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

November 1, 2007
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.)

2111 N. Molter Road, Liberty Lake, WA 99019
(Address of Principal Executive Offices, Zip Code)

(509) 924-9900
(Registrant's Telephone Number, Including Area Code)

(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 November 1, 2007, Itron, Inc. issued a press release announcing the financial results for the three months and nine months ending September 30, 2007. A copy of this press release and accompanying financial statements are attached as Exhibit 99.1.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

The following exhibit is filed as part of this report:

Exhibit Number	Description
99.1	Press Release dated November 1, 2007.

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: November 1, 2007

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 November 1, 2007.

Exhibit 99.1

Itron Announces Third Quarter Results

Financial Results Include Full Quarter Operating Results for Actaris

Consolidated Quarterly Revenue Exceeds $430 Million

Bookings in Excess of $440 Million

LIBERTY LAKE, Wash.--(BUSINESS WIRE)--Nov. 1, 2007--Itron, Inc. (NASDAQ:ITRI), today reported financial results for its third quarter ended September 30, 2007. Highlights include:

-- Quarterly and year-to-date revenues of $434 million and $984 million;

-- Quarterly and year-to-date non-GAAP diluted EPS of 65 cents and $1.99 per share; and

-- Quarterly and year-to-date Adjusted EBITDA of $67 million and $158 million.

"Our results for the quarter were about in line with our expectations," said LeRoy Nosbaum, chairman and CEO. "We had our highest bookings ever at $440 million and Actaris operating results are showing the positive effect of a more geographically diverse business model. Although we have experienced a pause in business in the US that we thought might occur, we continue to drive revenue and EPS growth in the short-term and believe that we are very well positioned for the long-term."

Third Quarter Statement of Operations Highlights:

Revenues - Total revenues for the third quarter of $434 million were $269 million, or 164%, higher than 2006 third quarter revenues of $165 million. Itron North America (INA) revenues for the third quarter of $153 million were about $12 million, or 7%, lower than the third quarter of 2006. Actaris revenues of $281 million were comprised of shipments to electric, gas and water utilities of approximately 40%, 32% and 28%, respectively.

Gross Margin - Gross margin for the third quarter of 2007 was 33%. This compares with 41% in the third quarter of 2006. Third quarter 2007 INA gross margin of 40% was similar to the third quarter of 2006. Actaris gross margin of 30% was comparable to the second quarter of 2007 without the effect of the inventory charge.

Operating Expenses - Total operating expenses for the third quarter of 2007 were $116 million. INA operating expenses were $43 million, reflecting a $2 million decrease over the third quarter of 2006. INA operating expenses as a percentage of revenue were 28%, which was similar to 2006. Actaris operating expenses of $64 million were 23% of revenue. Corporate unallocated expenses were $8.5 million for the quarter, or about $2.3 million higher than the third quarter of 2006. The increase was primarily attributable to higher expenses for internal controls for financial reporting and consulting services for tax planning related to the Actaris acquisition. Corporate unallocated expenses also include an impairment charge for our old corporate headquarters building. A sale of this facility is currently pending and is expected to close by year end.

Interest and Other Income - Net interest expense of $34 million in the third quarter of 2007 was substantially higher than the $561,000 in the comparable period in 2006, primarily due to the placement of $1.2 billion in senior secured bank debt for the Actaris acquisition. Debt fee amortization expense, which is included in net interest expense, was $9.2 million in the third quarter. Debt fee amortization expense included $6.6 million of accelerated amortization related to our convertible subordinated debt becoming subject to conversion. Our convertible debt became subject to conversion during the quarter because our stock price exceeded the conversion parameters. Other expense of $873,000 was comprised primarily of foreign currency revaluation of trade receivables and payables.

Income Taxes - We had a $2.7 million GAAP income tax benefit for the third quarter of 2007. This compares with a GAAP income tax provision of $5.9 million in the third quarter of 2006. The benefit is due to the pre-tax GAAP loss and also includes a benefit related to legislative reductions in tax rates in Germany and the United Kingdom in the third quarter.

GAAP Net Income/Loss and EPS - Our GAAP net loss and fully diluted EPS loss for the third quarter of 2007 was $3.4 million, or 11 cents per share, compared with net income of $9.2 million, or 35 cents per share, in the same period in 2006. The loss was primarily due to the accelerated amortization of debt fees.

Non-GAAP Operating Income, Net Income and Diluted EPS - Non-GAAP operating income, which excludes amortization expense related to intangible assets, was $55 million, or 13% of revenues, in the third quarter of 2007, compared with $24 million, or 15% of revenues, in the third quarter of 2006. Non-GAAP net income, which also excludes amortization of debt fees, was $21 million in 2007 compared with $15 million in the 2006 period. Non-GAAP diluted EPS, was 65 cents in the 2007 period compared with 56 cents in 2006. Fully diluted shares outstanding in the third quarter of 2007 were approximately 6 million higher than the same period in 2006. Non-GAAP net income and diluted EPS are higher in the third quarter of 2007 primarily due to the Actaris acquisition. Our non-GAAP tax rates were 27% and 38% for the third quarter of 2007 and 2006, respectively. The lower 2007 rate is due to lower tax rates for Actaris.

Year-To-Date Statement of Operations Highlights:

Revenues - Total revenues for the nine months ended September 30, 2007 of $984 million were $499 million or 103%, higher than 2006 nine-month revenues of $484 million. INA revenues for the first nine months of 2007 of $453 million were approximately $31 million, or 6%, lower than the same period in 2006.

Gross Margin - Total company gross margin for the nine months ended September 30, 2007 was 34%. Business combination accounting rules require the valuation of inventory on hand at the acquisition date to equal the sales price, less costs to complete and a reasonable profit allowance for selling effort. Accordingly, the historical cost of inventory acquired was increased by $16 million, which lowered gross margins by two percentage points for the nine months ended September 30, 2007. Year-to-date 2007 INA gross margin of 41% was slightly lower than the 42% for the first nine months of 2006 primarily due to lower production volumes for electricity meters.

Operating Expenses - Total operating expenses for the first nine months of 2007 were $316 million and included $36 million of expense related to in-process research and development (IPR&D). Without this expense, operating expenses would have been $280 million, or 28% of revenue. INA operating expenses were $135 million, reflecting a $4 million increase over the first nine months of 2006. The increase was primarily due to increased product marketing and product development expenses related to development of our next generation technology, OpenWay. Corporate unallocated expenses were approximately $24 million for the first nine months of 2007 or about $4 million higher than the same period in 2006. The increase was primarily attributable to higher expenses for internal controls for financial reporting and consulting services for tax planning related to the Actaris acquisition. Corporate unallocated also includes impairment charges of $1.6 million for our old corporate headquarters building.

Interest and Other Income - Net interest expense of $54 million in the first nine months of 2007 was substantially higher than the $8 million net interest expense in the comparable period in 2006. The increased net interest expense in 2007 was due to the placement of $1.2 billion in debt for the Actaris acquisition and the accelerated expensing of debt fees. Other income of $6 million was primarily due to realized gains of approximately $4 million for acquisition-related foreign exchange transactions and other foreign currency exchange gains.

Income Taxes - We had a $13 million GAAP income tax benefit for the first nine months of 2007. This compares with a GAAP income tax provision of $17 million in the first nine months of 2006. The benefit is due to the pre-tax GAAP loss and a benefit related to legislative reductions in tax rates in Germany and the United Kingdom.

GAAP Net Income/Loss and Diluted EPS - Our GAAP net loss and fully diluted EPS loss for the first nine months of 2007 was $20 million, or 69 cents per share, compared with net income of $26 million, or $1.01 per share in the first nine months of 2006. The loss was primarily due to acquisition-related charges for IPR&D and inventory and the accelerated expensing of debt fees.

Non-GAAP Operating Income, Net Income and EPS - Non-GAAP operating income, which excludes amortization expense related to intangibles assets, and excludes acquisition related charges for IPR&D and inventory was $125 million, or 13% of revenues, in the first nine months of 2007, compared with $76 million or 16% of revenues, in the same period in 2006. Non-GAAP net income and diluted EPS, which also excludes amortization of debt fees was $61 million or $1.99 per share in 2007 compared with $43 million and $1.64 per share in the 2006 period. Non-GAAP net income and diluted EPS are higher in 2007 primarily due to the Actaris acquisition. Fully diluted shares outstanding for the first nine months of 2007 were approximately 4 million higher than the same period in 2006.

Other Financial Highlights:

New Order Bookings and Backlog - New order bookings for the third quarter were $440 million, compared with $128 million in the third quarter of 2006. Our third quarter 2007 book-to-bill ratio was 1.05 to 1. Total backlog was $668 million at September 30, 2007 compared to $325 million at September 30, 2006. Twelve month backlog of $494 million at September 30, 2007 was higher than twelve month backlog at September 30, 2006 of $194 million, but also higher than twelve month backlog at June 30, 2007 of $491 million. The increased bookings and backlog amount in 2007 are primarily due to the Actaris acquisition.

Cash Flows from Operations - Net cash provided by operating activities was $90 million for the first nine months of 2007, compared with $87 million in the same period in 2006. Adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA) in the third quarter of 2007, was $67 million compared with $28 million for the same period in 2006. Adjusted EBITDA for the first nine months of 2007 was $158 million, or more than $72 million higher than the first nine months of 2006, primarily due to the acquisition of Actaris.

Forward Looking Statements:

This release contains forward-looking statements concerning our expectations about operations, financial performance, sales, earnings and cash flows. 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 our 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 stock based compensation, changes in foreign exchange rates, foreign business risks and other factors which are more fully described in our Annual Report on Form 10-K for the year ended December 31, 2006 and other reports on file with the Securities and Exchange Commission. Itron undertakes no obligation to update publicly or revise any forward-looking statements, including our business outlook.

Business Outlook:

The outlook information provided below and elsewhere in this release is based on information available today. Itron assumes no obligation to publicly update or revise our business outlook. Our future performance involves risks and uncertainties.

For the full year 2007, we expect

-- Revenues between $1.425 billion and $1.435 billion;

-- Diluted non-GAAP EPS of between $2.65 and $2.75; and

-- Adjusted EBITDA in excess of $220 million.

Non-GAAP Financial Information:

To supplement our consolidated financial statements presented in accordance with GAAP, we use certain non-GAAP financial measures, including non-GAAP operating income, non-GAAP net income and diluted EPS and Adjusted EBITDA. We provide these non-GAAP financial measures because we believe they provide greater transparency and represent supplemental information used by management in its financial and operational decision making. Specifically, these non-GAAP financial measures are provided to enhance investors' overall understanding of our current financial performance and our future anticipated performance by excluding infrequent costs associated with acquisitions. We exclude these expenses in our non-GAAP financial measures as we believe that they are a measure of our core business that is not subject to the variations of expenses associated with these infrequently occurring items. Non-GAAP performance measures should be considered in addition to, and not as a substitute for, results prepared in accordance with GAAP. Finally, our non-GAAP financial measures may be different from those reported by other companies. A more detailed discussion of why we use non-GAAP financial measures, the limitations of using such measures and reconciliations between non-GAAP and the nearest GAAP financial measures are included in this press release.

Earnings Conference Call:

Itron will host a conference call to discuss the financial results contained in this release at 2:00 p.m. (PDT) on November 1, 2007. The call will be webcast in a listen only mode and can be accessed online at www.itron.com, Investors, Presentations. The live webcast will begin at 2:00 p.m. (PDT). The webcast replay will begin 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 # 4780106.

About Itron:

Itron is a leading technology provider and critical source of knowledge to the global energy and water industries. Itron operates in two divisions; as Itron in North America and as Actaris outside of North America. Our company is the world's leading provider of metering, data collection and software solutions, with nearly 8,000 utilities worldwide relying on our technology to optimize the delivery and use of energy and water. Itron delivers industry leading solutions for electricity, gas and water utilities by offering meters; data collection and communication systems, including automated meter reading (AMR) and advanced metering infrastructure (AMI); meter data management and utility software applications; as well as comprehensive project management, installation and consulting services. To know more, start here: www.itron.com.

Statements of operations, segment information, balance sheets, cash flow statements and reconciliations of non-GAAP financial measures to the most directly comparable financial measures follow.

ITRON, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited, in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Revenues	$434,034	$164,706	$983,504	$484,069
Cost of revenues	289,224	97,281	652,655	280,838
Gross profit	144,810	67,425	330,849	203,231
Operating expenses				
Sales and marketing	35,677	15,176	84,990	46,978
Product development	26,495	15,626	67,837	43,416
General and administrative	27,503	12,463	69,134	37,104
Amortization of intangible assets	25,864	8,284	58,127	23,209
In-process research and development	269	-	35,820	-
Total operating expenses	115,808	51,549	315,908	150,707
Operating income	29,002	15,876	14,941	52,524
Other income (expense)				
Interest income	585	3,467	8,890	4,189

Interest expense	(34,852)	(4,028)	(63,276)	(12,359)
Other income (expense), net	(873)	(187)	6,068	(876)
Total other income (expense)	(35,140)	(748)	(48,318)	(9,046)
Income (loss) before income taxes	(6,138)	15,128	(33,377)	43,478
Income tax benefit (provision)	2,692	(5,913)	13,231	(16,990)
Net income (loss)	$ (3,446)	$ 9,215	$(20,146)	$ 26,488
Earnings (loss) per share				
Basic	$ (0.11)	$ 0.36	$ (0.69)	$ 1.05
Diluted	$ (0.11)	$ 0.35	$ (0.69)	$ 1.01
Weighted average number of shares outstanding				
Basic	30,415	25,552	29,239	25,343
Diluted	30,415	26,336	29,239	26,251

ITRON, INC.
SEGMENT INFORMATION

(Unaudited, in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Revenues				
Itron North America	$153,170	$164,706	$452,993	$484,069
Actaris	280,864	-	530,511	-
Total Company	$434,034	$164,706	$983,504	$484,069
Gross profit				
Itron North America	$ 61,533	$ 67,425	$186,224	$203,231
Actaris	83,277	-	144,625	-
Total Company	$144,810	$ 67,425	$330,849	$203,231
Operating income (loss)				
Itron North America	$ 18,157	$ 21,990	$ 51,053	$ 72,084
Actaris	19,296	-	(12,354)	-
Corporate unallocated	(8,451)	(6,114)	(23,758)	(19,560)
Total Company	$ 29,002	$ 15,876	$ 14,941	$ 52,524

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Unit Shipments		(units in thousands)		
Total meters (with and without AMR)				
Electricity	2,625	1,575	6,225	5,175
Gas	900	-	1,675	-
Water	1,775	-	3,625	-
Total meters	5,300	1,575	11,525	5,175
AMR units (Itron and Actaris)				

Meters with AMR	850	850	2,250	3,325
AMR modules	1,150	1,275	3,500	3,525
Total AMR units	2,000	2,125	5,750	6,850
Meters with other vendors' AMR	225	325	650	700

ITRON, INC.
CONSOLIDATED BALANCE SHEETS

(Unaudited, in thousands)

	September 30, 2007	December 31, 2006
ASSETS		
Current assets		
Cash and cash equivalents	$ 85,135	$361,405
Short-term investments, held to maturity	-	34,583
Accounts receivable, net	320,973	109,924
Inventories	185,752	52,496
Deferred income taxes, net	27,291	20,916
Other	47,303	17,121
Total current assets	666,454	596,445
Property, plant and equipment, net	317,626	88,689
Intangible assets, net	703,961	112,682
Goodwill	1,218,378	126,266
Prepaid debt fees	23,026	13,161
Deferred income taxes, net	96,366	47,400
Other	16,832	3,879
Total assets	$3,042,643	$988,522
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Trade payables	$ 204,918	$ 35,803
Accrued expenses	47,103	6,402
Wages and benefits payable	63,912	24,214
Taxes payable	19,119	1,717
Current portion of long-term debt	356,798	-
Current portion of warranty	17,687	7,999
Unearned revenue	19,410	27,449
Total current liabilities	728,947	103,584
Long-term debt	1,255,376	469,324
Warranty	18,438	10,149
Pension plan benefits	65,538	-
Deferred income taxes, net	210,772	-
Other obligations	66,071	14,483
Total liabilities	2,345,142	597,540
Commitments and contingencies		
Shareholders' equity		
Preferred stock	-	-
Common stock	605,182	351,018
Accumulated other comprehensive income, net	74,089	1,588
Retained earnings	18,230	38,376
Total shareholders' equity	697,501	390,982
Total liabilities and shareholders' equity	$3,042,643	$988,522

ITRON, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited, in thousands)

	Nine Months Ended September 30,	
	2007	2006
Operating activities		
Net income (loss)	$ (20,146)	$ 26,488
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	85,329	34,266
In-process research and development	35,820	-
Employee stock plans income tax benefits	2,020	12,686
Excess tax benefits from stock-based compensation	-	(9,108)
Stock-based compensation	8,998	6,811
Amortization of prepaid debt fees	12,034	3,766
Deferred income taxes, net	(47,418)	2,784
Other, net	(944)	(1,208)
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(15,231)	9,416
Inventories	2,801	(8,549)
Trade payables, accrued expenses and taxes payable	24,199	3,622
Wages and benefits payable	(6,510)	1,088
Unearned revenue	(8,390)	5,758
Warranty	764	3,328
Other long-term obligations	6,022	(237)
Effect of foreign exchange rate changes	11,307	-
Other, net	(1,001)	(3,923)
Net cash provided by operating activities	89,654	86,988
Investing activities		
Proceeds from the maturities of investments, held to maturity	35,000	-
Purchases of investments, held to maturity	-	(170,434)
Acquisitions of property, plant and equipment	(30,173)	(25,878)
Business acquisitions, net of cash and cash equivalents acquired	(1,716,138)	(7,321)
Other, net	53	1,507
Net cash used in investing activities	(1,711,258)	(202,126)
Financing activities		
Proceeds from borrowings	1,159,027	345,000
Payments on debt	(37,278)	(42,703)
Issuance of common stock	243,146	13,375
Excess tax benefits from stock-based compensation	-	9,108
Prepaid debt fees	(22,009)	(8,759)
Net cash provided by financing activities	1,342,886	316,021
Effect of exchange rate changes on cash and cash equivalents	2,448	-
Increase (decrease) in cash and cash equivalents	(276,270)	200,883
Cash and cash equivalents at beginning of period	361,405	33,638
Cash and cash equivalents at end of period	$ 85,135	$ 234,521

Itron, Inc.

About Non-GAAP Financial Measures

The accompanying press release dated November 1, 2007 contains non-GAAP financial measures. To supplement our consolidated financial statements, which are prepared and presented in accordance with GAAP, we use certain non-GAAP financial measures, including non-GAAP operating income, non-GAAP net income and EPS and Adjusted EBITDA. The presentation of this financial information is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. For more information on these non-GAAP financial measures please see the table captioned "Reconciliations of Non-GAAP Financial Measures to Most Directly Comparable GAAP Financial Measures" information following.

We use these non-GAAP financial measures for financial and operational decision making and as a means for determining executive compensation. Management believes that these non-GAAP financial measures provide meaningful supplemental information regarding our performance and ability to service debt by excluding certain expenses that may not be indicative of our recurring core operating results. Our executive compensation plans exclude non-cash charges related to amortization of intangibles and non-recurring discrete cash and non-cash charges that are infrequent in nature such as in-process research and development or purchase accounting adjustments. We believe that both management and investors benefit from referring to these non-GAAP financial measures in assessing our performance and when planning, forecasting and analyzing future periods. These non-GAAP financial measures also facilitate management's internal comparisons to our historical performance and ability to service debt as well as comparisons to our competitor's operating results. We believe these non-GAAP financial measures are useful to investors because they allow for greater transparency with respect to key metrics used by management in its financial and operational decision making and because they are used by our institutional investors and the analyst community to help them analyze the health of our business.

Non-GAAP operating income - We define non-GAAP operating income as operating income minus amortization of intangible expenses, business combination accounting for inventory revaluation and IPR&D. We consider this non-GAAP financial measure to be a useful metric for management and investors because it excludes the effects of expenses that are related to current and previous acquisitions. By excluding these expenses we believe that it is easier for management and investors to compare our financial results over multiple periods. We believe that excluding amortization of intangible assets enables management and investors to analyze trends in our operations. For example, expenses related to amortization of intangible assets were decreasing prior to the Actaris acquisition, which was improving GAAP operating margins, yet the improvement in GAAP operating margins due to this lower expense was not reflective of an improvement in our core business. Additionally we exclude the effects of inventory revaluation and IPR&D to provide investors gross and operating margins for the business that are not impacted by purchase accounting adjustments. There are some limitations related to the use of non-GAAP operating income versus operating income calculated in accordance with GAAP. Non-GAAP operating income excludes some costs that are recurring. Additionally, the expenses that we exclude in our calculation of non-GAAP operating income may differ from the expenses that our peer companies exclude when they report the results of their operations. We compensate for these limitations by providing specific information about the GAAP amounts we have excluded from our non-GAAP operating income and evaluating non-GAAP operating income together with GAAP operating income.

Non-GAAP net income and non-GAAP EPS - We define non-GAAP net income as net income minus the expenses associated with amortization of intangible assets and amortization of debt fees, expenses related to business combination accounting for inventory revaluation and expenses for IPR&D as well as the tax effects of each item. We define non-GAAP EPS as non-GAAP net income divided by the weighted average shares, on a fully diluted basis, outstanding as of the end of each period. We consider these financial measures to be a useful metric for management and investors for the same reasons that we use non-GAAP operating income. The same limitations described above regarding our use of non-GAAP operating income apply to our use of non-GAAP net income and non-GAAP EPS. We compensate for these limitations by providing specific information regarding the GAAP amounts excluded from non-GAAP net income and non-GAAP EPS and evaluating non-GAAP net income and non-GAAP EPS together with GAAP net income and EPS.

Adjusted EBITDA - We define Adjusted EBITDA as net income minus interest income, plus interest expense, tax expense and depreciation and amortization expenses plus non-cash expenses for business combination accounting for inventory revaluation and IPR&D. We feel that providing this financial measure is important for management and investors to understand our ability to service our debt and is a measure of the cash generated by our core business. Management uses Adjusted EBITDA as a performance measure for executive compensation. A limitation to using Adjusted EBITDA is that it does not represent the total increase or decrease in the cash balance for the period and the measure includes some non-cash items and excludes other non-cash items. Additionally, the expenses that we exclude in our calculation of Adjusted EBITDA may differ from the expenses that our peer companies exclude when they report the results. Management compensates for this limitation by providing a reconciliation of this measure to GAAP net income.

The accompanying tables have more detail on the GAAP financial measures that are most directly comparable to the non-GAAP financial measures and the related reconciliations between these financial measures.

ITRON, INC.
RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES
TO MOST DIRECTLY COMPARABLE GAAP FINANCIAL MEASURES

(Unaudited, in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Non-GAAP operating income:				
GAAP operating income	$ 29,002	$15,876	$ 14,941	$ 52,524
Amortization of intangible assets	25,864	8,284	58,127	23,209
In-process research and development	269	-	35,820	-
Purchase accounting adjustment - inventory	-	-	16,023	-
Non-GAAP operating income	$ 55,135	$24,160	$124,911	$ 75,733
Non-GAAP net income:				
GAAP net income (loss)	$ (3,446)	$ 9,215	$(20,146)	$ 26,488
Amortization of intangible assets	25,864	8,284	58,127	23,209
Amortization of debt placement fees	9,144	597	11,850	3,633
In-process research and development	269	-	35,820	-
Purchase accounting adjustment - inventory	-	-	16,023	-
Income tax effect of non-GAAP adjustments	(10,677)	(3,284)	(40,852)	(10,259)
Non-GAAP net income	$ 21,154	$14,812	$ 60,822	$ 43,071
Non-GAAP diluted EPS	$ 0.65	$ 0.56	$ 1.99	$ 1.64
Weighted average number of shares outstanding - Diluted	32,374	26,336	30,545	26,251
Adjusted EBITDA:				
GAAP net income (loss)	$ (3,446)	$ 9,215	$(20,146)	$ 26,488
Interest income	(585)	(3,467)	(8,890)	(4,189)
Interest expense	34,852	4,028	63,276	12,359
Income tax (benefit) provision	(2,692)	5,913	(13,231)	16,990
Depreciation and amortization	38,173	11,975	85,329	34,266
In-process research and development	269	-	35,820	-
Purchase accounting adjustment - inventory	-	-	16,023	-
Adjusted EBITDA	$ 66,571	$27,664	$158,181	$ 85,914

CONTACT: Itron, Inc.
Vice President, Investor Relations and
Corporate Communications

Deloris Duquette, 509-891-3523
deloris.duquette@itron.com