

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 8-K

CURRENT REPORT

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

July 19, 2004

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(Date of Report)

ITRON, INC.

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(Exact Name of Registrant as Specified in Charter)

Washington

000-22418

91-1011792

-----  
(State or Other Jurisdiction  
of Incorporation)

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(Commission File No.)

-----  
(IRS Employer  
Identification No.)

2818 N. Sullivan Road, Spokane, WA 99216

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(Address of Principal Executive Offices, including Zip Code)

(509) 924-9900

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(Registrant's Telephone Number, Including Area Code)

None

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(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 July 19, 2004

Item 12. Results of Operations and Financial Condition.

On July 19, 2004, Itron, Inc. issued a press release announcing the financial results for the second quarter ending June 30, 2004. A copy of this press release and accompanying financial statements are 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, hereunto duly authorized.

ITRON, INC.

Dated: July 19, 2004

By: /s/ DAVID G. REMINGTON

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David G. Remington  
Vice President and Chief Financial Officer

## Itron Reports Financial Results for Second Quarter 2004

SPOKANE, Wash.--(BUSINESS WIRE)--July 19, 2004--Itron, Inc. (Nasdaq:ITRI), today reported its financial results for the quarter ended June 30, 2004.

In January 2004, we began to implement an organizational change which resulted in a change in our segment reporting from four primary market facing business units, Electric, Natural Gas, Water & Public Power and International, to two operating groups, Hardware Solutions and Software Solutions. Segment information in this press release is based on the new segment reporting structure. Previous segment information has been restated to conform to the current organizational presentation. In addition, in the process of implementing the organizational change, we reviewed the classification of expenses related to certain activities and as a result, certain amounts in 2003 and the first quarter of 2004 have been reclassified to conform to the current period presentation.

On July 1, 2004, we closed the acquisition of Schlumberger's electricity metering products division (SEM) for a purchase price of \$248 million. We used proceeds from a new \$240 million senior secured credit facility and \$125 million in senior subordinated notes to finance the acquisition, pay related fees and expenses, and repay approximately \$50.2 million of outstanding debt under our existing credit facility. The \$125 million of senior subordinated notes was closed into escrow in early May and is reflected as long-term restricted cash on our balance sheet at June 30, 2004. Our results for the second quarter include approximately two months of net interest expense related to that debt as well as certain miscellaneous expenses associated with the acquisition and integration. We will begin to report combined operating results effective with our third quarter 2004 financial results.

Second quarter revenues were \$79.6 million compared with \$80.3 million in the second quarter of 2003. Hardware Solutions revenues decreased \$1.9 million in 2004 compared to 2003 due to lower handheld meter reading revenues offset by higher shipments of automatic meter reading (AMR) hardware and increased revenues for AMR installation and implementation services. Software Solutions revenues increased \$1.3 million in 2004 due to higher software license revenues along with related implementation and consulting services.

Year-to-date 2004 revenues were \$145.2 million compared with \$154.9 million in the first six months of 2003, with the lower revenues this year primarily related to lower handheld meter reading system revenues.

While revenues in 2004 declined for the quarter and year-to-date periods, new order bookings increased. New order bookings for the quarter were \$66 million compared with \$41 million in the second quarter of 2003. New order bookings in the first six months of 2004 were \$132 million, 30% higher than in the first six months of 2003. Total backlog at June 30, 2004 was \$153 million compared with \$155 million last quarter and \$173 million a year ago. Twelve-month backlog, which represents the portion of backlog that will be earned over the next twelve months, was \$76 million at June 30, 2004, compared with \$79 million at March 31, 2004 and June 30, 2003.

Earnings in the second quarter of 2004 were impacted by unusual non-operating expenses, including \$1.3 million of net interest expense associated with debt financing for the SEM acquisition and a \$775,000 write-off of the Company's remaining minority investment in Lanthorn Technologies.

On a GAAP basis, Itron had net income of \$818,000 in the quarter, compared with \$4.2 million in the second quarter of 2003. Year-to-date GAAP net income was \$80,000 compared with \$7.1 million in 2003.

Pro forma net income for the second quarter was \$2.1 million, or 10 cents per diluted share, compared with \$6.1 million, or 28 cents per diluted share in the second quarter of 2003. Year-to-date pro forma net income was \$4.1 million, or 19 cents per diluted share, compared with \$12.4 million, or 57 cents per diluted share in 2003. Pro forma earnings exclude intangible amortization expenses, restructuring charges and in-process R&D charges. A schedule reconciling income between GAAP and pro forma is attached to this release.

Gross margin for the quarter and year-to-date period in 2004 was 46% compared with 49% in the second quarter and year-to-date period in 2003. The decrease in gross margin in 2004 primarily reflects a mix shift in hardware, including the mix of AMR units, sales through indirect channels and handheld systems. Revenues through indirect channels were approximately 22% of year-to-date revenues in 2004 compared with 18% in 2003.

Cash used by operations was \$6.8 million for the quarter. Accounts receivable increased \$14.3 million in the quarter due to the timing of sales late in June and was the primary use of cash. Year-to-date cash flow from operations was \$7.2 million in 2004 compared with \$9.3 million in 2003.

Short-term borrowings were \$21 million at June 30, 2004, up from \$5 million at March 31, 2004. Approximately \$8.8 million of quarter-end borrowings were related to pre-funding of various items for the SEM acquisition and pre-acquisition costs. At June 30, 2004 we had approximately \$128.3 million of restricted cash and had outstanding \$124.1 million of discounted senior subordinated notes related to the SEM acquisition which closed the next day.

"We close the first half of the year delighted to have finally completed the acquisition of Schlumberger Electricity Metering," said LeRoy Nosbaum, chairman and CEO. "On the other hand, we are not pleased with our financial

results in the first two quarters. The utility industry in general and large electric and gas utilities specifically, continue to be in the doldrums. Despite the presence of justifiable business cases, larger AMR projects have not moved forward at the pace we had expected due to numerous other issues at our customers ranging from financial to organizational.

"Accordingly, we have lowered our outlook for AMR revenues for the remainder of the year to reflect further delays in large orders from some of the investor-owned utilities with whom we are working. Fortunately, the acquisition of our new electricity metering business provides nice revenue and earnings growth on top of what appears to be a relatively flat year for our historic business."

#### Business Outlook:

For the last six months of 2004, we expect revenues to be between \$265 and \$270 million, compared with \$162 million in revenues for Itron in the last six months of 2003. We expect pro forma net income for the last six months of 2004 to be between \$15.5 and \$16.5 million, or 70 to 75 cents per diluted share, compared with \$6.8 million, or 31 cents per diluted share for Itron in the last six months of 2003.

#### Use of Pro Forma Financial Information:

To supplement our consolidated financial statements presented in accordance with GAAP, we use 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.

#### Earnings Conference Call:

Itron will host a conference call to discuss the financial results for the quarter at 1:45 p.m. PT on July 19, 2004. The call will be webcast in a listen only mode by Thomson/CCBN and can be accessed online at [www.itron.com](http://www.itron.com), "About Itron - Investor Events." Investors may also listen to the live call through Thomson's StreetEvents Network at [www.fulldisclosure.com](http://www.fulldisclosure.com) or [www.streetevents.com](http://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 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), and entering passcode #351152.

#### Forward Looking Statements:

This release contains forward-looking statements concerning Itron's operations, economic 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, potential disruptions in operations associated with integrating the SEM acquisition, rescheduling of current customer orders, changes in estimated liabilities for product warranties, changes in laws and regulations, and other factors which are more fully described in our Annual Report on Form 10-K for the year ended December 31, 2003 and Form 10-Q for the quarter ended March 31, 2004 on file with the Securities and Exchange Commission. Itron undertakes no obligation to update publicly or revise any forward-looking statements.

#### About Itron:

Itron is a leading technology provider and critical source of knowledge to the global energy and water industries. More than 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](http://www.itron.com).

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 June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Revenues				
Sales	\$ 68,015	\$69,941	\$123,031	\$133,858
Service	11,627	10,323	22,213	21,051
Total revenues	79,642	80,264	145,244	154,909
Cost of revenues				
Sales	36,608	33,629	65,831	63,490
Service	6,776	7,281	13,283	15,203
Total cost of revenues	43,384	40,910	79,114	78,693
Gross profit	36,258	39,354	66,130	76,216
Operating expenses				
Sales and marketing	10,272	10,959	19,926	20,289
Product development	10,554	11,042	20,776	20,933
General and administrative	8,652	6,730	15,278	13,877
Amortization of intangibles	2,027	2,765	4,054	4,653
Restructurings	52	43	2,434	2,208
In-process research and development	-	-	-	900
Total operating expenses	31,557	31,539	62,468	62,860
Operating income	4,701	7,815	3,662	13,356
Other income (expense)				
Equity in affiliates	8	30	-	52
Interest income	111	28	128	197
Interest expense	(2,261)	(929)	(3,015)	(1,385)
Other income (expense), net	(1,009)	(61)	(735)	(36)
Total other income (expense)	(3,151)	(932)	(3,622)	(1,172)
Income before income taxes	1,550	6,883	40	12,184
Income tax benefit (provision)	(732)	(2,710)	40	(5,095)
Net income	\$ 818	\$ 4,173	\$ 80	\$ 7,089
Earnings per share				
Basic net income per share	\$ 0.04	\$ 0.20	\$ 0.00	\$ 0.35
Diluted net income per share	\$ 0.04	\$ 0.19	\$ 0.00	\$ 0.33
Weighted average number of shares outstanding				
Basic	20,845	20,372	20,750	20,306
Diluted	22,111	21,765	21,987	21,603

ITRON, INC.  
RECONCILIATION BETWEEN GAAP AND PRO FORMA INCOME AND EPS

(Unaudited, in thousands, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
PRO FORMA NET INCOME				
GAAP basis income before income taxes	\$ 1,550	\$ 6,883	\$ 40	\$12,184
Adjustments to net income				
Amortization of intangibles	2,027	2,765	4,054	4,653
Restructurings	52	43	2,434	2,208

In-process research and development	-	-	-	900
Total adjustments	2,079	2,808	6,488	7,761
Adjusted income before income taxes	3,629	9,691	6,528	19,945
Income tax provision	(1,510)	(3,623)	(2,432)	(7,567)
Pro forma net income	\$ 2,119	\$ 6,068	\$ 4,096	\$12,378

PRO FORMA EARNINGS PER SHARE

Basic				
Weighted average number of basic shares outstanding	20,845	20,372	20,750	20,306
Basic pro forma net income per share	\$ 0.10	\$ 0.30	\$ 0.20	\$ 0.61
Diluted				
Weighted average number of basic shares outstanding	20,845	20,372	20,750	20,306
Employee stock option shares	1,266	1,393	1,237	1,297
Weighted average number of diluted shares outstanding	22,111	21,765	21,987	21,603
Pro forma net income	\$ 2,119	\$ 6,068	\$ 4,096	\$12,378
Diluted pro forma net income per share	\$ 0.10	\$ 0.28	\$ 0.19	\$ 0.57

ITRON, INC.  
SEGMENT INFORMATION

(Unaudited, in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Revenues				
Hardware Solutions	\$ 70,177	\$ 72,069	\$128,466	\$137,865
Software Solutions	9,465	8,195	16,778	17,044
Total Company	\$ 79,642	\$ 80,264	\$145,244	\$154,909
Gross profit				
Hardware Solutions	\$ 32,484	\$ 37,101	\$ 60,495	\$ 71,058
Software Solutions	3,774	2,253	5,635	5,158
Total Company	\$ 36,258	\$ 39,354	\$ 66,130	\$ 76,216
Operating income (loss)				
Hardware Solutions	\$ 24,033	\$ 28,344	\$ 44,310	\$ 54,410
Software Solutions	(1,737)	(3,591)	(5,984)	(8,792)
Corporate unallocated	(17,595)	(16,938)	(34,664)	(32,262)
Total Company	\$ 4,701	\$ 7,815	\$ 3,662	\$ 13,356

ITRON, INC.  
CONSOLIDATED BALANCE SHEETS

(Unaudited, in thousands)	June 30, 2004	December 31, 2003
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,227	\$ 6,240
Accounts receivable, net	61,716	70,782
Inventories	20,357	16,037
Deferred income taxes, net	5,266	11,673
Other	3,854	4,557

Total current assets	93,420	109,289
Property, plant and equipment, net	44,427	42,818
Intangible assets, net	18,925	22,979
Goodwill	90,440	90,385
Restricted cash	128,310	-
Deferred income taxes, net	39,345	31,755
Other	9,988	6,263
Total assets	\$ 424,855	\$ 303,489

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities		
Accounts payable and accrued expenses	\$ 22,824	\$ 26,236
Wages and benefits payable	10,920	10,711
Short-term borrowings	21,000	10,000
Current portion of debt	17,435	38,245
Current portion of warranty	7,995	13,939
Unearned revenue	11,240	12,004
Total current liabilities	91,414	111,135
Long-term debt	136,593	-
Project financing debt	3,632	4,024
Warranty	3,768	3,536
Other obligations	7,259	7,550
Total liabilities	242,666	126,245
Shareholders' equity		
Preferred stock	-	-
Common stock	205,760	200,567
Accumulated other comprehensive loss	(464)	(136)
Accumulated deficit	(23,107)	(23,187)
Total shareholders' equity	182,189	177,244
Total liabilities and shareholders' equity	\$ 424,855	\$ 303,489

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