ITRON INC /WA/
Form 424B4
May 16, 2005
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Filed pursuant to Rule 424(b)(4)
Registration No. 333-123346

PROSPECTUS SUPPLEMENT

(To prospectus dated March 29, 2005)

1,500,000 shares

Common Stock

We are offering 1,500,000 shares of our common stock.

Our common stock is traded on the Nasdaq National Market under the symbol ITRI. On May 12, 2005, the last reported sale price of our common stock on the Nasdaq National Market was $37.77 per share.

Investing in our common stock involves a high degree of risk. Please see the section entitled Risk Factors starting on page S-10 of this prospectus supplement to read about risks you should consider carefully before buying shares of our common stock.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement. Any representation to the contrary is a criminal offense.

	Per Share	Total

Public offering price	$ 36.50	$ 54,750,000
Underwriting discount	$ 1.825	$ 2,737,500
Proceeds, before expenses, to Itron, Inc.	$ 34.675	$ 52,012,500

We have granted the underwriters a 30-day option to purchase up to an additional 225,000 shares of our common stock at the public offering price, less the underwriting discount, to cover any over-allotments.

The underwriters expect to deliver the shares on or about May 18, 2005.

Adams Harkness **Stephens Inc.**

Prospectus Supplement dated May 13, 2005

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Prospectus Supplement

Prospectus

You should rely only on information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with different information from that contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus. We are offering to sell and are seeking offers to buy shares of common stock only in jurisdictions where offers and sales are permitted. The information contained in or incorporated by reference

into this prospectus supplement and the accompanying prospectus is accurate only as of the date of this prospectus supplement and the accompanying prospectus. Because our business, financial condition, results of operations and prospects may have changed since the filing of the documents incorporated by reference, you should consider the prospectus supplement and the accompanying prospectus as a whole before making your investment decision.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement is a supplement to the accompanying base prospectus that is also a part of this document. This prospectus supplement and the accompanying base prospectus are part of a registration statement that we filed with the Securities and Exchange Commission (SEC) using a shelf registration process. The shelf registration statement was declared effective by the SEC on March 29, 2005. Under the shelf registration statement, we may offer and sell any combination of the securities described in the accompanying base prospectus up to an aggregate amount of $100 million, including this offering. In this prospectus supplement, we provide you with specific information about the terms of this offering. Both this prospectus supplement and the accompanying base prospectus include important information about us, our common stock and other information you should know before investing in our common stock. This prospectus supplement also adds, updates and changes information contained in the accompanying base prospectus. To the extent that any statement that we make in this prospectus supplement is inconsistent with the statements made in the accompanying base prospectus, the statements made in the accompanying base prospectus are deemed modified or superseded by the statements made in this prospectus supplement. You should read both this prospectus supplement and the accompanying base prospectus as well as the additional information described under the headings Information incorporated by reference on page S-53 and Where you can find more information on page S-53 of this prospectus supplement before investing in our common stock. Unless the context indicates otherwise, references in this prospectus supplement and the accompanying prospectus to Itron, we, our and us refer to Itron, Inc. and its subsidiaries.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights selected information contained elsewhere or incorporated by reference in this prospectus supplement and the accompanying prospectus. This summary may not contain all the information that you should consider before investing in our common stock. You should read the entire prospectus supplement and the accompanying prospectus carefully, including Risk Factors beginning on page S-10, The Offering beginning on page S-9, our consolidated financial statements and the related notes incorporated by reference into this prospectus supplement and the accompanying prospectus, before making an investment decision.

Itron, Inc.

Itron is a leading technology and knowledge provider for creating, collecting, analyzing and applying critical data about electric, gas and water usage to energy and water industries worldwide. We provide our customers with industry-leading solutions for:

- electricity metering;
- meter data collection;
- energy and water 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 (C&I) customer care; and
- residential energy and water management.

We have provided handheld computer meter data collection systems used by meter readers since Itron s founding in 1977 and automatic meter reading (AMR) since 1986. On July 1, 2004, we completed the acquisition of Schlumberger s electricity metering business (SEM), founded in 1899, which included electricity meter manufacturing and sales operations in the United States and the electricity meter operations of certain

foreign affiliates of Schlumberger in Canada, Mexico, Taiwan and France. As a result of this acquisition, we are now one of the largest suppliers of electricity meters in the United States.

Our vision is to provide energy and water utilities and end-users with the knowledge they require to optimize the delivery and use of energy and water. Our products and services help reduce costs, increase efficiency and reliability, reduce risk, enhance regulatory and safety compliance, optimize asset utilization and improve customer service. Our solutions are comprised of hardware, software and services that integrate the creation, measurement, collection, management, application and forecasting of data, providing a platform for utilities to share and apply critical knowledge throughout the utility and with other market participants, including end-users.

Industry Overview

Utility Industry Structure and Challenges

The largest electric and gas utilities in the United States and Canada are investor-owned highly regulated companies. The water industry, and some portions of the electric and gas industries, consist of smaller utilities, many of which are government run or closely-held. Outside of the United States and Canada, utilities are a mixture of government run and investor-owned companies, and in some cases are much larger in size than utilities in the United States and Canada.

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Despite differences in size, ownership and markets, utilities around the world face similar issues. In many places, there are insufficient supplies of electricity and electricity delivery infrastructure that is difficult and expensive to maintain, which has resulted in the inability to reliably deliver electricity during critical peak usage periods. In the water industry, increasing demand and static or decreasing supplies have resulted in water utilities imposing restrictions on the use of water in many areas. Increases in wholesale natural gas prices over the past few years have resulted in higher costs for electricity generation and higher retail prices for electricity and natural gas. Utilities face increased scrutiny from regulators and customers to improve service, improve efficiency and increase system reliability. In some markets, utilities are being asked to provide better information so that customers can manage their own energy and water usage. At the same time utilities are expected to keep rates low, utility investors and governments want improved financial performance and reasonable returns on their investments.

In response to many of these challenges, utilities have invested in hardware and software technologies that provide increased analytics, intelligence and information in order to improve operational and financial performance, and to provide their customers with additional information to manage exposure to market forces. However, investments in these technologies can be affected by many factors that influence utility capital spending. For example, in late 2003, and the first nine months of 2004, several large investor-owned utilities delayed investments in AMR and software due to several instances of extreme weather, a major blackout in the northeastern United States and other factors that affected their financial performance.

Segment Opportunities

Electricity Metering. Most installed residential electricity meters are electromechanical, using a mechanical register to measure aggregate electricity consumption over a specified time interval. One of the most recent and significant developments in residential electricity metering has been the introduction of electronic-based, or solid-state, metering technology rather than the gear-based technology of traditional electromechanical meters. Electronic-based meter technology provides increased capabilities, reliability and accuracy and facilitates the integration of embedded AMR functionality in electricity meters. While electronic-based meters are relatively new to residential metering, such meters have displaced electromechanical meters for most C&I and Generation, Transmission and Distribution (GT&D) meter sales.

Electricity metering industry growth is driven by new construction and replacement of old meters. Metering products are critical components of an electric utility s distribution infrastructure and as such, meter purchases for new construction and normal meter replacements are typically not affected by factors that influence overall utility capital spending. The U.S. electricity metering market has historically shown consistent growth over a long period of time, averaging approximately 2% to 3% annually. In more recent years, increased deployments of AMR have caused the industry growth rate to be even higher as utilities implementing AMR tend to replace some portion of their electricity meters before they reach the end of their estimated useful lives.

Meter Data Collection. Almost all utilities in the United States and Canada, and utilities in many other countries, use handheld meter reading systems for a substantial portion of their meter data collection functions. This market primarily consists of upgrade and replacement sales.

In the United States, we estimate there are approximately 275 million meters, of which approximately 25% are read with AMR systems. We estimate that outside of the United States, there are approximately 900 million to 1.2 billion meters with less than 3.0% AMR penetration. AMR industry growth is primarily driven by the need for cost savings, increased accuracy, improved service, theft detection, more frequent meter data collection as well as other factors, and utilities and regulators generally acknowledge the benefits of AMR. Recent industry surveys indicate over 95% of utilities in the United States and Canada intend to implement AMR and that many of those utilities intend to automate every meter in their territory. However, historically AMR industry growth has been volatile due to the project-based nature of orders from most large investor-owned utilities, and because purchases may be deferred as a result of many factors that can affect utility capital spending. The annual growth rate for AMR in North America averaged 18% from 2000 through 2004. However, during that time, the peak annual growth rate was 31% in 2001

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and in 2004, there was a year-over-year decline in AMR purchases of approximately 3.0% as several large orders were completed without new similar size orders to replace them.

Software Solutions. The market and growth rates for our software and related implementation and consulting services are difficult to estimate and predict. Growth in residential meter data collection software is primarily affected by handheld upgrade and replacement cycles and by new purchases of AMR systems. C&I meter data collection software system growth is primarily influenced by upgrades in North America and by new sales in foreign markets. The need for more frequent meter reads is also expected to lead to growth in data collection and meter data management software. While we believe there is an increasing need for many of our software applications in both domestic and foreign markets, purchases of these products may be deferred and are affected by a utility s overall capital spending budget.

Itron Products and Solutions

We divide our business into the following three operating segments: Hardware Solutions Electricity Metering; Hardware Solutions Meter Data Collection; and Software Solutions. For the year ended December 31, 2004 we generated revenues of $112.6 million from the Electricity Metering segment, $238.6 million from the Meter Data Collection segment, and $48.0 million from the Software Solutions segment.

Hardware Solutions Electricity Metering

Residential Meters. Residential meters account for approximately 90% of the meters in a typical utility s electricity network. Due to the limited voltage requirements of households, residential electricity meters are simpler in design and are typically less expensive than other types of meters. Our residential meters are based on a flexible product platform allowing the product to be adapted to customers different communications and register preferences. Our CENTRON solid-state electricity meter incorporates a two-piece design that combines a base metrology with a variety of electronic registers that enable different measurement, storage, communications and AMR functions.

Commercial and Industrial Meters. C&I meters account for approximately 10% of the meters in a typical utility s electricity network. Due to the various voltage requirements and consumption behavior of C&I customers, these meters are more sophisticated in design and provide additional measurement capabilities beyond residential meters such as demand, time-of-use, load profile, reactive measurement and monitoring power and voltage quality. Virtually all C&I meters sold today employ electronic-based technology. Our electronic-based SENTINEL meter is our primary meter for C&I use.

Generation, Transmission and Distribution Meters. The market for GT&D meters accounts for a relatively small number of units shipped in a given year. These meters are the most sophisticated of all power meters, and are typically used by utilities and large industrial customers for applications such as the monitoring of power quality and interruption, system optimization and bulk power measurements. Our Q1000 meter is used for large C&I and utility power exchange points. The Q1000 is designed for high accuracy revenue billing, advanced communication, simultaneous communication via multiple ports, power quality monitoring, information collection and retrieval and system measurement applications. The Q1000 supports real-time pricing or day-before hourly pricing as its capabilities enable two-way data transport via radio frequency and high-speed telephone communications.

International Meters. We also offer a separate line of residential, C&I and GT&D meters for use outside the United States and Canada. The primary differences between meters used in the United States and Canada and foreign markets are the physical configuration of and certification

requirements for the meters.

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Hardware Solutions Meter Data Collection

AMR Meter Modules. Our ERT (encoder, receiver, transmitter) meter modules are radio-based modules that can be retrofitted to existing electricity, gas or water meters or installed in or on new meters. The ERTs encode consumption, tamper and other information from the meters and communicate the data via radio to Itron s handheld, mobile and network radio-based data collection technology. Electric ERTs are typically installed under the glass of electromechanical electricity meters and are powered by the electricity running through the meter. Gas and water ERTs are attached to the meters and are powered by long-life batteries. In addition to selling ERT modules, we embed our ERT technology into our solid-state electricity meters and we license our technology to third parties, including meter manufacturers who either manufacture their own AMR modules or embed our AMR technology into their meters. We also offer a separate line of meter modules for use outside the United States and Canada. The primary differences between the AMR meter modules used in the United Sates and Canada and in foreign markets are the radio frequency bands in which they operate and the physical configuration of and certification requirements for the modules.

Handheld Meter Reading and Handheld AMR. We provide several models of handheld computers that are used by meter readers to walk a route, visually read the meters and input the data. Each model is designed for use in harsh environments with standard text and graphics, back-lit displays, several memory sizes, multiple communication options, interface devices for electronic meters and easy-to-use customizable keyboards. Most handheld units we sell today are radio-equipped (handheld AMR). With handheld AMR, a meter reader walks a route and a radio-equipped handheld computer sends a radio wake-up signal to nearby meters that are ERT equipped and in return, receives consumption, tamper and other information back from the ERTs. While read rates vary depending on a variety of factors, a meter reader walking a route reading meters with a handheld computer can, on average, read between 300 and 500 meters per day without AMR, or two to three times that with handheld AMR. Handheld AMR excels at reading accounts where the meters are expensive or hazardous to read. These meters are often situated in a basement, a backyard with a hostile dog or locked gate, or other situations where access to a meter is difficult.

Mobile AMR. Mobile AMR uses a radio transceiver in a vehicle that broadcasts a radio wake-up signal to all ERT-equipped meters within range and receives meter reading, tamper and other information back from the ERTs. Mobile AMR is designed for reading dense deployments of ERT modules. With mobile AMR, a meter reader can read tens of thousands of meters in a day, dramatically improving efficiency relative to handheld meter reading and handheld AMR.

Fixed Network AMR. Fixed Network AMR uses locally installed repeaters and concentrator devices to communicate with ERTs. Concentrators then use the utility s choice of public communication platforms like GPRS (general packet radio service) networks, Ethernet, PSTN (public switched telephone networks) and others to transfer data between the concentrators and a host processor at a utility. Fixed Network AMR is designed for highly-automated, frequent data collection and is scalable to be cost effectively installed in both large, high density

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deployments, as well as smaller, spot deployments. Fixed Network AMR supports a utility s ability to perform a number of advanced applications such as interval meter data collection, time-of-use billing, load profiling, leak and tamper detection, off-cycle reads, outage detection and restoration notification, among others.

C&I Network. Our C&I Network uses advanced, peer-to-peer radio communications to transport meter data from solid-state C&I electricity meters equipped with our External Meter Modems, or EMMs. Data travels from EMMs, through a system of radio relays, to a hub, which then routes the data using a single dedicated phone line to an Itron MV-90 host processor. Our C&I Network eliminates the need for dedicated phone lines and associated ongoing phone charges for each meter, which makes it a cost-effective solution for areas with groups of C&I meters, such as commercial and industrial parks, strip malls, downtown areas or large commercial and industrial facilities with multiple metering points.

SmartSynch Meter Systems®. In addition to our own C&I network, during 2002 we agreed to be a distributor of SmartSynch s SmartMeter System®. The SmartMeter System is installed within a regular solid-state C&I electricity meter, which results in low-cost and efficient field installations. The SmartMeter System collects power quality and usage data, then compresses and encrypts the data for transmission through wireless public communications networks. With its drop-in capability and use of public wireless communications networks, the SmartMeter System is designed for selective deployments of C&I meters in areas with public wireless network coverage.

Software Solutions

We provide software for commercial, industrial and residential meter data collection, workforce management, energy and water meter data management and other knowledge applications. In addition to software, we offer professional services for the implementation, system testing and integration of software as well as training, maintenance and software hosting.

Data Collection and Workforce Management. We provide a variety of software applications for managing the collection and transmission of meter data using handheld, mobile, remote C&I meter interrogation and network meter data collection systems. These data collection systems provide meter data information for billing systems, data warehouses, Internet data presentment and Itron knowledge applications. Our workforce management software enables utilities to streamline and automate many of the processes associated with field service activities, including endpoint installations, turn-ons/turn-offs, gas leak detection, credit and collections, meter services and trouble calls. Our software automates the real-time dispatching of work and electronically captures work order completion information in the field.

Meter Data Management. We provide solutions for residential and C&I meter data management. Our meter data management software solutions provide functionality to support the process of meter data collection using open and flexible interfaces, data validation and data editing, complex calculations and aggregation, time-of-use pricing, load research, interactive graphics, billing and financial settlements, load forecasting and deregulated marketplace transactions. Our Itron Enterprise Edition (Itron EE) platform is an enterprise-wide meter data management solution for internal, register and event data. Itron EE provides consistent processes and interfaces regardless of the source or destination of the meter data, insulating a utility from the details of meter data collection and analysis in a multi-vendor, multi-technology environment.

Knowledge Applications. We provide utilities with software applications, data warehouses and analytic and visualization tools that leverage the meter data collected and stored by Itron and third party collection and meter data management systems. This broad category of applications includes operational software systems such as C&I billing and C&I load management solutions; web based usage, cost presentment and analytic tools delivered to utilities end-users; and analytic solutions such as forecasting and distribution asset optimization. Our forecasting services and software products are used by utilities, market operators, government agencies and others for predicting load growth, revenue, new facilities requirements, customer reaction to proposed programs and rates, day-ahead energy needs and longer-term energy needs. We offer residential

energy management and load control solutions that leverage wireless or Internet communications to enable utilities to gain load relief when needed most and to offer customers incentives for

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participation. We also provide software solutions and consulting services for optimizing the design and construction of new distribution infrastructure as well as the rebuilding of existing distribution infrastructure. Finally, we offer software solutions directly to large energy end-users for gathering and managing meter data, energy bills, budget and weather data along with automated tools to streamline and manage energy costs at the corporate level.

Market Opportunity

Key Competitive Strengths

Our key competitive strengths and distinguishing characteristics include the following:

Leading Market Position in Electricity Meters and Meter Data Collection. We have a strong tradition and proven technologies in electricity meters and meter data collection, having provided electricity meters for over 100 years, handheld meter reading systems for more than 25 years and AMR for more than 15 years. With an installed base of over 37 million meters in the United States (representing approximately 32% market share) and market-leading position in residential electronic-based electricity meters, we are well-positioned to capture electricity meter sales from replacement, new construction and technology upgrades. As the worldwide leader in AMR, our technology facilitates the automatic collection and delivery of meter usage data for over 40 million meters in North America (representing approximately 55% market share). Our handheld meter reading systems are used by over 2,000 utilities worldwide including 75% of the largest utilities (those with over 100,000 meters installed) in the United States and Canada. We also have significant handheld meter reading market share in Mexico, Japan, Australia and parts of Europe. We estimate that our handheld meter reading systems are used to collect metering data from over 250 million meters worldwide, providing us with a strong foothold as utilities migrate to more automated forms of meter reading.

Broad, Integrated Solutions Portfolio. We provide a broad portfolio of meter data collection, management, analysis and other solutions. Over the last 15 years, we have invested significant resources to develop AMR solutions that are compatible with the leading electricity, gas and water meters used in North America. Our AMR technologies include handheld, mobile and network data collection options that can be intermixed, enabling our customers to deploy solutions that are technologically and economically suited to each meter reading area. As a result of the SEM acquisition in July 2004, we also now offer customers a more highly integrated suite of products for measuring, gathering and analyzing electricity usage data. In addition to our tools for the collection, management and analysis of meter data, we offer solutions in energy information management, energy demand management and response, load forecasting, analysis and consulting services, distribution systems design and optimization, workforce automation, C&I and residential energy management. We have developed software that integrates, stores, manages and applies information from diverse data collection systems and technologies so that valuable information can be used and applied throughout a utility as well as shared with other energy and water market participants. The breadth and integration of our products enable us to access a much broader share of a utility s overall budget, which we expect will provide opportunities to sell products to additional market participants such as supply generators, regulators, market operators and end-use customers.

Low-Cost, High-Volume Manufacturer. We are low-cost producers of electricity meters and AMR devices, with high-volume manufacturing capabilities in Oconee, South Carolina, where we have been manufacturing electromechanical meters for over 40 years and electronic-based electricity meters since 1998, and in Waseca, Minnesota, where we have been manufacturing AMR meter modules since 1986. In both locations, many years of manufacturing experience and continued focus on product cost reductions have yielded highly automated, flexible and scalable manufacturing operations. In 2004, we produced 4.2 million electricity meters in the Oconee facility, and 4.3 million AMR meter modules in the Waseca facility. We currently have the capacity to produce more than six million products in each facility annually.

Strong Customer and Industry Relationships. We have very strong customer loyalty and brand recognition within the utility industry. We maintain an extensive sales and distribution network that has developed long-term customer relationships. We have approximately 150 employees in direct sales and technical support and more than 60 indirect channel partners utilizing their respective sales forces. We have developed strategic relationships with numerous other

technology providers, including most of the leading electricity, gas and water meter manufacturers, and with many of the leading technology consultants, providing us with additional opportunities to sell our products and services. Worldwide, we have approximately 2,800 customers, of which 1,800 are in the United States and Canada. Approximately 90% of the largest utilities in the United States and Canada employ at least one of our solutions and many utilities have installed successive generations of our technologies.

Experienced Management Team. Our management has significant experience working with energy and water utilities and their customers. Over the last two years, we have made four strategic acquisitions that have further expanded our management expertise, experience and personnel. Our management team has a strong understanding of the recently acquired electricity metering business, having worked closely with numerous electricity meter manufacturers in connection with our AMR business. In addition, our chief executive officer, LeRoy Nosbaum, was employed by SEM from 1969 to 1989 in various roles, including General Manager of Schlumberger s Integrated Metering Systems Division.

Business Strategy

Our strategy leverages the combined strengths of our various technologies and services with our industry and customer relationships to provide solutions that make the delivery and use of energy and water more efficient, reliable and cost-effective.

Leverage Market Position to Capitalize on Growth Opportunities in Electricity Metering and Meter Data Collection. As a leading provider of electricity meters and as the market leader in AMR and handheld meter reading systems, we are well positioned to capitalize on future growth opportunities in electricity metering and meter data collection.

Electromechanical meters make up approximately 90% of the estimated 120 million residential electricity meters in the United States. However, as utilities add new meters, or replace existing meters, there is an accelerating migration to electronic-based meters. Electronic-based meters provide more accurate, reliable metering and greater capabilities than electromechanical, particularly when combined with AMR. Approximately 95% of the electronic-based residential electricity meters that have been installed in the United States to date incorporate our technology. In addition to those 12 million meters, we have an installed base of approximately 25 million electromechanical meters in the United States and Canada. In those markets, we intend to focus our sales efforts on the increasing demand for more sophisticated metering solutions particularly when combined with AMR, at both existing and new customers.

Our meter data collection product strategy focuses on migrating customers from their current level of meter reading technology to more advanced meter reading technology, enabling customers to reduce costs and gain operating efficiencies. Approximately 25% of the estimated 275 million electricity, gas and water meters in the United States were equipped with AMR capabilities as of December 31, 2004, over half of which incorporate Itron s AMR technology. In the United States and Canada, we have approximately 75% market share in handheld meter reading systems for the largest utilities (those with over 100,000 meters installed). In addition, many of our 1,500 AMR customers have deployed our AMR solutions in only a portion of their service territories. We intend to leverage our market leading position in handheld meter reading and AMR to further penetrate our existing customer base and capitalize on increasing interest in AMR from new customers.

Provide a Broad, Integrated Portfolio of Value-Added Solutions to Capitalize on the Increasing Needs for Efficiency and Analytics. Our solutions help energy and water industry participants get more value from their data, transform their business and achieve meaningful business process change. We will continue to broaden our solutions portfolio through internal development, acquisitions and partnering opportunities and further integrate our various solutions for metering, data collection, data management, operational analysis and forecasting. This integration will enable us to access a much broader share of a utility s overall budget and will provide us with opportunities to sell our products to additional market participants, such as generators, regulators, market operators and end-use customers. Many of our

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software platforms are compatible with hundreds of different meter types and collection systems which enables us to sell software to utilities that do not yet use Itron hardware. For example, a number of utilities that have installed our and other vendor s AMR technology are considering installation of our Itron EE meter data management platform for help in using their AMR data beyond billing and customer service. We believe that implementation of certain of our products and services will drive customers to implement additional products and services that we offer. Two examples of our customers implementing additional products include:

Xcel Energy, a long-time Itron AMR customer, recently began purchasing electricity meters from Itron as a result of the SEM acquisition. In addition, they have purchased our Distribution Asset Optimization software, and are using historical billing and meter data, Supervisory Control and Data Acquisition, or SCADA data, weather patterns, proprietary analytics and modeling to create load profiles for transformers and related assets for 1,850 circuits in five states. The integration of these systems will assist Xcel in avoiding failures due to load and heat and to perform preventative maintenance on distribution assets by enabling Xcel to accurately model feeder loads for various time and weather scenarios.

AquaAmerica recently purchased our field workforce automation software to more effectively track and monitor the status of field service operations. Our mobile workforce automation technology will enable AquaAmerica to use wireless communications and the Internet to provide real-time data to technicians in the field eliminating the costly paperwork associated with traditional manual work order processing. AquaAmerica estimates that it generated 100,000 pieces of paper annually for meter related work orders.

Develop Markets Outside of the United States and Canada. We are targeting specific opportunities outside of the United States and Canada for electricity meters, AMR and software solutions.

In Electricity Metering we are focused on those parts of the world that operate on American National Standards Institute standards (ANSI), including Taiwan, Dominican Republic, Puerto Rico, the Bahamas, Mexico, Nicaragua, Costa Rica, Bermuda and Panama. We have also begun investing in electricity metering technologies that over time will allow us to expand to parts of the world that use International Electric Commission (IEC) standards.

Outside the United States and Canada, there has been minimal penetration of AMR technology, yet utilities in foreign markets face the same needs for cost and operational efficiencies. We have significant handheld meter reading market share in Mexico, Japan, Australia, the Middle East and many parts of Europe. We have recently installed AMR technology in the Bahamas and believe there are near term opportunities in other areas in the Caribbean. We intend to leverage our relationships in these markets and our considerable experience in the United States and Canadian AMR markets in order to capture a significant portion of the emerging AMR growth opportunities internationally.

Our residential and C&I meter data collection software is used by numerous utilities around the world. In addition, we have begun selling our knowledge application software, such as forecasting, distribution asset optimization, and customer care in Europe, Australia, Japan and other parts of the world.

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The Offering

Common stock offered by us	1,500,000 shares
Common stock to be outstanding after this offering	23,259,942 shares
Use of proceeds	We intend to use the net proceeds from this offering to repay approximately $51,662,500 million of outstanding debt (approximately $59,464,375 million if the underwriters exercise their over-allotment option in full) under our credit facility, which currently bears annual interest at 4.75% and matures on July 11, 2011.
Nasdaq National Market symbol	ITRI
Risk factors	See Risk Factors and other information included in this prospectus supplement for a discussion of factors you should carefully consider before deciding to invest in shares of our common stock.

The number of shares of common stock to be outstanding after this offering is based on 21,759,942 shares outstanding as of April 30, 2005, excluding:

- 225,000 shares issuable upon exercise of the underwriters over-allotment option;
- 3,277,849 shares of common stock issuable upon exercise of options outstanding as of April 30, 2005 exercisable at a weighted-average exercise price of $15.29 per share;
- 978,880 shares available for future grant under our equity incentive plans; and
- 443,388 shares available for future issuance under our employee stock purchase plan.

On May 3, 2005 the shareholders of Itron approved an amendment to the Amended and Restated 2000 Stock Incentive Plan to increase the number of shares authorized under the plan to 4,525,000 shares and an amendment to the Amended and Restated Employee Stock Purchase Plan to fix the number of shares authorized under that plan at 704,411 shares. The number of shares available under these plans set forth above include the amendments approved by Itron shareholders.

Unless we indicate otherwise, all information contained in this prospectus supplement assumes that the underwriters have not exercised their over-allotment option.

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RISK FACTORS

You should carefully consider the risks described below before making an investment decision. You should also refer to the other information in this prospectus supplement and the accompanying prospectus, including our consolidated financial statements and the related notes incorporated by reference into this prospectus supplement and the accompanying prospectus. The risks and uncertainties described below are not the only risks and uncertainties we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations. If any of the following risks actually occur, our business, results of operations and financial condition would suffer. If that happens the trading price of our common stock could decline, and you may lose all or part of your investment in our common stock. The risks discussed below also include forward looking statements and our actual results may differ substantially from those discussed in these forward looking statements.

Risks Related to Our Business and Our Industry

We are dependent on the utility industry, which has experienced volatility in capital spending.

We derive the majority of our revenues from sales of products and services to the utility industry. Purchases of our products may be deferred as a result of many factors including mergers and acquisitions, regulatory decisions, weather conditions, rising interest rates, utility specific financial situations and general economic downturns. We have experienced and may in the future experience volatility in operating results, on both an annual and a quarterly basis as a result of these factors.

Utility industry sales cycles can be lengthy and unpredictable.

Sales cycles with customers in the utility industry, both domestic and foreign, are generally long and unpredictable due to customers budgeting, purchasing and regulatory processes that can take up to several years to complete. Our utility customers typically issue requests for quotes and proposals, establish evaluation committees, review different technical options with vendors, analyze performance and cost/benefit justifications and perform a regulatory review, in addition to applying the normal budget approval process within a utility.

Our quarterly results may fluctuate substantially.

We recorded a net loss in 2004 primarily due to intangible asset amortization expenses related to acquisitions and in process research and development costs (IPR&D). While Itron was profitable in fiscal years 2003 and 2002, we have experienced operating losses in some quarters during those periods and in prior periods. We may be unable to maintain consistent profitability on a quarterly or annual basis. We have experienced variability of quarterly results and believe our quarterly results will continue to fluctuate as a result of many factors, including costs related to acquisitions, including IPR&D and intangible amortization expenses, legal activity, unexpected warranty liabilities, restructuring charges, size and timing of significant customer orders, FCC or other governmental actions, the gain or loss of significant customers, timing and levels of new product developments, shifts in product or sales channel mix, increased competition and pricing pressure and general economic conditions affecting enterprise spending for the utility industry.

A significant portion of our revenues are generated from a limited number of customers.

Historically, our revenues have been concentrated with a limited number of customers, which change over time. The top ten customers in each year accounted for 30%, 35% and 40% of revenues for the years ended 2004, 2003 and 2002, respectively. No customer represented more than 10% of total company revenues in 2004 or 2003. However, several affiliated companies that are part of National Grid USA represented approximately 12% of revenues for the year ended December 31, 2002. From time to time, we are dependent on large, multi-year contracts that are subject to cancellation or rescheduling by our customers. Cancellation or postponement of one or more of these significant contracts could have a material adverse effect on us. For example, in 2003, we had a large electric utility reschedule approximately $8 million of shipments booked for 2003 to 2004 due to the utility s need to divert capital spending in order to rebuild critical infrastructure as a result of damage caused by extreme, unexpected weather conditions. In addition, if a large customer contract is not replaced upon its expiration with a new large contract, our business could be negatively affected.

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Our senior credit facility and the indenture related to our senior subordinated notes limit our ability and the ability of most of our subsidiaries to take certain actions.

Our senior credit facility and our senior subordinated notes will, among other things, limit our ability and the ability of most of our subsidiaries to, among other things:

- incur more debt;
- pay dividends and make distributions;
- make certain investments;
- redeem or repurchase capital stock;
- create liens;
- enter into transactions with affiliates;
- enter into sale lease-back transactions;
- merge or consolidate; and
- transfer or sell assets.

Our senior credit facility also contains other customary covenants, including requiring us to meet specified financial ratios and financial tests. Our ability to borrow under our senior credit facility will depend on satisfaction of these covenants. Events beyond our control can affect our ability to meet those covenants.

Our failure to comply with obligations under the indenture or the senior credit facility may result in declaration of an event of default. An event of default, if not cured or waived, may permit acceleration of indebtedness. We cannot be certain that we will be able to remedy any such defaults. If our indebtedness is accelerated, we cannot be certain that we will have sufficient funds available to pay the accelerated indebtedness or that we will have the ability to borrow sufficient funds to replace the indebtedness so accelerated on terms favorable to us or at all.

Our substantial indebtedness could adversely affect our financial health and prevent us from fulfilling our obligations under our senior credit facility and indenture relating to our senior subordinated notes.

We have a substantial amount of indebtedness. At March 31, 2005, we had total indebtedness of $257.6 million. Our substantial indebtedness could have important consequences, such as:

- Make it more difficult for us to satisfy our obligations with respect to our senior credit facility and indenture;
- Increase our vulnerability to general adverse economic and industry conditions;
- Require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, research and development efforts and other general corporate purposes;
- Limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- Place us at a competitive disadvantage compared with our competitors that have less debt; and
- Limit our ability to borrow additional funds.

To service our indebtedness, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control.

Our ability to make payments on and to refinance our indebtedness and to fund planned capital expenditures and research and development will depend on our ability to generate cash in the future. This is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. We may need to refinance all or a portion of our indebtedness on or before maturity. We cannot provide assurance that we will be able to refinance any of our indebtedness on commercially reasonable terms or at all.

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Our acquisitions of and investments in third parties carry risks.

We have acquired five companies since December 31, 2001 and have recorded acquisition investments of approximately $253 million in 2004, $71 million in 2003 and $43 million in 2002. We expect to evaluate potential acquisitions and investments in the future and we may choose to complete additional acquisitions and investments. Acquisitions and investments involve numerous risks such as the diversion of senior management s attention, unsuccessful integration of the acquired entity s personnel, operations, technologies and products, lack of market acceptance of new services and technologies, or a shift in industry dynamics that negatively impacts the forecasted demand for the new products. Impairment of an investment or goodwill and intangible assets may result if these risks materialize. There can be no assurances that an acquired business will perform as expected, accomplish our strategic objective or generate significant revenues, profits or cash flows. In addition, acquisitions and investments in third parties may involve the assumption of obligations or significant one-time write-offs. For example, in the fourth quarter of 2004, we incurred $6.4 million of IPR&D expense associated with our electricity metering acquisition and in the fourth quarter of 2003, we incurred pre-tax charges totaling $2.4 million for the write-off of a minority interest investment in one company and the impairment of our minority interest investment in another company due to changes in the business conditions of those companies. In order to finance any future acquisitions, we may need to raise additional funds through public or private financings.

Although we have integrated most of SEM s operations, we have not yet fully integrated accounting, financial reporting systems and certain other systems.

Prior to our acquisition, SEM had been operated independently of Itron, and we cannot provide assurance that we will be able to integrate the necessary systems and procedures, including accounting and financial reporting systems, to manage the combined enterprise on a profitable basis. Our inability to integrate SEM successfully could have a material adverse effect on our business, financial condition and results of operations.

We depend on our ability to develop new products.

We have made, and expect to continue to make, substantial investments in technology development. For example, in the year ended December 31, 2004 we spent $44.4 million on product development. Our future success will depend, in part, on our ability to continue to design and manufacture new competitive products and to enhance and sustain our existing products. This product development will require continued investment in order to maintain our market position. We may experience unforeseen problems in the development or performance of our technologies or products. In addition, we may not meet our product development schedules. Finally, we may not achieve market acceptance of our new products and solutions.

We are facing increasing competition.

We face competitive pressures from a variety of companies in each of the markets we serve. Some of our present and potential future competitors have or may have substantially greater financial, marketing, technical or manufacturing resources, and in some cases, greater name recognition and experience than we have. Some competitors may enter markets we serve and sell products at low prices in order to obtain market share. Our competitors may be able to respond more quickly to new or emerging technologies and changes in customer requirements. They may also be able to devote greater resources to the development, promotion and sale of their products and services than we can. Current and potential competitors may make strategic acquisitions or establish cooperative relationships among themselves or with third parties that enhance their ability to address the needs of our prospective customers. It is possible that new competitors or alliances among current and new competitors may emerge and rapidly gain significant market share. In connection with our electricity metering acquisition and as an accommodation to

concerns raised by the Federal Trade Commission (FTC) regarding competition, we completed an agreement with Hunt Technologies, Inc. another AMR vendor, to license some of our electric meter module technology and certain other technology. Also to accommodate the FTC, we assigned to Neptune Technology Group Holdings, Inc. certain provisions of a 1995 license to make devices capable of receiving and reading transmissions from R-300 and electric ERTs. The licenses are fully paid and expire when the last of the licensed patents expire in 2006. We cannot be certain that these agreements will not materially affect our future sales growth or gross margins at

some point. Other companies may also produce products that are equal or superior to our products, which could reduce our market share, reduce our overall sales and require us to invest additional funds in new technology development. If we cannot compete successfully against current or future competitors, this will have a material adverse effect on our business, financial condition, results of operations and cash flow.

We are affected by availability and regulation of radio spectrum.

A significant number of our products use radio spectrum and in the United States are subject to regulation by the FCC. Licenses for radio frequencies must be obtained and periodically renewed. Licenses granted to us or our customers may not be renewed on acceptable terms, if at all. The FCC may adopt changes to the rules for our licensed and unlicensed frequency bands that are incompatible with our business. In the past, the FCC has adopted changes to the requirements for equipment using radio spectrum, and it is possible that the FCC or Congress will adopt additional changes.

We have committed, and will continue to commit, significant resources to the development of products that use particular radio frequencies. Action by the FCC could require modifications to our products. If we are unable to modify our products to meet such requirements, we could experience delays in completing such modifications, or the cost of such modifications could have a material adverse effect on our future financial condition and results of operations.

Our radio-based products currently employ both licensed and unlicensed radio frequencies. There must be sufficient radio spectrum allocated by the FCC for our intended uses. As to the licensed frequencies, there is some risk that there may be insufficient available frequencies in some markets to sustain our planned operations. The unlicensed frequencies are available for a wide variety of uses and are not entitled to protection from interference by other users. The unlicensed frequencies are also frequently the subject of proposals to the FCC requesting a change in the rules under which such frequencies may be used. If the unlicensed frequencies become unacceptably crowded or restrictive or subject to changed rules governing their use, and no additional frequencies are allocated, our business could be materially adversely affected.

We are also subject to regulatory requirements in foreign markets that vary by country. In those jurisdictions radio station licenses are generally required to operate a radio transmitter and such licenses may be for a fixed term and must be periodically renewed. In some jurisdictions, the rules permit certain low power devices to operate on an unlicensed basis. Most of our ERT modules and AMR equipped residential electronic-based meters are devices that transmit information back to either handheld, mobile or fixed network AMR reading devices in unlicensed bands pursuant to rules regulating such use. To the extent we wish to introduce products designed for use in the United States or another country into a new market, such products may require significant modification or redesign in order to meet frequency requirements and other regulatory specifications. Further, in some countries, limitations on frequency availability or the cost of making necessary modifications may preclude us from selling our products in those countries.

We may face liability associated with the use of products for which patent ownership or other intellectual property rights are claimed.

We may be subject to claims or inquiries regarding alleged unauthorized use of a third party s intellectual property. An adverse outcome in any intellectual property litigation could subject us to significant liabilities to third parties, require us to license technology or other intellectual property rights from others, require us to comply with injunctions to cease marketing or using certain products or brands, or require us to redesign, reengineer, or rebrand certain products or packaging, any of which could affect our business, financial condition and results of operations. If we are required to seek licenses under patents or other intellectual property rights of others, we may not be able to acquire these licenses on acceptable terms, if at all. In addition, the cost of responding to an intellectual property infringement claim, in terms of legal fees and expenses and the diversion of management resources, whether or not the claim is valid, could have a material adverse effect on our business,

financial condition and results of operations.

If our products infringe the intellectual property rights of others, we may be required to indemnify our customers for any damages they suffer. We generally indemnify our customers with respect to infringement by our products of the proprietary rights of third parties. Third parties my assert infringement claims against our customers.

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These claims may require us to initiate or defend protracted and costly litigation on behalf of our customers, regardless of the merits of these claims. If any of these claims succeed, we may be forced to pay damages on behalf of our customers or may be required to obtain licenses for the products they use. If we cannot obtain all necessary licenses on commercially reasonable terms, our customers may be forced to stop using our products.

We may be unable to adequately protect our intellectual property.

While we believe that our patents, trademarks and other intellectual property have significant value, it is uncertain that this intellectual property, or any intellectual property acquired or developed by us in the future, will provide meaningful competitive advantages. There can be no assurance that our patents or pending applications will not be challenged, invalidated or circumvented by competitors or that rights granted thereunder will provide meaningful proprietary protection. Moreover, competitors may infringe our patents or successfully avoid them through design innovation. To combat infringement or unauthorized use, we may need to commence litigation, which can be expensive and time-consuming. In addition, in an infringement proceeding a court may decide that a patent or other intellectual property right of ours is not valid or is unenforceable, or may refuse to stop the other party from using the technology or other intellectual property right at issue on the ground that it is non-infringing. Policing unauthorized use of our intellectual property is difficult and expensive, and we cannot provide assurance that we will be able to, or have the resources to, prevent misappropriation of our proprietary rights, particularly in countries where the laws may not protect such rights as fully as do the laws of the United States.

We may face warranty exposure that exceeds our recorded liability.

We provide product warranties for varying lengths of time. In anticipation of warranty expenses, we establish allowances for the estimated liability associated with product warranties and product-failure related costs. However, these warranty and related product-failure allowances may be inadequate due to changes in various estimates for material, labor and other costs we may incur to replace projected product failures, and we may incur additional warranty and related expenses in the future with respect to new or established products. For example, in 2004 and 2003, we incurred approximately $2.6 million and $12.3 million, respectively, of warranty expense that had not previously been accrued for, for a specific product failure that resulted from a defective component provided by a supplier.

Our key manufacturing facilities are concentrated.

A substantial portion of our revenues are derived from the sale of electricity meters, which we manufacture in our facility in Oconee, South Carolina, and from the sale of AMR meter modules, which we manufacture in our facility in Waseca, Minnesota. In the event of a significant interruption in production at either of our manufacturing facilities, considerable time and effort could be required to establish alternative production lines, which would have a material adverse effect on our business, financial condition and results of operation. We are developing disaster recovery plans that would enable us to move production from one of our facilities to the other in the event of a disaster.

A number of key personnel are critical to the success of our business.

Our success depends in large part on the efforts of our highly qualified technical and management personnel in all disciplines. The loss of one or more of these personnel and the inability to attract and retain qualified replacements could have a material adverse effect on our business.

We depend on certain key vendors.

Certain of our products, subassemblies and system components are procured from limited sources. Our reliance on such limited sources involves certain risks, including the possibility of shortages and reduced control over delivery schedules, manufacturing capability, quality and costs. In addition, we depend on one contract manufacturing vendor for a large portion of our low-volume manufacturing business and all of our repair services for our domestic handheld meter reading units. If that vendor should become unable to perform its responsibilities, our operations could be materially disrupted.

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We are subject to international business uncertainties.

We conduct operations outside the United States. International sales and operations may be subject to risks such as the imposition of government controls, political instability, restrictions on the import or export of critical technology, currency exchange rate fluctuations, adverse tax burdens, availability of qualified third-party financing, generally longer collection periods, trade restrictions, changes in tariffs, difficulties in staffing and managing foreign operations, potential insolvency of international dealers, burdens of complying with different permitting standards and a wide variety of foreign laws and obstacles to the repatriation of earnings and cash. Fluctuations in the value of the U.S. dollar impact our ability to compete with international competitors. International expansion and market acceptance depend on our ability to modify our technology to take into account such factors as the applicable regulatory and business environment, labor costs and other economic conditions. In addition, the laws of certain countries do not protect our products or technology to the same extent as do the laws of the United States. There can be no assurance that these factors will not have a material adverse effect on our future international sales and, consequently, on our business, financial condition and results of operations.

We are subject to regulatory compliance.

We are subject to various governmental regulations including those related to occupational safety and health, labor and wage practices and regulations regarding the performance of certain engineering services. Failure to comply with current or future regulations could result in the imposition of substantial fines, suspension of production, alteration of our production processes, cessation of operations or other actions, which could materially and adversely affect our business, financial condition and results of operations.

We may incur liability arising from the use of hazardous materials.

Our business and our facilities are subject to a number of federal, state and local laws, regulations and ordinances governing, among other things, the storage, discharge, handling, emission, generation, manufacture, disposal, remediation of, or exposure to toxic or other hazardous substances and certain waste products. Many of these environmental laws and regulations subject current or previous owners or operators of land to liability for the costs of investigation, removal or remediation of hazardous materials. In addition, these laws and regulations typically impose liability regardless of whether the owner or operator knew of, or was responsible for, the presence of any hazardous materials and regardless of whether the actions that led to the presence were taken in compliance with the law. In the ordinary course of our business, like that of other companies engaged in similar businesses, we use metals, solvents and similar materials, which are stored on site. The waste created by use of these materials is transported off-site on a regular basis by unaffiliated waste haulers. Many environmental laws and regulations require generators of waste to take remedial actions at the off-site disposal location even if the disposal was conducted in compliance with the law. The requirements of these laws and regulations are complex, change frequently and could become more stringent in the future. Failure to comply with current or future environmental regulations could result in the imposition of substantial fines, suspension of production, alteration of our production processes, cessation of operations or other actions, which could materially and adversely affect our business, financial condition and results of operations. There can be no assurance that a claim, investigation or liability will not arise with respect to these activities, or that the cost of complying with governmental regulations in the future, will not have a material adverse effect on us.

With respect to our Oconee, South Carolina facility, certain environmental remedial activities are required pursuant to a consent agreement between Schlumberger (and various related parties), from whom we purchased our electricity metering operations in July 2004, and the South Carolina Department of Health and Environmental Control. The consent agreement requires Schlumberger to investigate and remediate groundwater contamination and all releases of any hazardous waste or hazardous constituents that present an actual or potential threat to human health and the environment. Under the terms of our electricity metering acquisition, Schlumberger agreed to complete all remedial obligations associated with the consent agreement, and agreed to indemnify us for all costs incurred as a result of any releases and generation or transportation of hazardous materials prior to the acquisition. Although we expect Schlumberger to comply with the terms of the consent

agreement and the acquisition, there is a risk that such remediation will interfere with our future use of the Oconee property, or if Schlumberger did not comply, the remediation responsibility would transfer to us.

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Risks Related to This Offering and Our Common Stock

The trading price of our common stock may be extremely volatile.

The market price of our common stock has experienced significant fluctuations since we became a publicly traded company in November 1993 and is likely to fluctuate significantly in the future. Our stock price can fluctuate for a number of reasons, including, but not limited to:

- announcements about us or our competitors;
- the introduction of new technology or products or changes in product pricing policies by us or our competitors;
- variations in our operating results;
- changes in the regulatory environment;
- changes in the estimates of our operating results or changes in recommendations by any securities analysts that elect to follow our common stock;
- recruitment or departure of key personnel;
- the gain or loss of significant orders or customers;
- market conditions in our industry, the industries of our customers, and the economy as a whole; and
- geopolitical events, terrorist activities or the threat of terrorism.

As of the date of this prospectus supplement the price of our common stock was near its 52-week high. Fluctuations or decreases in the trading price of our common stock may adversely affect your ability to trade your shares. In the past, securities class action litigation has often been instituted against companies following periods of volatility in their stock price. This type of litigation could result in substantial costs and could divert our management s attention and resources.

Our charter documents and Washington law may inhibit a takeover or change in control that a shareholder may consider favorable.

Provisions in our Restated Articles of Incorporation and Bylaws may have the effect of delaying or preventing a merger or acquisition of us, or making a merger or acquisition less desirable to a potential acquirer, even where the shareholders may consider the acquisition or merger

favorable. We have the authority to issue 10 million shares of preferred stock in one or more series, and to fix the powers, designations, preferences, and relative, participating, optional or other rights thereof without any further vote or action by our shareholders. The issuance of preferred stock could dilute the voting power of holders of our common stock and could have the effect of delaying or preventing a change in control of us. Certain provisions of our Restated Articles of Incorporation, Restated Bylaws, shareholder rights plan and employee benefit plans, as well as Washington law, may operate in a manner that could discourage or render more difficult a takeover of us or the removal of management or may limit the price certain investors would be willing to pay in the future for shares of our common stock.

Future sales of our common stock may depress our stock price.

The market price of our common stock could decline as a result of sales by our existing shareholders of a large number of shares of our common stock in the market after this offering or the perception that such sales could occur. As of February 22, 2005 we had five shareholders that held an aggregate of approximately 34% of our outstanding common stock. These sales also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate.

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FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus contain forward-looking statements. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as anticipate, believe, continue, could, estimate, expect, intend, may, might, plan, potential, predict, should or will, or the negative of such ter terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks outlined under Risk Factors, that may cause our or our industry s actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. You should not place undue reliance on these forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, performance or achievements. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law.

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USE OF PROCEEDS

We expect to receive approximately $51,662,500 million in net proceeds from the sale of the 1,500,000 shares of common stock offered by us in this offering ($59,464,375 million if the underwriters exercise their over-allotment option in full), after deducting estimated underwriting discounts and commissions and offering expenses payable by us.

We intend to use the net proceeds from this offering to repay approximately $51,662,500 million of outstanding debt (approximately $59,464,375 million if the underwriters exercise their over-allotment option in full) under our credit facility, which currently bears annual interest at 4.75% and matures on July 11, 2011.

PRICE RANGE OF COMMON STOCK

Our common stock trades on the Nasdaq National Market under the symbol ITRI. The following table sets forth, for the periods indicated, the high and low sales prices per share of our common stock as reported on the Nasdaq National Market.

	High	Low
Fiscal year ended December 31, 2002		
First Quarter	$ 32.30	$ 22.25
Second Quarter	36.50	19.19
Third Quarter	26.98	12.53
Fourth Quarter	25.90	16.12
Fiscal year ended December 31, 2003		
First Quarter	20.74	13.00
Second Quarter	22.25	16.25
Third Quarter	24.16	18.07
Fourth Quarter	21.88	17.72
Fiscal year ended December 31, 2004		
First Quarter	23.15	17.00
Second Quarter	24.65	17.75
Third Quarter	23.02	15.93
Fourth Quarter	24.45	16.86
Fiscal year ended December 31, 2005		
First Quarter	30.83	21.50
Second Quarter (through May 12, 2005)	40.20	29.21

On May 12, 2005, the last reported sale price of our common stock on the Nasdaq National Market was $37.77 per share. As of April 30, 2005, there were approximately 421 holders of record of our common stock.

DIVIDEND POLICY

We have never paid any cash dividends on our capital stock. We currently intend to retain all future earnings to retire debt obligations or to fund development and growth of our business. In addition, we are restricted from paying dividends under our current credit facility and do not anticipate paying any dividends in the foreseeable future.

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CAPITALIZATION

The following table sets forth our cash, cash equivalents and capitalization as of March 31, 2005:

- on an actual basis, without giving effect to the offering; and
- on an as adjusted basis to reflect the sale of the 1,500,000 shares of common stock offered by us, less estimated underwriting discounts and commissions and offering expenses and the assumed application of $51,662,500 million of the net proceeds in repayment of our indebtedness as set forth in the Use of proceeds section.

This capitalization table should be read in conjunction with management s discussion and analysis of results of operations and our consolidated financial statements and related notes included elsewhere or incorporated by reference into this prospectus supplement and related prospectus.

	As of March 31, 2005	
	Actual	As Adjusted
	($ in thousands, except share data)	
Cash and cash equivalents	$ 15,628	$ 15,628
Senior credit facility term loan	$ 129,612	$ 77,949
Senior subordinated notes	124,158	124,158
Other debt	3,830	3,830
Total debt	257,600	205,937
Shareholders Equity:		
Common stock, 75,000,000 shares authorized, 21,557,384 shares issued and outstanding, 23,259,942 shares issued and outstanding, as adjusted	215,811	267,474
Accumulated other comprehensive income (loss)	688	688
Accumulated deficit	(27,627)	(27,627)
Total shareholders equity	188,872	240,535
Total capitalization	$ 446,472	$ 446,472

The number of shares of common stock to be outstanding after this offering is based on 21,759,942 shares outstanding as of April 30, 2005, excluding:

- 225,000 shares issuable upon exercise of the underwriters over-allotment option;

3,277,849 shares of common stock issuable upon exercise of options outstanding as of April 30, 2005 exercisable at a weighted-average exercise price of $15.29 per share;

978,880 shares available for future grant under our equity incentive plans; and

443,388 shares available for future issuance under our employee stock purchase plan.

On May 3, 2005 the shareholders of Itron approved an amendment to the Amended and Restated 2000 Stock Incentive Plan to increase the number of shares authorized under the plan to 4,525,000 shares and an amendment to the Amended and Restated Employee Stock Purchase Plan to fix the number of shares authorized under that plan at 704,411 shares. The number of shares available under these plans set forth above include the amendments approved by Itron shareholders.

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SELECTED CONSOLIDATED FINANCIAL DATA

The following table shows Itron s selected consolidated financial data for the five years ended December 31, 2004 and for the three month periods ended March 31, 2005 and 2004. The data for each of the years ended December 31, 2000 through 2004 has been derived from our audited financial statements. The data for the three month periods ended March 31, 2005 and 2004 has been derived from our unaudited financial statements, which have been prepared on the same basis as our audited financial statements, and includes all adjustments necessary for a fair presentation of this information. The results of operations for the three months ended March 31, 2005 and 2004 should not be considered indicative of the results for a full fiscal year. The historical results are not necessarily indicative of results to be expected in any future period. You should read the following selected financial information together with our Management Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus supplement, and our consolidated financial statements and related notes incorporated by reference into this prospectus supplement.

	Years Ended December 31,					Three Months Ended March 31,	
	2004*	2003	2002	2001	2000	2005	2004
	($ in thousands, except per share data)						
Statements of Operations Data:							
Revenues							
Sales	$ 346,543	$ 273,783	$ 241,158	$ 183,425	$ 141,899	$ 104,202	$ 55,016
Service	52,651	43,182	43,684	42,130	38,042	12,268	10,586
Total revenues	399,194	316,965	284,842	225,555	179,941	116,470	65,602
Cost of revenues	228,525	173,411	152,573	127,696	109,092	65,472	35,730
Gross profit	170,669	143,554	132,269	97,859	70,849	50,998	29,872
Operating expenses							
Sales and marketing	45,279	40,985	33,763	27,603	21,992	13,239	9,654
Product development	44,379	41,508	36,417	30,000	21,331	11,914	10,222
General and administrative	35,490	26,141	23,856	14,129	16,299	9,966	6,626
Amortization of intangible assets	27,901	9,618	2,356	1,486	1,762	9,716	2,027
Restructurings	7,258	2,208	3,135	(1,219)	(185)	390	2,382
In-process research and development	6,400	900	7,200				
Litigation accrual		500	7,400				
Total operating expenses	166,707	121,860	114,127	71,999	61,199	45,225	30,911
Operating income (loss)	3,962	21,694	18,142	25,860	9,650	5,773	(1,039)
Other income (expense)							
Interest income	166	159	1,187	1,410	1,110	4	17
Interest expense	(13,145)	(2,638)	(2,061)	(5,112)	(5,313)	(4,567)	(754)
Other income (expense), net	(389)	(1,316)	1,591	(792)	3,091	101	266
Total other income (expense)	(13,368)	(3,795)	717	(4,494)	(1,112)	(4,462)	(471)
Income (loss) before income taxes and cumulative effect of change in accounting principle	(9,406)	17,899	18,859	21,366	8,538	1,311	(1,510)
Income tax benefit (provision)	4,149	(7,421)	(10,176)	(7,916)	(3,270)	(494)	772
Net income (loss) before cumulative effect of change in accounting principle	(5,257)	10,478	8,683	13,450	5,268	817	(738)
Cumulative effect of change in accounting principle, net of income taxes of $1,581					(2,562)		

Net income (loss)	$ (5,257)	$ 10,478	$ 8,683	$ 13,450	$ 2,706	$ 817	$ (738)
Earnings per share:							
Basic							
Income (loss) before cumulative effect of change in accounting principle	$ (0.25)	$ 0.51	$ 0.45	$ 0.86	$ 0.35	$ 0.04	$ (0.04)
Cumulative effect of change in accounting principle					(0.17)		
Basic net income (loss) per share	$ (0.25)	$ 0.51	$ 0.45	$ 0.86	$ 0.18	$ 0.04	$ (0.04)
Diluted							
Income (loss) before cumulative effect of change in accounting principle	$ (0.25)	$ 0.48	$ 0.41	$ 0.75	$ 0.34	$ 0.04	$ (0.04)
Cumulative effect of change in accounting principle					(0.17)		
Diluted net income (loss) per share	$ (0.25)	$ 0.48	$ 0.41	$ 0.75	$ 0.18	$ 0.04	$ (0.04)
Weighted average number of shares outstanding							
Basic	20,922	20,413	19,262	15,639	15,180	21,451	20,656
Diluted	20,922	21,740	21,380	18,834	15,385	22,737	20,656
Balance Sheet Data:							
Working capital (deficit)	$ 58,123	$ (1,846)	$ 51,036	$ 66,646	$ 45,340	$ 85,303	$ (3,555)
Total assets	557,151	303,489	247,246	202,691	177,231	532,105	285,201
Total debt	278,235	52,269	5,453	64,484	65,446	257,600	42,918
Shareholders equity	184,430	177,244	161,601	76,052	52,092	188,872	178,213

* On July 1, 2004, we completed the acquisition of Schlumberger s electricity metering business (SEM). The data for the year ended December 31, 2004 reflects the SEM acquisition from July 1, 2004 through December 31, 2004.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATION

The following discussion and analysis should be read in conjunction with the Selected Consolidated Financial Data and the consolidated financial statements and the related notes, which are included in or incorporated by reference into this prospectus. Our discussion of results of operations and financial condition includes various forward-looking statements about our markets, the demand for our products and services and our future results. We based these statements on assumptions that we consider reasonable. Actual results may differ materially from those suggested by our forward-looking statements for various reasons including those discussed under Risk Factors and elsewhere or incorporated by reference in this prospectus.

Overview

We derive the majority of our revenues from sales of products and services to utilities. Sales revenues may include hardware, software licenses, custom software development, field and project management services and engineering, consulting and installation services. Service revenues include post-sale maintenance support and outsourcing services. Outsourcing services encompass installation, operation and maintenance of meter reading systems to provide meter information to a customer for billing and management purposes for systems we own as well as those owned by our customers. Hardware cost of sales are based on standard costs, which include materials, direct labor, warranty expense and an overhead allocation, as well as variances from standard costs. Software cost of sales include distribution and documentation costs for applications sold, along with other labor and operating costs for custom software development, project management, consulting and systems support. Hardware and software cost of services are based on actual time and materials incurred and an allocation of miscellaneous service related costs.

Three Months Ended March 31, 2005 and 2004

On July 1, 2004, we completed the acquisition of SEM, which is now our Hardware Solutions Electricity Metering segment. As a result of the acquisition, we are now one of the largest suppliers of electricity meters in the United States. The purchase price was approximately $248 million, which we financed with the issuance of debt. The acquisition resulted in a significant increase in our revenues and changed many other aspects of our results of operations, financial condition and cash flows, which are described in detail in each applicable area within the discussion that follows.

Total revenues for the first quarter of 2005 were $116.5 million compared with $65.6 million in the first quarter of 2004. Electricity Metering contributed $54.1 million of the $116.5 million in total revenues for the three months ended March 31, 2005. With the acquisition of SEM, we anticipate we will have a higher portion of our electric AMR shipments in the form of solid-state electricity meters with AMR embedded (which are included in Electricity Metering revenues) as opposed to separate modules for installation on new or existing mechanical electric meters (which are included in Hardware Solutions Meter Data Collection revenues). Prior to the acquisition of SEM, revenues from shipments of new meters with AMR embedded were in the form of royalties only. This represents a fundamental change in the way we distribute our products and is an important transition to consider when comparing segment performance from period to period.

Our Meter Data Collection and Software Solutions businesses are primarily project based sales, and as a result, our historical financial results have varied from period to period, primarily as a result of the timing of large orders. We believe this variability will be partially offset by our new Electricity Metering business, which predominately consists of shorter-term purchase orders against long-term arrangements.

Total new order bookings in the first quarter of 2005 were $117 million compared with $66 million in the first quarter of 2004. Total backlog was $190 million at March 31, 2005 compared with $155 million at March 31, 2004, with the increase attributable to Electricity Metering.

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Revenues and Gross Margins

Total Revenues and Gross Margins

The following tables summarize our revenues and gross margin for the three months ended March 31, 2005 and 2004.

	Three Months Ended March 31,		
	2005	2004	% Change
	($ in millions)		
Revenues			
Sales	$ 104.2	$ 55.0	89%
Service	12.3	10.6	16
Total revenues	$ 116.5	$ 65.6	78%

	Three Months Ended March 31,	
	2005	2004
Gross Margin		
Sales	43%	46%
Service	49	42
Total gross margin	44%	46%

Revenues

We had a $49.2 million increase in sales revenues for the first quarter of 2005, compared with the first quarter of 2004. The increase resulted from $54.1 million in Electricity Metering sales revenue offset by a decrease in Meter Data Collections sales revenues. Service revenues increased in the first quarter of 2005, primarily due to higher maintenance revenues resulting from a larger software install base.

No customer represented more than 10% of total revenues in the first quarters of 2005 or 2004. Our ten largest customers accounted for approximately 24% of revenues during the first quarter of 2005. During the same period in 2004, our ten largest customers accounted for approximately 40% of revenues.

Gross Margins

As a percentage of revenue, sales gross margin for the first quarter of 2005 decreased three percentage points, compared with the same period in 2004, primarily due to lower average selling prices on electric AMR modules. Service gross margin increased seven percentage points in the first quarter of 2005, compared with the same period in 2004, primarily due to higher maintenance margins resulting from a larger software install base.

Segment Revenues, Gross Margin and Operating Income (Loss)

We have two operating groups (Hardware Solutions and Software Solutions). Our Hardware Solutions operating group is further defined between Meter Data Collection and Electricity Metering. Management has three primary measures for each of the operating groups: revenue, gross profit (margin) and operating income (loss). Revenues for each operating group are reported according to product lines. There are no inter-operating group revenues. Within Hardware Solutions, costs of sales are based on standard costs, which include materials, direct labor, warranty expense and an overhead allocation, as well as variances from standard costs. Software cost of sales include distribution and documentation costs for applications sold, along with other labor and operating costs for custom software development, project management, consulting and systems support. Hardware and software cost of services are based on actual time and materials incurred and an allocation of miscellaneous service related costs. Operating expenses directly associated with each operating group may include sales, marketing, product development or administrative expenses.

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Corporate operating expenses, interest revenue, interest expense, equity in the income (loss) of investees accounted for by the equity method, amortization expense and income tax expense (benefit) are not allocated to the operating groups, nor included in the measure of segment profit or loss. Prior to December 31, 2004, sales expenses were reflected in Corporate Unallocated. On January 1, 2005, we implemented a change in our sales organization structure and assigned sales employees to specific segments. Segment operating income (loss) for the quarter ended March 31, 2005, reflects the allocation of sales expenses within each segment. Results for the quarter ended March 31, 2004 have been restated for comparability. Assets and liabilities are not allocated to the operating groups, except for the Electricity Metering operating group, which is individually maintained and reviewed. The allocation of depreciation expense to the operating groups was approximately 60% and 50% at March 31, 2005 and 2004, respectively. We classify sales in the United States and Canada as domestic revenues. International revenues were $8.1 million and $3.8 million for the three months ended March 31, 2005 and 2004, respectively.

Operating Segment Products

Operating Segment	Major Products
Hardware Solutions Meter Data Collection:	Residential and commercial AMR standalone and OEM (original equipment manufacturer) modules, mobile and network AMR data collection technologies, SmartSynch meter systems, handheld computers for meter data collection or mobile workforce applications and related installation and implementation services.
Hardware Solutions Electricity Metering:	Residential solid-state and electromechanical electricity meters, AMR enabled meters, commercial and industrial solid-state electricity meters and generation, transmission and distribution meters.
Software Solutions:	Software applications for commercial, industrial and residential meter data collection and management distribution system design and optimization, energy and water management, asset optimization, mobile workforce solutions, and forecasting and related implementation, forecasting and consulting services.

The following tables and discussion highlight significant changes in trends or components of revenues and gross margin for each segment.

	Three Months Ended March 31,		
	2005	2004	% Change
	($ in millions)		
Segment Revenues			
Hardware Solutions:			
Meter Data Collection	$ 49.7	$ 54.7	-9%
Electricity Metering	54.1		100
Total Hardware Solutions	103.8	54.7	90
Software Solutions	12.7	10.9	17
Total Company	$ 116.5	$ 65.6	78%

	Three Months Ended March 31,

	2005	2004
Segment Gross Margin		
Hardware Solutions:		
Meter Data Collection	42%	49%
Electricity Metering	45	
Total Hardware Solutions	44	49
Software Solutions	45	29
Total Company	44%	46%

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	Three Months Ended March 31,		
	2005	2004	% Change
	($ in millions)		
Segment Operating Income (Loss)			
Hardware Solutions:			
Meter Data Collection	$ 16.0	$ 21.8	-27%
Electricity Metering	19.9		100
Other unallocated costs	(6.0)	(3.4)	-76
Total Hardware Solutions	29.9	18.4	63
Software Solutions	(2.6)	(6.9)	62
Corporate unallocated	(21.5)	(12.5)	-72
Total Company	$ 5.8	$ (1.0)	680%

Hardware Solutions Meter Data Collection. Meter Data Collection revenues decreased $5.0 million, or 9%, in the first quarter of 2005, compared with the first quarter of 2004, due to lower implementation revenues, hardware revenues and royalties. We shipped approximately 935,000 standalone electric, gas and water AMR modules in the first quarter of 2005, compared with 820,000 in the first quarter of 2004. However, average selling prices for electric AMR modules declined resulting in lower hardware revenues. Average selling prices for electric AMR modules declined as a result of certain electric AMR modules sold at cost during the quarter to another AMR vendor, along with general market pricing pressure from that vendor and other vendors. The sales at cost to this particular AMR vendor were pursuant to a licensing and sales agreement required by the consent decree entered into with the Federal Trade Commission in connection with the acquisition of SEM. The sales portion of the agreement expires later in 2005. In the first quarter of 2005, we shipped approximately 375,000 electricity meters with our AMR technology embedded (that are reflected in Electricity Metering revenues). During the first quarter of 2004, prior to our acquisition of SEM on July 1, 2004, revenues from these shipments were in the form of royalties only that were reflected in Meter Data Collection revenues. There were no customers that represented more than 10% of Meter Data Collection revenues in the first quarter of 2005 and 2004.

Meter Data Collection gross margins declined seven percentage points in the first quarter of 2005 compared with the first quarter of 2004 due to lower average selling prices on electric AMR modules and lower royalties.

Meter Data Collection operating expenses were $5.0 million, or 10% of revenues, for the first quarter of 2005 compared with $5.0 million, or 9% of revenues for the first quarter of 2004.

Hardware Solutions Electricity Metering. We acquired our Electricity Metering business as of July 1, 2004. Sales of meters and related services resulted in $54.1 million of revenues for the first quarter of 2005. We shipped approximately 1.1 million meters in the three months ended March 31, 2005, of which approximately 34% were enabled with our AMR technology and another 19% were enabled with other AMR vendors technology. There were no customers that represented more than 10% of Electricity Metering revenues in the first quarter of 2005.

Electricity Metering gross margin in the first quarter of 2005 was 45%, compared with 40% in the fourth quarter of 2004. The improved margin compared with the previous quarter results from higher volumes and a different mix of meters. In addition, in the fourth quarter we had $3.0 million of service revenue at a 12% margin, which was related to services we phased out by December 31, 2004.

Operating expenses for Electricity Metering were $4.4 million, or 8% of revenue, for the first quarter of 2005, compared with $10.6 million, or 18% of revenue, for the three months ended December 31, 2004. The fourth quarter included $6.4 million of IPR&D, which was expensed as required. We anticipate operating expenses for Electricity Metering will be slightly lower as a percentage of revenue, compared with Meter Data Collection, due to lower product development and marketing expenses as a result of a more narrowly focused product offering.

Hardware Solution Other Unallocated Costs. Operating expenses not directly associated with either the Meter Data Collection or Electricity Metering operations are classified as Hardware Solutions Other Unallocated Costs. These costs increased approximately $2.6 million for the first quarter of 2005, compared with the first quarter

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of 2004, primarily due to the addition of Electricity Metering. As a percentage of revenue, these operating expenses remained constant at 6% for the first quarter of 2005 and 2004.

Software Solutions. The increase of $1.8 million, or 17%, in Software Solutions revenues in the first quarter of 2005, compared with the first quarter of 2004, was due to additional software licenses, higher professional services and maintenance fees related to new software products. There were no customers that represented more than 10% of Software Solutions revenues for the three months ended March 31, 2005 and 2004.

Software Solutions gross margin increased in the first quarter of 2005, compared with 2004, primarily due to better utilization of professional service personnel as a result of workforce reductions in 2004 and higher maintenance revenue due to a larger software install base.

Gross margin dollars for Software Solutions are not yet sufficient to cover current operating expenses, which include a significant investment in product development. However, workforce and facility reductions during 2004 have contributed to lower operating losses in 2005. Software Solutions operating expenses decreased $1.7 million in the first quarter of 2005, compared with the first quarter of 2004 and decreased as a percentage of revenue from 93% to 66% for the same period.

Corporate Unallocated. Operating expenses not directly associated with an operating group are classified as Corporate unallocated. These expenses increased $9.0 million in the first quarter of 2005, compared with the same period in 2004, primarily due to $7.7 million of increased intangible asset amortization expenses, most of which were attributable to the SEM acquisition. In addition, the SEM acquisition resulted in increased other operating expenses, which were partially offset by a decrease in restructuring charges. Restructuring activities were largely completed as of December 31, 2004.

Backlog of Orders

Meter Data Collection and Software Solutions project sales involve annual or multi-year contracts and are subject to rescheduling and cancellation by customers due to the long-term nature of the contracts. Routine sales include follow-on or add-on orders with existing customers and initial orders with new customers. Electricity Metering typically has long-term non-binding commitments with customers that are fulfilled as purchase orders are released against those commitments. Purchase orders are subject to changes in volumes or time periods.

For Meter Data Collection and Software Solutions, bookings for a reported period represent contracts and purchase orders signed during a specified period, except for those related to annual maintenance. Bookings for Electricity Metering represent purchase orders received during the period. Annual maintenance contracts are not included in bookings or backlog.

Total backlog represents undelivered contractual and purchase orders, excluding annual maintenance services. Twelve-month backlog represents the portion of total backlog that we estimate will be earned over the next twelve months. Backlog is not a complete measure of our future business as an increasing portion of our business is book-and-ship, and as bookings and backlog can fluctuate significantly due to the timing of large project awards.

Information on bookings and backlog is summarized by quarter as follows:

Quarter Ended	Total Bookings	Total Backlog	12-Month Backlog
		($ in millions)	
March 31, 2005	$ 117	$ 190	$ 116
December 31, 2004	128	179	97
September 30, 2004	98	177	104
June 30, 2004	66	153	76
March 31, 2004	66	155	79
December 31, 2003	45	145	62
September 30, 2003	67	169	69
June 30, 2003	41	173	79

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Note that beginning total backlog, plus bookings, less sales revenues will not always equal ending total backlog due to miscellaneous contract adjustments and other factors.

Operating Expenses

We have made reclassifications between historical sales and marketing, product development and general and administrative expenses in order to conform to the current organizational structure and current period presentation. The following table details our total operating expenses in dollars and as a percent of revenues.

	Three Months Ended March 31,			
	2005	% of Revenue	2004	% of Revenue
	($ in millions)			