

UNITED STATES
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

June 30, 2006

Date of Report (Date of Earliest Event Reported)

ITRON, INC.

(Exact Name of Registrant as Specified in its Charter)

Washington

000-22418

91-1011792

(State or Other Jurisdiction
of Incorporation)

(Commission File No.)

(IRS Employer
Identification No.)

2818 N. Sullivan Road, Spokane Valley, WA 99216

(Address of Principal Executive Offices, Zip Code)

(509) 924-9900

(Registrant's Telephone Number, Including Area Code)

None

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition.

On July 26, 2006, Itron, Inc. issued a press release announcing the financial results for the three and six months ending June 30, 2006. A copy of this press release and accompanying financial statements are attached as Exhibit 99.1.

Item 9.01 Financial Statements and Exhibits.

(c) Exhibits.

The following exhibit is filed as part of this report:

Exhibit
Number

Description

99.1 Press Release dated July 26, 2006.

The information presented in this Current Report on Form 8-K may contain forward-looking statements and certain assumptions upon which such forward-looking statements are in part based. Numerous important factors, including those factors identified in Itron, Inc.'s Annual Report on Form 10-K and other of the Company's filings with the Securities and Exchange Commission, and the fact that the assumptions set forth in this Current Report on Form 8-K could prove incorrect, could cause actual results to differ materially from those contained in such forward-looking statements.

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, hereunto duly authorized.

ITRON, INC.

Dated: July 26, 2006

By: /s/ STEVEN M. HELMBRECHT

Steven M. Helmbrecht
Sr. Vice President and Chief Financial Officer

EXHIBIT INDEX

Exhibit
Number

Description

99.1

Press release dated July 26, 2006.

Itron Announces Record Second Quarter Results

SPOKANE, Wash.--(BUSINESS WIRE)--July 26, 2006--Itron, Inc. (NASDAQ:ITRI), today reported financial results for its second quarter ended June 30, 2006. Highlights of the results include:

- Record quarter and year-to-date revenues of \$163.8 million and \$319.4 million;
- Automated Meter Reading (AMR) unit shipments in 2006 up 40% for the quarter and 58% year-to-date over 2005;
- GAAP diluted EPS of 39 cents and 66 cents for the quarter and year-to-date in 2006 vs. 38 cents and 43 cents for the same periods in 2005;
- Pro forma diluted EPS of 62 cents for the quarter and \$1.20 year-to-date, an increase of 48% and 60% over the same periods in 2005;
- Cash flow from operations of \$56.8 million for the first six months of 2006, up from \$36.6 million last year;
- New order bookings of \$313 million year-to-date in 2006, up 6% over 2005.

"We are excited about our results for both the quarter and six month periods," said LeRoy Nosbaum, Chairman and CEO. "Our operating groups' results are strong and once again we have achieved a record level of revenue and earnings, giving us confidence that our 2006 expectations are on track and that we are executing well on our business plans for the year. The economic drivers for Itron solutions remain strong and we are pleased with the level of industry-wide activity."

Revenues for the second quarter of 2006 were \$163.8 million, 21% higher than second quarter 2005 revenues of \$135.1 million. Revenues for the six months ended June 30, 2006 were \$319.4 million, which reflects a 27% increase over revenues of \$251.6 million in the first six months of 2005. The increased revenues in 2006 were primarily due to higher shipments of Itron AMR technology.

- We shipped more than 2.3 million meters and modules with Itron AMR technology during the quarter compared with 1.7 million in the second quarter of 2005, a 40% increase. For the six month period ended June 30, 2006 we shipped over 4.7 million meters and modules with Itron AMR technology compared to 3.0 million during the same period last year, which reflects a 58% increase year over year.
- Meter Data Collection (MDC) segment revenues of \$60.1 million in the quarter were down slightly from \$62.2 million in the second quarter of 2005. Year-to-date 2006 MDC revenues of \$121.9 million were 9% higher than the \$111.9 million year-to-date in 2005. Lower volumes of stand alone electric AMR modules were offset by increased shipments of gas AMR modules in 2006. Sales of stand alone electric AMR modules have decreased in 2006 as customers are purchasing new Itron electricity meters with embedded AMR technology. Revenues for this embedded AMR technology are reflected in Electricity Metering revenue.
- Electricity Metering segment revenues were a record \$88.5 million in the quarter compared with \$60.6 million in the second quarter of 2005. For the six months ended June 30, Electricity Metering revenues were \$168.8 million in 2006 compared with \$114.7 million in 2005. The 46% and 47% respective increases in revenues were primarily driven by shipments of electricity meters with embedded AMR to Progress Energy. The Progress Energy contract, which calls for delivery of 2.7 million electricity meters with embedded AMR over approximately 15 months, was signed in the third quarter of 2005.
- Software revenues were \$15.2 million during the second quarter or 24% higher than \$12.3 million in the comparable quarter of 2005. For the six months ended June 30, 2006, Software revenues of \$28.7 million were 15% higher than 2005 revenues of \$25.0 million. Software revenues have increased in 2006 primarily due to increased software license sales for a broad

mix of products.

New order bookings for the quarter and year-to-date periods in 2006 were \$107 million and \$313 million, compared with \$177 million and \$294 million in 2005. Twelve month backlog, which represents the portion of backlog that will be earned over the next twelve months, was \$225 million at June 30, 2006, compared with \$151 million one year ago. Total backlog was \$351 million at June 30, 2006, down 9% from the record backlog of \$387 million at March 31, 2006, but up 44% from \$243 million one year ago.

Total company gross margins were 42% for the second quarter of 2006 and 2005 and 43% for the year-to-date periods in 2006 and 2005. Fluctuations in Hardware Solutions Operating Group gross margins in 2006, compared with 2005, were primarily due to changes in the mix of product sold and manufacturing volumes. Software Solutions gross margins increased in 2006, compared with 2005, due to a higher mix of software licenses.

Pro forma operating income, which excludes intangible asset amortization expenses in both 2006 and 2005, restructuring charges in 2005 and SFAS 123(R) stock option compensation expense in 2006, was \$27.1 million and \$55.2 million, or 16.5% and 17.3% respectively of revenues for the three and six months ended June 30, 2006. Pro forma operating income in the second quarter and first six months of 2005 was \$20.0 million and \$35.9 million respectively, or 14.8% and 14.3% of revenues. The improved operating margin in 2006 reflects lower operating expenses as a percentage of revenues in almost all operating expense areas.

GAAP net income was \$10.2 million, or 39 cents per diluted share, for the current quarter, compared with net income of \$9.3 million, or 38 cents per diluted share, for the second quarter of 2005. For the six months ended June 30, 2006, GAAP net income was \$17.3 million, or 66 cents per diluted share, compared with \$10.1 million, or 43 cents per diluted share for the same period in 2005. GAAP net income in the three and six month periods in 2005 included a \$5.9 million tax benefit for additional research and development (R&D) credits for the years 1997 through 2004.

On January 1, 2006, the Company adopted Statement of Financial Accounting Standard No. 123(R), Share-Based Payment (SFAS 123 (R)), which requires the expensing of share-based compensation. Total stock-based compensation in the quarter and year to date periods was \$2.1 million and \$4.1 million respectively, of which \$1.8 million and \$3.6 million was due to the adoption of SFAS 123(R) for our stock options.

Pro forma net income was \$16.4 million, or 62 cents per diluted share, for the current quarter and \$31.5 million, or \$1.20 per diluted share, for the six months ended June 30, 2006, compared with \$10.4 million, or 42 cents per diluted share, in the second quarter of 2005 and \$17.6 million or 75 cents per diluted share for the six months ended June 30, 2005. Pro forma net income excludes intangible asset and debt fee amortization expenses in 2005 and 2006, restructuring charges and the benefit of R&D tax credits in 2005 and SFAS 123(R) stock option compensation expenses in 2006.

During the first six months of 2006 we prepaid in full our variable-rate term loan and a variable-rate real estate term loan, which had balances at December 31, 2005 of \$24.7 million and \$14.8 million, respectively. Additionally we prepaid in full \$3.2 million in project financing debt. Interest expense for the three and six months ended June 30, 2006 decreased \$3.8 million and \$2.6 million compared with the same periods in 2005 due to the lower debt levels in 2006.

We generated \$56.8 million of cash from operations during the first six months of 2006 compared with \$36.6 million in 2005. Capital expenditures were \$14.4 million in the first six months of 2006 compared with \$5.3 million in the first six months of 2005. The increase this year is primarily related to an enterprise software upgrade and capital improvements associated with our new headquarters building.

EBITDA (earnings before interest, income taxes, depreciation and amortization) was \$28.8 million in the current quarter and \$58.3 million in the first six months of 2006, compared with \$23.9 million and \$42.8 million in the comparable periods of 2005. Adjusted EBITDA, which excludes the effect of non-cash stock option compensation expense in 2006, was \$30.6 million for the three months and \$61.9 million for the six months ended June 30, 2006.

Forward Looking Statements:

This release contains forward-looking statements concerning our expectations about our operations, financial performance, sales, earnings and cash flow. These statements reflect our current plans and expectations and are based on information currently available. They rely on a number of assumptions and estimates, which could be

inaccurate, and which are subject to risks and uncertainties that could cause our actual results to vary materially from those anticipated. Risks and uncertainties include the rate and timing of customer demand for the Company's products, rescheduling of current customer orders, changes in estimated liabilities for product warranties, changes in laws and regulations, our dependence on new product development and intellectual property, future acquisitions, changes in estimates for stock based compensation and other factors which are more fully described in our Annual Report on Form 10-K for the year ended December 31, 2005 on file with the Securities and Exchange Commission. Itron undertakes no obligation to update publicly or revise any forward-looking statements, including our business outlook.

Business Outlook:

The outlook information provided below and elsewhere in this release is based on information available today and Itron assumes no obligation to update it. Our future performance involves risks and uncertainties.

For the full year 2006, we expect:

- Revenues between \$625 and \$635 million.
- GAAP net income between \$31 and \$33 million.
- Pro forma net income between \$59 and \$61 million, excluding approximately \$9 million of pre-tax stock option compensation expenses and approximately \$34 million of pre-tax intangible asset and debt fee amortization expenses.
- Pro forma EPS between \$2.25 and \$2.30 per diluted share, which is based on an estimated 26.4 million in diluted shares.
- Adjusted EBITDA, which excludes \$9 million of stock option compensation expenses, between \$118 and \$120 million.

Use of Non-GAAP Financial Information:

To supplement our consolidated financial statements presented in accordance with GAAP, we use certain non-GAAP financial measures, including pro forma operating income, pro forma net income and EPS, and EBITDA and Adjusted EBITDA. Management believes these non-GAAP financial measures provide useful information to both management and investors by excluding certain expenses, gains and losses that may not be indicative of our core results and provides for consistency in our financial reporting. We provide these non-GAAP financial measures because we believe they provide greater transparency with respect to supplemental information used by management in its financial and operational decision making. Specifically, these non-GAAP financial measures are provided to enhance investors' overall understanding of our current financial performance and our future anticipated performance. Non-GAAP performance measures should be considered in addition to, and not as a substitute for, results prepared in accordance with GAAP. Finally, our non-GAAP financial measures may be different from those reported by other companies. Reconciliations between GAAP and non-GAAP financial measures are included in this press release.

Earnings Conference Call:

Itron will host a conference call to discuss the financial results contained in this release at 1:45 p.m. (PDT) on July 26, 2006. The call will be webcast in a listen only mode and can be accessed online at www.itron.com, "About Itron - Investor Events." The live webcast will begin at 1:45 p.m. (PDT). The webcast replay will begin shortly after the conclusion of the live call and will be available for 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 888-203-1112 (Domestic) or 719-457-0820 (International), entering passcode #3682406.

About Itron:

Itron is a leading technology provider and critical source of knowledge to the global energy and water industries. Nearly 3,000 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 electricity metering, 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. To know more, start here: www.itron.com.

Statements of operations, reconciliations between GAAP and non-GAAP results, segment information, balance sheets and cash flows follow.

ITRON, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited, in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Revenues				
Sales	\$151,977	\$122,811	\$294,911	\$227,013
Service	11,833	12,312	24,452	24,580
Total revenues	163,810	135,123	319,363	251,593
Cost of revenues				
Sales	88,118	70,810	169,960	130,009
Service	6,660	7,574	13,597	13,847
Total cost of revenues	94,778	78,384	183,557	143,856
Gross profit	69,032	56,739	135,806	107,737
Operating expenses				
Sales and marketing	16,321	13,529	31,802	26,768
Product development	14,920	11,414	27,790	23,328
General and administrative	12,519	11,770	24,641	21,736
Amortization of intangible assets	7,612	9,715	14,925	19,431
Restructurings	-	-	-	390
Total operating expenses	51,372	46,428	99,158	91,653
Operating income	17,660	10,311	36,648	16,084
Other income (expense)				
Interest income	360	94	722	98
Interest expense	(2,585)	(6,385)	(8,331)	(10,952)
Other income (expense), net	(241)	454	(689)	555
Total other income (expense)	(2,466)	(5,837)	(8,298)	(10,299)
Income before income taxes	15,194	4,474	28,350	5,785
Income tax (provision) benefit	(4,990)	4,839	(11,077)	4,345
Net income	\$ 10,204	\$ 9,313	\$ 17,273	\$ 10,130
Earnings per share				
Basic net income per share	\$ 0.40	\$ 0.41	\$ 0.68	\$ 0.46
Diluted net income per share	\$ 0.39	\$ 0.38	\$ 0.66	\$ 0.43
Weighted average number of shares outstanding				
Basic	25,415	22,811	25,237	22,135
Diluted	26,360	24,416	26,216	23,677

(Unaudited, in thousands, except per share data)

	Three Months Ended June 30, 2006		
	Reported	Pro Forma Entries	Pro Forma
Revenues	\$ 163,810	\$ -	\$ 163,810
Cost of revenues	94,778	(275)(a)	94,503
Gross profit	69,032	275	69,307
Operating expenses	51,372	(1,538)(a) (7,612)(b)	42,222
Operating income	17,660	9,425	27,085
Other income (expense)	(2,466)	301 (d)	(2,165)
Income before income taxes	15,194	9,726	24,920
Income tax (provision) benefit	(4,990)	(3,552)(e)	(8,542)
Net income	\$ 10,204	\$ 6,174	\$ 16,378
Earnings per share			
Basic net income per share	\$ 0.40		\$ 0.64
Diluted net income per share	\$ 0.39		\$ 0.62
Weighted average number of shares outstanding			
Basic	25,415		25,415
Diluted	26,360		26,360

	Three Months Ended June 30, 2005		
	Reported	Pro Forma Entries	Pro Forma
Revenues	\$ 135,123	\$ -	\$ 135,123
Cost of revenues	78,384	-	78,384
Gross profit	56,739	-	56,739
Operating expenses	46,428	(9,715)(b)	36,713
Operating income	10,311	9,715	20,026
Other income (expense)	(5,837)	2,302 (d)	(3,535)
Income before income taxes	4,474	12,017	16,491
Income tax (provision) benefit	4,839	(10,975)(e)	(6,136)
Net income	\$ 9,313	\$ 1,042	\$ 10,355
Earnings per share			
Basic net income per share	\$ 0.41		\$ 0.45
Diluted net income per share	\$ 0.38		\$ 0.42
Weighted average number of shares outstanding			
Basic	22,811		22,811
Diluted	24,416		24,416

Six Months Ended June 30, 2006

	Reported	Pro Forma Entries	Pro Forma
Revenues	\$ 319,363	\$ -	\$ 319,363
Cost of revenues	183,557	(526)(a)	183,031
Gross profit	135,806	526	136,332
Operating expenses	99,158	(3,101)(a) (14,925)(b)	81,132
Operating income	36,648	18,552	55,200
Other income (expense)	(8,298)	3,036 (d)	(5,262)
Income before income taxes	28,350	21,588	49,938
Income tax (provision) benefit	(11,077)	(7,400)(e)	(18,477)
Net income	\$ 17,273	\$ 14,188	\$ 31,461
Earnings per share			
Basic net income per share	\$ 0.68		\$ 1.25
Diluted net income per share	\$ 0.66		\$ 1.20
Weighted average number of shares outstanding			
Basic	25,237		25,237
Diluted	26,216		26,216

Six Months Ended June 30, 2005

	Reported	Pro Forma Entries	Pro Forma
Revenues	\$ 251,593	\$ -	\$ 251,593
Cost of revenues	143,856	-	143,856
Gross profit	107,737	-	107,737
Operating expenses	91,653	(19,431)(b) (390)(c)	71,832
Operating income	16,084	19,821	35,905
Other income (expense)	(10,299)	2,978 (d)	(7,321)
Income before income taxes	5,785	22,799	28,584
Income tax (provision) benefit	4,345	(15,284)(e)	(10,939)
Net income	\$ 10,130	\$ 7,515	\$ 17,645
Earnings per share			
Basic net income per share	\$ 0.46		\$ 0.80
Diluted net income per share	\$ 0.43		\$ 0.75
Weighted average number of shares outstanding			
Basic	22,135		22,135
Diluted	23,677		23,677

Pro Forma Adjustments

- (a) Non-cash stock option compensation expense.
(b) Amortization of intangible assets.

- (c) Restructurings.
(d) Debt fee amortization.
(e) Income taxes associated with pro forma entries.

ITRON, INC.
SEGMENT INFORMATION

(Unaudited, in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Revenues				
Hardware Solutions				
Meter Data Collection	\$ 60,110	\$ 62,192	\$121,861	\$111,868
Electricity Metering	88,467	60,622	168,845	114,728
Total Hardware Solutions	148,577	122,814	290,706	226,596
Software Solutions	15,233	12,309	28,657	24,997
Total Company	\$163,810	\$135,123	\$319,363	\$251,593

Gross profit				
Hardware Solutions				
Meter Data Collection	\$ 25,464	\$ 27,288	\$ 54,167	\$ 48,332
Electricity Metering	37,017	24,710	68,926	48,987
Total Hardware Solutions	62,481	51,998	123,093	97,319
Software Solutions	6,551	4,741	12,713	10,418
Total Company	\$ 69,032	\$ 56,739	\$135,806	\$107,737

Operating income (loss)				
Hardware Solutions				
Meter Data Collection	\$ 19,658	\$ 21,917	\$ 42,791	\$ 37,945
Electricity Metering	33,199	20,437	61,774	40,326
Other unallocated costs	(9,706)	(6,184)	(18,433)	(12,205)
Total Hardware Solutions	43,151	36,170	86,132	66,066
Software Solutions	(3,335)	(2,922)	(5,824)	(5,574)
Corporate unallocated	(22,156)	(22,937)	(43,660)	(44,408)
Total Company	\$ 17,660	\$ 10,311	\$ 36,648	\$ 16,084

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Supplemental Information (Units in thousands)				
Unit Shipments by Segment				
Meter Data Collection				
AMR standalone modules	1,000	1,125	2,075	1,900
Licensed AMR (other vendors' meters)	50	125	175	300
Electricity Metering				
Total meters	1,850	1,125	3,575	2,200
With Itron AMR	1,300	425	2,500	800
With other AMR	225	225	375	425
(1) Total units with Itron AMR	2,350	1,675	4,750	3,000
Growth in total Itron AMR shipments	40%		58%	

(1) Includes Itron AMR standalone modules, Itron meters with Itron AMR and other vendors' electronic electricity meters with Itron AMR.

ITRON, INC.
CONSOLIDATED BALANCE SHEETS

(Unaudited, in thousands)	June 30, 2006	December 31, 2005
	-----	-----
ASSETS		
Current assets		
Cash and cash equivalents	\$ 46,587	\$ 33,638
Accounts receivable, net	89,046	104,428
Inventories	59,979	49,456
Deferred income taxes, net	20,627	23,194
Other	23,598	10,941
	-----	-----
Total current assets	239,837	221,657
Property, plant and equipment, net		
Intangible assets, net	75,475	77,623
Goodwill	118,161	123,293
Deferred income taxes, net	119,504	116,032
Other	52,330	48,955
	-----	-----
Total assets	\$ 613,971	\$ 598,884
	-----	-----
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued expenses	\$ 49,418	\$ 46,215
Wages and benefits payable	20,058	23,732
Current portion of debt	-	4,376
Current portion of warranty	7,927	8,497
Unearned revenue	26,376	22,758
	-----	-----
Total current liabilities	103,779	105,578
Long-term debt		
Project financing debt	124,274	160,186
Warranty	-	2,367
Contingent purchase price	9,027	6,779
Other obligations	5,882	-
	-----	-----
Total liabilities	250,889	281,350
Shareholders' equity		
Preferred stock	-	-
Common stock	339,640	312,046
Accumulated other comprehensive income, net	1,552	871
Retained earnings	21,890	4,617
	-----	-----
Total shareholders' equity	363,082	317,534
	-----	-----
Total liabilities and shareholders' equity	\$ 613,971	\$ 598,884
	-----	-----

ITRON, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited, in thousands)	Six Months Ended June 30,	
	2006	2005
	-----	-----
Operating activities		
Net income	\$ 17,273	\$ 10,130
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	22,291	26,124
Employee stock plans income tax benefits	11,686	7,047
Excess tax benefits from stock-based compensation	(8,371)	-
Stock-based compensation	4,096	220
Amortization of prepaid debt fees	3,155	3,048
Deferred income taxes, net	(953)	(12,380)
Other, net	435	828

Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	18,038	4,324
Inventories	(9,575)	(892)
Accounts payable and accrued expenses	1,142	2,179
Wages and benefits payable	(3,623)	2,696
Unearned revenue	4,230	(4,110)
Warranty	1,678	(181)
Other long-term obligations	(181)	(644)
Other, net	(4,550)	(1,800)
	-----	-----
Net cash provided by operating activities	56,771	36,589
Investing activities		
Acquisition of property, plant and equipment	(14,420)	(5,276)
Proceeds from the sale of property, plant and equipment	109	2,642
Proceeds from the sale of an investment in affiliate	1,000	-
Business acquisitions, net of cash and cash equivalents acquired	(7,778)	-
Other, net	335	478
	-----	-----
Net cash used in investing activities	(20,754)	(2,156)
Financing activities		
Payments on debt	(42,703)	(108,178)
Issuance of common stock	11,326	72,318
Excess tax benefits from stock-based compensation	8,371	-
Prepaid debt fees	(62)	(267)
Other, net	-	28
	-----	-----
Net cash used in financing activities	(23,068)	(36,099)
Increase (decrease) in cash and cash equivalents	12,949	(1,666)
Cash and cash equivalents at beginning of period	33,638	11,624
	-----	-----
Cash and cash equivalents at end of period	\$ 46,587	\$ 9,958
	-----	-----
Non-cash transactions:		
Fixed assets purchased but not yet paid	\$ 3,103	\$ -

ITRON, INC.

RECONCILIATIONS BETWEEN GAAP NET INCOME, EBITDA AND ADJUSTED EBITDA

(Unaudited, in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
	-----	-----	-----	-----
GAAP net income	\$10,204	\$ 9,313	\$17,273	\$10,130
Adjustments to GAAP net income				
Interest income	(360)	(94)	(722)	(98)
Interest expense	2,585	6,385	8,331	10,952
Income tax provision (benefit)	4,990	(4,839)	11,077	(4,345)
Depreciation and amortization	11,353	13,144	22,291	26,124
	-----	-----	-----	-----
Total adjustments	18,568	14,596	40,977	32,633
EBITDA	\$28,772	\$23,909	\$58,250	\$42,763
	-----	-----	-----	-----
Non-cash stock option compensation expense	1,813	-	3,627	-
	-----	-----	-----	-----
ADJUSTED EBITDA	\$30,585	\$23,909	\$61,877	\$42,763
	-----	-----	-----	-----

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