



Electric / Gas / Water



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**Investor Presentation**

*March 2007*



## 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 23, 2007, 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 the independent sources listed above. We believe that these sources are reliable.

The 2006 historical and Pro forma information for Itron, Actaris and the Actaris acquisition is preliminary and has not been audited. Actaris financial results have not been prepared in accordance with US GAAP and there have been adjustments made to Actaris results to reflect US GAAP, however, not all adjustments have been made. These adjustments, which are described in more detail in the appendix to this presentation, have not been audited and are necessarily preliminary and subject to change. Audited historical financial statements for Actaris and pro forma financial results for the transaction will not be available until up to 75 days after the transaction closes. Audited financial statements for Itron will not be available until it files its Form 10-K.

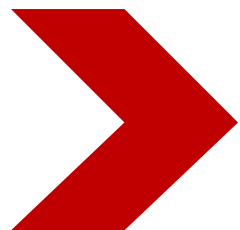


## **Discussion Topics**

- Pending Acquisition
- Overview of Itron
- Overview Actaris
- Strategic Rationale
- Financial Overview



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## Pending Acquisition





## Worldwide Utility Solutions Provider



2006 Revenue<sup>1</sup>: \$1,015 million  
2006 EBITDA<sup>1</sup>: \$159 million  
> Leading global supplier of utility meters and metering systems



2006 Revenue: \$644 million  
2006 EBITDA: \$115 million  
> Leading supplier of electric meters and AMR systems in the US and Canada

- > Reunites two former Schlumberger divisions and provides Itron with immediate scale and presence in the global meter market
- > Complementary product portfolios and geographic customer bases
- > Utilities around the world are moving toward AMR/AMI due to:
  - Environmental concerns / Regulatory concerns / Grid Limitations
- > Creates an end-to-end solutions provider for electric, gas and water utilities
  - Fosters a New Global Opportunity

(1) Assumes constant USD / EUR rate of 1.30x



## Key Transaction Terms

### Purchase Price

- > \$1.6 billion enterprise value

### Timing

- > Anticipated to close in Q2 2007

### Closing Conditions

- > Regulatory/government approvals
- > No HSR approval necessary

### Financing

- > Available cash balances
- > New equity private placement
- > Debt financing arranged by UBS denominated in US, Euro and GBP

### Management Retention

- > Both principals to remain as consultants
- > Three business unit heads and all other management will remain



## 2006 Combined Company Highlights<sup>(1)</sup>

**Itron** + **ACTARIS** = **Proforma**

(in millions)

	<b>Itron</b>	<b>ACTARIS</b>	<b>Proforma</b>
Revenue	\$ 644	\$ 1,015	\$ 1,659
Gross Profit	\$ 267	\$ 302	\$ 569
Gross Margin	41.5%	29.8%	34.3%
Non-GAAP Operating Income (2)	\$ 102	\$ 132	\$ 234
Non-GAAP Operating Margin	15.8%	13.0%	14.1%
Adjusted EBITDA (3)	\$ 115	\$ 159	\$ 274
Adjusted EBITDA Margin	17.9%	15.7%	16.5%

- (1) Assumes constant USD/EUR rate of 1.30x
- (2) Excludes amortization of intangibles and stock-based compensation
- (3) Excludes stock-based compensation
- (4) Excludes amortization of intangibles and acquisition related charges and is dependent on financing considerations

**Expected Addition of \$0.20 - \$0.30 to 2007 Non-GAAP Fully Diluted EPS<sup>(4)</sup>**



## Compelling Strategic Rationale

**Geographic Expansion with Established Sales and Distribution**

**Complementary Product Portfolios Allow Synergies in Future**

**Scale and Platform for Innovation**

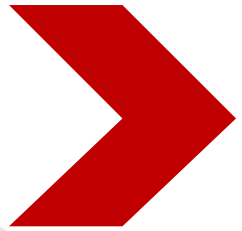
**Common Heritage – Common Vision**

**Financially and Operationally Strong, Established Company**





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## Itron Overview





## Investment Highlights

- > **Leading Market Positions in:**
  - ✓ **Electricity Metering**
  - ✓ **Meter Data Collection Including AMR**
  - ✓ **Meter Data Management Software**
- > **Attractive Market Growth Fundamentals**
- > **Broad, Integrated Solutions Portfolio**
- > **Strong Historical Financial Performance**
- > **Strong Free Cash Flow Generation**
- > **Proven Acquisition Track Record**
- > **Experienced Management Team**

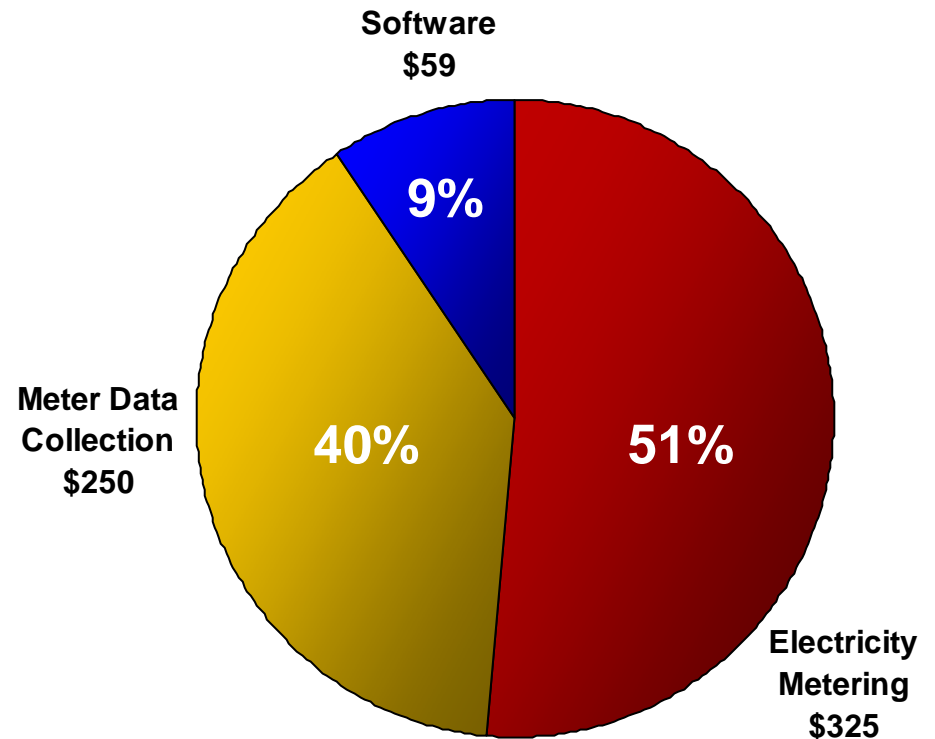


## Itron At a Glance

### Key Highlights

- > **Electricity meter customers in U.S. and Canada**
  - Nearly every IOU, Muni and Co-Op
- > **More than 2,200 handheld meter reading customers in over 60 countries**
  - Hardware and meter data collection software
- > **More than 1,500 AMR customers**
  - > 55 million endpoints shipped (electric, gas and water)
  - AMR endpoints shipped to >70% of IOUs
  - Fixed networks at more than 20 customers
- > **C&I meter data collection software at > 90% of the largest electric utilities in U.S.**

### 2006 Revenue by Segment (millions)

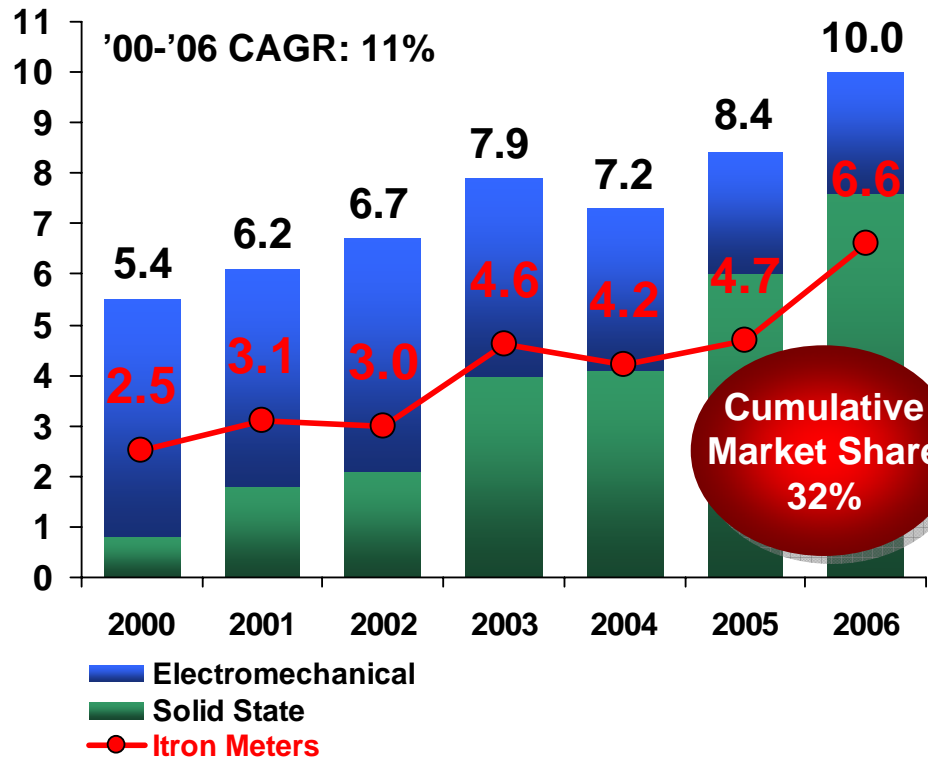




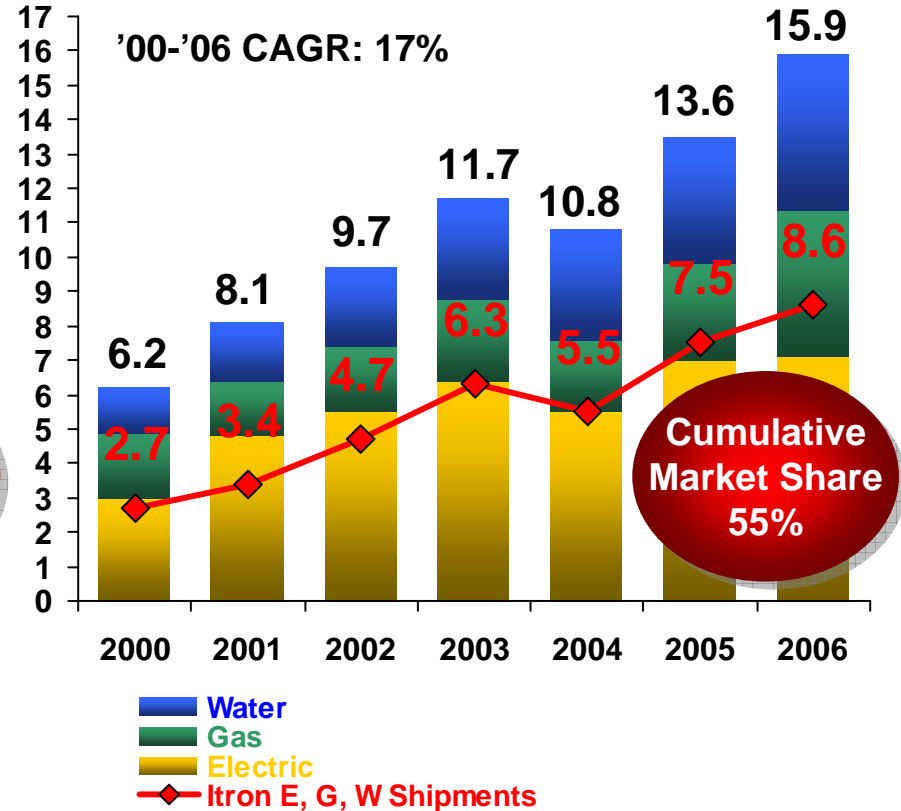
# Itron Market Positioning – US and Canada

*Itron holds a leading cumulative market position and a continuing leadership position in both electricity metering and AMR in North America*

### Electric Meter Shipments (millions)



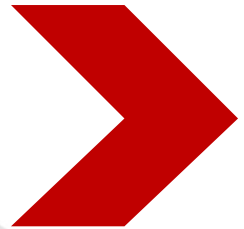
### AMR Shipments (millions)



Source: ABS Energy Research and The Scott Report AMR Deployments Q3 2006 and management estimates.



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## Overview of Actaris



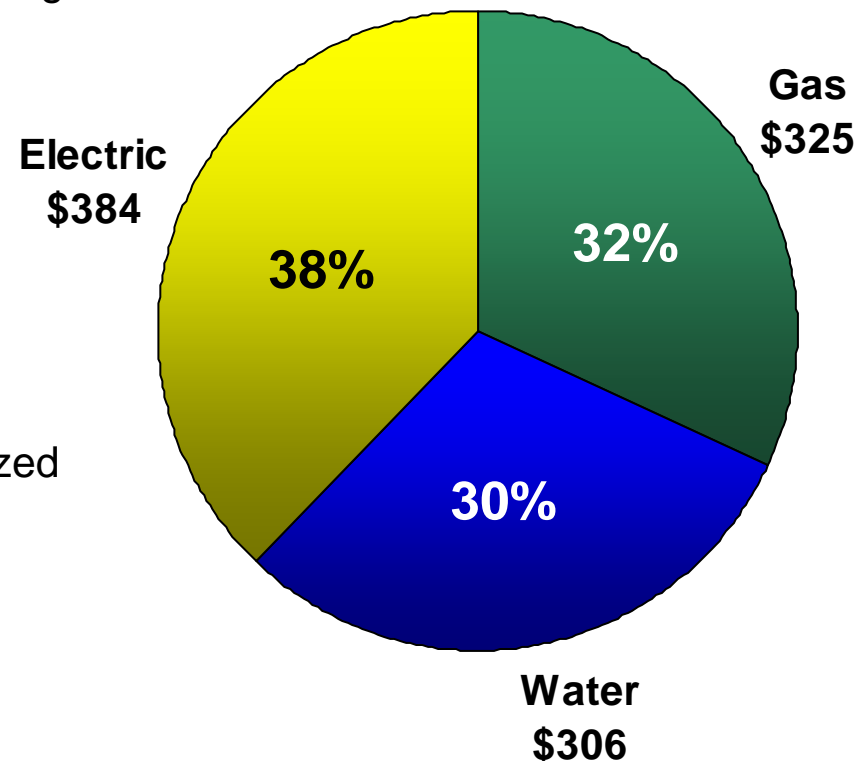


## Actaris at a Glance

### Overview

- > Leading supplier of utility meters and metering systems
- > Traces its origin in metering to the 1850's
- > Large, diversified base of more than 5,000 customers globally with an installed base of over 300 million meters
- > Leading market share for each of its 3 business lines
- > Cost advantages due to volume, standardized platforms, and low cost manufacturing
- > Active in more than 30 countries
- > 6,000 people in over 60 locations

### 2006 Revenue by Division<sup>(1)</sup> (in millions)

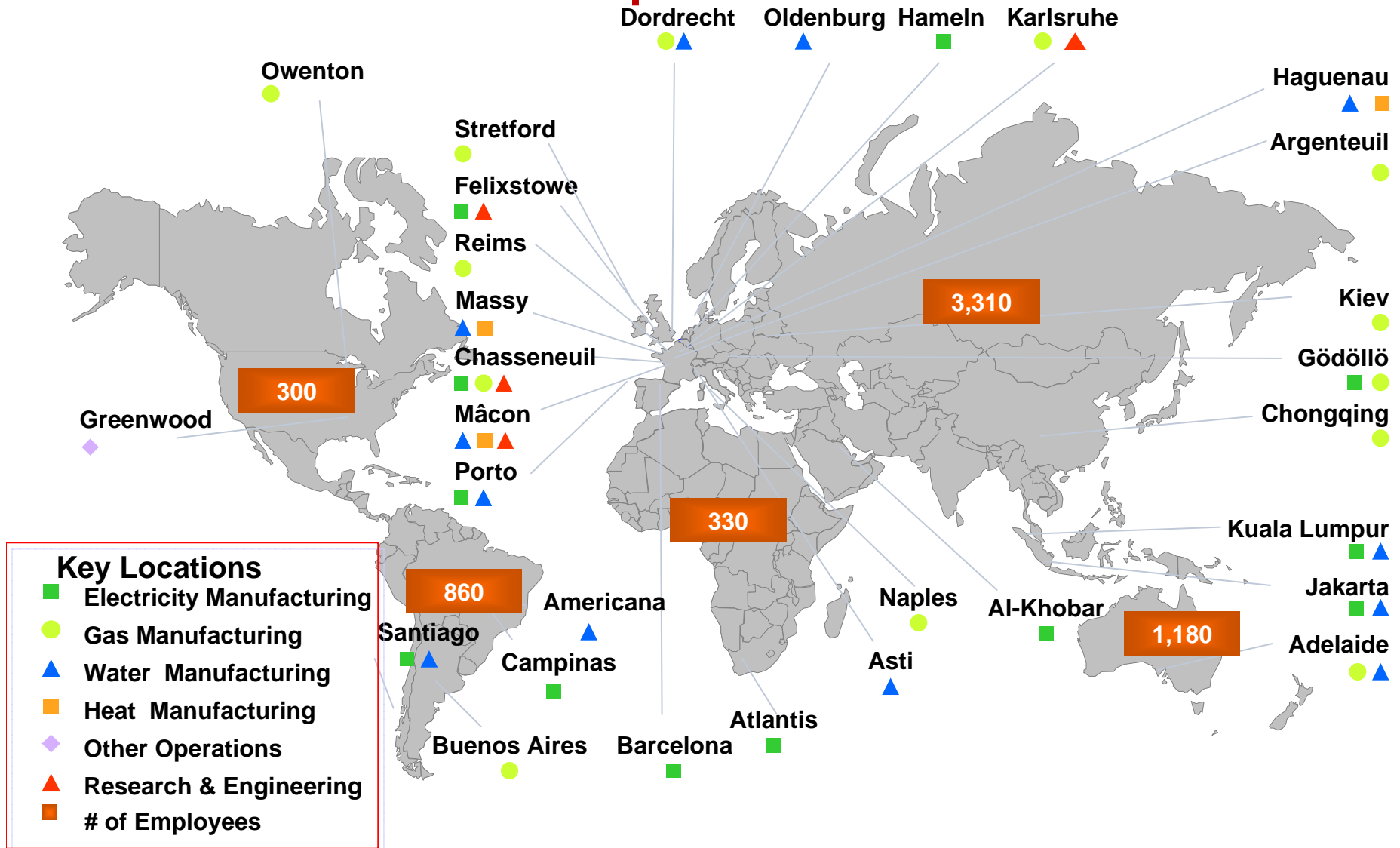


Source: Company information, ABS Energy Research, and Deloitte & Touche Financial and Tax Due Diligence Report (2/16/07)

(1) Assumes constant USD/EUR rate of 1.30x



# Actaris Worldwide Footprint





# Actaris Market Presence

## Products/Services

## Position

## Growth

### Electricity

- > Residential, commercial, industrial, transmission and distribution metering products and services to utility clients

- > #2 globally

- > AMR breakthrough
- > Prepayment market
- > Electronic technology

### Gas

- > Gas products and systems combining modern metering, regulation and safety devices, automatic and remote meter reading, prepayment, energy management, load monitoring and operating controls

- > #2 globally

- > Prepayment market
- > Asian opportunity
- > AMR penetration

### Water & Heat

- > Water meters and products covering energy measurement in district-heating, district cooling and allocation applications

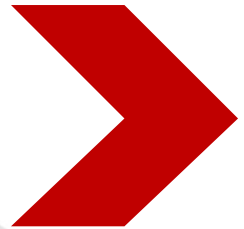
- > #4 globally

- > Regional legislation
- > US market
- > Shorter product lifecycles





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## Strategic Rationale

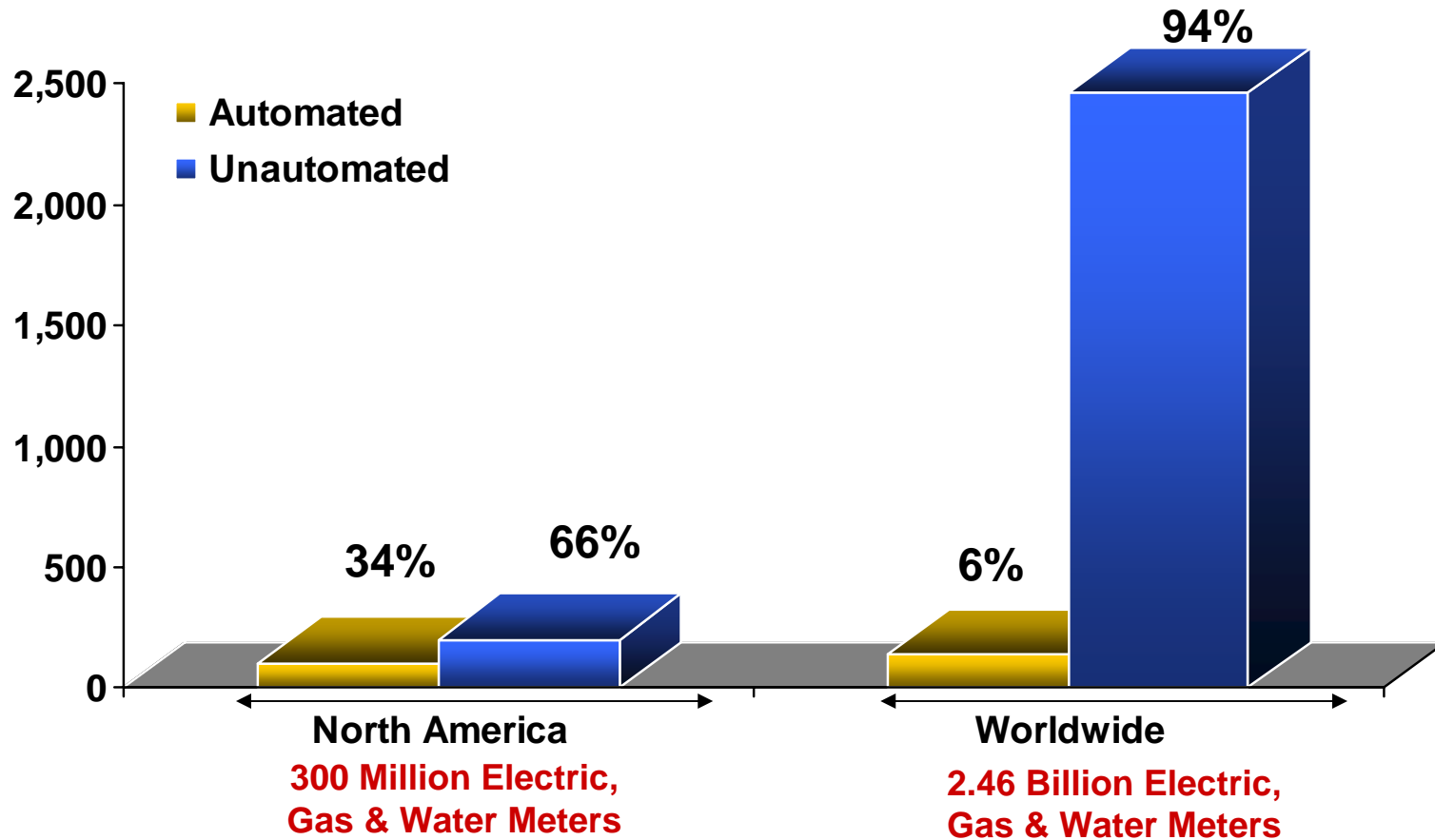




# The Global Opportunity

For meters, automation and advanced functionality

Global AMR Market (millions of meters)

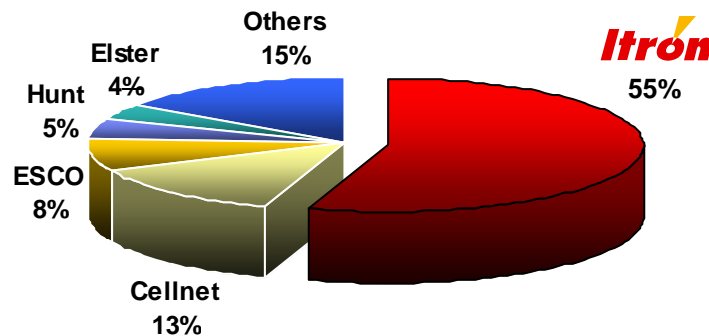




# Continued Global Leadership

A leading position in meters globally - Expanding potential markets

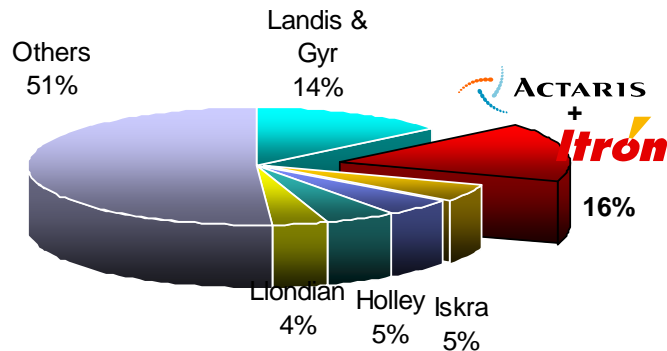
## AMR—US and Canada



#1

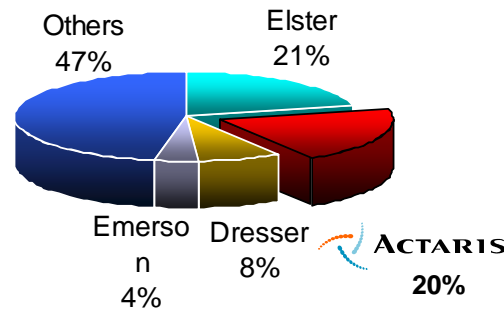
## Global Meter Market Shares

### Electric



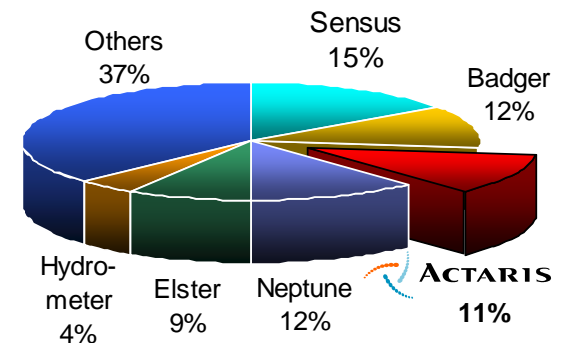
#1

### Gas



#2

### Water



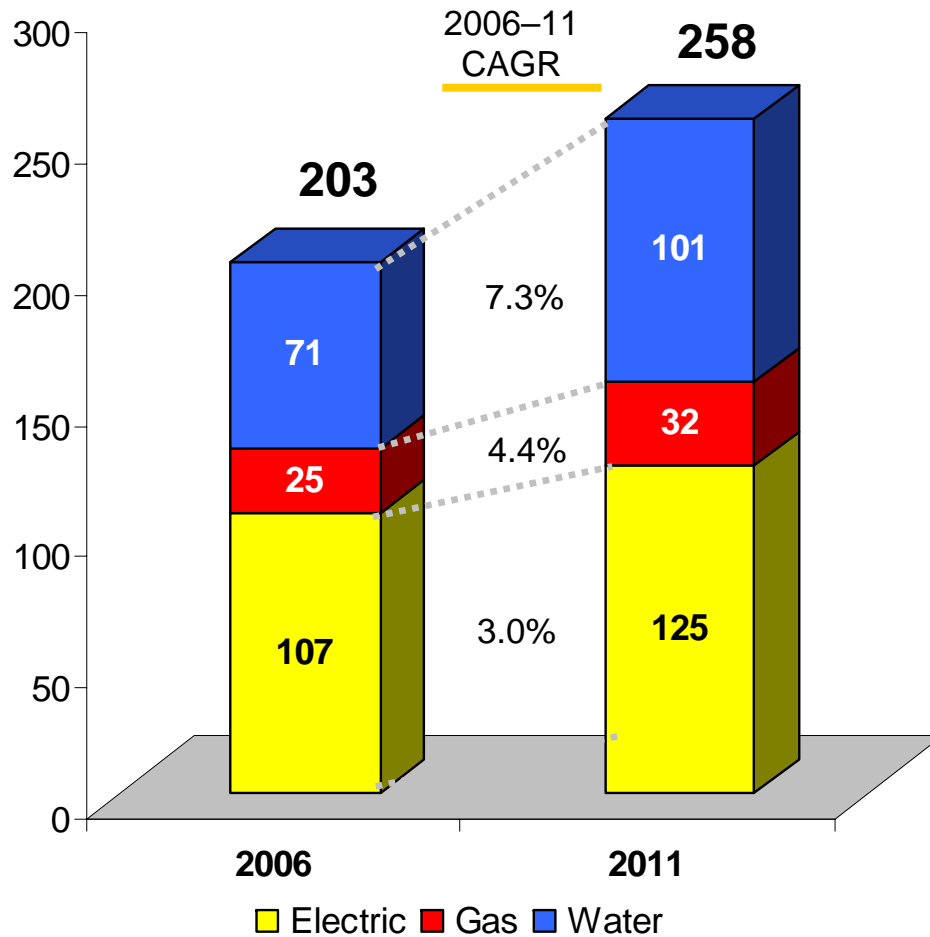
#4

Source: Scott Report on AMR Deployments, ABS Energy Research, A.T. Kearney, Management Estimates



# The Global Metering Market Opportunity

Annual Meter Shipments by Type (millions)



Synergies/Benefits

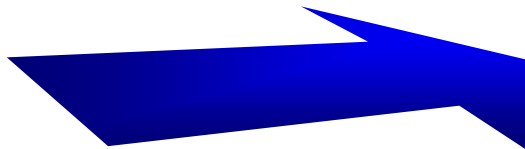
- Potential growth is greatly enhanced with AMR/AMI
- Scale and platform to lead market

Source: ABS Energy Research



## A Changing Marketplace Drives Growth Opportunities

**THE PAST**



### New and Replacement Meters

- Limited innovation
- New housing starts
- Replacement cycles
- Electromechanical upgrade to solid state
- Steady predictable growth

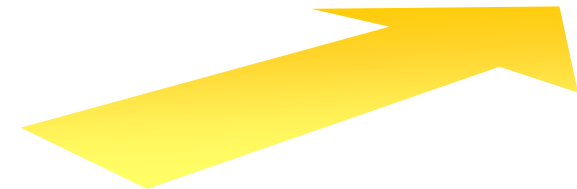
**CHANGE: 1994 - 2005**



### Automated Meter Reading

- Driven by improving operations and cost reductions
- Higher price point
- Additional products and services
- Drives AMR meter and module growth
- Prepaid meters

**OPPORTUNITY: 2006 →**



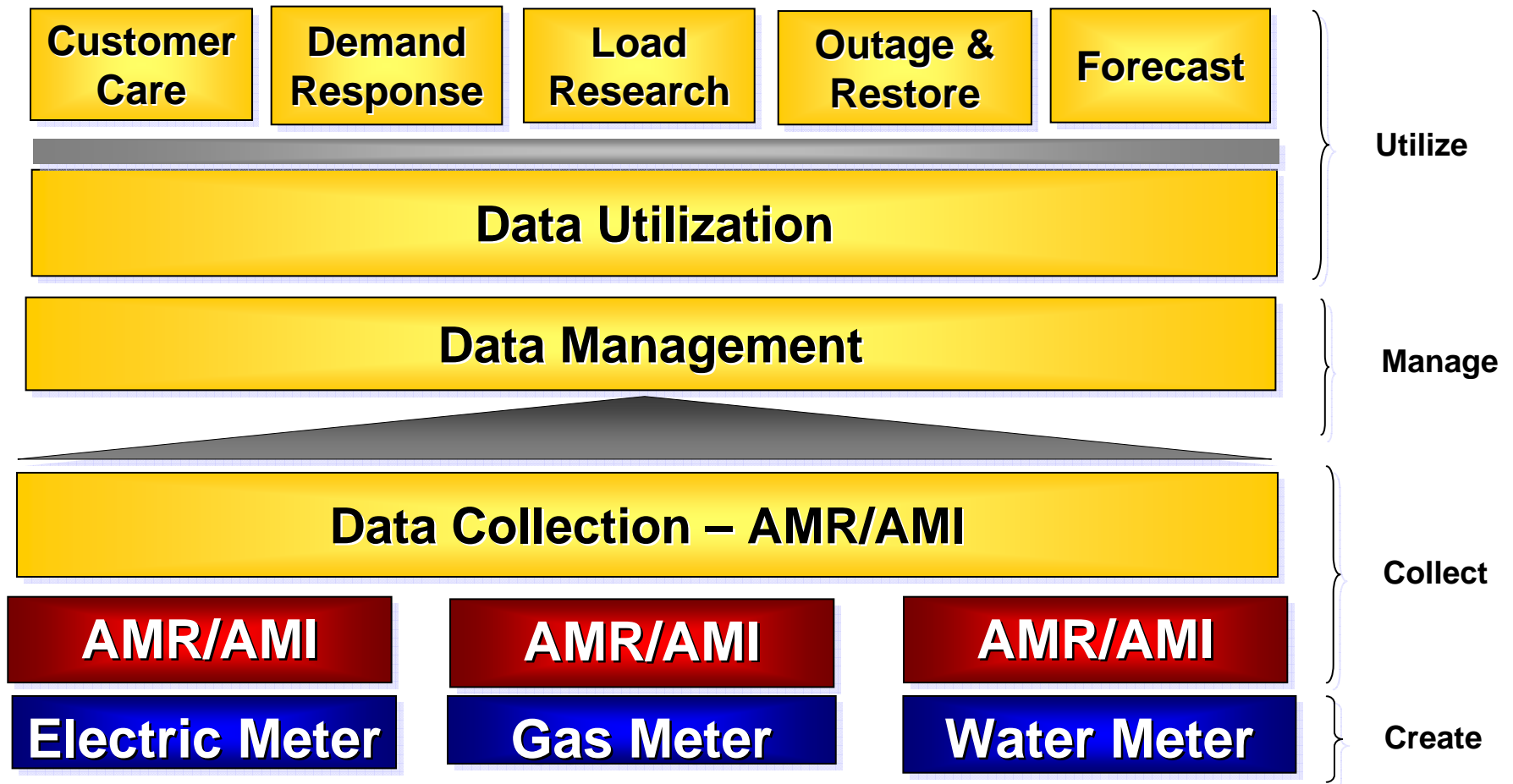
### Advanced Metering Infrastructure

- Environmental concerns and conservation reaction
- Legislation/regulation
- Avoided costs of building generation or transmission
- Efficiency gains
- Ability to shave peak load



# End-to-End Solutions Provider Across the Value Chain

Acquisition of Actaris provides global scale, full product line, installed base to leverage and established customer relationships upon which to capitalize



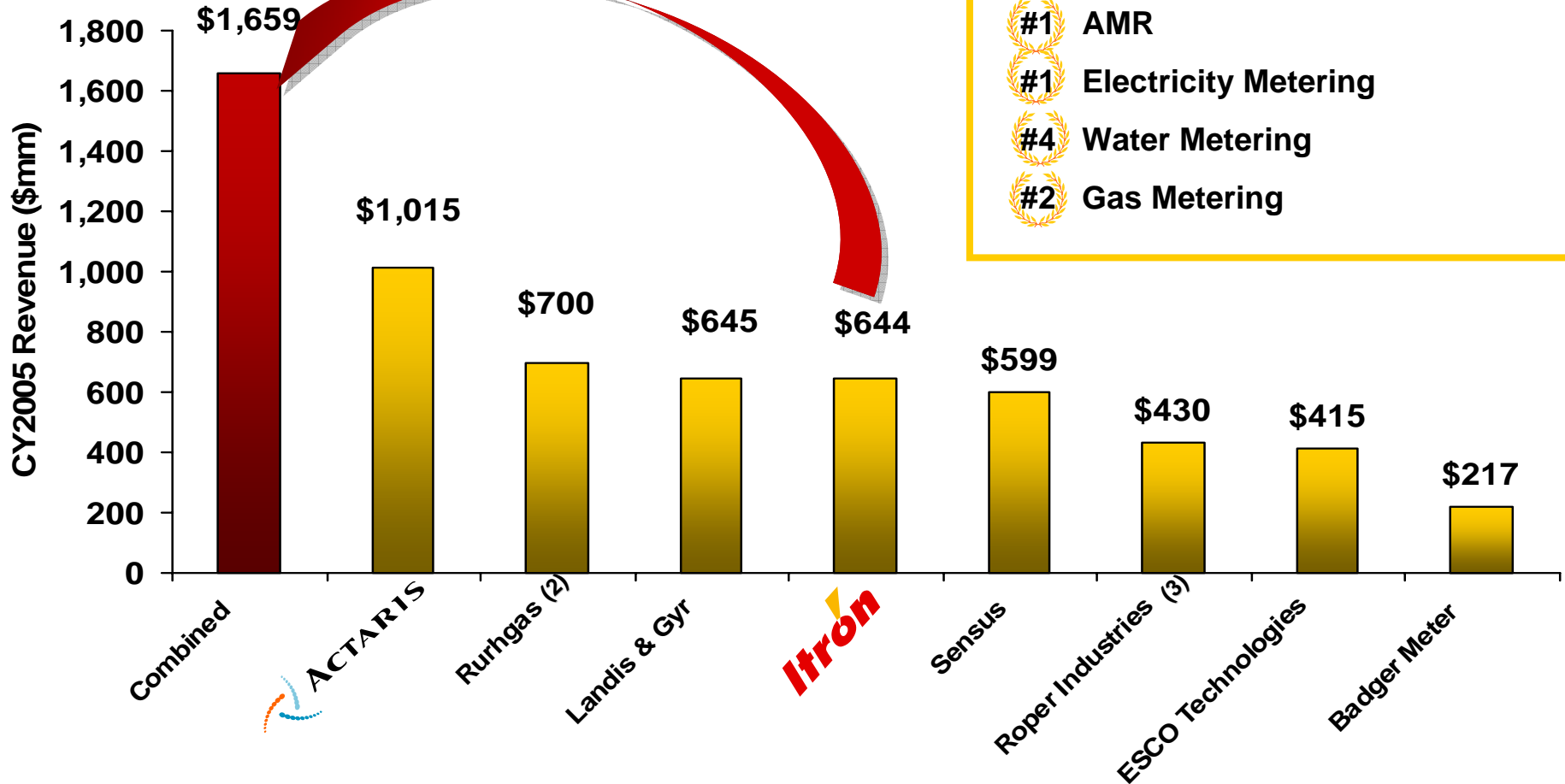


# Prominent Global Customer Base





# Transforming Itron<sup>(1)</sup>



**Enhanced Competitive Positioning**

- #1 AMR
- #1 Electricity Metering
- #4 Water Metering
- #2 Gas Metering

Source: Public filings, Company materials

(1) Assumes constant USD/EUR rate of 1.30x

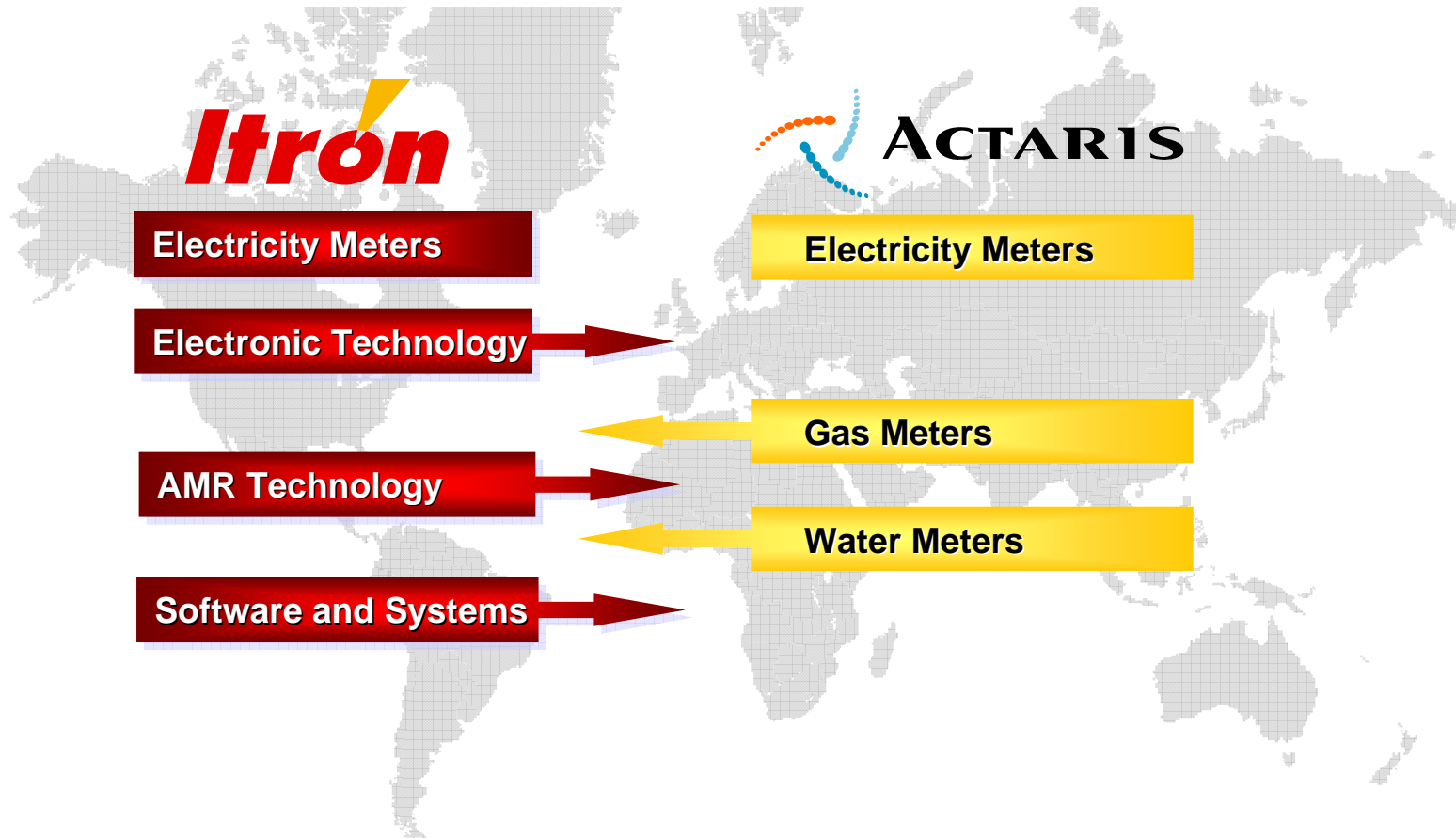
(2) Meter and AMR revenue estimate for 2006.

(3) Figure represents Industrial Technology segment only





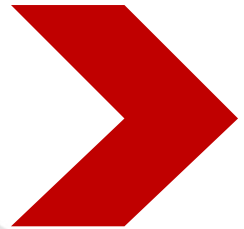
## Complementary Product Portfolios and Geographic Fit



Common Heritage – Common Vision  
Metering businesses were formerly all part of Schlumberger Metering



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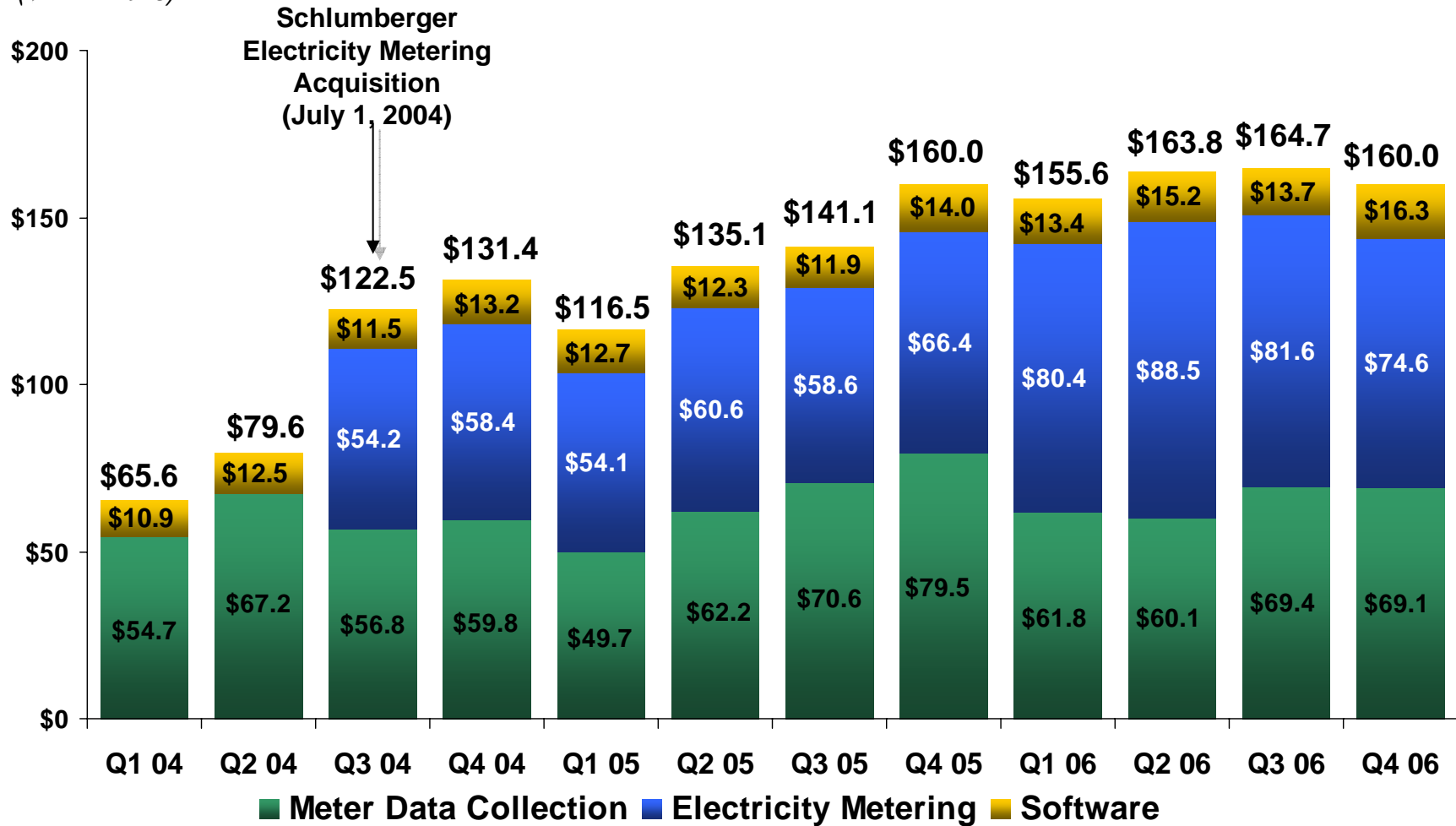
# Itron Financial Overview





# Consistent Revenue Growth Profile

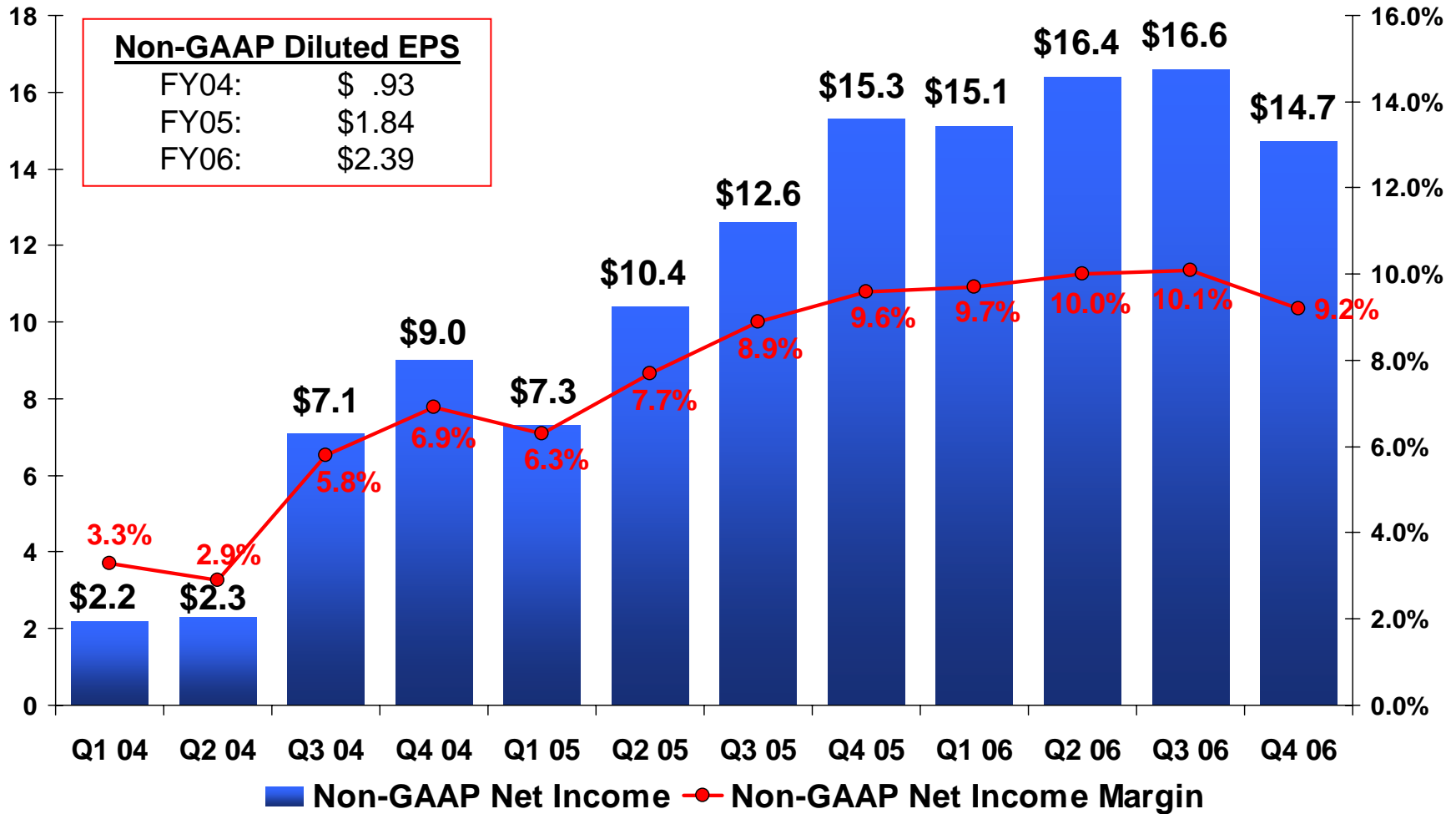
(\$ in millions)





# Track Record of Profitability

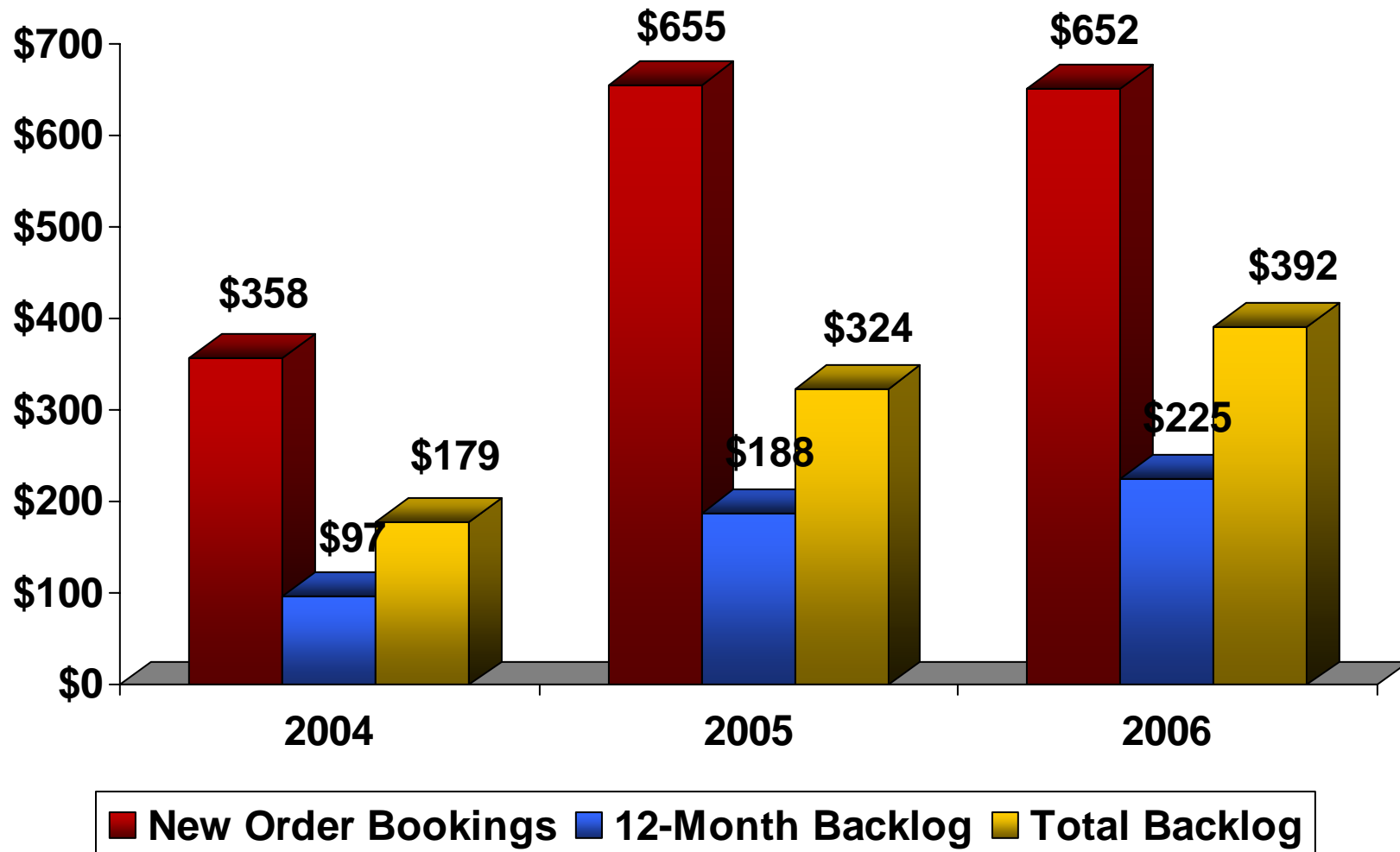
(\$ in millions)



Non-GAAP Diluted EPS	
FY04:	\$ .93
FY05:	\$1.84
FY06:	\$2.39

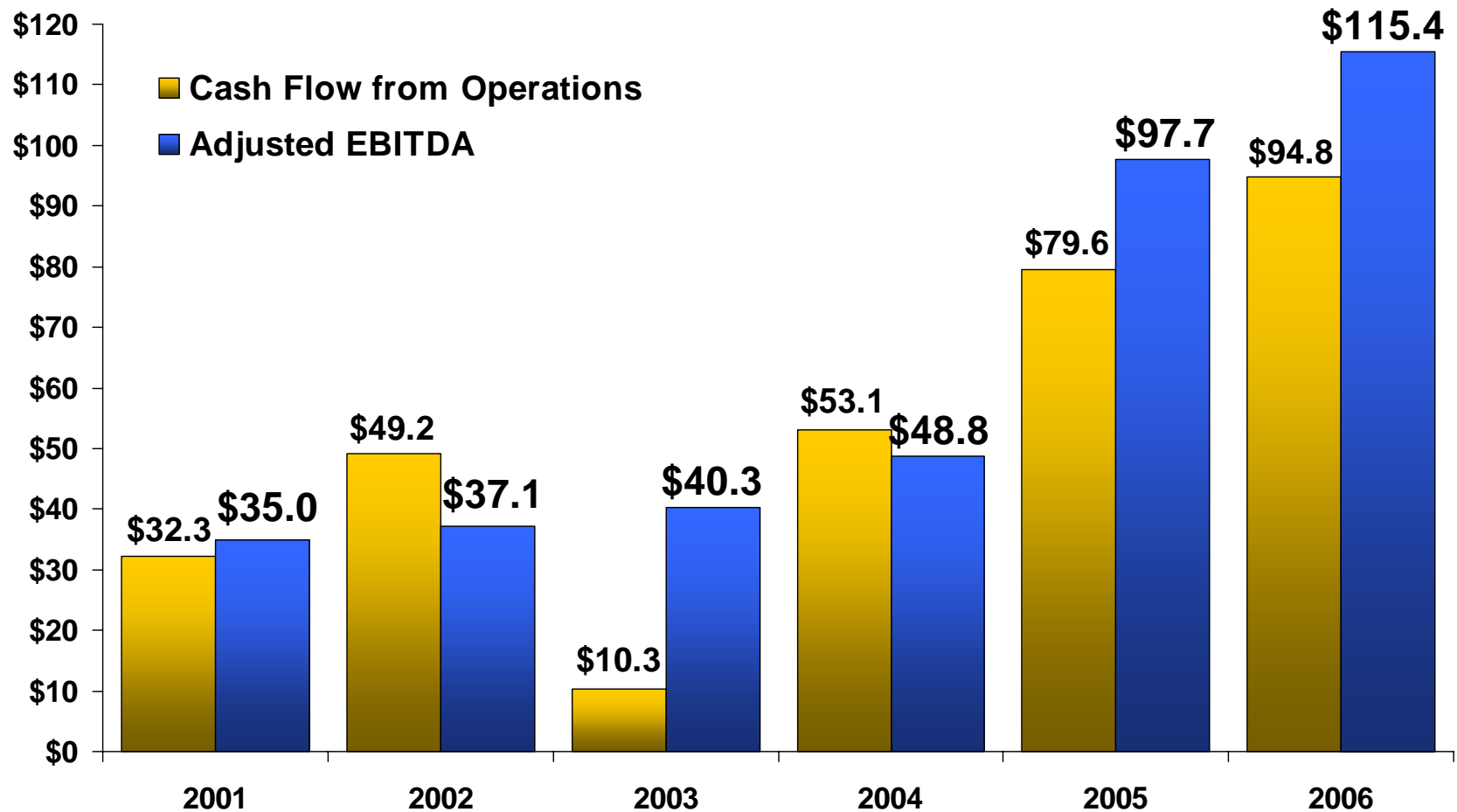


## Revenue Visibility





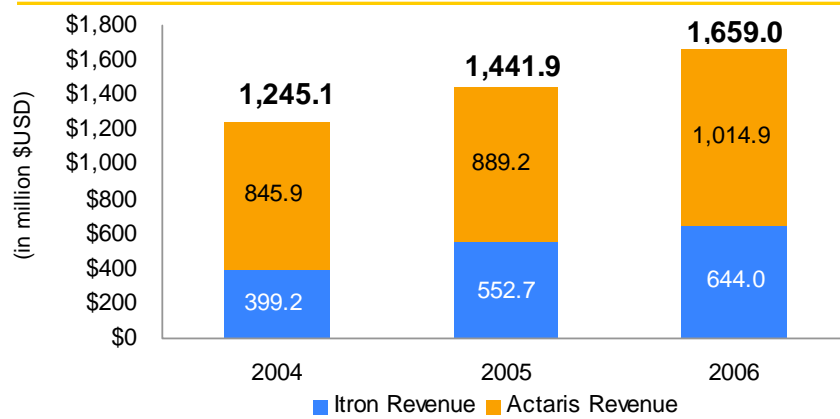
## Strong Cash Flow Generation



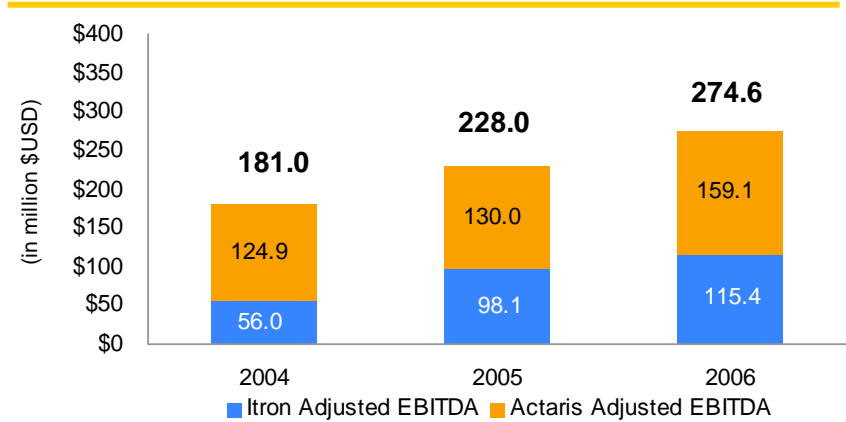


# Combined Historical Financial Performance

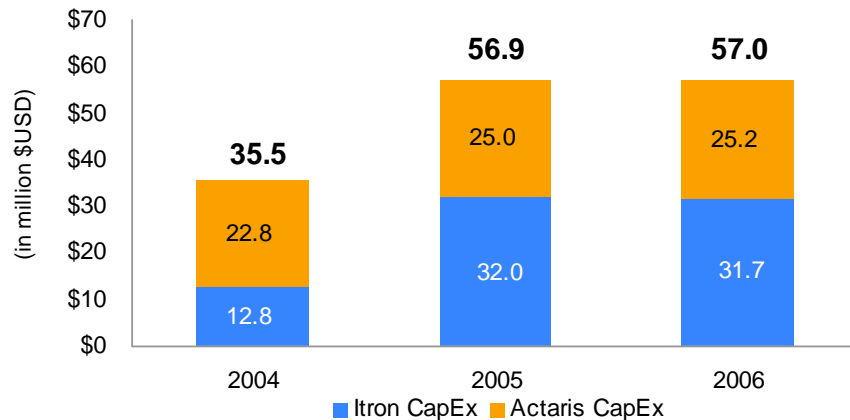
### Revenue



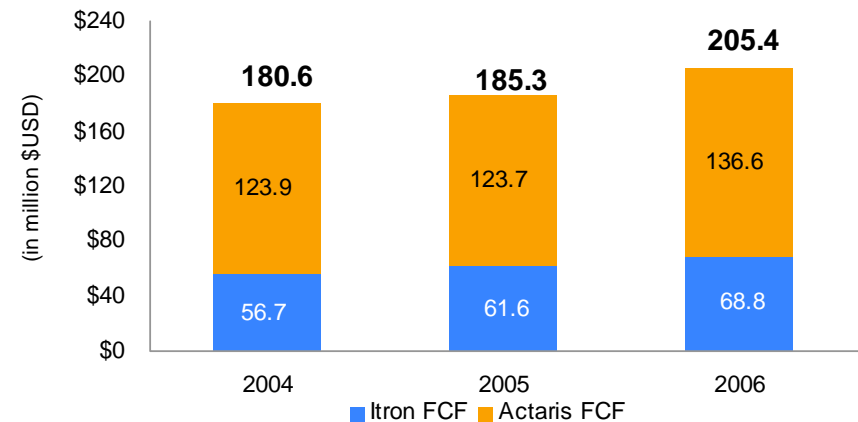
### Adjusted EBITDA



### CapEx



### Unlevered FCF<sup>(1)</sup>



Note:

1) Defined as Adjusted EBITDA less changes in working capital less capital expenditures



## Transaction Sources and Uses (1)

(in millions)

<b>Consideration (2)</b>		<b>Sources</b>	
Purchase Price	\$ 1,040	Equity Issuance	\$ 225
Refinance Actaris Debt	\$ 574	Cash on Hand	\$ 325
Fees	\$ 43	Committed Term Loan From UBS	\$ 1,107
<b>Total Uses</b>	<b>\$ 1,657</b>	<b>Total Sources</b>	<b>\$ 1,657</b>

### Credit Statistics

Total Debt	\$ 1,576
Total Debt/EBITDA	5.8x
EBITDA/Interest Expense	2.8x
(EBITDA-CapEx)/Interest Expense	2.2x

(1) Assumes constant USD/EUR rate of 1.30x

(2) Includes preliminary transaction fees and expenses





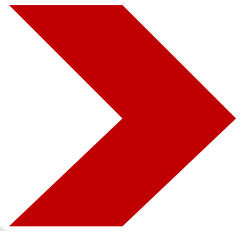
## Strong Financial Position

	<u>2004</u>	<u>2005</u>	<u>2006</u>	Itron and Actaris Pro forma 2006 <sup>(1)</sup>
<b>Total Debt</b>	<b>\$ 278</b>	<b>\$ 167</b>	<b>\$ 469</b>	<b>\$ 1,576</b>
<b>Cash and S-T Investments</b>	<b>\$ 12</b>	<b>\$ 34</b>	<b>\$ 396</b>	<b>\$ 100</b>
<b>Net Debt</b>	<b>\$ 266</b>	<b>\$ 133</b>	<b>\$ 73</b>	<b>\$ 1,476</b>
<b>Shareholder's Equity</b>	<b>\$ 184</b>	<b>\$ 318</b>	<b>\$ 391</b>	<b>\$ 626</b>
<b>Total Capitalization</b>	<b>\$ 462</b>	<b>\$ 485</b>	<b>\$ 860</b>	<b>\$ 2,202</b>
<b>Total Debt/Capitalization</b>	<b>60%</b>	<b>34%</b>	<b>55%</b>	<b>72%</b>
<b>Net Debt/Capitalization</b>	<b>58%</b>	<b>27%</b>	<b>8%</b>	<b>67%</b>
<b>Debt/Adjusted EBTIDA</b>	<b>4.0x</b>	<b>1.7x</b>	<b>4.1x</b>	<b>5.8x</b>

(1) Assumes constant USD/EUR rate of 1.30x and assumes that debt for Actaris' acquisition was placed and the equity reflects equity offering completed March 1, 2007.



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## Appendix





## Itron Non-GAAP Reconciliation

<i>(US\$mm)</i>	2003	2004	2005	2006 <sup>(1)</sup>
<b>Itron US GAAP Net Income</b>	<b>10.5</b>	<b>(5.3)</b>	<b>33.1</b>	<b>33.8</b>
Income Tax Provision	7.4	(4.1)	(5.5)	18.5
Interest Income	(0.2)	(0.2)	(0.3)	(9.5)
Interest Expense	2.6	13.1	18.9	17.8
Other Income	1.3	0.4	0.1	1.2
<b>Itron US GAAP Operating Income</b>	<b>21.7</b>	<b>4.0</b>	<b>46.2</b>	<b>61.7</b>
Amortization	9.6	27.9	38.8	31.1
Stock Based Compensation	—	—	—	8.6
Litigation Accrual	0.5	—	—	—
In-process R&D	0.9	6.4	—	—
Restructurings	2.2	7.3	0.4	—
<b>Itron Non-GAAP Operating Income</b>	<b>34.9</b>	<b>45.5</b>	<b>85.5</b>	<b>101.5</b>
Depreciation	9.4	10.9	12.7	15.1
Other Income	(1.3)	(0.4)	(0.1)	(1.2)
<b>Itron Adjusted EBITDA</b>	<b>43.0</b>	<b>56.0</b>	<b>98.1</b>	<b>115.4</b>

(1) Unaudited



## 2006 Pro Forma Reconciliation

	Actaris EUR	Actaris USD	Itron	Pro Forma
Revenue	€ 780,737	\$ 1,014,958	\$ 644,042	\$ 1,659,000
Adjusted EBITDA:				
GAAP net income	€ 39,629	\$ 51,518	\$ 33,759	\$ 85,277
Interest income	(303)	(394)	(9,497)	(9,891)
Interest expense	36,129	46,968	17,785	64,753
Income tax provision (benefit)	17,187	22,343	18,476	40,819
Depreciation and amortization	26,323	34,220	46,234	80,454
Non-cash stock based compensation expense	-	-	8,646	8,646
Restructuring costs	3,125	4,062	-	4,062
Adjusted EBITDA	€ 122,091	\$ 158,718	\$ 115,403	\$ 274,121

(1) Assumes constant USD/EUR rate of 1.30x

(2) Results unaudited and in thousands

(3) Actaris results not prepared in accordance with US GAAP and not all adjustments to US GAAP have been made



## Trended Pro Forma

	2003	2004	2005	2006
<b>Revenue</b>				
Itron	\$ 317	\$ 399	\$ 553	\$ 644
Actaris	821	846	889	1,015
Combined	\$ 1,138	\$ 1,245	\$ 1,442	\$ 1,659
<b>Gross Profit</b>				
Itron	\$ 144	\$ 171	\$ 234	\$ 267
Actaris	247	253	265	303
Combined	\$ 391	\$ 424	\$ 499	\$ 570
%	34%	34%	35%	34%
<b>Adjusted EBITDA</b>				
Itron	\$ 43	\$ 56	\$ 98	\$ 115
Actaris	115	123	125	159
Combined	\$ 158	\$ 179	\$ 223	\$ 274
%	14%	14%	15%	17%

- (1) Assumes constant USD/EUR rate of 1.30x
- (2) Results unaudited and in millions
- (3) Actaris results not prepared in accordance with US GAAP and not all adjustments to US GAAP have been made



## Actaris Accounting Methodology

- Actaris accounting methods differ from US GAAP in the following ways:
  - > **Accounting (2004):** Actaris has applied a 100% fair value application rather than a 97% fair value according to US GAAP standards. If US GAAP had been used, the goodwill and paid-in-capital would decrease by approximately €7.6mm
  - > **Date of Acquisition (2004 & 2005):** The sales and purchase agreement to acquire Actaris was signed on June 12, 2003 with a record dated of July 24, 2003. However, management has accounted for the transaction as of January 1, 2003
  - > **Fair Value of Machinery & Equipment (2004):** Actaris has deemed that the historical cost of Machinery and Equipment approximates its fair value. US GAAP requires that fair value be the market value of such Machinery and Equipment at time of the acquisition
  - > **Contingent Liabilities (2004 & 2005):** Actaris accounted for contingencies relating to acquired assets as accruals. Under US GAAP these contingencies would not have been recognized. The corresponding reserves have resulted in an increase in goodwill
  - > **Convertible bonds (2005):** Convertible bonds exclusively held by the shareholders are presented as a component of Shareholders' equity. US GAAP would present these as liabilities