNE 2015

REVENUE AND NON-GAAP MARGINS



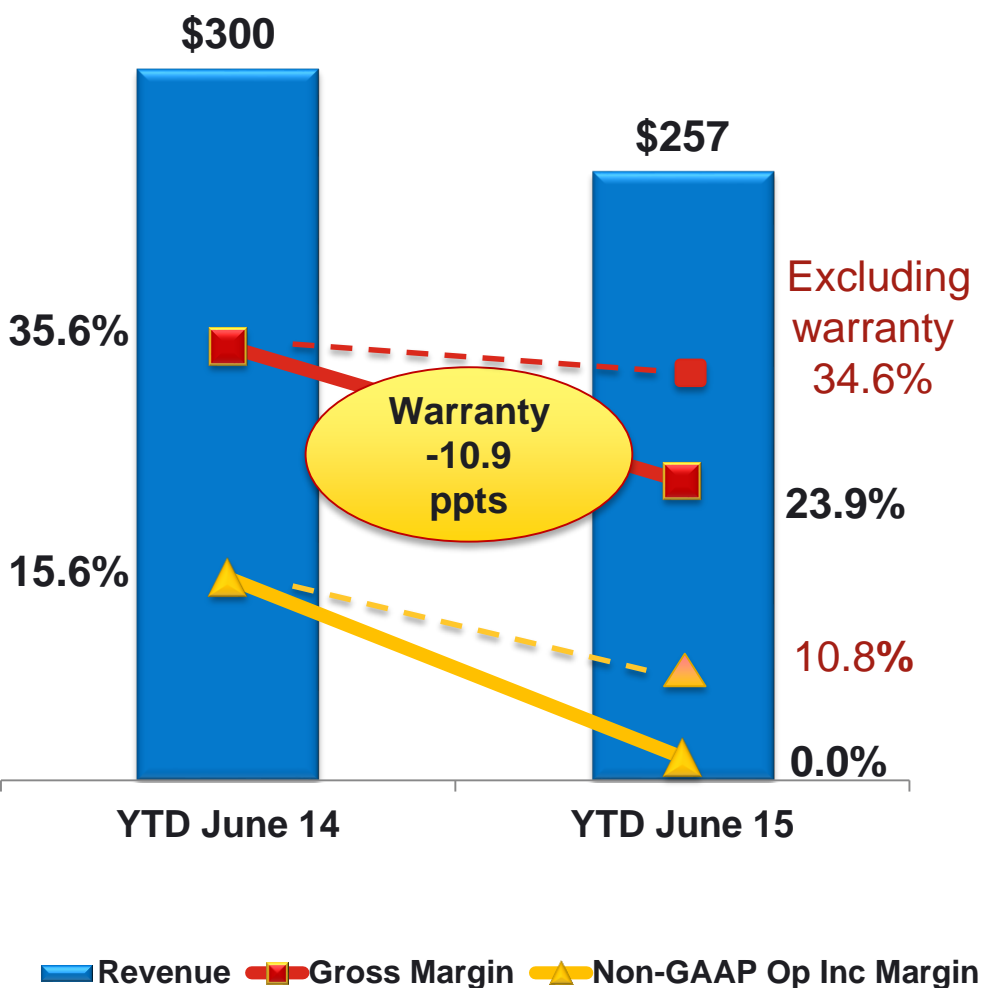
- » **Revenues up 9% year-over-year and 17% in constant currency**
 - Strong growth in North America smart meter projects
 - Decline in EMEA volumes
- » **Gross margin +80 basis points**
 - Favorable product mix in North America offset unfavorable product mix in EMEA and higher inventory write downs
- » **Non-GAAP operating margin +700 basis pts**
 - Higher gross profit
 - Decreased operating expenses year-over-year driven by reduced headcount and litigation expenses

Chart in Millions, actual currency rates

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WATER SEGMENT – YTD JUNE 2015

REVENUE AND NON-GAAP MARGINS



» **Revenue down 14% year-over year and 1% in constant currency**

- Increased meter & module volumes
- Decreased volumes in Latin America related to economic conditions in Brazil
- Growth in EMEA partially offset by decreased heat products due to new regulation requirements in 2014
- New business growth in Asia Pacific

» **Gross margin -11.7 ppts**

- Increased warranty charges impacted gross margin 10.9 ppts year-over-year
- Unfavorable product mix and impact of lower volumes in Latin America

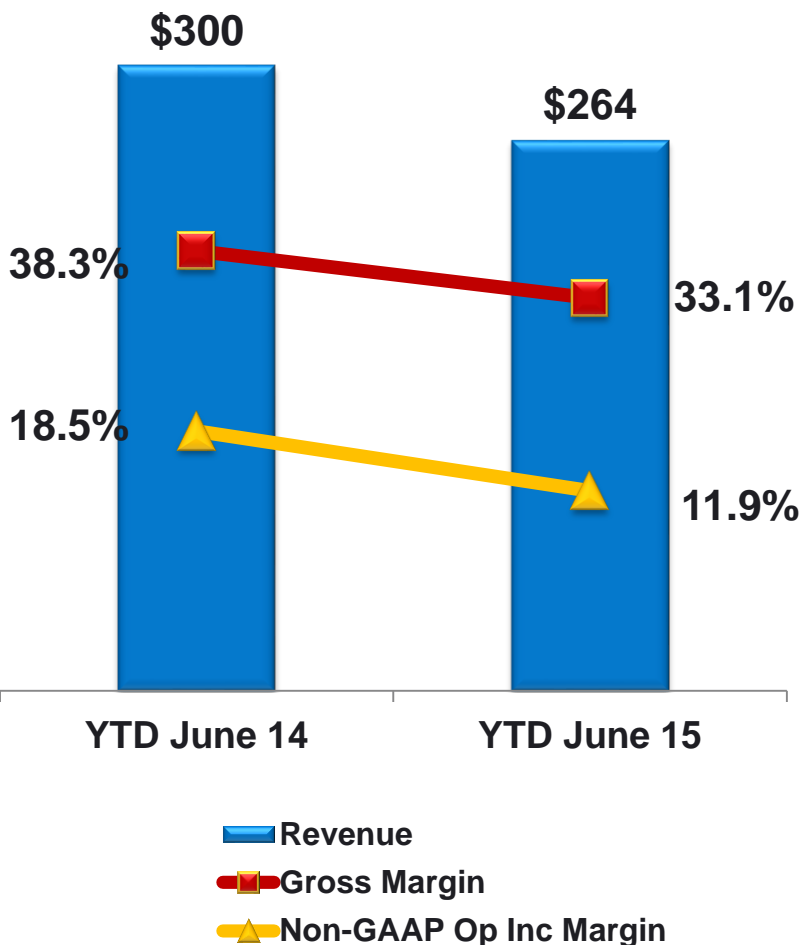
» **Non-GAAP operating margin -15.6 ppts due to lower gross profit**

Chart in Millions, actual currency rates

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GAS SEGMENT – YTD JUNE 2015

REVENUE AND NON-GAAP MARGINS



» **Revenues down 12% year-over-year and 3% in constant currency**

- Strong customer meter and regulator orders in North America
- Growth in smart meter projects in EMEA partially offset decline in standard meters and impact of project timing

» **Gross margin -520 basis points**

- Unfavorable product mix impact, manufacturing inefficiencies, and increased warranty expense

» **Non-GAAP operating margin -660 basis points due to lower gross profit**

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FX IMPACT SUMMARY

Average Euro/USD:
\$1.11 Q2'15 vs \$1.37 Q2'14

Revenue	Q2 2015	YoY Change	YoY Change Excluding FX
Electricity	\$ 203.4	10.7%	18.8%
Water	127.3	-15.8%	-2.1%
Gas	139.4	-9.7%	flat
Total	\$ 470.1	-3.9%	6.3%

Average Euro/USD:
\$1.12 YTD '15 vs \$1.37 YTD'14

Revenue	YTD Q2 2015	YoY Change	YoY Change Excluding FX
Electricity	\$ 397.3	9.1%	16.5%
Water	256.6	-14.4%	-1.1%
Gas	264.5	-12.0%	-3.0%
Total	\$ 918.4	-4.8%	5.0%

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THANK YOU



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