



Itron Reports Financial Results for Second Quarter 2004

SPOKANE, WA. — July 19, 2004 — Itron, Inc. (NASDAQ:ITRI), today reported its financial results for the quarter ended June 30, 2004.

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

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

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

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

"We close the first half of the year delighted to have finally completed the acquisition of Schlumberger Electricity Metering," said LeRoy Nosbaum, chairman and CEO. "On the other hand, we are not pleased with our financial results in the first two quarters. The utility industry in general and large electric and gas utilities specifically, continue to be in the doldrums. Despite the presence of justifiable business cases, larger AMR projects have not moved forward at the pace we had expected due to numerous other issues at our customers ranging from financial to organizational.

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

Business Outlook:

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

Use of Pro Forma Financial Information:

To supplement our consolidated financial statements presented in accordance with GAAP, we use pro forma measures of operating results, net income and earnings per share. Pro forma results are adjusted from GAAP-based results to exclude certain costs, expenses and expense reversals that we believe are not indicative of our core operating results. Pro forma results are one of the primary indicators management uses for evaluating historical results and for planning and forecasting future periods. We believe the pro forma results provide useful information to investors in terms of enhancing their overall understanding of our current financial performance as well as our future prospects. We have historically provided pro forma results and believe the inclusion of them provides investors with consistency in our financial reporting. Pro forma results should be viewed in addition to, and not in lieu of, GAAP results.

Earnings Conference Call:

Itron will host a conference call to discuss the financial results for the quarter at 1:45 p.m. PT on July 19, 2004. The call will be webcast in a listen only mode by Thomson/CCBN and can be accessed online at www.itron.com, "*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 #351152.

Forward Looking Statements:

This release contains forward-looking statements concerning Itron's operations, economic performance, sales, earnings and cash flow. These statements reflect our current plans and expectations and are based on information currently available. They rely on a number of assumptions and estimates, which could be inaccurate, and which are subject to risks and uncertainties that could cause our actual results to vary materially from those anticipated. Risks and uncertainties include the rate and timing of customer demand for the Company's products, potential disruptions in operations associated with integrating the SEM acquisition, rescheduling of current customer orders, changes in estimated liabilities for product warranties, changes in laws and regulations, and other factors which are more fully described in our Annual Report on Form 10-K for the year ended December 31, 2003 and Form 10-Q for the quarter ended March 31, 2004 on file with the Securities and Exchange Commission. Itron undertakes no obligation to update publicly or revise any forward-looking statements.

About Itron:

Itron is a leading technology provider and critical source of knowledge to the global energy and water industries. More than 3,000 utilities worldwide rely on Itron technology to deliver the knowledge they require to optimize the delivery and use of energy and water. Itron delivers value to its clients by providing industry-leading solutions for electricity metering, meter data collection, energy information management, demand side management and response, load forecasting, analysis and consulting services, transmission and distribution system design and optimization, Web-based workforce automation, commercial and industrial customer care and residential energy management. To know more, start here: www.itron.com.

For additional information, contact:

Mima Scarpelli

Vice-president, Investor Relations and Corporate Communications
(509) 891-3565

mima.scarpelli@itron.com

Related Documents

[Itron Q2 Earnings Statement](#)