

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

April 17, 2003

(Date of Report)

ITRON, INC.

(Exact Name of Registrant as Specified in Charter)

Washington

000-22418

91-1011792

(State or Other Jurisdiction
of Incorporation)

(Commission File No.)

(IRS Employer
Identification No.)

2818 N. Sullivan Road, Spokane, WA 99216

(Address of Principal Executive Offices, including Zip Code)

(509) 924-9900

(Registrant's Telephone Number, Including Area Code)

None

(Former Name or Former Address, if Changed Since Last Report)

Item 7. Financial Statements and Exhibits. The following item is
attached as an exhibit hereto:

(c) Exhibits.

Exhibit No. 99.1 Press Release dated April 17, 2003

Item 9. Regulation FD Disclosure (Information provided pursuant to Item 12)

On April 17, 2003, Itron, Inc. issued a press release regarding
its financial results for its fiscal 2003 first quarter, ended March 31, 2003. A
copy of this press release is attached as Exhibit 99.1.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ITRON, INC.

Dated: April 17, 2003

By: /s/ DAVID G. REMINGTON

David G. Remington
Vice President and Chief Financial Officer

Itron Posts Strong First Quarter 2003 Results;
Q1 Revenues Up 20% From 2002 To \$74.6 Million

SPOKANE, Wash.--(BUSINESS WIRE)--April 17, 2003--Itron, Inc. (Nasdaq:ITRI), today reported its financial results for the quarter ended March 31, 2003.

First quarter revenues of \$74.6 million were 20% higher than first quarter 2002 revenues. Approximately half of the year over year growth came from four acquisitions completed in the last twelve months. First quarter 2003 results include approximately 27 days worth of operations for Silicon Energy, which Itron acquired on March 4, 2003, as well as certain costs related to the acquisition. Also included are the results of three other acquisitions in the past year, two of which closed on October 1, 2002, and one that closed March 12, 2002.

- Hardware sales were approximately 72% of first quarter 2003 revenues compared with 66% in 2002.
- Software license sales were slightly higher in the first quarter of 2003 compared with 2002, due primarily to two installations of Itron's transmission and distribution software, which Itron began selling with the acquisition of LineSoft in March 2002.
- In addition, consulting services revenue increased slightly in the 2003 quarter while installation and service revenues were lower.

On a GAAP basis, Itron had net income of \$2.9 million in the first quarter of 2003, or 14 cents per diluted share, compared with a net loss of \$3.0 million in the first quarter of 2002, or (18) cents per diluted share.

Pro forma net income for the first quarter of 2003 was \$6.3 million, or 29 cents per diluted share, compared with \$4.6 million, or 24 cents per diluted share, in the first quarter of 2002. A schedule reconciling income between GAAP and pro forma is attached to this release. Pro forma results in 2003 exclude intangible amortization expenses of \$1.9 million, restructuring charges of \$2.2 million and in-process R&D charges of \$900,000. Pro forma results in 2002 exclude intangible asset amortization expenses of \$337,000 and in-process R&D charges of \$7.4 million.

"With strong first quarter results like these, we are off to a good start in 2003," commented LeRoy Nosbaum, chairman and CEO. "Our results for the first quarter were better than we had expected coming into the quarter, partially as a result of two new orders during the quarter from large utilities for AMR deployments. In addition, distributor sales in our Water and Public Power business unit were stronger than we had forecast."

Gross margin for the first quarter of 2003 was 49%, slightly higher than fourth quarter 2002 gross margin of 48% and represents a new quarterly high. On a comparative basis, gross margin was 44% in the first quarter of 2002. Gross margin improved from the prior quarter due to a more favorable mix of hardware product and higher software license sales. Those same factors, along with less installation revenues in the first quarter of this year, resulted in the improvement in first quarter gross margin in 2003 compared with 2002.

Sales and marketing, product development and general and administrative expenses combined were \$26.4 million in the first quarter of 2003, or 35% of revenues compared with \$19.0 million, or 31% of revenues in the first quarter of 2002. Increases in sales and marketing, product development and general and administrative expenses were primarily driven by the four acquisitions completed in the last twelve months as well as increased headcount. In addition, general and administrative expenses in 2003 reflect higher defense costs related to the Benghiat patent litigation, and increased IT spending.

We recorded a restructuring charge of \$2.2 million in the first quarter of 2003, primarily related to a reorganization of our Energy Information Solutions (EIS) product group in Raleigh, NC to enable more of a focus on the utility and large energy user sector, with a reduced focus on custom data collection software for regional transmission organizations and other wholesale energy market participants. By comparison, there were no restructuring related charges in the first quarter of 2002.

We completed the acquisition of Silicon Energy, a provider of enterprise energy management software and services to utilities and large energy users, on March 4, 2003 for approximately \$71.2 million. Itron financed a portion of the purchase price with a \$50 million term bank loan, with a current floating interest rate of approximately 3.8%

per year, payable over three years. In connection with the acquisition, we recorded approximately \$41.3 million of goodwill and \$16.3 million of intangible assets, after the write-off of approximately \$900,000 of in-process R&D. The majority of the acquired intangible assets will be amortized within approximately three years. These amounts are preliminary estimates based on independent valuations, which are being finalized, and which are subject to adjustments based on review by our outside auditors.

Intangible asset amortization expense was \$1.9 million in the first quarter of 2003, compared with \$337,000 in the first quarter of 2002, the increase resulting from amortization of acquisition related intangible assets. In-process R&D charges were \$900,000 in the first quarter of 2003, related to the Silicon Energy acquisition, compared with \$7.4 million in the first quarter of 2002 related to an acquisition in that quarter.

Net interest expense for the first quarter of 2003 of \$287,000 included approximately one month of interest expense for the term bank debt related to the Silicon Energy acquisition. First quarter 2002 net interest expense of \$971,000 included interest expense for \$53.2 million in subordinated debt, which was converted to common stock during the second quarter of 2002.

Additional highlights for the first quarter include:

- Operating cash flow for the first quarter was \$6.4 million in 2003, compared with \$6.7 million in 2002.
- New order bookings were \$60 million during the quarter compared with \$38 million in the first quarter of 2002.
 - Included in 2003 bookings was an order from one of the largest electric and gas utilities in the U.S. for an initial AMR deployment of approximately 100,000 endpoints.
 - Also included in 2003 bookings is an order from an existing AMR customer, another large electric and gas utility, to deploy Itron's AMR technology on an additional 500,000 endpoints, approximately half of which will be supplied directly by Itron.
- Total backlog, which represents the value of undelivered contractual orders, excluding annual maintenance, joint pole use and engineering services contracts, was \$203 million at March 31, 2003, up from \$197 million at December 31, 2002. Twelve-month backlog represents the portion of backlog that will be earned over the next twelve months and was \$102 million at March 31, 2003, compared with \$100 million last quarter.

Business Outlook:

The following statements are based on management's current expectations. These statements are forward-looking and are made as of the date of this press release. Actual results may differ materially due to a number of risks and uncertainties. Itron undertakes no obligation to update publicly or revise any forward-looking statements.

The Company's guidance for the full year 2003 remains unchanged, with revenues expected to be between \$330 to \$340 million, and pro forma EPS expected to be between \$1.20 and \$1.25. Second quarter expectations are for revenues between \$75 and \$80 million, with proforma EPS of 24 to 28 cents. Pro forma results for the year and quarter exclude restructuring charges, intangible asset amortization, and in-process R&D.

Nosbaum commented that, despite such a strong first quarter, the Company was leaving its guidance for the year unchanged. "While it is a rare event, we did have one large order get rescheduled late in the quarter from a 12 month to an 18 month installation, which will push about \$8 million in revenues out of 2003 to 2004. However, we are still on track for a good year in 2003, despite a weak overall economy and a tough environment for many of our customers."

Use of Pro Forma Financial Information:

To supplement our consolidated financial statements presented in accordance with GAAP, Itron uses pro forma measures of operating results, net income and earnings per share. Pro forma results are adjusted from GAAP-based results to exclude certain costs, expenses and expense reversals that we believe are not indicative of our core operating results. Pro forma results are one of the primary indicators management uses for evaluating historical results and for planning and

forecasting future periods. We believe the pro forma results provide useful information to investors in terms of enhancing their overall understanding of our current financial performance as well as our future prospects. We have historically provided pro forma results and believe the inclusion of them provides investors with consistency in our financial reporting. Pro forma results should be viewed in addition to, and not in lieu of, GAAP results.

Forward Looking Statements:

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 and signing of orders for the Company's products, rescheduling of current customer orders, the ability of the Company to effectuate additional initiatives for improving growth and profitability, the inability to predict the outcome of appeals or any negotiation efforts associated with the Benghiat litigation including the uncertainty as to whether the court will award enhanced damages or future royalties, estimating costs associated with litigation defense, 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 10-K for the year ended December 31, 2002 on file with the Securities and Exchange Commission. Itron undertakes no obligation to update publicly or revise any forward-looking statements.

Earnings Conference Call:

Itron will host a conference call to discuss the financial results for the quarter at 1:45 p.m. Pacific Time on April 17, 2003. The call will be webcast live in a listen only mode, and later archived. The call will be hosted by CCBN. The webcast will be accessible online at www.itron.com, "About Itron - Investor Events." Investors may also listen to the call through CCBN's investor centers at www.companyboardroom.com or www.streetevents.com. The live webcast will begin at 1:45 p.m. (PT) and webcast replays will begin shortly after the conclusion of the call and will be available for approximately 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 800/428-6051 (Domestic) or 973/709-2089 (International), and entering passcode #289508.

About Itron:

Itron is a leading technology provider and critical source of knowledge to the global energy and water industries. More than 2,800 utilities worldwide rely on Itron technology to deliver the knowledge they require to optimize the delivery and use of energy and water. Itron delivers value to its clients by providing industry-leading solutions for meter data collection, energy information management, demand side management and response, load forecasting, analysis and consulting services, transmission and distribution system design and optimization, Web-based workforce automation, commercial and industrial customer care and residential energy management.

Statements of operations, reconciliation between reported and pro forma income and EPS, balance sheets and segment information follow.

ITRON, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited, \$ in thousands, except per share data)

	Three Months Ended March 31,	
	2003	2002
Revenues	-----	-----
Sales	\$63,917	\$50,186
Service	10,728	11,889
Total revenues	74,645	62,075
Cost of revenues	-----	-----

Sales	29,861	25,543
Service	7,922	9,245
	-----	-----
Total cost of revenues	37,783	34,788
	-----	-----
Gross profit	36,862	27,287
Operating expenses		
Sales and marketing	8,437	6,659
Product development	10,158	7,507
General and administrative	7,773	4,859
Amortization of intangibles	1,888	337
Restructurings	2,165	-
In-process research and development	900	7,400
	-----	-----
Total operating expenses	31,321	26,762
	-----	-----
Operating income	5,541	525
Other income (expense)		
Equity in affiliates	22	(4)
Interest income	169	321
Interest expense	(456)	(1,292)
Other income	25	138
	-----	-----
Total other expense	(240)	(837)
	-----	-----
Income (loss) before income taxes	5,301	(312)
Income tax provision	(2,385)	(2,658)
	-----	-----
Net income (loss)	\$2,916	\$(2,970)
	-----	-----
Earnings per share		
Basic net income (loss) per share	\$0.14	\$(0.18)
	-----	-----
Diluted net income (loss) per share	\$0.14	\$(0.18)
	-----	-----
Weighted average number of shares outstanding		
Basic	20,239	16,510
Diluted	21,428	16,510

ITRON, INC.

RECONCILIATION BETWEEN GAAP AND PRO FORMA INCOME AND EPS

(Unaudited, \$ in thousands, except per share data)

	Three Months Ended	
	March 31,	
	2003	2002
	-----	-----
PRO FORMA NET INCOME		
GAAP Income (loss) before income taxes	\$5,301	\$(312)
Adjustments to net income		
Amortization of intangible assets	1,888	337
Restructuring	2,165	-
In-process research and development	900	7,400
	-----	-----
Total adjustments	4,953	7,737
Adjusted income before income taxes	10,254	7,425
Income tax provision	(3,944)	(2,785)
	-----	-----
Pro forma net income	\$6,310	\$4,640
	-----	-----
PRO FORMA EARNINGS PER SHARE		
Basic		
Weighted average number of basic shares outstanding	20,239	16,510
Basic pro forma net income per share	\$0.31	\$0.28
	-----	-----
Diluted		
Weighted average number of basic shares outstanding	20,239	16,510
Employee stock option shares	1,189	1,892
Convertible debt shares	0	3,166
	-----	-----
Weighted average number of diluted shares		

outstanding	21,428	21,568
Pro forma net income	\$6,310	\$4,640
Interest on convertible debt, net of taxes	-	562
Adjusted pro forma net income	\$6,310	\$5,202
Diluted pro forma net income per share	\$0.29	\$0.24

ITRON, INC.
SEGMENT INFORMATION

(Unaudited, \$ in thousands)	Three Months Ended March 31,	
	2003	2002
Revenues		
Electric	\$39,203	\$30,773
Natural Gas	14,505	10,374
Water and Public Power	18,103	17,429
International	2,716	3,499
C&I End User	118	-
Total revenues	\$74,645	\$62,075
Gross profit		
Electric	\$20,595	\$14,191
Natural Gas	9,141	5,685
Water and Public Power	7,766	6,869
International	(93)	1,411
C&I End User	17	-
Corporate	(564)	(869)
Total gross profit	\$36,862	\$27,287
Operating income (loss)		
Electric	\$17,994	\$12,375
Natural Gas	8,386	5,186
Water and Public Power	6,529	5,916
International	(1,787)	(401)
C&I End User	(185)	-
Corporate	(25,396)	(22,551)
Total operating income	\$5,541	\$525

ITRON, INC.
CONSOLIDATED BALANCE SHEETS

(Unaudited, \$ in thousands)	March 31, 2003	Dec. 31, 2002
ASSETS		
Current assets		
Cash and cash equivalents	\$12,863	\$32,564
Accounts receivable, net	49,795	57,571
Inventories	16,015	15,660
Deferred income taxes	5,248	5,927
Other	5,741	2,770
Total current assets	89,662	114,492
Property, plant and equipment, net	31,824	30,168
Equipment used in outsourcing, net	11,345	11,589
Intangible assets, net	32,998	18,305
Goodwill	85,920	44,187
Deferred income taxes, net	40,678	24,050
Other	4,771	4,455
Total assets	\$297,198	\$247,246

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities		
Accounts payable and accrued expenses	\$26,531	\$25,526
Wages and benefits payable	12,117	18,259
Accrued litigation	7,400	7,400
Current portion of long-term debt	17,376	691

Deferred revenue	12,056	11,580
	-----	-----
Total current liabilities	75,480	63,456
Long-term debt	33,333	-
Project financing	4,583	4,762
Warranty and other obligations	18,014	17,427
	-----	-----
Total liabilities	131,410	85,645
	-----	-----
Shareholders' equity		
Common stock	196,415	195,546
Preferred stock	-	-
Accumulated other comprehensive income (loss)	122	(280)
Accumulated deficit	(30,749)	(33,665)
	-----	-----
Total shareholders' equity	165,788	161,601
	-----	-----
Total liabilities and shareholders' equity	\$297,198	\$247,246
	-----	-----

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