

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 15, 2005

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 15, 2005, Itron, Inc. issued a press release announcing preliminary financial results for the fourth quarter and year ending December 31, 2004. 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 exhibits are filed as part of this report:

Exhibit Number	Description
99.1	Press Release dated February 15, 2005.

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/A 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 15, 2005

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 15, 2005.

Itron Reports Preliminary Fourth Quarter and
Full Year 2004 Financial Results

SPOKANE, Wash.--(BUSINESS WIRE)--Feb. 15, 2005--

Acquisition Related Charges Result in GAAP Loss for the Quarter
and Full Year Pro Forma EPS was 41 Cents for Quarter and 93 Cents
for Full Year

Itron, Inc. (NASDAQ:ITRI), today reported its preliminary financial results for the quarter and full year ended December 31, 2004.

Summarizing the Company's financial performance for the year, LeRoy Nosbaum, chairman and CEO noted, "The acquisition of our electricity metering business on July 1, resulted in an exceptionally strong finish to the year. The smooth integration of that acquisition, along with other operational improvements resulted in dramatically increased revenues, profits and cash flow in the second half of 2004."

Selected Q4 2004 Highlights:

- Revenues were \$131.4 million for the quarter, an increase of 7% over the third quarter and a 64% increase over the year ago fourth quarter.
- Acquisition related and restructuring charges led to a GAAP net loss for the quarter of \$6.8 million, or \$.32 per diluted share, compared to a loss of \$1.6 million, or \$.08 per diluted share for the year ago fourth quarter.
- Pro forma net income was \$9.1 million in the fourth quarter, or \$.41 per diluted share, compared to \$7.1 million, or \$.32 per diluted share in the third quarter, and \$253,000 or \$.01 per diluted share for the year ago fourth quarter.
- Cash flow from operations in the fourth quarter was \$24.5 million, compared with \$20.4 million in the third quarter and negative operating cash flow of \$6.0 million in the year ago fourth quarter.
- New order bookings in the fourth quarter, excluding Electricity Metering, were \$74 million, the highest quarterly total in over two years. Total new order bookings including Electricity Metering were \$128 million.

These financial results are preliminary as the Company's independent auditors have not yet completed their audit fieldwork or their audit, which audit the Company currently anticipates will be complete on or about March 8, 2005. Although management is not currently aware of any adjustments that in the aggregate will require a material change to these financial results, it is possible that there may be adjustments prior to the filing of the Company's Annual Report on Form 10-K. In particular, the Company's annual assessment of whether goodwill or intangible assets have been impaired is not yet complete.

Total Company fourth quarter revenues were \$131.4 million in 2004 compared with \$80.0 million in 2003. For the full year, total Company revenues were \$399.2 million in 2004, compared with \$317.0 million in 2003. The increased revenues in 2004 are driven by the addition of our Electricity Metering business mid-year. Meter Data Collection (MDC) segment revenues declined in the fourth quarter of 2004 compared with 2003 primarily because approximately two-thirds of our electric AMR shipments in 2004 were solid-state electricity meters with embedded AMR (which are reflected in Electricity Metering segment revenues) as opposed to separate AMR modules for installation on new or existing mechanical electricity meters (which are shown in MDC segment revenues). This transition in our electric AMR business, as well as slow industry-wide order activity from large investor owned utilities in late 2003 and the first three quarters of 2004, resulted in lower MDC revenues for the full year 2004 compared with 2003.

We shipped approximately 1.3 million AMR endpoints in the fourth quarter of 2004, which includes separate AMR modules as well as electricity meters with embedded AMR, compared with approximately 1.1 million AMR endpoints in the fourth quarter of 2003, all of which were separate AMR modules. For the full year 2004, total AMR endpoint shipments were 4.5 million, compared with 4.3 million in 2003. Prior to the Electricity Metering acquisition on July 1, 2004, revenues from shipments of electricity meters with our AMR embedded were in the form of royalties only.

New order bookings, excluding Electricity Metering, were \$74 million for the quarter, 64% higher than new order bookings in the fourth quarter of last year, and our highest quarterly total for new order bookings since the third quarter of 2002. For the full year 2004, excluding Electricity Metering, new order bookings were \$251 million compared with \$214 million in 2003. Including Electricity Metering, new order bookings were \$128 million for the fourth quarter of 2004, resulting in a book to bill ratio of approximately 1.1 to 1. New order bookings were \$358 million for the full year 2004, resulting in a book to bill ratio of approximately 1 to 1 for the full year 2004, a significant improvement over the book to bill ratio in 2003 of approximately .8 to 1.

Backlog figures in this release for 2004 include our Electricity Metering business. Twelve-month backlog, which represents the portion of backlog that will be earned over the next twelve months, was \$97 million at December 31, 2004, compared with \$104 million at September 30, 2004, and \$62 million a year ago. Total backlog was \$179 million at December 31, 2004 compared with \$177 million at the end of last quarter and \$145 million a year ago.

In the fourth quarter of 2004, we completed a valuation analysis related to our Electricity Metering acquisition that closed on July 1, 2004, which resulted in a \$6.4 million in process research and development (IPR&D) charge in the quarter and in a significant increase to intangible asset amortization expenses in the quarter. We expect to file a Form 8-K shortly that reflects an updated reallocation of the purchase price for our Electricity Metering acquisition.

As a result of the IPR&D, increased asset amortization expenses, and restructuring charges, on a GAAP basis, we reported a net loss of \$6.8 million, or \$.32 per diluted share, for the fourth quarter of 2004, and a net loss of \$5.1 million, or \$.24 per diluted share for the full year 2004. By comparison, on a GAAP basis, we had a net loss of \$1.6 million, or \$.08 per diluted share for the fourth quarter of 2003 and net income of \$10.5 million, or \$.48 per diluted share, for the full year 2003.

Pro forma net income for the fourth quarter was \$9.1 million, or \$.41 per diluted share in 2004, compared with \$253,000, or \$.01 cents per diluted share in the fourth quarter of 2003. For the full year 2004, pro forma net income was \$20.6 million, or \$.93 per diluted share, compared with \$19.3 million, or \$.89 per diluted share in 2003. Pro forma earnings exclude the amortization of intangible assets and debt placement fees, restructurings, IPR&D and extraordinary litigation accruals. A schedule reconciling pro forma income with GAAP income is attached to this release.

Gross margin increased from 40% in the third quarter of 2004 to 42% in the fourth quarter of 2004. By comparison, fourth quarter 2003 gross margin was 35%. The lower gross margin in the fourth quarter of 2003 resulted primarily from higher warranty expense related to a specific product issue. For the full year, gross margin was 43%, compared with 45% in 2003. The lower gross margin for the full year 2004 results from the addition of our Electricity Metering business mid-year, which has a slightly lower gross margin than the rest of our business, and lower margins in our Meter Data Collection business that resulted primarily from a shift in the mix of hardware products, partially offset by lower warranty expense in 2004.

Sales and marketing, product development and general and administrative expenses were 27% of revenues for the fourth quarter, and 31% of revenues for the full year 2004. By comparison, they were 31% in the fourth quarter of 2003 and 34% for the full year 2003. The decreases as a percentage of revenues in 2004 reflect improved operating leverage and the lower level of spending required for Electricity Metering marketing and product development due to its more narrowly focused product line, offset by higher general and administrative expenses including Sarbanes-Oxley compliance and audit fees.

Higher intangible asset amortization expenses and interest expense for the quarter and year-to-date periods in 2004 are attributable to our Electricity Metering acquisition.

Operating activities generated \$24.5 million in cash during the quarter compared to negative operating cash flow of \$6.0 million in the fourth quarter of 2003. For the full year 2004, operating activities generated \$52.1 million in cash, compared with \$10.3 million for the full year in 2003. The higher operating cash flow in 2004 results partially from our new Electricity Metering operations, but as well from higher collections on accounts receivable in 2004 and an increase in unearned revenue due primarily to increased service support renewals.

We made a total of \$24.0 million of optional repayments during the fourth quarter of 2004 on the \$185.0 million term loan issued on July 1, 2004 in connection the acquisition of our Electricity Metering business. At December 31, 2004 the term loan balance was \$150.1

million. To date in 2005, we have made additional optional repayments totaling \$3.0 million.

Business Outlook:

Our outlook for 2005 does not include any impact related to the expensing of stock options or shares issued under our employee stock purchase plan (ESPP). We expect to implement FASB's Statement 123R effective July 1, 2005, which requires the expensing of stock options and ESPP shares issued at a discount. Expensing of stock options will decrease gross margin, increase expenses and influence our effective tax rate.

For the quarter ending March 31, 2005, we expect:

- Revenues to be between \$110 and \$115 million, reflecting the seasonal downturn typically experienced in the first quarter due to weather and utility spending patterns.
- Pro forma diluted earnings per share between 20 and 22 cents.

For the full year 2005, we expect:

- Revenues to be between \$505 and \$515 million.
- Pro forma diluted earnings per share between \$1.40 and \$1.45.
- Operating cash flow between \$70 and \$80 million.
- Net capital expenditures of approximately \$15 million.

"Our outlook for 2005 reflects low single digit growth in hardware revenues and high single digit growth in software revenues over the second half of 2004," said Nosbaum. "AMR activity levels remain high and we expect to close some orders in the current quarter with several investor owned utilities. With the reorganization into two primary operations groups now behind us, we expect to see further efficiencies in our expanded operations as we move through 2005 and look for another good year of free cash flow in 2005."

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 and expenses 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 pro forma results provide consistency in our financial reporting which enhances our investor's understanding of our current financial performance as well as our future prospects. 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 contained in this release at 1:45 p.m. PST on February 15, 2005. The call will be webcast in a listen only mode by Thomson/CCBN and can be accessed online at www.itron.com, "About Itron - Investor Events." Investors may also listen to the live call through Thomson's StreetEvents Network at www.fulldisclosure.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 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 #364612.

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, and other factors which are more fully described in our Annual Report on Form 10-K/A for the year ended December 31, 2003 and Forms 10-Q/A for 2004 on file with the SEC. 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, 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, 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		Twelve Months Ended	
	December 31,		December 31,	
	2004	2003	2004	2003
Revenues				
Sales	\$116,185	\$ 69,253	\$346,543	\$273,783
Service	15,261	10,724	52,651	43,182
Total revenues	131,446	79,977	399,194	316,965
Cost of revenues				
Sales	67,138	46,763	198,131	151,023
Service	9,254	5,404	30,394	22,388
Total cost of revenues	76,392	52,167	228,525	173,411
Gross profit	55,054	27,810	170,669	143,554
Operating expenses				
Sales and marketing	13,308	10,024	45,279	40,985
Product development	11,710	9,734	44,379	41,508
General and administrative	10,784	5,398	35,263	26,141
Amortization of intangibles	16,630	2,574	27,901	9,618
Restructurings	3,253	-	7,258	2,208
In-process research and development	6,400	-	6,400	900
Litigation accrual	-	-	-	500
Total operating expenses	62,085	27,730	166,480	121,860
Operating income (loss)	(7,031)	80	4,189	21,694
Other income (expense)				
Equity in affiliates	(13)	(83)	-	79
Interest income	14	(106)	166	159
Interest expense	(4,983)	(421)	(13,145)	(2,638)
Other income (expense), net	98	(1,817)	(389)	(1,395)
Total other income (expense)	(4,884)	(2,427)	(13,368)	(3,795)
Income (loss) before income taxes	(11,915)	(2,347)	(9,179)	17,899
Income tax benefit (provision)	5,108	708	4,122	(7,421)
Net income (loss)	\$ (6,807)	\$ (1,639)	\$ (5,057)	\$ 10,478
Earnings per share				
Basic net income (loss)				

per share	\$ (0.32)	\$ (0.08)	\$ (0.24)	\$ 0.51
	-----	-----	-----	-----
Diluted net income (loss) per share	\$ (0.32)	\$ (0.08)	\$ (0.24)	\$ 0.48
	-----	-----	-----	-----
Weighted average number of shares outstanding				
Basic	21,204	20,556	20,922	20,413
Diluted	21,204	20,556	20,922	21,740

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

(Unaudited, in thousands, except per share data)	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2004	2003	2004	2003
	-----	-----	-----	-----
PRO FORMA NET INCOME				
GAAP basis income (loss) before income taxes	\$ (11,915)	\$ (2,347)	\$ (9,179)	\$ 17,899
Adjustments to income (loss) before income taxes				
Amortization of intangibles	16,630	2,574	27,901	9,618
Amortization of debt placement fees	633	190	1,745	680
Restructurings	3,253	-	7,258	2,208
In-process research and development	6,400	-	6,400	900
Litigation accrual	-	-	-	500
	-----	-----	-----	-----
Total adjustments	26,916	2,764	43,304	13,906
Adjusted income before income taxes	15,001	417	34,125	31,805
Income tax provision	(5,884)	(164)	(13,572)	(12,480)
	-----	-----	-----	-----
Pro forma net income	\$ 9,117	\$ 253	\$ 20,553	\$ 19,325
	-----	-----	-----	-----
PRO FORMA EARNINGS PER SHARE				
Basic				
Weighted average number of basic shares outstanding	21,204	20,556	20,922	20,413
Basic pro forma net income per share	\$ 0.43	\$ 0.01	\$ 0.98	\$ 0.95
	-----	-----	-----	-----
Diluted				
Weighted average number of basic shares outstanding	21,204	20,556	20,922	20,413
Employee stock option shares	1,073	1,304	1,134	1,327
	-----	-----	-----	-----
Weighted average number of diluted shares outstanding	22,277	21,860	22,056	21,740
Pro forma net income	\$ 9,117	\$ 253	\$ 20,553	\$ 19,325
	-----	-----	-----	-----
Diluted pro forma net income per share	\$ 0.41	\$ 0.01	\$ 0.93	\$ 0.89
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ITRON, INC.
RECONCILIATION BETWEEN GAAP NET INCOME (LOSS),
EBITDA AND PRO FORMA EBITDA

(Unaudited, in thousands)	Three Months Ended	Twelve Months Ended
	December 31,	December 31,

	2004	2003	2004	2003
GAAP basis net income (loss)	\$(6,807)	\$(1,639)	\$(5,057)	\$10,478
Adjustments to net income (loss)				
Interest income	(14)	106	(166)	(159)
Interest expense	4,983	421	13,145	2,638
Income tax provision (benefit)	(5,108)	(708)	(4,122)	7,421
Depreciation and amortization	19,859	4,950	38,785	19,040
Total adjustments	19,720	4,769	47,642	28,940
EBITDA	\$12,913	\$ 3,130	\$42,585	\$39,418
In-process research and development	6,400	-	6,400	900
PRO FORMA EBITDA	\$19,313	\$ 3,130	\$48,985	\$40,318

ITRON, INC.
SEGMENT INFORMATION

(Unaudited, in thousands)	Three Months Ended		Twelve Months Ended	
	December 31, 2004	2003	December 31, 2004	2003
Revenues				
Hardware Solutions				
Meter Data Collection	\$ 59,846	\$ 67,469	\$238,560	\$266,985
Electricity Metering	58,391	-	112,586	-
Total Hardware Solutions	118,237	67,469	351,146	266,985
Software Solutions	13,209	12,508	48,048	49,980
Total Company	\$131,446	\$ 79,977	\$399,194	\$316,965
Gross profit				
Hardware Solutions				
Meter Data Collection	\$ 26,133	\$ 24,282	\$108,348	\$128,505
Electricity Metering	23,334	-	44,517	-
Total Hardware Solutions	49,467	24,282	152,865	128,505
Software Solutions	5,587	3,528	17,804	15,049
Total Company	\$ 55,054	\$ 27,810	\$170,669	\$143,554
Operating income (loss)				
Hardware Solutions				
Meter Data Collection	\$ 21,196	\$ 18,669	\$ 87,963	\$105,605
Electricity Metering	12,762	-	30,047	-
Other unallocated costs	(307)	(72)	(911)	(280)
Total Hardware Solutions	33,651	18,597	117,099	105,325
Software Solutions	(1,257)	(4,841)	(14,239)	(21,037)
Corporate unallocated	(39,425)	(13,676)	(98,671)	(62,594)
Total Company	\$ (7,031)	\$ 80	\$ 4,189	\$ 21,694

ITRON, INC.
CONSOLIDATED BALANCE SHEETS

(Unaudited, in thousands)	December 31,	
	2004	2003
ASSETS		
Current assets		
Cash and cash equivalents	\$ 11,624	\$ 6,240
Accounts receivable, net	90,097	70,782

Inventories	45,459	16,037
Deferred income taxes, net	22,733	11,673
Other	5,477	4,557
	-----	-----
Total current assets	175,390	109,289
Property, plant and equipment, net	59,690	42,818
Intangible assets, net	162,137	22,979
Goodwill	117,471	90,385
Deferred income taxes, net	27,252	31,755
Other	15,211	6,263
	-----	-----
Total assets	\$ 557,151	\$ 303,489
	-----	-----

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities		
Accounts payable and accrued expenses	\$ 37,440	\$ 26,236
Wages and benefits payable	13,947	10,711
Short-term borrowings	-	10,000
Current portion of debt	18,647	38,245
Current portion of warranty	7,243	13,939
Unearned revenue	22,991	12,004
	-----	-----
Total current liabilities	100,268	111,135
Long-term debt	256,361	-
Project financing debt	3,227	4,024
Warranty	6,331	3,536
Other obligations	6,535	7,550
	-----	-----
Total liabilities	372,722	126,245
Shareholders' equity		
Preferred stock	-	-
Common stock	211,719	200,567
Accumulated other comprehensive income (loss)	954	(136)
Accumulated deficit	(28,244)	(23,187)
	-----	-----
Total shareholders' equity	184,429	177,244
	-----	-----
Total liabilities and shareholders' equity	\$ 557,151	\$ 303,489
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CONTACT: Itron, Inc.
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