

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

October 16, 2003

(Date of Report)

ITRON, INC.

(Exact Name of Registrant as Specified in 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, including Zip Code)

(509) 924-9900

(Registrant's Telephone Number, Including Area Code)

None

(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 October 16, 2003

Item 12. Results of Operations and Financial Condition.

On October 16, 2003, Itron, Inc. issued a press release announcing Q3 2003 earnings. 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: October 16, 2003

By: /s/ DAVID G. REMINGTON

David G. Remington
Vice President and Chief Financial Officer

Itron Reports Increased Revenues and EPS for the Third Quarter

SPOKANE, Wash.--(BUSINESS WIRE)--Oct. 16, 2003--Itron, Inc. (Nasdaq:ITRI), today reported its financial results for the quarter ended Sept. 30, 2003.

Third quarter revenues in 2003 increased 12% over third quarter 2002 to \$82.1 million. On a GAAP basis, we earned 23 cents per diluted share for the quarter, compared to 27 cents in 2002. Pro forma diluted earnings per share for the third quarter were 30 cents in 2003 compared with 29 cents last year. A schedule reconciling income between GAAP and pro forma is attached to this release.

Year-to-date, revenues of \$237.0 million, reflect a 14% increase over the first nine months of 2002. Year-to-date GAAP diluted earnings per share were 56 cents compared with 45 cents in 2002. Pro forma diluted earnings per share were 88 cents for the first nine months of 2003, up from 82 cents for the first nine months of 2002.

Comparing the quarter and year-to-date periods in 2003 with 2002, higher revenues for automatic meter reading (AMR) modules were partially offset by lower revenues for meter reading software and system installations. Additional revenue and gross margin highlights for the quarter and year-to-date periods include:

- We shipped 1.0 million AMR meter modules in the third quarter of 2003, 12% more than in the third quarter of 2002. Year-to-date AMR meter module shipments are up 10% to 3.1 million.
- Acquisitions since Oct. 1, 2002, contributed \$5.5 million to revenues during the quarter and \$13.0 million to revenues in the first nine months of 2003.
- Gross margin for the quarter was 48%, compared with 47% in the third quarter of last year. Year-to-date gross margin has increased to 49% in 2003 compared with 46% in 2002. The higher gross margin in 2003 results principally from higher manufacturing volumes, lower component prices and changes in product mix.

Sales and marketing, product development and general and administrative expenses were 35% of revenues for the quarter and first nine months of 2003, compared with 33% of revenues for the 2002 periods. The increase is largely due to four acquisitions completed since March 2002, where in the near-term, spending was higher as a percentage of revenues than in our meter reading systems businesses.

On Oct. 14, 2003, we reached a final settlement of all outstanding issues in the Benghiat patent litigation and operating expenses in the third quarter of 2003 reflect a \$500,000 charge related to that settlement. The total settlement of \$7.9 million was paid to Benghiat on Oct. 14, 2003.

We had net interest expense of \$764,000 for the third quarter of 2003 compared with \$89,000 of net interest income in the third quarter of 2002. Interest expense in 2003 includes interest on a term loan related to the Silicon Energy acquisition in March 2003, along with amortization of related loan origination fees. Year-to-date net interest expense in 2002 results from interest on approximately \$53 million in subordinated debt, which was converted to common stock during the second quarter of 2002.

Operating cash flow for the third quarter was \$7.0 million in 2003 compared with \$11.1 million in 2002. Year-to-date cash flow from operations was \$16.2 million in 2003 compared with \$32.8 million in 2002. The primary reason for the lower cash flow in 2003 is an increase in accounts receivable due to the timing of large contract payments and customers taking slightly longer to pay in 2003. DSOs in the third quarter of 2003 were 66 compared with 58 in 2002. Year-to-date operating cash flow in 2003 is also lower due to a \$4 million payment in the second quarter to a utility for a modification to a long-term contract.

New order bookings during the quarter were \$67 million, up from \$41 million in the prior quarter, but down from \$87 million in the third quarter last year. Third quarter bookings in 2002 included a \$29 million order with one utility for an initial AMR deployment. Year-to-date, new order bookings are \$168 million compared with \$170 million in the first nine months of 2002.

Total backlog, which represents the value of undelivered contractual orders, excluding annual maintenance and certain services contracts, was \$169 million at Sept. 30, 2003, compared with \$173 million at June 30, 2003. Twelve-month backlog represents the portion of backlog that will be earned over the next twelve months and was \$69

million at Sept. 30, 2003, compared with \$79 million last quarter.

SEM Acquisition Update:

In July 2003, we announced an agreement to acquire Schlumberger Electricity Metering, Inc. ("SEM") for a purchase price of \$255 million. The acquisition combines the industry leader in automatic meter reading technology ("AMR") and meter data management solutions with the industry leader in electric metering and expands Itron's business into the North American electric meter market.

In late August 2003, we received a second request for information from the FTC in connection with Itron and Schlumberger's filing under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 ("HSR"). We expect to have substantially complied with the request for additional information within the next 30 to 45 days, to receive HSR clearance by year-end, and anticipate a transaction close early in 2004.

Business Outlook:

The following statements are based on management's current expectations and do not include the impact of the acquisition of SEM, which will likely close in early 2004. That acquisition is expected to be accretive and we will provide more detail on the expected financial impact of SEM at closing. These forward-looking statements are made as of the date of this press release. Actual results may differ materially due to a number of risks and uncertainties. Itron undertakes no obligation to update publicly or revise any forward-looking statements.

We expect revenues for 2003 to be approximately \$320 million and pro forma EPS to be approximately \$1.20. Pro forma results exclude restructurings, intangible asset amortization, in-process R&D, and the Benghiat litigation settlement.

"We had several customers push out large AMR orders in the third quarter as they were dealing with effects of the hurricane and blackout," commented LeRoy Nosbaum, chairman and CEO. "This resulted in lower third quarter bookings than we expected and in our expectations for 2003 coming in at the low end of our previous guidance. However, those utilities are getting back to business and as we look to 2004, we are encouraged by our healthy pipeline of hardware and software and by improving utility industry fundamentals.

"In addition, we have made progress on our acquisition of SEM in terms of integration planning and moving the HSR process along at the FTC and expect SEM to contribute positively to our financial performance in 2004."

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.

Forward Looking Statements:

This release contains forward-looking statements concerning Itron's operations, economic performance, sales, earnings growth and cost reduction programs. 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 1) the timing of the SEM acquisition closing or the failure to finalize satisfactory credit arrangements for that acquisition, 2) the rate and timing of customer demand for the Company's products, 3) rescheduling of current customer orders, 4) changes in law and regulation (including FCC licensing actions), 5) and other factors which are more fully described in our Annual Report on Form 10-K for the year ended December 31, 2002 and 2003 Form 10-Qs on file with the Securities and Exchange Commission. Itron undertakes no obligation to update publicly or revise any forward-looking statements.

Investor Conference Call:

Itron will host a teleconference with institutional investors and analysts at 1:45 p.m. Pacific time (4:45 p.m. Eastern time), on Thursday, Oct. 16, 2003, to discuss financial results for the quarter. Internet users can hear a simultaneous live webcast of the teleconference at www.itron.com, "About Itron -- Investor Relations -- Investor Events." Webcast replays will begin shortly after the conclusion of the call and will be available through Nov. 30, 2003. 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 800-428-6051 (Domestic) or 973-709-2089 (International), passcode 307430.

About Itron:

Itron is a leading technology provider and critical source of knowledge to the global energy and water industries. More than 2,800 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 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.

Statements of operations, reconciliation between reported and pro forma income and EPS, balance sheets and segment information follow.

ITRON, INC.
CONSOLIDATED BALANCE SHEETS

(Unaudited, in thousands)	Sept. 30, 2003	Dec. 31, 2002
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ASSETS		
Current assets		
Cash and cash equivalents	\$ 10,549	\$ 32,564
Accounts receivable, net	61,271	57,571
Inventories	16,031	15,660
Deferred income taxes	8,989	5,927
Other	4,823	2,770
	-----	-----
Total current assets	101,663	114,492
Property, plant and equipment, net	32,373	30,168
Equipment used in outsourcing, net	10,713	11,589
Intangible assets, net	26,183	18,305
Goodwill	88,040	44,187
Deferred income taxes, net	33,100	24,050
Other	6,687	4,455
	-----	-----
Total assets	\$298,759	\$247,246
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LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued expenses	\$ 30,123	\$ 25,526
Wages and benefits payable	14,498	18,259
Accrued litigation	7,900	7,400
Current portion of debt	17,401	691
Unearned revenue	8,030	11,580
	-----	-----
Total current liabilities	77,952	63,456
Long-term debt	25,000	-
Project financing debt	4,213	4,762
Warranty and other obligations	12,757	17,427
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Total liabilities	119,922	85,645
Shareholders' equity		
Common stock	199,567	195,546
Preferred stock	-	-
Accumulated other comprehensive income (loss)	818	(280)
Accumulated deficit	(21,548)	(33,665)
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Total shareholders' equity	178,837	161,601
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Total liabilities and shareholders' equity \$298,759 \$247,246

ITRON, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited, in thousands, except per share data)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2003	2002	2003	2002
Revenues				
Sales	\$ 70,672	\$ 62,403	\$204,530	\$174,447
Service	11,407	10,654	32,458	33,124
Total revenues	82,079	73,057	236,988	207,571
Cost of revenues				
Sales	33,810	31,359	97,300	88,482
Service	8,741	7,349	23,944	23,602
Total cost of revenues	42,551	38,708	121,244	112,084
Gross profit	39,528	34,349	115,744	95,487
Operating expenses				
Sales and marketing	9,474	7,683	27,697	22,011
Product development	11,278	9,963	32,895	27,858
General and administrative	7,627	6,662	22,886	17,697
Amortization of intangibles	2,391	642	7,044	1,552
Restructurings	-	-	2,208	-
In-process research and development	-	-	900	7,200
Litigation accrual	500	-	500	-
Total operating expenses	31,270	24,950	94,130	76,318
Operating income	8,258	9,399	21,614	19,169
Other income (expense)				
Equity in affiliates	110	51	162	97
Interest income	68	339	265	1,004
Interest expense	(832)	(250)	(2,217)	(2,252)
Other income, net	458	10	422	1,219
Total other income (expense)	(196)	150	(1,368)	68
Income before income taxes	8,062	9,549	20,246	19,237
Income tax provision	(3,034)	(3,581)	(8,129)	(9,914)
Net income	\$ 5,028	\$ 5,968	\$ 12,117	\$ 9,323
Earnings per share				
Basic net income per share	\$ 0.25	\$ 0.29	\$ 0.60	\$ 0.49
Diluted net income per share	\$ 0.23	\$ 0.27	\$ 0.56	\$ 0.45
Weighted average number of shares outstanding				
Basic	20,478	20,479	20,364	18,955
Diluted	21,880	21,728	21,699	21,247

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

(Unaudited, in thousands, except per share data)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2003	2002	2003	2002
PRO FORMA NET INCOME				
GAAP basis income before income taxes	\$ 8,062	\$ 9,549	\$ 20,246	\$ 19,237
Adjustments to net income				
Amortization of intangibles	2,391	642	7,044	1,552
Litigation accrual	500	-	500	-
Restructurings	-	-	2,208	-
In-process research and development	-	-	900	7,200

Total adjustments	2,891	642	10,652	8,752
Adjusted income before income taxes	10,953	10,191	30,898	27,989
Income tax provision	(4,326)	(3,822)	(11,893)	(10,496)
Pro forma net income	\$ 6,627	\$ 6,369	\$ 19,005	\$ 17,493
PRO FORMA EARNINGS PER SHARE				
Basic				
Weighted average number of basic shares outstanding	20,478	20,479	20,364	18,955
Basic pro forma net income per share	\$ 0.32	\$ 0.31	\$ 0.93	\$ 0.92
Diluted				
Weighted average number of basic shares outstanding	20,478	20,479	20,364	18,955
Employee stock option shares	1,402	1,249	1,335	1,720
Convertible debt shares	-	-	-	1,390
Weighted average number of diluted shares outstanding	21,880	21,728	21,699	22,065
Pro forma net income	\$ 6,627	\$ 6,369	\$ 19,005	\$ 17,493
Interest on convertible debt, net of taxes	-	-	-	650
Adjusted pro forma net income	\$ 6,627	\$ 6,369	\$ 19,005	\$ 18,143
Diluted pro forma net income per share	\$ 0.30	\$ 0.29	\$ 0.88	\$ 0.82

ITRON, INC.
SEGMENT INFORMATION

(Unaudited, in thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2003	September 30, 2002	September 30, 2003	September 30, 2002
Revenues				
Electric	\$ 37,224	\$ 32,985	\$114,942	\$100,286
Natural Gas	13,660	14,458	41,975	37,920
Water and Public Power	27,631	23,685	69,921	60,347
International	2,963	1,929	8,929	9,018
End User Solutions	601	-	1,221	-
Total revenues	\$ 82,079	\$ 73,057	\$236,988	\$207,571
Gross profit				
Electric	\$ 16,373	\$ 14,741	\$ 55,220	\$ 46,360
Natural Gas	8,095	8,271	25,174	21,653
Water and Public Power	12,410	10,279	29,774	25,290
International	1,160	1,020	1,908	3,691
End User Solutions	224	-	377	-
Corporate	1,266	38	3,291	(1,507)
Total gross profit	\$ 39,528	\$ 34,349	\$115,744	\$ 95,487
Operating income (loss)				
Electric	\$ 13,513	\$ 12,597	\$ 46,679	\$ 40,451
Natural Gas	7,317	7,568	22,837	19,861
Water and Public Power	10,751	9,059	25,441	22,153
International	(349)	(553)	(2,774)	(1,724)
End User Solutions	(328)	-	(968)	-
Corporate	(22,646)	(19,272)	(69,601)	(61,572)
Total operating income	\$ 8,258	\$ 9,399	\$ 21,614	\$ 19,169

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