

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

February 14, 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, 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 February 14, 2006, Itron, Inc. issued a press release announcing the financial results for the three and twelve months ending December 31, 2005. 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 February 14, 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: February 14, 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 February 14, 2006. |

Itron Announces Record Financial Results for Fourth Quarter and Full Year 2005

SPOKANE, Wash.--(BUSINESS WIRE)--Feb. 14, 2006--Itron, Inc.
(Nasdaq:ITRI):

- Total revenues were \$552.7 million in 2005 compared with \$399.2 million in 2004.
- Full year GAAP net income was \$33.1 million, or \$1.33 per diluted share, compared to a net loss of \$5.3 million, or 25 cents per diluted share, in 2004. GAAP net income in 2005 includes \$13.9 million, or 56 cents per diluted share, of tax benefits.
- Full year pro forma net income was \$45.6 million, or \$1.84 per diluted share (excluding the tax benefits), compared to \$20.4 million, or 93 cents per diluted share, in 2004.

Itron, Inc. (Nasdaq:ITRI) today reported financial results for its fourth quarter and year ended December 31, 2005. Full year results include twelve months of Electricity Metering operations in 2005, compared with six months in 2004, as the acquisition of that business closed on July 1, 2004.

Fourth quarter 2005 revenues were \$160.0 million, 22% higher than fourth quarter 2004 revenues of \$131.4 million. For the full year, revenues were \$552.7 million in 2005, compared with \$399.2 million in 2004, with growth in 2005 reflecting a full year of Electricity Metering revenues as well as internal growth in all segments. Revenue highlights by segment for the fourth quarters and full years in 2005 and 2004 include:

Hardware

- Meter Data Collection (MDC) revenues were \$79.5 million in the quarter, compared with \$59.8 million in the fourth quarter of 2004. Year-to-date, MDC revenues were \$262.0 million compared with \$238.6 million in 2004.
- For both the quarter and full year 2005, increased shipments of gas AMR modules, increased handheld sales outside of North America and increased contract manufacturing services and royalties related to embedding our AMR technology into other vendors' solid-state meters, were partially offset by lower sales of third-party hardware. Implementation revenues were also lower for the full year 2005.
- Electricity Metering revenues in the quarter were \$66.4 million compared with \$58.4 million in the fourth quarter of 2004. Electricity Metering revenues were \$239.8 million for the full year 2005. Electricity Metering revenues were \$125.0 million in the last six months of 2005 compared to \$112.6 million for the last six months of 2004. In 2004, revenues included contract manufacturing services for a former affiliate which we phased out by the end of 2004. Excluding these manufacturing services, revenues were \$55.5 million and \$105.5 million for the fourth quarter and last six months of 2004.
- Revenues increased in the fourth quarter and last six months of 2005, compared with the same periods in 2004, primarily as a result of a large order from Progress Energy for residential meters with AMR.
- Unit shipments of Itron AMR technology increased 81% and 34% in the fourth quarter and full year 2005, compared with the same periods in 2004. Itron AMR technology includes standalone AMR modules, Itron electricity meters with embedded AMR and other vendors' electricity meters with Itron AMR. The percentage increase in AMR unit shipments is greater than the percentage increase in hardware revenues due to changes in the mix and type of AMR product and declines in average selling prices for AMR, primarily resulting from large volume purchases. Additional unit shipment information is detailed in the segment information schedule included with this release.

Software

-- Software revenues were \$14.0 million in the quarter, compared to \$13.2 million in the fourth quarter of 2004. For the full year, software revenues were \$50.9 million in 2005, compared with \$48.0 million in 2004. Revenues in 2004 included approximately \$2.8 million of revenues for transmission line design and joint use services, which we had exited as of December 31, 2004. Software licenses were 25% of revenues in 2005, compared with 20% in 2004, reflecting increased sales of meter data management and knowledge applications software along with commercial and industrial meter data collection software upgrades.

GAAP net income was \$16.9 million, or 65 cents per diluted share, for the quarter, compared with a loss of \$7.0 million, or 33 cents per diluted share, for the fourth quarter of 2004. GAAP net income for the full year 2005 was \$33.1 million, or \$1.33 per diluted share, compared with a loss of \$5.3 million, or 25 cents per diluted share, in 2004.

GAAP net income in the fourth quarter of 2005 includes approximately \$8.0 million of tax benefits associated primarily with a reorganization of legal entities that allowed us to recognize foreign subsidiary deferred tax assets from prior years. Full year 2005 GAAP net income also includes a tax benefit of \$5.9 million for the recognition of R&D tax credits related to prior year qualifying R&D expenditures.

Pro forma net income in 2005 excludes expenses for amortization of intangible assets and debt placement fees, restructurings and \$13.9 million in tax credits and benefits related to prior years' activities. Pro forma net income in 2004 excludes expenses for amortization of intangible assets and debt placement fees, restructurings and acquisition related in-process R&D.

Pro forma net income was \$15.3 million, or 59 cents per diluted share for the quarter, compared with \$9.0 million, or 40 cents per diluted share, in the fourth quarter of 2004. Year-to-date pro forma net income was \$45.6 million, or \$1.84 per diluted share, compared with \$20.4 million, or 93 cents per diluted share in 2004. Our pro forma tax rates in 2005 were 32.6% for the fourth quarter and 36.4% for the full year, compared with 39.0% and 39.8% for the fourth quarter and full year 2004. The lower tax rates in 2005 result primarily from higher estimated tax credits for R&D activities in 2005 compared to 2004.

Gross margins were 41% for the quarter and 42% for the full year 2005, compared with 42% and 43% for the same periods in 2004.

-- MDC gross margin was 40% in the quarter compared to 44% in the fourth quarter of last year. Full year MDC gross margin was 43% compared with 45% in 2004. The lower margins in 2005 result from lower average selling prices for standalone AMR modules, offset by a higher mix of gas AMR modules and handheld systems.

-- Electricity Metering gross margin was 39% during the quarter compared with 40% during the fourth quarter of 2004. For the full year 2005, Electricity Metering gross margin was 41% compared to 40% in 2004. Gross margin changes from 2004 to 2005 are primarily related to changes in the mix of meters sold and services provided.

-- Software Solutions gross margins were 47% for the quarter and 43% for the full year in 2005, compared with 42% and 37% for the same periods in 2004. The higher margins in 2005 reflect a higher mix of license and maintenance fees.

Pro forma operating income, which excludes intangible asset amortization expenses and restructurings in both 2005 and 2004 and in-process R&D in 2004, was \$25.7 million, or 16.1% of revenues for the quarter, compared with \$19.0 million, or 14.5%, in the fourth quarter of 2004, and was \$85.5 million, or 15.5%, of revenues for the full year 2005, compared with \$45.5 million, or 11.4%, in 2004. The improved operating margins in 2005 reflect higher sales of meters and AMR, lower product development spending as a percentage of revenues for Electricity Metering, as well as operating efficiency improvements.

New order bookings during the quarter were \$149 million, compared with \$128 million in the fourth quarter of 2004. New order bookings for the full year 2005 were \$655 million, surpassing the previous record of \$358 million in new orders in 2004 (2004 reflects six months of Electricity Metering new order bookings compared with twelve months in 2005).

Total backlog was \$324 million at December 31, 2005, compared with \$179 million one year ago. Twelve-month backlog, which represents the

estimated portion of backlog that is expected to be earned over the next twelve months, was \$188 million at December 31, 2005, compared with \$97 million one year ago.

We generated \$30.1 million of cash from operations during the quarter compared with \$25.5 million during the fourth quarter of 2004. Cash flow from operations was \$79.6 million for the full year 2005 compared with \$53.1 million for 2004. Net capital expenditures (Capex), were approximately \$21.7 million for the fourth quarter of 2005, of which \$19.8 million was for the purchase of a new headquarters building, and \$32.0 million for the full year. By comparison, net Capex were \$2.8 million in the fourth quarter and \$12.8 million for the full year in 2004.

EBITDA (earnings before interest, income taxes, depreciation and amortization) more than doubled in 2005. EBITDA was \$28.7 million and \$97.7 million for the fourth quarter and full year 2005 compared with \$12.7 million and \$42.4 million for the same periods in 2004.

During the fourth quarter and full year 2005, we made \$3 million and \$124 million in optional repayments on our term bank debt. Approximately \$60 million of repayments in 2005 came from proceeds from the issuance of 1.7 million shares of common stock in May 2005. So far in 2006, we have made \$9.7 million in additional optional repayments, resulting in our having repaid \$170 million of the \$185 million term bank debt borrowed in connection with the Electricity Metering acquisition on July 1, 2004.

During the fourth quarter of 2005, we closed on the purchase of a new headquarters facility for a total purchase price of approximately \$19.8 million, of which \$5 million was paid in cash and the remaining balance of \$14.8 million was financed with a new real estate loan.

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.

We expect to implement FASB's Statement 123R -- Share Based Payment on January 1, 2006, which requires the expensing of share-based compensation, including stock options. We currently estimate pre-tax stock option compensation expense in 2006 of approximately \$9 to \$10 million. Estimating the value of stock option awards at the grant date requires judgment, including estimating stock price volatility, forfeiture rates and expected option life. Our outlook for GAAP net income in 2006 includes that expense while our outlook for pro forma net income excludes stock option compensation expense.

For the full year 2006, we expect:

- Revenues between \$605 and \$615 million.
- GAAP net income between \$26 and \$28 million.
- Pro forma net income between \$54 and \$56 million (excluding pre-tax expenses of approximately \$9 million for stock option compensation expense and approximately \$33 million for amortization related to intangible assets and debt fees).
- Our net income outlook is based on an estimated income tax rate of 45% for GAAP and 38% for pro forma.
- Pro forma EPS between \$2.07 and \$2.13 per diluted share, which excludes approximately 21 cents per share of stock option compensation expense, and is based on an estimated 26.2 million in diluted shares outstanding.
- Adjusted EBITDA between \$110 and \$114 million (excluding \$9 million of stock option compensation expense).

For the quarter ended March 31, 2006, we expect

- Revenues between \$145 and \$150 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. Management believes the non-GAAP results 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 measures are provided to enhance investors' overall understanding of our current financial performance and our future prospects. These measures should be considered in addition to results prepared in accordance with GAAP, but should not be considered as a substitute for, or superior to, GAAP results. Reconciliations between GAAP and non-GAAP results are included in the financial tables that accompany 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. PST on February 14, 2006. The call will be webcast in a listen only mode and can be accessed online at www.itron.com, "Investors -- Investor Events." The live webcast will begin at 1:45 p.m. (PST). 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 #3754612.

Forward Looking Statements:

This release contains forward-looking statements concerning Itron's 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 share-based compensation and other factors which are more fully described in our Annual Report on Form 10-K for the year ended December 31, 2004, and our Forms 10-Q for the quarters ended March 31, 2005, June 30, 2005, and September 30, 2005, 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. Nearly 3,000 utilities worldwide rely on Itron's award-winning technology to provide the knowledge they require to optimize the delivery and use of energy and water. Itron creates value for its clients by providing industry-leading solutions for electricity metering; meter data collection; energy information management; demand response; load forecasting, analysis and consulting services; distribution system design and optimization; web-based workforce automation; and enterprise 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 December 31, | | Twelve Months Ended December 31, | |
|------------------|------------------------------------|-----------|-------------------------------------|-----------|
| | 2005 | 2004 | 2005 | 2004 |
| Revenues | | | | |
| Sales | \$147,574 | \$116,185 | \$503,270 | \$346,543 |
| Service | 12,378 | 15,261 | 49,420 | 52,651 |
| Total revenues | 159,952 | 131,446 | 552,690 | 399,194 |
| Cost of revenues | | | | |
| Sales | 88,257 | 67,138 | 291,445 | 198,131 |

| | | | | |
|---|-----------|------------|-----------|------------|
| Service | 6,841 | 9,254 | 27,624 | 30,394 |
| Total cost of revenues | 95,098 | 76,392 | 319,069 | 228,525 |
| Gross profit | 64,854 | 55,054 | 233,621 | 170,669 |
| Operating expenses | | | | |
| Sales and marketing | 16,186 | 13,308 | 56,642 | 45,279 |
| Product development | 11,942 | 11,710 | 47,077 | 44,379 |
| General and administrative | 11,047 | 11,011 | 44,428 | 35,490 |
| Amortization of intangible assets | 9,703 | 16,630 | 38,846 | 27,901 |
| Restructurings | - | 3,253 | 390 | 7,258 |
| In-process research and development | - | 6,400 | - | 6,400 |
| Total operating expenses | 48,878 | 62,312 | 187,383 | 166,707 |
| Operating income (loss) | 15,976 | (7,258) | 46,238 | 3,962 |
| Other income (expense) | | | | |
| Interest income | 135 | 14 | 302 | 166 |
| Interest expense | (3,664) | (4,983) | (18,944) | (13,145) |
| Other income (expense), net | (88) | 85 | (68) | (389) |
| Total other income (expense) | (3,617) | (4,884) | (18,710) | (13,368) |
| Income (loss) before income taxes | 12,359 | (12,142) | 27,528 | (9,406) |
| Income tax benefit | 4,570 | 5,135 | 5,533 | 4,149 |
| Net income (loss) | \$ 16,929 | \$ (7,007) | \$ 33,061 | \$ (5,257) |
| Earnings per share | | | | |
| Basic net income (loss) per share | \$ 0.68 | \$ (0.33) | \$ 1.41 | \$ (0.25) |
| Diluted net income (loss) per share | \$ 0.65 | \$ (0.33) | \$ 1.33 | \$ (0.25) |
| Weighted average number of shares outstanding | | | | |
| Basic | 24,823 | 21,204 | 23,394 | 20,922 |
| Diluted | 25,984 | 21,204 | 24,777 | 20,922 |

ITRON, INC.
RECONCILIATIONS BETWEEN GAAP AND PRO FORMA

(Unaudited, in thousands, except per share data)

| | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|---|------------------------------------|------------|-------------------------------------|------------|
| | 2005 | 2004 | 2005 | 2004 |
| PRO FORMA OPERATING INCOME | | | | |
| GAAP operating income (loss) | \$15,976 | \$ (7,258) | \$ 46,238 | \$ 3,962 |
| Adjustments to GAAP operating income (loss) before income taxes | | | | |
| Amortization of intangible assets | 9,703 | 16,630 | 38,846 | 27,901 |
| Restructurings | - | 3,253 | 390 | 7,258 |
| In-process research and development | - | 6,400 | - | 6,400 |
| Total adjustments | 9,703 | 26,283 | 39,236 | 41,559 |
| Pro forma operating income | \$25,679 | \$ 19,025 | \$ 85,474 | \$ 45,521 |
| PRO FORMA NET INCOME | | | | |
| GAAP income (loss) before income taxes | \$12,359 | \$(12,142) | \$ 27,528 | \$ (9,406) |
| Adjustments to GAAP income (loss) before income taxes | | | | |
| Amortization of intangible assets | 9,703 | 16,630 | 38,846 | 27,901 |
| Amortization of debt | | | | |

| | | | | |
|---|----------|----------|-----------|-----------|
| placement fees | 665 | 633 | 4,888 | 1,745 |
| Restructurings | - | 3,253 | 390 | 7,258 |
| In-process research and development | - | 6,400 | - | 6,400 |
| | ----- | ----- | ----- | ----- |
| Total adjustments | 10,368 | 26,916 | 44,124 | 43,304 |
| Adjusted income before income taxes | 22,727 | 14,774 | 71,652 | 33,898 |
| Income tax provision (1) | (7,408) | (5,760) | (26,096) | (13,481) |
| | ----- | ----- | ----- | ----- |
| Pro forma net income | \$15,319 | \$ 9,014 | \$ 45,556 | \$ 20,417 |
| | ----- | ----- | ----- | ----- |
| PRO FORMA EARNINGS PER SHARE | | | | |
| Basic | | | | |
| Weighted average number of basic shares outstanding | 24,823 | 21,204 | 23,394 | 20,922 |
| Basic pro forma net income per share | \$ 0.62 | \$ 0.43 | \$ 1.95 | \$ 0.98 |
| | ----- | ----- | ----- | ----- |
| Diluted | | | | |
| Weighted average number of basic shares outstanding | 24,823 | 21,204 | 23,394 | 20,922 |
| Stock-based awards outstanding | 1,161 | 1,073 | 1,383 | 1,134 |
| | ----- | ----- | ----- | ----- |
| Weighted average number of diluted shares outstanding | 25,984 | 22,277 | 24,777 | 22,056 |
| Diluted pro forma net income per share | \$ 0.59 | \$ 0.40 | \$ 1.84 | \$ 0.93 |
| | ----- | ----- | ----- | ----- |

(1) The pro forma tax provision excludes \$5.9 million of prior year research and development tax credits included in GAAP results during the second quarter of 2005 and \$8.0 million in tax benefits associated primarily with restructuring of certain foreign operations included in GAAP results during the fourth quarter of 2005.

ITRON, INC.
SEGMENT INFORMATION

(Unaudited, in thousands)

| | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|--------------------------|------------------------------------|------------|-------------------------------------|-----------|
| | 2005 | 2004 | 2005 | 2004 |
| | ----- | ----- | ----- | ----- |
| Revenues | | | | |
| Hardware Solutions | | | | |
| Meter Data Collection | \$ 79,493 | \$ 59,846 | \$261,999 | \$238,560 |
| Electricity Metering | 66,437 | 58,391 | 239,763 | 112,586 |
| | ----- | ----- | ----- | ----- |
| Total Hardware Solutions | 145,930 | 118,237 | 501,762 | 351,146 |
| Software Solutions | 14,022 | 13,209 | 50,928 | 48,048 |
| | ----- | ----- | ----- | ----- |
| Total Company | \$159,952 | \$131,446 | \$552,690 | \$399,194 |
| | ----- | ----- | ----- | ----- |
| Gross profit | | | | |
| Hardware Solutions | | | | |
| Meter Data Collection | \$ 32,096 | \$ 26,133 | \$112,514 | \$108,348 |
| Electricity Metering | 26,163 | 23,334 | 99,386 | 44,517 |
| | ----- | ----- | ----- | ----- |
| Total Hardware Solutions | 58,259 | 49,467 | 211,900 | 152,865 |
| Software Solutions | 6,595 | 5,587 | 21,721 | 17,804 |
| | ----- | ----- | ----- | ----- |
| Total Company | \$ 64,854 | \$ 55,054 | \$233,621 | \$170,669 |
| | ----- | ----- | ----- | ----- |
| Operating income (loss) | | | | |
| Hardware Solutions | | | | |
| Meter Data Collection | \$ 26,814 | \$ 21,152 | \$ 91,421 | \$ 87,757 |
| Electricity Metering | 21,514 | 12,834 | 82,018 | 30,156 |
| Other unallocated costs | (7,252) | (5,529) | (25,395) | (18,225) |
| | ----- | ----- | ----- | ----- |
| Total Hardware Solutions | 41,076 | 28,457 | 148,044 | 99,688 |
| Software Solutions | (1,980) | (2,731) | (10,556) | (19,742) |
| Corporate unallocated | (23,120) | (32,984) | (91,250) | (75,984) |
| | ----- | ----- | ----- | ----- |
| Total Company | \$ 15,976 | \$ (7,258) | \$ 46,238 | \$ 3,962 |
| | ----- | ----- | ----- | ----- |

| | Three Months Ended | | Twelve Months Ended | |
|--------------------------------------|--------------------|-------|---------------------|-----------|
| | December 31, | | December 31, | |
| | 2005 | 2004 | 2005 | 2004 |
| Supplemental Information | | | | |
| Unit Shipments by Segment | | | | |
| Meter Data Collection | | | | |
| AMR standalone modules | 1,225 | 875 | 4,300 | 3,700 |
| (1)Licensed AMR (SEM meters) | - | - | - | 925 |
| Licensed AMR (other vendors' meters) | 250 | 25 | 800 | 150 |
| Electricity Metering | | | | |
| Total Meters | 1,300 | 950 | 4,675 | 1,875 (3) |
| (1)With Itron AMR | 875 | 400 | 2,250 | 700 |
| With Other AMR | 100 | 175 | 675 | 400 |
| (2)Total Units Itron AMR | 2,350 | 1,300 | 7,350 | 5,475 |
| Growth in total Itron AMR shipments | 81% | | 34% | |

(1) Prior to the Electricity Metering acquisition on July 1, 2004, revenues consisted of royalties from Schlumberger Electricity Metering (SEM) and were reflected in Meter Data Collection segment revenues. Subsequent to the acquisition, sales of meters with Itron AMR are reflected in the Electricity Metering segment revenues.

(2) Itron standalone AMR modules, Itron meters with Itron AMR, other vendors' solid-state electricity meters with Itron AMR and licensed AMR to SEM prior to the July 1, 2004 acquisition.

(3) In 2004, total meter sales represent sales from the July 1, 2004 acquisition date through December 31, 2004. From January 1, 2004, through June 30, 2004, SEM shipped approximately 2.2 million meters. Of the 2.2 million meters shipped in the first half of 2004, 925,000 were shipped with Itron AMR.

ITRON, INC.
CONSOLIDATED BALANCE SHEETS

| (Unaudited, in thousands) | December 31, | |
|---------------------------------------|--------------|------------|
| | 2005 | 2004 |
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 33,638 | \$ 11,624 |
| Accounts receivable, net | 104,428 | 90,097 |
| Inventories | 49,456 | 45,459 |
| Deferred income taxes, net | 23,194 | 22,733 |
| Other | 10,941 | 5,477 |
| Total current assets | 221,657 | 175,390 |
| Property, plant and equipment, net | 77,623 | 59,690 |
| Intangible assets, net | 123,293 | 162,137 |
| Goodwill | 116,032 | 117,471 |
| Deferred income taxes, net | 48,955 | 27,252 |
| Other | 11,324 | 15,211 |
| Total assets | \$ 598,884 | \$ 557,151 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable and accrued expenses | \$ 46,215 | \$ 37,439 |
| Wages and benefits payable | 23,732 | 13,947 |
| Current portion of debt | 4,376 | 35,647 |
| Current portion of warranty | 8,497 | 7,243 |
| Unearned revenue | 22,758 | 22,991 |
| Total current liabilities | 105,578 | 117,267 |
| Long-term debt | 160,186 | 239,361 |
| Project financing debt | 2,367 | 3,227 |
| Warranty | 6,779 | 6,331 |
| Other obligations | 6,440 | 6,535 |

| | | |
|---|------------|------------|
| Total liabilities | 281,350 | 372,721 |
| Shareholders' equity | | |
| Preferred stock | - | - |
| Common stock | 312,046 | 211,920 |
| Accumulated other comprehensive income, net | 871 | 954 |
| Retained earnings (accumulated deficit) | 4,617 | (28,444) |
| | ----- | ----- |
| Total shareholders' equity | 317,534 | 184,430 |
| | ----- | ----- |
| Total liabilities and shareholders' equity | \$ 598,884 | \$ 557,151 |
| | ----- | ----- |

ITRON, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

| (Unaudited, in thousands) | Year Ended December 31, | |
|--|-------------------------|------------|
| | 2005 | 2004 |
| | ----- | ----- |
| Operating activities | | |
| Net income (loss) | \$ 33,061 | \$ (5,257) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | 51,572 | 38,785 |
| Employee stock plans income tax benefits | 15,146 | 2,594 |
| Amortization of prepaid debt fees | 5,031 | 1,832 |
| Deferred income tax benefit | (22,017) | (6,590) |
| Impairments of investments, intangible assets and other | - | 1,109 |
| Acquired in-process research and development | - | 6,400 |
| Other, net | 2,531 | 659 |
| Changes in operating assets and liabilities, net of acquisitions: | | |
| Accounts receivable | (14,183) | 15,277 |
| Inventories | (3,997) | (3,600) |
| Accounts payable and accrued expenses | 4,432 | 3,232 |
| Wages and benefits payable | 9,768 | (1,383) |
| Unearned revenue | 156 | 10,952 |
| Warranty | 3,831 | (8,456) |
| Other long-term obligations | (511) | (994) |
| Other, net | (5,203) | (1,505) |
| | ----- | ----- |
| Cash provided by operating activities | 79,617 | 53,055 |
| Investing activities | | |
| Proceeds from the sale of property, plant and equipment | 2,626 | 17 |
| Acquisitions of property, plant and equipment | (31,973) | (12,788) |
| Business acquisitions, net of cash and cash equivalents acquired | - | (253,050) |
| Payment of contingent purchase price for acquisition | - | (1,957) |
| Other, net | (1,224) | 677 |
| | ----- | ----- |
| Cash used in investing activities | (30,571) | (267,101) |
| Financing activities | | |
| Proceeds from borrowings | 14,800 | 309,081 |
| Change in short-term borrowings, net | - | (10,000) |
| Payments on debt | (126,196) | (74,234) |
| Issuance of common stock | 84,727 | 8,338 |
| Prepaid debt fees | (391) | (13,646) |
| Other, net | 28 | (109) |
| | ----- | ----- |
| Cash provided by (used in) financing activities | (27,032) | 219,430 |
| Increase in cash and cash equivalents | 22,014 | 5,384 |
| Cash and cash equivalents at beginning of period | 11,624 | 6,240 |
| | ----- | ----- |
| Cash and cash equivalents at end of period | \$ 33,638 | \$ 11,624 |
| | ----- | ----- |

ITRON, INC.
RECONCILIATIONS BETWEEN GAAP NET INCOME (LOSS) AND EBITDA

(Unaudited, in thousands)

| | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|--|------------------------------------|-----------|-------------------------------------|-----------|
| | 2005 | 2004 | 2005 | 2004 |
| GAAP net income (loss) | \$ 16,929 | \$(7,007) | \$33,061 | \$(5,257) |
| Adjustments to GAAP net income (loss) | | | | |
| Interest income | (135) | (14) | (302) | (166) |
| Interest expense | 3,664 | 4,983 | 18,944 | 13,145 |
| Income tax benefit | (4,570) | (5,135) | (5,533) | (4,149) |
| Depreciation and amortization | 12,787 | 19,859 | 51,572 | 38,785 |
| Total adjustments | 11,746 | 19,693 | 64,681 | 47,615 |
| EBITDA | \$ 28,675 | \$12,686 | \$97,742 | \$42,358 |
| In-process research and development | - | 6,400 | - | 6,400 |
| PRO FORMA EBITDA | \$ 28,675 | \$19,086 | \$97,742 | \$48,758 |

CONTACT: Itron, Inc.
Mima Scarpelli, 509-891-3565
mima.scarpelli@itron.com