

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

July 26, 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 July 26, 2005, Itron, Inc. issued a press release announcing the financial results for the three and six months ending June 30, 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 exhibits are filed as part of this report:

Exhibit
Number Description

99.1 Press Release dated July 26, 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 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, 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 July 26, 2005.

Itron Reports Record Financial Results for Second Quarter 2005;
New Quarterly-Highs Achieved for Revenues, Earnings and New Order Bookings

SPOKANE, Wash.--(BUSINESS WIRE)--July 26, 2005--Itron, Inc. (Nasdaq:ITRI), today reported its financial results for the quarter ended June 30, 2005.

Revenues were \$135.1 million for the quarter, compared with second quarter revenues in 2004 of \$79.6 million. Year-to-date revenues were \$251.6 million compared with \$145.2 million in 2004. The majority of the increases in 2005 resulted from the acquisition of Schlumberger's electricity metering business which was completed July 1, 2004.

On a GAAP basis, net income was \$9.3 million, or 38 cents per diluted share for the quarter, compared with \$818,000, or 4 cents per diluted share in the second quarter of 2004. GAAP net income for the quarter included a \$5.9 million tax benefit for additional research and development (R&D) tax credits for the years 1997 through 2004. Year-to-date, on a GAAP basis, net income was \$10.1 million, or 43 cents per diluted share, compared with approximately break-even GAAP net income in the six months ended June 30, 2004.

Pro forma net income was \$10.4 million, or 42 cents per diluted share for the quarter, compared with \$2.3 million, or 11 cents per diluted share in the second quarter of 2004. Year-to-date pro forma net income was \$17.7 million, or 75 cents per diluted share, compared with \$4.5 million, or 20 cents per diluted share in 2004. Pro forma net income excludes the amortization of intangible assets and debt placement fees, restructurings and the benefit of the prior year R&D tax credits. A schedule reconciling GAAP and pro forma net income is attached to this release.

"Itron delivered very strong results again this quarter," said LeRoy Nosbaum, Chairman and CEO. "Record new order bookings are evidence of the increasing momentum we are seeing in the AMR and electricity metering markets. Utility customers are embracing our solutions as they look for ways to operate more efficiently, reduce costs, and provide better customer service. 2005 is shaping up to be a very good year for Itron."

Additional segment revenue details for the quarter are as follows:

- Electricity Metering revenues, which include meters with embedded automatic meter reading (AMR) technology, were \$60.6 million in the quarter and \$114.7 million for the six months ended June 30, 2005. There were no Electricity Metering revenues in the 2004 comparable periods as the acquisition was completed July 1, 2004. We shipped more than 1.1 million electricity meters in the quarter, approximately 7% more than in the first quarter. Of those, approximately 38% were equipped with Itron AMR technology.
- Meter Data Collection (MDC) revenues were \$62.2 million during the quarter compared with \$67.2 million in the second quarter of 2004. Year-to-date, MDC revenues were \$111.9 million compared with \$121.9 million in 2004. The lower revenues during the quarter and year-to-date periods in 2005 are primarily due to lower average selling prices for electric AMR modules as shipments of total standalone AMR modules (electric, gas and water) were comparable. Shipments of standalone AMR modules were approximately 1.1 million in the second quarters of 2005 and 2004 and 1.9 million for the year-to-date periods in 2005 and 2004.

New order bookings (which do not include maintenance revenues) were strong during the quarter. Details for new order bookings and quarter-end backlog are as follows:

- New order bookings during the quarter were \$177 million, compared with \$66 million in the second quarter of last year. New order bookings in the first six months of 2005 were \$294 million, compared with \$132 million in the first six months of 2004.
- Total backlog increased to \$243 million at June 30, 2005. By comparison, total backlog was \$190 million at March 31, 2005 and \$153 million at June 30, 2004.
- Twelve-month backlog, which represents the estimated portion of backlog that will be earned over the next twelve months, was \$151 million at June 30, 2005, compared with \$116 million at March 31, 2005 and \$76 million at June 30, 2004.

-- Not included in the above bookings or backlog is a contract with Progress Energy, worth approximately \$120 million over two years, that was signed in July 2005.

Gross margins for the quarter and year-to-date periods in 2005 were 42% and 43%, respectively, compared with 46% in the second quarter and year-to-date periods in 2004. Lower MDC gross margins in 2005 are due primarily to lower average selling prices for standalone electric AMR modules. Electricity Metering gross margin was 41% during the quarter compared with 45% during the first quarter of 2005. The decrease from the previous quarter results from pass-through sales of third party equipment for a smart metering system in Ontario along with changes in the mix of meters sold.

Sales and marketing, product development and general and administrative expenses were \$36.7 million and \$71.8 million in the quarter and year-to-date periods in 2005 compared with \$29.5 million and \$56.0 million in the comparable periods in 2004, with the increased spending primarily due to the Electricity Metering acquisition. Intangible asset amortization expenses also increased as a result of the acquisition and were \$9.7 million and \$19.4 million in the 2005 periods compared with \$2.0 million and \$4.1 million in the 2004 periods.

Excluding intangible asset amortization expenses and restructurings, operating income was \$20.0 million and \$35.9 million, or 14.8% and 14.3% of revenues for the quarter and six months ended 2005, compared with \$6.8 and \$10.2 million, or 8.5% and 7.0% of revenues for the same periods in 2004. The improved operating leverage in 2005 reflects the lower level of spending required for Electricity Metering marketing and product development as well as operating efficiencies and cost savings from headcount reductions in 2004.

During the quarter, we conducted a study of tax credits for research activities for the years 1997 through 2004 (prior periods) and for 2005. Second quarter 2005 GAAP results include an income tax benefit for prior period R&D tax credits of approximately \$5.9 million. Additionally, we estimate that our R&D tax credit in 2005 will be approximately \$1.2 million, which is reflected in our estimated annual GAAP tax rate of approximately 34%. R&D tax credits will be used to offset future federal tax liabilities.

The income tax benefit of \$4.8 million for the quarter ended June 30, 2005 reflects the \$5.9 million prior period tax benefit, a provision for income taxes using the estimated full year GAAP rate of 34.0%, and other miscellaneous adjustments. Our estimated tax rate for pro forma purposes in 2005 is 38.3%. For comparative purposes, our full year tax rates in 2004 were 44.1% for GAAP and 39.8% for pro forma.

We generated \$12.9 million of cash from operations during the quarter compared to a use of cash of \$6.8 million during the second quarter of last year. Cash flow decreased from \$23.9 million in the prior quarter primarily due to the increase in accounts receivable during the quarter driven by higher revenues, and due to a semi-annual interest payment on our senior subordinated notes during the quarter of approximately \$4.8 million. Cash flow from operations was \$36.8 million for the six months ended June 30, 2005 compared with \$7.2 million for the same period in 2004.

In May 2005, we received approximately \$60 million in net proceeds from the issuance of 1,725,000 shares of common stock. We made a total of \$87.0 million in optional repayments on our term bank debt during the quarter, bringing the balance to \$42.3 million at June 30, 2005, which means in the twelve months since the Electricity Metering acquisition, we have repaid \$142.7 million of the \$185 million term bank debt borrowed in connection with the acquisition.

Itron also announced today the retirement of Rob Neilson as president and chief operating officer and as a member of the Company's Board of Directors, effective December 31, 2005. Mr. Neilson has been with Itron since 1983 and was named president and COO in 2000 and elected a director in 2002. Mr. Neilson's wife Randi, will retire as vice president of marketing effective December 31, 2005 as well.

"As my trusted partner, Rob has worked closely with me in developing Itron's growth strategies and plans," commented LeRoy Nosbaum, chairman and CEO. "His focus on organizational excellence and efficiency improvements in running operations has been a big factor in Itron's improved financial performance. For two decades, Rob and Randi have been significant contributors to the success of Itron. Their influence has been strongly felt within the company from strategy development through operations and they are recognized thought leaders within the industry -- with customers, regulators and others. We will miss their contributions, but we understand and respect their decision to spend more time with their family and to pursue other areas of personal, public and community interest."

Nosbaum added that the Company will not fill the position of

president and COO. Instead, the Hardware and Software Solutions Group vice presidents will report directly to Nosbaum. "With the Company-wide reorganization in 2004 into hardware and software, we set the stage for two strong operations groups and we have been very pleased with the performance of both." The Company has already begun a search for a new vice president of marketing.

Business Outlook:

Our outlook for 2005 does not include any impact related to the expensing of stock options. We expect to implement FASB's Statement 123R, which requires the expensing of stock options and ESPP shares issued at a discount, in 2006. Expensing of stock options will decrease gross margin, increase operating expenses and influence our effective tax rate.

For the full year 2005, we expect:

- Revenues to be between \$535 and \$545 million (previous guidance was \$510 to \$520 million).
- Pro forma diluted earnings per share between \$1.65 and \$1.70 (previous guidance was \$1.50 to \$1.55).

Use of Non-GAAP Financial Information:

To supplement our consolidated financial statements presented in accordance with GAAP, we use certain non-GAAP measures, including pro forma earnings and EPS and EBITDA. Pro forma earnings and EPS 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 along with EBITDA measures 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. PDT on July 26, 2005. 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 #4296398.

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 for the year ended December 31, 2004 and our Form 10-Q for the quarter ended March 31, 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 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 pro forma 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,	
	2005	2004	2005	2004
Revenues				
Sales	\$122,811	\$68,015	\$227,013	\$123,031
Service	12,312	11,627	24,580	22,213
Total revenues	135,123	79,642	251,593	145,244
Cost of revenues				
Sales	70,810	37,852	130,009	67,459
Service	7,574	5,532	13,847	11,655
Total cost of revenues	78,384	43,384	143,856	79,114
Gross profit	56,739	36,258	107,737	66,130
Operating expenses				
Sales and marketing	13,529	10,272	26,768	19,926
Product development	11,414	10,554	23,328	20,776
General and administrative	11,770	8,652	21,736	15,278
Amortization of intangible assets	9,715	2,027	19,431	4,054
Restructurings	-	52	390	2,434
Total operating expenses	46,428	31,557	91,653	62,468
Operating income	10,311	4,701	16,084	3,662
Other income (expense)				
Interest income	94	111	98	128
Interest expense	(6,385)	(2,261)	(10,952)	(3,015)
Other income (expense), net	454	(1,001)	555	(735)
Total other income (expense)	(5,837)	(3,151)	(10,299)	(3,622)
Income before income taxes	4,474	1,550	5,785	40
Income tax (provision) benefit	4,839	(732)	4,345	40
Net income	\$ 9,313	\$ 818	\$ 10,130	\$ 80
Earnings per share				
Basic net income per share	\$ 0.41	\$ 0.04	\$ 0.46	\$ 0.00
Diluted net income per share	\$ 0.38	\$ 0.04	\$ 0.43	\$ 0.00
Weighted average number of shares outstanding				
Basic	22,811	20,845	22,135	20,750
Diluted	24,416	22,111	23,677	21,987

ITRON, INC.
RECONCILIATIONS BETWEEN GAAP AND PRO FORMA

(Unaudited, in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
PRO FORMA OPERATING INCOME				
GAAP basis operating income	\$10,311	\$ 4,701	\$ 16,084	\$ 3,662

Adjustments to GAAP basis
operating income before income

taxes				
Amortization of intangible assets	9,715	2,027	19,431	4,054
Restructurings	-	52	390	2,434
	-----	-----	-----	-----
Total adjustments	9,715	2,079	19,821	6,488
	-----	-----	-----	-----
Pro forma operating income	\$20,026	\$ 6,780	\$ 35,905	\$10,150
	-----	-----	-----	-----
PRO FORMA NET INCOME				
GAAP basis income before income taxes	\$ 4,474	\$ 1,550	\$ 5,785	\$ 40
	-----	-----	-----	-----
Adjustments to GAAP basis income before income taxes				
Amortization of intangible assets	9,715	2,027	19,431	4,054
Amortization of debt placement fees	2,302	207	2,978	398
Restructurings	-	52	390	2,434
Non-cash stock compensation	-	-	73	-
	-----	-----	-----	-----
Total adjustments	12,017	2,286	22,872	6,886
	-----	-----	-----	-----
Adjusted income before income taxes	16,491	3,836	28,657	6,926
Income tax provision (a)	(6,135)	(1,510)	(10,967)	(2,432)
	-----	-----	-----	-----
Pro forma net income	\$10,356	\$ 2,326	\$ 17,690	\$ 4,494
	-----	-----	-----	-----
PRO FORMA EARNINGS PER SHARE				
Basic				
Weighted average number of basic shares outstanding	22,811	20,845	22,135	20,750
	-----	-----	-----	-----
Basic pro forma net income per share	\$ 0.45	\$ 0.11	\$ 0.80	\$ 0.22
	-----	-----	-----	-----
Diluted				
Weighted average number of basic shares outstanding	22,811	20,845	22,135	20,750
Employee stock option shares	1,605	1,266	1,542	1,237
	-----	-----	-----	-----
Weighted average number of diluted shares outstanding	24,416	22,111	23,677	21,987
	-----	-----	-----	-----
Diluted pro forma net income per share	\$ 0.42	\$ 0.11	\$ 0.75	\$ 0.20
	-----	-----	-----	-----

(a) The pro forma tax provision excludes the \$5.9 million research and development tax credit reported for GAAP during the second quarter of 2005.

ITRON, INC.
RECONCILIATION BETWEEN GAAP NET INCOME AND EBITDA

(Unaudited, in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
	-----	-----	-----	-----
GAAP basis net income	\$9,313	\$818	\$10,130	\$80
	-----	-----	-----	-----
Adjustments to GAAP basis net income				
Interest income	(94)	(111)	(98)	(128)
Interest expense	6,385	2,261	10,952	3,015
Income tax provision (benefit)	(4,839)	732	(4,345)	(40)
Depreciation and amortization	13,144	4,390	26,124	8,830
	-----	-----	-----	-----
Total adjustments	14,596	7,272	32,633	11,677
	-----	-----	-----	-----
EBITDA	\$23,909	\$8,090	\$42,763	\$11,757
	-----	-----	-----	-----

ITRON, INC.
SEGMENT INFORMATION

(Unaudited, in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
Revenues				
Hardware Solutions				
Meter Data Collection	\$ 62,192	\$ 67,170	\$111,868	\$121,916
Electricity Metering	60,622	-	114,728	-
Total Hardware Solutions	122,814	67,170	226,596	121,916
Software Solutions	12,309	12,472	24,997	23,328
Total Company	\$135,123	\$ 79,642	\$251,593	\$145,244
Gross profit				
Hardware Solutions				
Meter Data Collection	\$ 27,283	\$ 31,309	\$ 48,327	\$ 58,086
Electricity Metering	24,710	-	48,987	-
Total Hardware Solutions	51,993	31,309	97,314	58,086
Software Solutions	4,746	4,949	10,423	8,044
Total Company	\$ 56,739	\$ 36,258	\$107,737	\$ 66,130
Operating income (loss)				
Hardware Solutions				
Meter Data Collection	\$ 21,912	\$ 25,953	\$ 37,940	\$ 47,727
Electricity Metering	20,437	-	40,326	-
Other unallocated costs	(6,184)	(4,056)	(12,205)	(7,405)
Total Hardware Solutions	36,165	21,897	66,061	40,322
Software Solutions	(2,917)	(4,918)	(5,569)	(11,892)
Corporate unallocated	(22,937)	(12,278)	(44,408)	(24,768)
Total Company	\$ 10,311	\$ 4,701	\$ 16,084	\$ 3,662

ITRON, INC.
CONSOLIDATED BALANCE SHEETS

(Unaudited, in thousands)	June 30, 2005	Dec. 31, 2004
ASSETS		
Current assets		
Cash and cash equivalents	\$ 9,958	\$ 11,624
Accounts receivable, net	85,921	90,097
Inventories	46,351	45,459
Deferred income taxes, net	10,912	22,733
Other	6,143	5,477
Total current assets	159,285	175,390
Property, plant and equipment, net	53,979	59,690
Intangible assets, net	142,704	162,137
Goodwill	115,512	117,471
Deferred income taxes, net	51,583	27,252
Other	12,998	15,211
Total assets	\$536,061	\$557,151
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued expenses	\$ 39,556	\$ 37,439
Wages and benefits payable	16,720	13,947
Current portion of debt	2,124	35,647
Current portion of warranty	6,148	7,243
Unearned revenue	19,122	22,991
Total current liabilities	83,670	117,267
Long-term debt	165,172	239,361
Project financing debt	2,805	3,227
Warranty	5,116	6,331
Other obligations	5,662	6,535
Total liabilities	262,425	372,721

Shareholders' equity		
Preferred stock	-	-
Common stock	291,458	211,920
Accumulated other comprehensive income, net	492	954
Accumulated deficit	(18,314)	(28,444)
	-----	-----
Total shareholders' equity	273,636	184,430
	-----	-----
Total liabilities and shareholders' equity	\$536,061	\$557,151
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ITRON, INC.
CONSOLIDATED STATEMENTS OF CASH FLOW

	Six Months Ended June 30,	
	----- 2005	2004 -----
	(in thousands)	
Operating activities		
Net income	\$ 10,130	\$ 80
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	26,124	8,830
Employee stock plan income tax benefits	7,047	1,121
Amortization of prepaid debt fees	3,048	415
Impairment of investments	-	775
Deferred income tax benefit	(12,380)	(1,393)
Other, net	1,203	272
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	4,324	9,066
Inventories	(892)	(4,320)
Long-term notes receivable, net	(877)	-
Accounts payable and accrued expenses	2,179	(1,568)
Wages and benefits payable	2,756	209
Unearned revenue	(4,110)	(847)
Warranty	(181)	(5,712)
Other long-term obligations	(644)	(208)
Other, net	(936)	462
	-----	-----
Cash provided by operating activities	36,791	7,182
Investing activities		
Proceeds from the sale of property, plant and equipment	2,642	11
Acquisition of property, plant and equipment	(5,276)	(6,830)
Pre-acquisition activities	-	(4,629)
Payment of contingent purchase price for acquisition	-	(1,957)
Other, net	276	348
	-----	-----
Cash used by investing activities	(2,358)	(13,057)
Financing activities		
New borrowings	-	124,081
Transfer to escrow for senior subordinated notes	-	(128,310)
Change in short-term borrowings, net	-	11,000
Payments on debt	(108,178)	(8,696)
Issuance of common stock	72,318	3,967
Prepaid debt fees	(267)	(174)
Other, net	28	(6)
	-----	-----
Cash provided (used) by financing activities	(36,099)	1,862
Decrease in cash and cash equivalents	(1,666)	(4,013)
Cash and cash equivalents at beginning of period	11,624	6,240
	-----	-----
Cash and cash equivalents at end of period	\$ 9,958	\$ 2,227
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CONTACT: Itron, Inc.
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mima.scarpelli@itron.com

