
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2014

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission file number 000-22418

ITRON, INC.

(Exact name of registrant as specified in its charter)

Washington
(State of Incorporation)

91-1011792
(I.R.S. Employer Identification Number)

2111 N Molter Road, Liberty Lake, Washington 99019
(509) 924-9900
(Address and telephone number of registrant's principal executive offices)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of July 31, 2014 there were outstanding 39,244,810 shares of the registrant's common stock, no par value, which is the only class of common stock of the registrant.

Itron, Inc.
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PART I: FINANCIAL INFORMATION

Item 1: Financial Statements (Unaudited)

ITRON, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in thousands, except per share data)			
Revenues	\$ 489,353	\$ 482,175	\$ 964,148	\$ 929,711
Cost of revenues	326,312	322,587	646,572	630,000
Gross profit	163,041	159,588	317,576	299,711
Operating expenses				
Sales and marketing	46,119	46,182	93,728	94,398
Product development	43,999	43,481	88,408	87,689
General and administrative	37,680	38,317	78,087	71,912
Amortization of intangible assets	11,109	10,247	22,179	20,991
Restructuring expense	(7,793)	3,385	(2,269)	4,398
Goodwill impairment	—	—	977	—
Total operating expenses	131,114	141,612	281,110	279,388
Operating income	31,927	17,976	36,466	20,323
Other income (expense)				
Interest income	53	194	150	1,255
Interest expense	(2,913)	(2,336)	(5,822)	(4,674)
Other income (expense), net	(1,375)	(1,742)	(3,873)	(2,559)
Total other income (expense)	(4,235)	(3,884)	(9,545)	(5,978)
Income before income taxes	27,692	14,092	26,921	14,345
Income tax benefit (provision)	(7,848)	(1,896)	(7,195)	1,347
Net income	19,844	12,196	19,726	15,692
Net income (loss) attributable to noncontrolling interests	585	(203)	721	723
Net income attributable to Itron, Inc.	\$ 19,259	\$ 12,399	\$ 19,005	\$ 14,969
Earnings per common share - Basic	\$ 0.49	\$ 0.31	\$ 0.48	\$ 0.38
Earnings per common share - Diluted	\$ 0.49	\$ 0.31	\$ 0.48	\$ 0.38
Weighted average common shares outstanding - Basic	39,356	39,431	39,296	39,426
Weighted average common shares outstanding - Diluted	39,544	39,678	39,528	39,724

The accompanying notes are an integral part of these condensed consolidated financial statements.

ITRON, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in thousands)			
Net income	\$ 19,844	\$ 12,196	\$ 19,726	\$ 15,692
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(7,995)	7,180	(11,369)	(24,120)
Net unrealized gain (loss) on derivative instruments, designated as cash flow hedges	(383)	845	(478)	772
Net hedging loss (gain) reclassified into net income	264	—	522	—
Pension plan benefit liability adjustment	118	183	215	(197)
Total other comprehensive income (loss), net of tax	(7,996)	8,208	(11,110)	(23,545)
Total comprehensive income (loss), net of tax	11,848	20,404	8,616	(7,853)
Comprehensive income (loss) attributable to noncontrolling interests, net of tax:				
Net income (loss) attributable to noncontrolling interests	585	(203)	721	723
Foreign currency translation adjustments	—	5	—	—
Amounts attributable to noncontrolling interests	585	(198)	721	723
Comprehensive income (loss) attributable to Itron, Inc.	\$ 11,263	\$ 20,602	\$ 7,895	\$ (8,576)

The accompanying notes are an integral part of these condensed consolidated financial statements.

ITRON, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands)

	June 30, 2014	December 31, 2013
	(unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 114,780	\$ 124,805
Accounts receivable, net	369,473	356,709
Inventories	192,413	177,467
Deferred tax assets current, net	37,103	37,110
Other current assets	112,172	103,275
Total current assets	825,941	799,366
Property, plant, and equipment, net	234,840	246,820
Deferred tax assets noncurrent, net	64,641	58,880
Other long-term assets	31,862	33,027
Intangible assets, net	172,927	195,840
Goodwill	541,539	548,578
Total assets	\$ 1,871,750	\$ 1,882,511
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	\$ 209,080	\$ 199,769
Other current liabilities	69,064	70,768
Wages and benefits payable	93,069	89,314
Taxes payable	14,172	10,700
Current portion of debt	30,000	26,250
Current portion of warranty	23,689	21,048
Unearned revenue	53,487	37,163
Total current liabilities	492,561	455,012
Long-term debt	297,500	352,500
Long-term warranty	18,860	24,098
Pension plan benefit liability	87,988	88,687
Deferred tax liabilities noncurrent, net	6,297	7,326
Other long-term obligations	84,608	81,917
Total liabilities	987,814	1,009,540
Commitments and contingencies		
Equity		
Preferred stock	—	—
Common stock	1,293,548	1,290,629
Accumulated other comprehensive loss, net	(32,832)	(21,722)
Accumulated deficit	(394,666)	(413,671)
Total Itron, Inc. shareholders' equity	866,050	855,236
Noncontrolling interests	17,886	17,735
Total equity	883,936	872,971
Total liabilities and equity	\$ 1,871,750	\$ 1,882,511

The accompanying notes are an integral part of these condensed consolidated financial statements.

ITRON, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months Ended June 30,	
	2014	2013
	(in thousands)	
Operating activities		
Net income	\$ 19,726	\$ 15,692
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	50,606	49,031
Stock-based compensation	9,454	10,122
Amortization of prepaid debt fees	808	829
Deferred taxes, net	(8,046)	(11,543)
Goodwill impairment	977	—
Restructuring expense, non-cash	—	27
Other adjustments, net	85	324
Changes in operating assets and liabilities, net of acquisition:		
Accounts receivable	(14,712)	(4,278)
Inventories	(16,801)	(25,124)
Other current assets	(9,103)	(9,408)
Other long-term assets	312	4,489
Accounts payable, other current liabilities, and taxes payable	12,360	(10,280)
Wages and benefits payable	4,473	(5,661)
Unearned revenue	16,560	10,497
Warranty	(2,864)	(1,797)
Other operating, net	3,356	(3,946)
Net cash provided by operating activities	67,191	18,974
Investing activities		
Acquisitions of property, plant, and equipment	(19,403)	(28,895)
Business acquisitions, net of cash and cash equivalents acquired	—	(860)
Other investing, net	56	241
Net cash used in investing activities	(19,347)	(29,514)
Financing activities		
Proceeds from borrowings	—	15,000
Payments on debt	(51,250)	(22,500)
Issuance of common stock	1,530	2,590
Repurchase of common stock	(7,164)	(16,126)
Other financing, net	1,204	2,220
Net cash used in financing activities	(55,680)	(18,816)
Effect of foreign exchange rate changes on cash and cash equivalents	(2,189)	(3,393)
Increase (decrease) in cash and cash equivalents	(10,025)	(32,749)
Cash and cash equivalents at beginning of period	124,805	136,411
Cash and cash equivalents at end of period	\$ 114,780	\$ 103,662
Non-cash transactions:		
Property, plant, and equipment purchased but not yet paid	\$ 2,445	\$ 7,284
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Income taxes, net	\$ 3,502	\$ 8,200
Interest, net of amounts capitalized	4,911	3,804

The accompanying notes are an integral part of these condensed consolidated financial statements.

ITRON, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014
(UNAUDITED)

In this Quarterly Report on Form 10-Q, the terms “we,” “us,” “our,” “Itron,” and the “Company” refer to Itron, Inc.

Note 1: Summary of Significant Accounting Policies

We were incorporated in the state of Washington in 1977. We provide a portfolio of products and services to utilities for the electricity, natural gas, and water markets throughout the world.

Financial Statement Preparation

The condensed consolidated financial statements presented in this Quarterly Report on Form 10-Q are unaudited and reflect entries necessary for the fair presentation of the Consolidated Statements of Operations and the Consolidated Statements of Comprehensive Income (Loss) for the three and six months ended June 30, 2014 and 2013, the Consolidated Balance Sheets as of June 30, 2014 and December 31, 2013, and the Consolidated Statements of Cash Flows for the six months ended June 30, 2014 and 2013 of Itron, Inc. and its subsidiaries. All entries required for the fair presentation of the financial statements are of a normal recurring nature, except as disclosed.

Certain information and notes normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP) have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) regarding interim results. These condensed consolidated financial statements should be read in conjunction with the 2013 audited financial statements and notes included in our Annual Report on Form 10-K filed with the SEC on February 26, 2014. The results of operations for the three and six months ended June 30, 2014 are not necessarily indicative of the results expected for the full fiscal year or for any other fiscal period.

Basis of Consolidation

We consolidate all entities in which we have a greater than 50% ownership interest or in which we exercise control over the operations. We use the equity method of accounting for entities in which we have a 50% or less investment and exercise significant influence. Entities in which we have less than a 20% investment and where we do not exercise significant influence are accounted for under the cost method. Intercompany transactions and balances are eliminated upon consolidation.

Noncontrolling Interests

In several of our consolidated international subsidiaries, we have joint venture partners, who are minority shareholders. Although these entities are not wholly-owned by Itron, we consolidate them because we have a greater than 50% ownership interest or because we exercise control over the operations. The noncontrolling interest balance is adjusted each period to reflect the allocation of net income (loss) and other comprehensive income (loss) attributable to the noncontrolling interests, as shown in our Consolidated Statements of Operations and our Consolidated Statements of Comprehensive Income (Loss) as well as contributions from and distributions to the owners. The noncontrolling interest balance in our Consolidated Balance Sheets represents the proportional share of the equity of the joint venture entities, which is attributable to the minority shareholders.

Cash and Cash Equivalents

We consider all highly liquid instruments with remaining maturities of three months or less at the date of acquisition to be cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded for invoices issued to customers in accordance with our contractual arrangements. Interest and late payment fees are minimal. Unbilled receivables are recorded when revenues are recognized upon product shipment or service delivery and invoicing occurs at a later date. We record an allowance for doubtful accounts representing our estimate of the probable losses in accounts receivable at the date of the balance sheet based on our historical experience of bad debts and our specific review of outstanding receivables. Accounts receivable are written-off against the allowance when we believe an account, or a portion thereof, is no longer collectible.

Inventories

Inventories are stated at the lower of cost or market using the first-in, first-out method. Cost includes raw materials and labor, plus applied direct and indirect costs.

Derivative Instruments

All derivative instruments, whether designated in hedging relationships or not, are recorded on the Consolidated Balance Sheets at fair value as either assets or liabilities. The components and fair values of our derivative instruments are determined using the fair value measurements of significant other observable inputs (Level 2), as defined by GAAP. The net fair value of our derivative instruments may switch between a net asset and a net liability depending on market circumstances at the end of the period. We include the effect of our counterparty credit risk based on current published credit default swap rates when the net fair value of our derivative instruments are in a net asset position and the effect of our own nonperformance risk when the net fair value of our derivative instruments are in a net liability position.

For any derivative designated as a fair value hedge, the changes in the fair value of the derivative and of the hedged item attributable to the hedged risk are recognized in earnings. For any derivative designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative are recorded as a component of other comprehensive income (loss) (OCI) and are recognized in earnings when the hedged item affects earnings. Ineffective portions of cash flow hedges are recognized in other income (expense) in the Consolidated Statements of Operations. For a hedge of a net investment, the effective portion of any unrealized gain or loss from the foreign currency revaluation of the hedging instrument is reported in OCI as a net unrealized gain or loss on derivative instruments. Upon termination of a net investment hedge, the net derivative gain/loss will remain in accumulated OCI until such time when earnings are impacted by a sale or liquidation of the associated operations. Ineffective portions of fair value changes or the changes in fair value of derivative instruments that do not qualify for hedging activities are recognized in other income (expense) in the Consolidated Statements of Operations. We classify cash flows from our derivative programs as cash flows from operating activities in the Consolidated Statements of Cash Flows.

Derivatives are not used for trading or speculative purposes. Our derivative contract counterparties are credit-worthy multinational commercial banks, with whom we have master netting agreements; however, our derivative positions are not recorded on a net basis in the Consolidated Balance Sheets. There are no credit-risk-related contingent features within our derivative instruments. Refer to Note 7 and Note 13 for further disclosures of our derivative instruments and their impact on OCI.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 30 years for buildings and improvements and three to ten years for machinery and equipment, computers and software, and furniture. Leasehold improvements are capitalized and depreciated over the term of the applicable lease, including renewable periods if reasonably assured, or over the useful lives, whichever is shorter. Construction in process represents capital expenditures incurred for assets not yet placed in service. Costs related to internally developed software and software purchased for internal uses are capitalized and are amortized over the estimated useful lives of the assets. Repair and maintenance costs are expensed as incurred. We have no major planned maintenance activities.

We review long-lived assets for impairment whenever events or circumstances indicate the carrying amount of an asset group may not be recoverable. Assets held for sale are classified within other current assets in the Consolidated Balance Sheets, are reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. Gains and losses from asset disposals and impairment losses are classified within the Consolidated Statements of Operations according to the use of the asset, except those gains and losses recognized in conjunction with our restructuring activities, which are classified within restructuring expense.

Prepaid Debt Fees

Prepaid debt fees represent the capitalized direct costs incurred related to the issuance of debt and are recorded as noncurrent assets. These costs are amortized to interest expense over the terms of the respective borrowings, including contingent maturity or call features, using the effective interest method, or straight-line method when associated with a revolving credit facility. When debt is repaid early, the related portion of unamortized prepaid debt fees is written off and included in interest expense.

Business Combinations

On the date of acquisition, the assets acquired, liabilities assumed, and any noncontrolling interests in the acquiree are recorded at their fair values. The acquiree's results of operations are also included as of the date of acquisition in our consolidated results. Intangible assets that arise from contractual/legal rights, or are capable of being separated, as well as in-process research and development (IPR&D), are measured and recorded at fair value, and amortized over the estimated useful life. IPR&D is not amortized until such time as the associated development projects are completed or terminated. If a development project is completed, the IPR&D is reclassified as a core technology intangible asset and amortized over its estimated useful life. If the development project is terminated, the recorded value of the associated IPR&D is immediately expensed. If practicable, assets acquired and liabilities assumed arising from contingencies are measured and recorded at fair value. If not practicable, such assets and liabilities are measured and recorded when it is probable that a gain or loss has occurred and the amount can be reasonably estimated. The residual balance of the purchase price, after fair value allocations to all identified assets and liabilities, represents goodwill.

Acquisition-related costs are expensed as incurred. Restructuring costs associated with an acquisition are generally expensed in periods subsequent to the acquisition date, and changes in deferred tax asset valuation allowances and acquired income tax uncertainties, including penalties and interest, after the measurement period are recognized as a component of the provision for income taxes. Our acquisitions may include contingent consideration, which require us to recognize the fair value of the estimated liability at the time of the acquisition. Subsequent changes in the estimate of the amount to be paid under the contingent consideration arrangement are recognized in the Consolidated Statements of Operations. Cash payments for contingent or deferred consideration are classified within cash flows from investing activities within the Consolidated Statements of Cash Flows.

Goodwill and Intangible Assets

Goodwill and intangible assets may result from our acquisitions. We use estimates, including estimates of useful lives of intangible assets, the amount and timing of related future cash flows, and fair values of the related operations, in determining the value assigned to goodwill and intangible assets. Our finite-lived intangible assets are amortized over their estimated useful lives based on estimated discounted cash flows. IPR&D is considered an indefinite-lived intangible asset and is not subject to amortization until the associated projects are completed or terminated. Finite-lived intangible assets are tested for impairment at the asset group level when events or changes in circumstances indicate the carrying value may not be recoverable. Indefinite-lived intangible assets are tested for impairment annually, when events or changes in circumstances indicate the asset may be impaired, or at the time when their useful lives are determined to be no longer indefinite.

Goodwill is assigned to our reporting units based on the expected benefit from the synergies arising from each business combination, determined by using certain financial metrics, including the forecasted discounted cash flows associated with each reporting unit. Each reporting unit corresponds with its respective operating segment, effective in the fourth quarter of 2013.

We test goodwill for impairment each year as of October 1, or more frequently should a significant impairment indicator occur. As part of the impairment test, we may elect to perform an assessment of qualitative factors. If this qualitative assessment indicates that it is more likely than not that the fair value of a reporting unit, including goodwill, is less than its carrying amount, or if we elect to bypass the qualitative assessment, we would then proceed with the two-step impairment test. The impairment test involves comparing the fair values of the reporting units to their carrying amounts. If the carrying amount of a reporting unit exceeds its fair value, a second step is required to measure the goodwill impairment loss amount. This second step determines the current fair values of all assets and liabilities of the reporting unit and then compares the implied fair value of the reporting unit's goodwill to the carrying amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess.

Determining the fair value of a reporting unit is judgmental in nature and involves the use of significant estimates and assumptions. We forecast discounted future cash flows at the reporting unit level using risk-adjusted discount rates and estimated future revenues and operating costs, which take into consideration factors such as existing backlog, expected future orders, supplier contracts, and expectations of competitive and economic environments. We also identify similar publicly traded companies and develop a correlation, referred to as a multiple, to apply to the operating results of the reporting units. These combined fair values are then reconciled to the aggregate market value of our common stock on the date of valuation, while considering a reasonable control premium.

Contingencies

A loss contingency is recorded if it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. We evaluate, among other factors, the degree of probability of an unfavorable outcome and our ability to make a reasonable estimate of the amount of the ultimate loss. Loss contingencies that we determine to be reasonably possible, but not probable, are disclosed but not recorded. Changes in these factors and related estimates could materially affect our financial position and results of operations. Legal costs to defend against contingent liabilities are expensed as incurred.

Bonus and Profit Sharing

We have various employee bonus and profit sharing plans, which provide award amounts for the achievement of annual financial and nonfinancial targets. If management determines it is probable that the targets will be achieved, and the amounts can be reasonably estimated, a compensation accrual is recorded based on the proportional achievement of the financial and nonfinancial targets. Although we monitor and accrue expenses quarterly based on our progress toward the achievement of the annual targets, the actual results at the end of the year may result in awards that are significantly greater or less than the estimates made in earlier quarters.

Warranty

We offer standard warranties on our hardware products and large application software products. We accrue the estimated cost of new product warranties based on historical and projected product performance trends and costs during the warranty period. Testing of new products in the development stage helps identify and correct potential warranty issues prior to manufacturing. Quality

control efforts during manufacturing reduce our exposure to warranty claims. When our quality control efforts fail to detect a fault in one of our products, we may experience an increase in warranty claims. We track warranty claims to identify potential warranty trends. If an unusual trend is noted, an additional warranty accrual would be recorded if a failure event is probable and the cost can be reasonably estimated. When new products are introduced, our process relies on historical averages of similar products until sufficient data are available. As actual experience on new products becomes available, it is used to modify the historical averages to ensure the expected warranty costs are within a range of likely outcomes. Management regularly evaluates the sufficiency of the warranty provisions and makes adjustments when necessary. The warranty allowances may fluctuate due to changes in estimates for material, labor, and other costs we may incur to repair or replace projected product failures, and we may incur additional warranty and related expenses in the future with respect to new or established products, which could adversely affect our financial position and results of operations. The long-term warranty balance includes estimated warranty claims beyond one year. Warranty expense is classified within cost of revenues.

Restructuring

We record a liability for costs associated with an exit or disposal activity under a restructuring project at its fair value in the period in which the liability is incurred. Employee termination benefits considered postemployment benefits are accrued when the obligation is probable and estimable, such as benefits stipulated by human resource policies and practices or statutory requirements. One-time termination benefits are expensed at the date the employee is notified. If the employee must provide future service greater than 60 days, such benefits are expensed ratably over the future service period. For contract termination costs, we record a liability upon the termination of a contract in accordance with the contract terms or the cessation of the use of the rights conveyed by the contract, whichever occurs later.

Asset impairments associated with a restructuring project are determined at the asset group level. An impairment may be recorded for assets that are to be abandoned, are to be sold for less than net book value, or are held for sale in which the estimated proceeds less costs to sell are less than the net book value. We may also recognize impairment on an asset group, which is held and used, when the carrying value is not recoverable and exceeds the asset group's fair value. If an asset group is considered a business, a portion of the Company's goodwill balance is allocated to it based on relative fair value. If the sale of an asset group under a restructuring project results in proceeds that exceed the net book value of the asset group, the resulting gain is recorded within restructuring expense in the Consolidated Statements of Operations.

Defined Benefit Pension Plans

We sponsor both funded and unfunded defined benefit pension plans for certain international employees. We recognize a liability for the projected benefit obligation in excess of plan assets or an asset for plan assets in excess of the projected benefit obligation. We also recognize the funded status of our defined benefit pension plans on our Consolidated Balance Sheets and recognize as a component of OCI, net of tax, the actuarial gains or losses and prior service costs or credits, if any, that arise during the period but that are not recognized as components of net periodic benefit cost.

Share Repurchase Plan

From time to time, we may repurchase shares of Itron common stock under programs authorized by our Board of Directors. Share repurchases are made in the open market or in privately negotiated transactions and in accordance with applicable securities laws. Under applicable Washington State law, shares repurchased are retired and not reported separately as treasury stock on the financial statements; the value of the repurchased shares is deducted from common stock.

Revenue Recognition

Revenues consist primarily of hardware sales, software license fees, software implementation, project management services, installation, consulting, and post-sale maintenance support. Revenues are recognized when (1) persuasive evidence of an arrangement exists, (2) delivery has occurred or services have been rendered, (3) the sales price is fixed or determinable, and (4) collectability is reasonably assured.

The majority of our revenue arrangements involve multiple deliverables, which combine two or more of the following: hardware, meter reading system software, installation, and/or project management services. Revenue arrangements with multiple deliverables are divided into separate units of accounting if the delivered item(s) has value to the customer on a standalone basis and delivery/performance of the undelivered item(s) is probable. The total arrangement consideration is allocated among the separate units of accounting based on their relative fair values and the applicable revenue recognition criteria considered for each unit of accounting. The amount allocable to a delivered item is limited to the amount that we are entitled to collect and that is not contingent upon the delivery/performance of additional items. Revenues for each deliverable are then recognized based on the type of deliverable, such as 1) when the products are shipped, 2) services are delivered, 3) percentage-of-completion when implementation services are essential to other deliverables in the arrangement, 4) upon receipt of customer acceptance, or 5) transfer of title and risk of loss. The majority of our revenue is recognized when products are shipped to or received by a customer or when services are provided.

Hardware revenues are recognized at the time of shipment, receipt by the customer, or, if applicable, upon completion of customer acceptance provisions.

Generally, network software revenue is recognized when shipped if all other revenue recognition criteria are met and services are not essential to the functionality of the software. If implementation services are essential to the functionality of the network software, software and implementation revenues are recognized using the percentage-of-completion methodology of contract accounting when project costs are reliably estimated.

If the data collection system does not use standard internet protocols and network design services are deemed complex and extensive, revenue from network software and services is recognized using the units-of-delivery method of contract accounting, as network design services and network software are essential to the functionality of the related hardware (network). This methodology results in the deferral of costs and revenues as professional services and software implementation commence prior to deployment of hardware.

In the unusual instances when we are unable to reliably estimate the cost to complete a contract at its inception, we use the completed contract method of contract accounting. Revenues and costs are recognized upon substantial completion when remaining costs are insignificant and potential risks are minimal.

Under contract accounting, if we estimate that the completion of a contract component (unit of accounting) will result in a loss, the loss is recognized in the period in which it is estimated. We reevaluate the estimated loss through the completion of the contract component and adjust the estimated loss for changes in facts and circumstances.

We also enter into multiple deliverable software arrangements that do not include hardware. For this type of arrangement, revenue recognition is dependent upon the availability of vendor specific objective evidence (VSOE) of fair value for each of the deliverables. The lack of VSOE, or the existence of extended payment terms or other inherent risks, may affect the timing of revenue recognition for multiple deliverable software arrangements.

Certain of our revenue arrangements include an extended or noncustomary warranty provision that covers all or a portion of a customer's replacement or repair costs beyond the standard or customary warranty period. Whether or not the extended warranty is separately priced in the arrangement, a portion of the arrangement's total consideration is allocated to this extended warranty deliverable. This revenue is deferred and recognized over the extended warranty coverage period. Extended or noncustomary warranties do not represent a significant portion of our revenue.

We allocate consideration to each deliverable in an arrangement based on its relative selling price. We determine selling price using VSOE, if it exists, otherwise we use third-party evidence (TPE). We define VSOE as a median price of recent standalone transactions that are priced within a narrow range. TPE is determined based on the prices charged by our competitors for a similar deliverable when sold separately. If neither VSOE nor TPE of selling price exists for a unit of accounting, we use estimated selling price (ESP) to determine the price at which we would transact if the product or service were regularly sold by us on a standalone basis. Our determination of ESP involves a weighting of several factors based on the specific facts and circumstances of the arrangement. The factors considered include the cost to produce the deliverable, the anticipated margin on that deliverable, our ongoing pricing strategy and policies, and the characteristics of the varying markets in which the deliverable is sold.

We analyze the selling prices used in our allocation of arrangement consideration on an annual basis. Selling prices are analyzed on a more frequent basis if a significant change in our business necessitates a more timely analysis or if we experience significant variances in our selling prices.

Unearned revenue is recorded when a customer pays for products or services, but the criteria for revenue recognition have not been met as of the balance sheet date. Unearned revenues of \$86.3 million and \$69.8 million at June 30, 2014 and December 31, 2013 related primarily to professional services and software associated with our smart metering contracts, extended or noncustomary warranty, and prepaid post-contract support. Deferred costs are recorded for products or services for which ownership (typically defined as title and risk of loss) has transferred to the customer, but the criteria for revenue recognition have not been met as of the balance sheet date. Deferred costs were \$27.7 million and \$23.5 million at June 30, 2014 and December 31, 2013 and are recorded within other assets in the Consolidated Balance Sheets.

Hardware and software post-sale maintenance support fees are recognized ratably over the life of the related service contract. Shipping and handling costs and incidental expenses billed to customers are recorded as revenue, with the associated cost charged to cost of revenues. We record sales, use, and value added taxes billed to our customers on a net basis.

Product and Software Development Costs

Product and software development costs primarily include employee compensation and third party contracting fees. We do not capitalize product development costs, and we do not generally capitalize software development expenses as the costs incurred are immaterial for the relatively short period of time between technological feasibility and the completion of software development.

Stock-Based Compensation

We measure and recognize compensation expense for all stock-based awards made to employees and directors, including stock options, stock sold pursuant to our Employee Stock Purchase Plan (ESPP), and the issuance of restricted stock units and unrestricted stock awards, based on estimated fair values. The fair value of stock options is estimated at the date of grant using the Black-Scholes option-pricing model, which includes assumptions for the dividend yield, expected volatility, risk-free interest rate, and expected term. For ESPP awards, the fair value is the difference between the market close price of our common stock on the date of purchase and the discounted purchase price. For performance-based restricted stock units and unrestricted stock awards with no market conditions, the fair value is the market close price of our common stock on the date of grant. For restricted stock units with market conditions, the fair value is estimated at the date of award using a Monte Carlo simulation model, which includes assumptions for dividend yield and expected volatility for our common stock and the common stock for companies within the Russell 3000 index, as well as the risk-free interest rate and expected term of the awards. We expense stock-based compensation at the date of grant for unrestricted stock awards. For awards with only a service condition, we expense stock-based compensation, adjusted for estimated forfeitures, using the straight-line method over the requisite service period for the entire award. For awards with performance and service conditions, if vesting is probable, we expense the stock-based compensation, adjusted for estimated forfeitures, on a straight-line basis over the requisite service period for each separately vesting portion of the award. For awards with a market condition, we expense the fair value over the requisite service period. Excess tax benefits are credited to common stock when the deduction reduces cash taxes payable. When we have tax deductions in excess of the compensation cost, they are classified as financing cash inflows in the Consolidated Statements of Cash Flows.

Effective October 1, 2013, we changed the terms of the ESPP to reduce the discount to 5% from the fair market value of the stock at the end of each fiscal quarter. As a result of this change, the ESPP is no longer considered compensatory, and no compensation expense is recognized for sales of our common stock to employees.

Income Taxes

We compute our interim income tax provision through the use of an estimated annual effective tax rate (ETR) applied to year-to-date operating results and specific events that are discretely recognized as they occur. In calculating the estimated annual ETR, we analyze various factors, including the forecast mix of earnings in domestic and international jurisdictions, new or revised tax legislation and accounting pronouncements, tax credits, state income taxes, adjustments to valuation allowances, and uncertain tax positions, among other items. Discrete items, including the effect of changes in tax laws, tax rates, and certain circumstances with respect to valuation allowances or other unusual or non-recurring tax adjustments, are reflected in the period in which they occur as an addition to, or reduction from, the income tax provision, rather than included in the estimated annual ETR.

Deferred tax assets and liabilities are recognized based upon anticipated future tax consequences, in each of the jurisdictions in which we operate, attributable to: (1) the differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases; and (2) operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The calculation of our tax liabilities involves applying complex tax regulations in different jurisdictions to our tax positions. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. A valuation allowance is recorded to reduce the carrying amount of deferred tax assets if it is more likely than not that such assets will not be realized. We do not record tax liabilities on undistributed earnings of international subsidiaries that are permanently reinvested.

We utilize a two step approach to account for uncertain tax positions. A tax position is first evaluated for recognition based on its technical merits. Tax positions that have a greater than 50% likelihood of being realized upon ultimate settlement are then measured to determine amounts to be recognized in the financial statements. This measurement incorporates information about potential settlements with taxing authorities. A previously recognized tax position is derecognized in the first period in which the position no longer meets the recognition threshold or upon expiration of the statute of limitations. We classify interest expense and penalties related to uncertain tax positions and interest income on tax overpayments as part of income tax expense.

Foreign Exchange

Our consolidated financial statements are reported in U.S. dollars. Assets and liabilities of international subsidiaries with non-U.S. dollar functional currencies are translated to U.S. dollars at the exchange rates in effect on the balance sheet date, or the last business day of the period, if applicable. Revenues and expenses for each subsidiary are translated to U.S. dollars using a weighted average rate for the relevant reporting period. Translation adjustments resulting from this process are included, net of tax, in OCI.

Gains and losses that arise from exchange rate fluctuations for monetary asset and liability balances that are not denominated in an entity's functional currency are included within other income (expense), net in the Consolidated Statements of Operations. Currency gains and losses of intercompany balances deemed to be long-term in nature or designated as a hedge of the net investment in international subsidiaries are included, net of tax, in OCI.

Fair Value Measurements

For assets and liabilities measured at fair value, the GAAP fair value hierarchy prioritizes the inputs used in different valuation methodologies, assigning the highest priority to unadjusted quoted prices for identical assets and liabilities in actively traded markets (Level 1) and the lowest priority to unobservable inputs (Level 3). Level 2 inputs consist of quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in non-active markets; and model-derived valuations in which significant inputs are corroborated by observable market data either directly or indirectly through correlation or other means. Inputs may include yield curves, volatility, credit risks, and default rates.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Due to various factors affecting future costs and operations, actual results could differ materially from these estimates.

New Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers: Topic 606* (ASU 2014-09), to supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. ASU 2014-09 is effective for us on January 1, 2017 using either the retrospective or modified-retrospective transition method. We are currently evaluating the impact of our pending adoption of ASU 2014-09 on our consolidated financial statements.

Note 2: Earnings Per Share and Capital Structure

The following table sets forth the computation of basic and diluted earnings per share (EPS):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in thousands, except per share data)			
Net income available to common shareholders	\$ 19,259	\$ 12,399	\$ 19,005	\$ 14,969
Weighted average common shares outstanding - Basic	39,356	39,431	39,296	39,426
Dilutive effect of stock-based awards	188	247	232	298
Weighted average common shares outstanding - Diluted	39,544	39,678	39,528	39,724
Earnings per common share - Basic	\$ 0.49	\$ 0.31	\$ 0.48	\$ 0.38
Earnings per common share - Diluted	\$ 0.49	\$ 0.31	\$ 0.48	\$ 0.38

Stock-based Awards

For stock-based awards, the dilutive effect is calculated using the treasury stock method. Under this method, the dilutive effect is computed as if the awards were exercised at the beginning of the period (or at time of issuance, if later) and assumes the related proceeds were used to repurchase common stock at the average market price during the period. Related proceeds include the amount the employee must pay upon exercise, future compensation cost associated with the stock award, and the amount of excess tax benefits, if any. Approximately 1.2 million and 1.3 million stock-based awards were excluded from the calculation of diluted EPS for the three and six months ended June 30, 2014, and approximately 1.1 million and 1.2 million stock-based awards were excluded from the calculation of diluted EPS for the three and six months ended June 30, 2013, because they were anti-dilutive. These stock-based awards could be dilutive in future periods.

Preferred Stock

We have authorized the issuance of 10 million shares of preferred stock with no par value. In the event of a liquidation, dissolution, or winding up of the affairs of the corporation, whether voluntary or involuntary, the holders of any outstanding preferred stock would be entitled to be paid a preferential amount per share to be determined by the Board of Directors prior to any payment to holders of common stock. There was no preferred stock issued or outstanding at June 30, 2014 and December 31, 2013.

Stock Repurchase Plan

On March 8, 2013, the Board authorized a 12-month repurchase program of up to \$50 million in shares of our common stock. The March 8, 2013 authorization expired on March 7, 2014. From January 1, 2014 through March 7, 2014, we repurchased 75,203 shares of our common stock, totaling \$2.9 million.

On February 7, 2014, the Board authorized a 12-month repurchase program of up to \$50 million in shares of our common stock, to begin on March 8, 2014, upon the expiration of the previous stock repurchase program. From March 8, 2014 through June 30, 2014, we repurchased 107,477 shares of our common stock, totaling \$4.2 million, and \$45.8 million remains under the current program for future purchases.

Note 3: Certain Balance Sheet Components
Accounts receivable, net

	June 30, 2014		December 31, 2013	
	(in thousands)			
Trade receivables (net of allowance of \$7,355 and \$8,368)	\$	341,937	\$	328,240
Unbilled receivables		27,536		28,469
Total accounts receivable, net	\$	369,473	\$	356,709

At June 30, 2014 and December 31, 2013, \$4.3 million and \$3.2 million, respectively, were recorded within trade receivables as billed but not yet paid by customers, in accordance with contract retainage provisions. At June 30, 2014 and December 31, 2013, contract retainage amounts that were unbilled and classified as unbilled receivables were \$3.1 million and \$4.3 million, respectively. These contract retainage amounts within trade receivables and unbilled receivables are expected to be collected within the following 12 months.

At June 30, 2014 and December 31, 2013, long-term unbilled receivables totaled \$4.7 million. These long-term unbilled receivables are classified within other long-term assets, as collection is not anticipated within the following 12 months. We had no long-term billed contract retainage receivables at June 30, 2014 and December 31, 2013, as we expect to collect all contract retainage receivables within the following 12 months.

Allowance for doubtful accounts activity

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in thousands)			
Beginning balance	\$ 8,758	\$ 6,144	\$ 8,368	\$ 7,372
Provision (release) of doubtful accounts, net	(795)	1,075	(189)	171
Accounts written-off	(558)	(198)	(790)	(303)
Effect of change in exchange rates	(50)	(73)	(34)	(292)
Ending balance	\$ 7,355	\$ 6,948	\$ 7,355	\$ 6,948

Inventories

	June 30, 2014	December 31, 2013
	(in thousands)	
Materials	\$ 106,842	\$ 102,596
Work in process	13,981	13,770
Finished goods	71,590	61,101
Total inventories	\$ 192,413	\$ 177,467

Our inventory levels may vary from period to period as a result of our factory scheduling and the timing of contract fulfillments, which may include the buildup of materials in preparation for customer orders or finished goods for shipment.

Consigned inventory is held at third-party locations; however, we retain title to the inventory until it is purchased by the third-party. Consigned inventory, consisting of raw materials and finished goods, was \$3.4 million and \$6.4 million at June 30, 2014 and December 31, 2013, respectively.

Property, plant, and equipment, net

	June 30, 2014	December 31, 2013
	(in thousands)	
Machinery and equipment	\$ 312,657	\$ 309,525
Computers and software	102,395	99,654
Buildings, furniture, and improvements	146,069	145,926
Land	23,957	24,005
Construction in progress, including purchased equipment	18,123	14,257
Total cost	603,201	593,367
Accumulated depreciation	(368,361)	(346,547)
Property, plant, and equipment, net	\$ 234,840	\$ 246,820

Depreciation expense

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in thousands)			
Depreciation expense	\$ 13,905	\$ 14,027	\$ 28,427	\$ 28,040

Note 4: Intangible Assets

The gross carrying amount and accumulated amortization of our intangible assets, other than goodwill, were as follows:

	June 30, 2014			December 31, 2013		
	Gross Assets	Accumulated Amortization	Net	Gross Assets	Accumulated Amortization	Net
	(in thousands)					
Core-developed technology	\$ 426,732	\$ (366,898)	\$ 59,834	\$ 428,890	\$ (356,017)	\$ 72,873
Customer contracts and relationships	289,640	(181,738)	107,902	291,185	(173,952)	117,233
Trademarks and trade names	72,745	(68,117)	4,628	73,117	(67,449)	5,668
Other	11,586	(11,023)	563	11,089	(11,023)	66
Total intangible assets	\$ 800,703	\$ (627,776)	\$ 172,927	\$ 804,281	\$ (608,441)	\$ 195,840

A summary of intangible asset activity is as follows:

	Six Months Ended June 30,	
	2014	2013
	(in thousands)	
Beginning balance, intangible assets, gross	\$ 804,281	\$ 802,540
Intangible assets acquired	497	(1,500)
Effect of change in exchange rates	(4,075)	(16,894)
Ending balance, intangible assets, gross	\$ 800,703	\$ 784,146

For the six months ended June 30, 2013, the adjustment of \$1.5 million to intangible assets acquired is associated with the correction of an error for a long-term revenue contract from the SmartSynch acquisition, which occurred in 2012. During the second quarter of 2013, we finalized the purchase price allocation related to the SmartSynch acquisition, which was completed on May 1, 2012, and recorded certain adjustments that are reflected as *Intangible assets acquired*. These adjustments primarily affected the fair value calculation of certain accrued liabilities associated with specific contracts. Among these adjustments was the correction of an error associated with a long-term revenue contract acquired from SmartSynch. In May 2013, we determined that certain manufacturing costs were not reflected in the model used to value this contract as acquisition. Once these costs were properly added to the total cost and profitability estimates, we determined the total contract would result in a loss over the contract term. Previously, we had recognized a customer relationship intangible asset of \$1.5 million associated with this contract, with amortization scheduled to begin in 2014 based on the contract's original projected cash flow. Since the contract is in an overall loss position, we determined that the intangible asset had no value. We reduced the value of this intangible asset to zero with a corresponding adjustment to goodwill.

Intangible assets of our international subsidiaries are recorded in their respective functional currency; therefore, the carrying amounts of intangible assets increase or decrease, with a corresponding change in accumulated OCI, due to changes in foreign currency exchange rates.

Estimated future annual amortization expense is as follows:

Years ending December 31,	Estimated Annual Amortization
	(in thousands)
2014 (amount remaining at June 30, 2014)	\$ 22,200
2015	35,643
2016	28,062
2017	20,895
2018	14,674
Beyond 2018	51,453
Total intangible assets subject to amortization	\$ 172,927

Note 5: Goodwill

The following table reflects goodwill allocated to each reporting segment as of June 30, 2014:

	Electricity	Gas	Water	Total Company
	(in thousands)			
Balance at January 1, 2014				
Goodwill before impairment	\$ 493,610	\$ 394,878	\$ 429,783	\$ 1,318,271
Accumulated impairment losses	(433,378)	—	(336,315)	(769,693)
Goodwill, net	60,232	394,878	93,468	548,578
Goodwill impairment	(977)	—	—	(977)
Effect of change in exchange rates	(434)	(4,613)	(1,015)	(6,062)
Balance at June 30, 2014				
Goodwill before impairment	487,903	390,265	423,604	1,301,772
Accumulated impairment losses	(429,082)	—	(331,151)	(760,233)
Goodwill, net	\$ 58,821	\$ 390,265	\$ 92,453	\$ 541,539

During our 2013 annual goodwill impairment test, we determined that the carrying value of the Electricity reporting unit exceeded its fair value, primarily due to delays in global smart grid projects and lower volumes and pricing pressures in certain regions in Europe and Asia/Pacific. The revised forecast for the Electricity business drove a decrease in the fair value of the reporting unit. As a result, we performed the second step of the goodwill impairment test for the Electricity reporting unit, which indicated a goodwill impairment of \$173.2 million. This charge was recorded during the fourth quarter of 2013. Upon finalizing our 2013 goodwill analysis late in the year-end reporting process, we determined \$977,000 of additional goodwill impairment expense should have been recognized. In accordance with relevant accounting guidance, we evaluated the materiality of the error from a qualitative and quantitative perspective. Based on such evaluation, we concluded that recognizing the incremental goodwill impairment during the three months ended March 31, 2014 would not be material, quantitatively or qualitatively, to our results of operations for the three months ended March 31, 2014 or our expected full year results of operations for 2014 and would not have had a material impact on our results for the year ended December 31, 2013.

Refer to Note 1 for a description of our reporting units and the methods used to determine the fair values of our reporting units and to determine the amount of any goodwill impairment.

Goodwill and accumulated impairment losses associated with our international subsidiaries are recorded in their respective functional currency; therefore, the carrying amounts of these balances increase or decrease, with a corresponding change in accumulated OCI, due to changes in foreign currency exchange rates.

Note 6: Debt

The components of our borrowings were as follows:

	June 30, 2014	December 31, 2013
	(in thousands)	
Credit facility:		
USD denominated term loan	\$ 247,500	\$ 258,750
Multicurrency revolving line of credit	80,000	120,000
Total debt	327,500	378,750
Less: current portion of debt	30,000	26,250
Long-term debt	\$ 297,500	\$ 352,500

Credit Facility

Our credit facility is dated August 5, 2011. The credit facility consists of a \$300 million U.S. dollar term loan (the term loan) and a multicurrency revolving line of credit (the revolver) with a principal amount of up to \$660 million. Both the term loan and the revolver mature on August 8, 2016. Amounts borrowed under the revolver are classified as long-term and, during the credit facility term, may be repaid and reborrowed until the revolver's maturity, at which time the revolver will terminate, and all outstanding

loans, together with all accrued and unpaid interest, must be repaid. Amounts not borrowed under the revolver are subject to a commitment fee, which is paid in arrears on the last day of each fiscal quarter, ranging from 0.20% to 0.40% per annum depending on our total leverage ratio as of the most recently ended fiscal quarter. Amounts repaid on the term loan may not be reborrowed. The credit facility permits us and certain of our foreign subsidiaries to borrow in U.S. dollars, euros, British pounds, or, with lender approval, other currencies readily convertible into U.S. dollars. All obligations under the credit facility are guaranteed by Itron, Inc. and material U.S. domestic subsidiaries and are secured by a pledge of substantially all of the assets of Itron, Inc. and material U.S. domestic subsidiaries, including a pledge of 100% of the capital stock of material U.S. domestic subsidiaries and up to 66% of the voting stock (100% of the non-voting stock) of their first-tier foreign subsidiaries. In addition, the obligations of any foreign subsidiary who is a foreign borrower, as defined by the credit facility, are guaranteed by the foreign subsidiary and by its direct and indirect foreign parents. The credit facility includes debt covenants, which contain certain financial ratio thresholds and place certain restrictions on the incurrence of debt, investments, and the issuance of dividends. We were in compliance with the debt covenants under the credit facility at June 30, 2014.

Scheduled principal repayments for the term loan are due quarterly in the amount of \$7.5 million from September 2014 through June 2016 with the remainder due at maturity on August 8, 2016. The term loan may be repaid early in whole or in part, subject to certain minimum thresholds, without penalty.

Under the credit facility, we elect applicable market interest rates for both the term loan and any outstanding revolving loans. We also pay an applicable margin, which is based on our total leverage ratio (as defined in the credit agreement). The applicable rates per annum may be based on either: (1) the LIBOR rate, plus an applicable margin, or (2) the Alternate Base Rate, plus an applicable margin. The Alternate Base Rate election is equal to the greatest of three rates: (i) the prime rate, (ii) the Federal Reserve effective rate plus 1/2 of 1%, or (iii) one month LIBOR plus 1%. At June 30, 2014, the interest rate for both the term loan and the revolver was 1.65% (the LIBOR rate plus a margin of 1.50%).

Total credit facility repayments were as follows:

	Six Months Ended June 30,	
	2014	2013
	(in thousands)	
Term loan	\$ 11,250	\$ 7,500
Multicurrency revolving line of credit	40,000	15,000
Total credit facility repayments	\$ 51,250	\$ 22,500

At June 30, 2014, \$80.0 million was outstanding under the credit facility revolver, and \$49.8 million was utilized by outstanding standby letters of credit, resulting in \$530.2 million available for additional borrowings.

Unamortized prepaid debt fees were as follows:

	June 30, 2014	December 31, 2013
	(in thousands)	
Unamortized prepaid debt fees	\$ 3,052	\$ 3,810

Note 7: Derivative Financial Instruments

As part of our risk management strategy, we use derivative instruments to hedge certain foreign currency and interest rate exposures. Refer to Note 1, Note 13, and Note 14 for additional disclosures on our derivative instruments.

The fair values of our derivative instruments are determined using the income approach and significant other observable inputs (also known as "Level 2"). We have used observable market inputs based on the type of derivative and the nature of the underlying instrument. The key inputs include interest rate yield curves (swap rates and futures) and foreign exchange spot and forward rates, all of which are available in an active market. We have utilized the mid-market pricing convention for these inputs. We include, as a discount to the derivative asset, the effect of our counterparty credit risk based on current published credit default swap rates when the net fair value of our derivative instruments is in a net asset position. We consider our own nonperformance risk when the net fair value of our derivative instruments is in a net liability position by discounting our derivative liabilities to reflect the potential credit risk to our counterparty through applying a current market indicative credit spread to all cash flows.

The fair values of our derivative instruments were as follows:

	Balance Sheet Location	Fair Value	
		June 30, 2014	December 31, 2013
(in thousands)			
Asset Derivatives			
Derivatives not designated as hedging instruments under ASC 815-20			
Foreign exchange forward contracts	Other current assets	\$ 57	\$ 41
Liability Derivatives			
Derivatives designated as hedging instruments under ASC 815-20			
Interest rate swap contracts	Other current liabilities	\$ 1,618	\$ 1,557
Interest rate swap contracts	Other long-term obligations	340	474
Derivatives not designated as hedging instruments under ASC 815-20			
Foreign exchange forward contracts	Other current liabilities	146	145
Total liability derivatives		\$ 2,104	\$ 2,176

OCI during the reporting periods for our derivative and nonderivative hedging instruments, net of tax, was as follows:

	2014	2013
(in thousands)		
Net unrealized loss on hedging instruments at January 1,	\$ (15,636)	\$ (16,069)
Unrealized gain (loss) on derivative instruments	(478)	772
Realized losses reclassified into net income (loss)	522	—
Net unrealized loss on hedging instruments at June 30,	\$ (15,592)	\$ (15,297)

Included in the net unrealized loss on hedging instruments at June 30, 2014 and 2013 is a loss of \$14.4 million, net of tax, related to our nonderivative net investment hedge, which terminated in 2011. This loss on our net investment hedge will remain in accumulated OCI until such time when earnings are impacted by a sale or liquidation of the associated foreign operation.

A summary of the potential effect of netting arrangements on our financial position related to the offsetting of our recognized derivative assets and liabilities under master netting arrangements or similar agreements is as follows:

Offsetting of Derivative Assets

	Gross Amounts of Recognized Assets Presented in the Consolidated Balance Sheets	Gross Amounts Not Offset in the Consolidated Balance Sheets		Net Amount
		Derivative Financial Instruments	Cash Collateral Received	
(in thousands)				
June 30, 2014	\$ 57	\$ (57)	\$ —	\$ —
December 31, 2013	\$ 41	\$ (40)	\$ —	\$ 1

Offsetting of Derivative Liabilities

	Gross Amounts of Recognized Liabilities Presented in the Consolidated Balance Sheets		Gross Amounts Not Offset in the Consolidated Balance Sheets					
			Derivative Financial Instruments	Cash Collateral Pledged	Net Amount			
(in thousands)								
June 30, 2014	\$	2,104	\$	(57)	\$	—	\$	2,047
December 31, 2013	\$	2,176	\$	(40)	\$	—	\$	2,136

Our derivative assets and liabilities consist of foreign exchange forward and interest rate swap contracts with nine counterparties at June 30, 2014 and seven counterparties at December 31, 2013. No derivative asset or liability balance with any of our counterparties was individually significant at June 30, 2014 or December 31, 2013. Our derivative contracts with each of these counterparties exist under agreements that provide for the net settlement of all contracts through a single payment in a single currency in the event of default. We have no pledges of cash collateral against our obligations nor have we received pledges of cash collateral from our counterparties under the associated derivative contracts.

Cash Flow Hedges

As a result of our floating rate debt, we are exposed to variability in our cash flows from changes in the applicable interest rate index. We enter into swaps to achieve a fixed rate of interest on the hedged portion of debt in order to increase our ability to forecast interest expense. The objective of these swaps is to reduce the variability of cash flows from increases in the LIBOR-based borrowing rates on our floating rate credit facility. The swaps do not protect us from changes to the applicable margin under our credit facility.

In May 2012, we entered into six forward starting pay-fixed, receive one-month LIBOR interest rate swaps. The interest rate swaps convert \$200 million of our LIBOR-based debt from a floating LIBOR interest rate to a fixed interest rate of 1.00% (excluding the applicable margin on the debt) and are effective from July 31, 2013 to August 8, 2016. These cash flow hedges are expected to be highly effective in achieving offsetting cash flows attributable to the hedged risk through the term of the hedge. Consequently, effective changes in the fair value of the interest rate swaps are recorded as a component of OCI and are recognized in earnings when the hedged item affects earnings. The amounts paid or received on the hedges are recognized as adjustments to interest expense. The amount of net losses expected to be reclassified into earnings in the next 12 months is \$1.6 million. At June 30, 2014, our LIBOR-based debt balance was \$327.5 million.

We will continue to monitor and assess our interest rate risk and may institute additional interest rate swaps or other derivative instruments to manage such risk in the future.

The before-tax effect of our cash flow derivative instruments on the Consolidated Balance Sheets and the Consolidated Statements of Operations for the three and six months ended June 30 were as follows:

Derivatives in ASC 815-20 Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion)		Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)			Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)								
			Location	Amount		Location	Amount							
	2014	2013		2014	2013		2014	2013						
(in thousands)														
Three Months Ended June 30,														
Interest rate swap contracts	\$	(616)	\$	1,336	Interest expense	\$	(426)	\$	—	Interest expense	\$	—	\$	—
Six Months Ended June 30,														
Interest rate swap contracts	\$	(771)	\$	1,244	Interest expense	\$	(845)	\$	—	Interest expense	\$	—	\$	—

Derivatives Not Designated as Hedging Relationships

We are exposed to foreign exchange risk when we enter into non-functional currency transactions, both intercompany and third-party. At each period-end, non-functional currency monetary assets and liabilities are revalued with the change recorded to other income and expense. We enter into monthly foreign exchange forward contracts (a total of 259 contracts were entered into during the six months ended June 30, 2014), which are not designated for hedge accounting, with the intent to reduce earnings volatility associated with certain of these non-functional currency assets and liabilities. The notional amounts of the contracts ranged from

\$224,000 to \$16.6 million, offsetting our exposures to the euro, South African rand, Saudi riyal, Canadian dollar, Australian dollar, Chinese yuan renminbi, and various other currencies.

The effect of our foreign exchange forward derivative instruments on the Consolidated Statements of Operations for the three and six months ended June 30 was as follows:

Derivatives Not Designated as Hedging Instrument under ASC 815-20	Gain (Loss) Recognized on Derivatives in Other Income (Expense)			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in thousands)			
Foreign exchange forward contracts	\$ (1,083)	\$ (971)	\$ (1,931)	\$ (757)

Note 8: Defined Benefit Pension Plans

We sponsor both funded and unfunded defined benefit pension plans for our international employees, primarily in Germany, France, Italy, Indonesia, Brazil, and Spain, offering death and disability, retirement, and special termination benefits. The defined benefit obligation is calculated annually by using the projected unit credit method. The measurement date for the pension plans was December 31, 2013.

Our defined benefit pension plans are denominated in the functional currencies of the respective countries in which the plans are sponsored; therefore, the balances increase or decrease, with a corresponding change in OCI, due to changes in foreign currency exchange rates. Amounts recognized on the Consolidated Balance Sheets consist of:

	June 30, 2014		December 31, 2013	
	(in thousands)			
Assets				
Plan assets in other long-term assets	\$	1,550	\$	1,426
Liabilities				
Current portion of pension plan liability in wages and benefits payable		3,377		3,721
Long-term portion of pension plan liability		87,988		88,687
Net pension plan benefit liability	\$	89,815	\$	90,982

Our asset investment strategy focuses on maintaining a portfolio using primarily insurance funds, which are accounted for as investments and measured at fair value, in order to achieve our long-term investment objectives on a risk adjusted basis. Our general funding policy for these qualified pension plans is to contribute amounts sufficient to satisfy regulatory funding standards of the respective countries for each plan. We contributed \$361,000 and \$110,000 to the defined benefit pension plans for the six months ended June 30, 2014 and 2013, respectively. The timing of contributions can vary by plan and from year to year. For 2014, assuming that actual plan asset returns are consistent with our expected rate of return, and that interest rates remain constant, we expect to contribute approximately \$445,000 to our defined benefit pension plans. We contributed \$436,000 to the defined benefit pension plans for the year ended December 31, 2013.

Net periodic pension benefit costs for our plans include the following components:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in thousands)			
Service cost	\$ 1,079	\$ 1,011	\$ 2,027	\$ 1,992
Interest cost	897	786	1,790	1,586
Expected return on plan assets	(163)	(79)	(320)	(158)
Settlements and other	29	—	27	(814)
Amortization of actuarial net loss	122	246	245	497
Amortization of unrecognized prior service costs	18	17	36	34
Net periodic benefit cost	\$ 1,982	\$ 1,981	\$ 3,805	\$ 3,137

Note 9: Stock-Based Compensation

We record stock-based compensation expense for awards of stock options, stock sold pursuant to our ESPP (until October 1, 2013), and the issuance of restricted stock units and unrestricted stock awards. We expense stock-based compensation primarily using the straight-line method over the requisite service period. For the three and six months ended June 30, stock-based compensation expense and the related tax benefit were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in thousands)			
Stock options	\$ 546	\$ 519	\$ 1,100	\$ 992
Restricted stock units	4,094	4,158	7,894	8,393
Unrestricted stock awards	230	205	460	402
ESPP	—	144	—	335
Total stock-based compensation	\$ 4,870	\$ 5,026	\$ 9,454	\$ 10,122
Related tax benefit	\$ 1,388	\$ 1,391	\$ 2,676	\$ 2,755

We issue new shares of common stock upon the exercise of stock options or when vesting conditions on restricted stock units are fully satisfied.

Subject to stock splits, dividends, and other similar events, 7,473,956 shares of common stock are reserved and authorized for issuance under our Amended and Restated 2010 Stock Incentive Plan (Stock Incentive Plan). Awards consist of stock options, restricted stock units, and unrestricted stock awards. At June 30, 2014, 3,705,089 shares were available for grant under the Stock Incentive Plan. The Stock Incentive Plan shares are subject to a fungible share provision such that the authorized share reserve is reduced by (i) one share for every one share subject to a stock option or share appreciation right granted under the Plan and (ii) 1.7 shares for every one share of common stock that was subject to an award other than an option or share appreciation right.

Stock Options

Options to purchase our common stock are granted to certain employees, senior management, and members of the Board of Directors with an exercise price equal to the market close price of the stock on the date the Board of Directors approves the grant. Options generally become exercisable in three equal annual installments beginning one year from the date of grant and generally expire 10 years from the date of grant. Compensation expense is recognized only for those options expected to vest, with forfeitures estimated based on our historical experience and future expectations.

The fair values of stock options granted were estimated at the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014 ⁽¹⁾	2013 ⁽¹⁾	2014	2013
Dividend yield	—%	—%	—%	—%
Expected volatility	—%	—%	39.8%	38.1%
Risk-free interest rate	—%	—%	1.7%	1.0%
Expected term (years)	—	—	5.5	5.5

⁽¹⁾ There were no employee stock options granted for the three months ended June 30, 2014 and 2013.

Expected volatility is based on a combination of the historical volatility of our common stock and the implied volatility of our traded options for the related expected term. We believe this combined approach is reflective of current and historical market conditions and is an appropriate indicator of expected volatility. The risk-free interest rate is the rate available as of the award date on zero-coupon U.S. government issues with a term equal to the expected life of the award. The expected life is the weighted average expected life of an award based on the period of time between the date the award is granted and the estimated date the award will be fully exercised. Factors considered in estimating the expected life include historical experience of similar awards, contractual terms, vesting schedules, and expectations of future employee behavior. We have not paid dividends in the past and do not plan to pay dividends in the foreseeable future.

A summary of our stock option activity for the six months ended June 30 is as follows:

	Shares (in thousands)	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Life (years)	Aggregate Intrinsic Value ⁽¹⁾ (in thousands)	Weighted Average Grant Date Fair Value
Outstanding, January 1, 2013	1,137	\$ 54.06	4.8	\$ 3,815	
Granted	128	42.76			\$ 15.44
Exercised	(32)	23.36		\$ 639	
Expired	(8)	49.92			
Outstanding, June 30, 2013	<u>1,225</u>	<u>\$ 53.71</u>	<u>5.0</u>	<u>\$ 2,388</u>	
Outstanding, January 1, 2014	1,180	\$ 54.79	4.6	\$ 1,300	
Granted	147	35.19			\$ 13.64
Exercised	(33)	23.70		\$ 510	
Expired	(10)	43.82			
Outstanding, June 30, 2014	<u>1,284</u>	<u>\$ 53.43</u>	<u>4.7</u>	<u>\$ 1,364</u>	
Exercisable, June 30, 2014	<u>944</u>	<u>\$ 58.53</u>	<u>3.1</u>	<u>\$ 562</u>	
Expected to vest, June 30, 2014	<u>325</u>	<u>\$ 39.35</u>	<u>8.9</u>	<u>\$ 756</u>	

⁽¹⁾ The aggregate intrinsic value of outstanding stock options represents amounts that would have been received by the optionees had all in-the-money options been exercised on that date. Specifically, it is the amount by which the market value of Itron's stock exceeded the exercise price of the outstanding in-the-money options before applicable income taxes, based on our closing stock price on the last business day of the period. The aggregate intrinsic value of stock options exercised during the period is calculated based on our stock price at the date of exercise.

As of June 30, 2014, total unrecognized stock-based compensation expense related to nonvested stock options was approximately \$3.9 million, which is expected to be recognized over a weighted average period of approximately 2.0 years.

Restricted Stock Units

Certain employees, senior management, and members of the Board of Directors receive restricted stock units as a component of their total compensation. The fair value of a restricted stock unit is the market close price of our common stock on the date of grant. Restricted stock units generally vest over a three year period. Compensation expense, net of forfeitures, is recognized over the vesting period.

Subsequent to vesting, the restricted stock units are converted into shares of our common stock on a one-for-one basis and issued to employees. We are entitled to an income tax deduction in an amount equal to the taxable income reported by the employees upon vesting of the restricted stock units.

Beginning in 2013, the performance-based restricted stock units to be issued under the Long-Term Performance Restricted Stock Unit Award Agreement (Performance Award Agreement) are determined based on (1) our achievement of specified non-GAAP EPS targets, as established by the Board at the beginning of each year for each of the calendar years contained in the performance periods (2-year and 3-year awards in 2013 and 3-year awards in subsequent years) (the performance condition) and (2) our total shareholder return (TSR) relative to the TSR attained by companies that are included in the Russell 3000 Index during the performance periods (the market condition). Compensation expense, net of forfeitures, is recognized on a straight-line basis, and the units vest upon achievement of the performance condition, provided participants are employed by Itron at the end of the respective performance periods. For U.S. participants who retire during the performance period, a pro-rated number of restricted stock units (based on the number of days of employment during the performance period) immediately vest based on the attainment of the performance goals as assessed after the end of the performance period.

Depending on the level of achievement of the performance condition, the actual number of shares to be earned ranges between 0% and 160% of the awards originally granted. At the end of the performance periods, if the performance conditions are achieved at or above threshold, the number of shares earned is further adjusted by a TSR multiplier payout percentage, which ranges between 75% and 125%, based on the market condition. Therefore, based on the attainment of the performance and market conditions, the actual number of shares that vest may range from 0% to 200% of the awards originally granted. Due to the presence of the TSR multiplier market condition, we utilize a Monte Carlo valuation model to determine the fair value of the awards at the grant date. This pricing model uses multiple simulations to evaluate the probability of our achievement of various stock price levels to

determine our expected TSR performance ranking. The weighted-average assumptions used to estimate the fair value of performance-based restricted stock units awarded and the resulting weighted average fair-value are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Dividend yield	—%	—%	—%	—%
Expected volatility	34.0%	39.1%	32.4%	39.1%
Risk-free interest rate	0.6%	0.3%	0.4%	0.3%
Expected term (years)	2.6	2.5	2.0	2.5
Weighted-average fair value	\$ 41.47	\$ 45.70	\$ 34.87	\$ 45.03

Expected volatility is based on the historical volatility of our common stock for the related expected term. We believe this approach is reflective of current and historical market conditions and is an appropriate indicator of expected volatility. The risk-free interest rate is the rate available as of the award date on zero-coupon U.S. government issues with a term equal to the expected term of the award. The expected term is the term of an award based on the period of time between the date of the award and the date the award is expected to vest. The expected term assumption is based upon the plan's performance period as of the date of the award. We have not paid dividends in the past and do not plan to pay dividends in the foreseeable future.

The following table summarizes restricted stock unit activity for the six months ended June 30:

	Number of Restricted Stock Units (in thousands)	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value ⁽¹⁾ (in thousands)
Outstanding, January 1, 2013	774		
Granted ⁽²⁾	255	\$ 42.51	
Released	(253)		\$ 13,562
Forfeited	(11)		
Outstanding, June 30, 2013	765		
Outstanding, January 1, 2014	658		
Granted ⁽²⁾	320	\$ 35.49	
Released	(261)		\$ 12,818
Forfeited	(21)		
Outstanding, June 30, 2014	696		
Vested but not released, June 30, 2014	9		\$ 371
Expected to vest, June 30, 2014	584		\$ 23,682

⁽¹⁾ The aggregate intrinsic value is the market value of the stock, before applicable income taxes, based on the closing price on the stock release dates or at the end of the period for restricted stock units expected to vest.

⁽²⁾ Restricted stock units granted in 2013 and 2014 do not include awards under the Performance Award Agreement for the respective years, as these awards are not granted until attainment of annual performance goals has been determined at the conclusion of the performance period, which had not occurred as of June 30, 2013 and 2014, respectively.

At June 30, 2014, unrecognized compensation expense on restricted stock units was \$24.0 million, which is expected to be recognized over a weighted average period of approximately 1.9 years.

Unrestricted Stock Awards

We grant unrestricted stock awards to members of our Board of Directors as part of their compensation. Awards are fully vested and expensed when granted. The fair value of unrestricted stock awards is the market close price of our common stock on the date of grant.

The following table summarizes unrestricted stock award activity for the three and six months ended June 30:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in thousands, except per share data)			
Shares of unrestricted stock granted	6	5	13	9
Weighted average grant date fair value per share	\$ 35.82	\$ 45.37	\$ 38.23	\$ 45.40

Employee Stock Purchase Plan

Under the terms of the ESPP, employees can deduct up to 10% of their regular cash compensation to purchase our common stock at a discount from the fair market value of the stock at the end of each fiscal quarter, subject to other limitations under the plan. The sale of the stock to the employees occurs at the beginning of the subsequent quarter. Effective October 1, 2013, we changed the terms of the ESPP to reduce the discount from 15% to 5% from the fair market value of the stock at the end of each fiscal quarter. As a result of this change, the ESPP is no longer considered compensatory, and no compensation expense is recognized for future sales of our common stock to employees. Prior to October 1, 2013, the plan was considered compensatory.

The following table summarizes ESPP activity for the three and six months ended June 30:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in thousands, except per share data)			
Shares of stock sold to employees ⁽¹⁾	20	27	34	47
Weighted average fair value per ESPP award ⁽²⁾	\$ —	\$ 6.37	\$ —	\$ 6.69

⁽¹⁾ Stock sold to employees during each fiscal quarter under the ESPP is associated with the offering period ending on the last day of the previous fiscal quarter.

⁽²⁾ Effective October 1, 2013, the ESPP is no longer compensatory, and therefore the weighted average fair value per award is not applicable for the three and six months ended June 30, 2014.

There were approximately 472,000 shares of common stock available for future issuance under the ESPP at June 30, 2014.

Note 10: Income Taxes

Our tax provisions as a percentage of income (loss) before tax typically differ from the federal statutory rate of 35%, and may vary from period to period, due to fluctuations in the forecast mix of earnings in domestic and international jurisdictions, new or revised tax legislation and accounting pronouncements, tax credits, state income taxes, adjustments to valuation allowances, and uncertain tax positions, among other items.

Our tax expense for the three and six months ended June 30, 2014 was lower than the federal statutory rate of 35% due to the forecasted mix of earnings in domestic and international jurisdictions, estimated benefits of foreign tax credits, the benefit of certain interest expense deductions, and an election under U.S. Internal Revenue Code Section 338 with respect to a foreign acquisition in 2007.

Our tax expense for the three months ended June 30, 2013 was lower than the federal statutory rate of 35% due to the forecasted mix of earnings in domestic and international jurisdictions, the benefit of certain interest expense deductions, and an election under U.S. Internal Revenue Code Section 338 with respect to a foreign acquisition in 2007. Our tax benefit for the six months ended June 30, 2013 reflects the favorable discrete tax benefit for the retroactive extension of the 2012 research and experimentation credit in the amount of \$4.0 million. The American Taxpayer Relief Act of 2012 was signed into law on January 2, 2013 and extended several business tax provisions including the research and experimentation credit. Our annual estimated effective tax rate for 2013 was favorably impacted due to the forecasted mix of earnings in domestic and international jurisdictions, the benefit of certain interest expense deductions, and an election under U.S. Internal Revenue Code Section 338 with respect to a foreign acquisition in 2007.

We classify interest expense and penalties related to unrecognized tax liabilities and interest income on tax overpayments as components of income tax expense. The net interest and penalties expense recognized were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in thousands)			
Net interest and penalties expense	\$ 1,782	\$ 168	\$ 1,239	\$ 339

Accrued interest and penalties recorded were as follows:

	June 30, 2014	December 31, 2013
	(in thousands)	
Accrued interest	\$ 2,020	\$ 2,078
Accrued penalties	4,426	3,075

Unrecognized tax benefits related to uncertain tax positions and the amount of unrecognized tax benefits that, if recognized, would affect our effective tax rate were as follows:

	June 30, 2014	December 31, 2013
	(in thousands)	
Unrecognized tax benefits related to uncertain tax positions	\$ 39,262	\$ 28,615
The amount of unrecognized tax benefits that, if recognized, would affect our effective tax rate	38,044	27,694

Through June 30, 2014, we have increased our unrecognized tax benefits related to uncertain tax positions by \$10.6 million and related penalties due to tax positions relating to various intercompany transactions.

We believe it is reasonably possible that our unrecognized tax benefits may decrease by approximately \$2.0 million within the next twelve months due to the expiration of the statute of limitations. At June 30, 2014, we are not able to reasonably estimate the timing of future cash flows related to our uncertain tax positions.

Note 11: Commitments and Contingencies*Guarantees and Indemnifications*

We are often required to obtain standby letters of credit (LOCs) or bonds in support of our obligations for customer contracts. These standby LOCs or bonds typically provide a guarantee to the customer for future performance, which usually covers the installation phase of a contract and may, on occasion, cover the operations and maintenance phase of outsourcing contracts.

Our available lines of credit, outstanding standby LOCs, and bonds were as follows:

	June 30, 2014	December 31, 2013
	(in thousands)	
Credit facilities ⁽¹⁾		
Multicurrency revolving line of credit	\$ 660,000	\$ 660,000
Long-term borrowings	(80,000)	(120,000)
Standby LOCs issued and outstanding	(49,847)	(49,491)
Net available for additional borrowings and LOCs	<u>\$ 530,153</u>	<u>\$ 490,509</u>
Unsecured multicurrency revolving lines of credit with various financial institutions		
Multicurrency revolving lines of credit	\$ 119,256	\$ 115,269
Standby LOCs issued and outstanding	(31,705)	(31,714)
Short-term borrowings ⁽²⁾	(6,205)	(4,252)
Net available for additional borrowings and LOCs	<u>\$ 81,346</u>	<u>\$ 79,303</u>
Unsecured surety bonds in force	\$ 145,045	\$ 186,446

⁽¹⁾ Refer to Note 6 for details regarding our secured credit facilities.

⁽²⁾ Short-term borrowings are included in "Other current liabilities" on the Consolidated Balance Sheets.

In the event any such standby LOC or bond is called, we would be obligated to reimburse the issuer of the standby LOC or bond; however, we do not believe that any outstanding LOC or bond will be called.

We generally provide an indemnification related to the infringement of any patent, copyright, trademark, or other intellectual property right on software or equipment within our sales contracts, which indemnifies the customer from and pays the resulting costs, damages, and attorney's fees awarded against a customer with respect to such a claim provided that (a) the customer promptly notifies us in writing of the claim and (b) we have the sole control of the defense and all related settlement negotiations. We may also provide an indemnification to our customers for third party claims resulting from damages caused by the negligence or willful misconduct of our employees/agents in connection with the performance of certain contracts. The terms of our indemnifications generally do not limit the maximum potential payments. It is not possible to predict the maximum potential amount of future payments under these or similar agreements.

Legal Matters

We are subject to various legal proceedings and claims of which the outcomes are subject to significant uncertainty. Our policy is to assess the likelihood of any adverse judgments or outcomes related to legal matters, as well as ranges of probable losses. A determination of the amount of the liability required, if any, for these contingencies is made after an analysis of each known issue. A liability is recorded and charged to operating expense when we determine that a loss is probable and the amount can be reasonably estimated. Additionally, we disclose contingencies for which a material loss is reasonably possible, but not probable.

In 2010 and 2011, Transdata Incorporated (Transdata) filed lawsuits against four of our customers, CenterPoint Energy (CenterPoint), TriCounty Electric Cooperative, Inc. (Tri-County), San Diego Gas & Electric Company (San Diego), and Texas-New Mexico Power Company (TNMP), as well as several other utilities, alleging infringement of three patents owned by Transdata related to the use of an antenna in a meter. Pursuant to our contractual obligations with our customers, we agreed, subject to certain exceptions, to indemnify and defend them in these lawsuits. The complaints seek unspecified damages as well as injunctive relief. CenterPoint, Tri-County, San Diego, and TNMP have denied all of the substantive allegations and filed counterclaims seeking a declaratory judgment that the patents are invalid and not infringed. In December 2011, the Judicial Panel on Multi-District Litigation consolidated all of these cases in the Western District of Oklahoma for pretrial proceedings. On April 17, 2011, the Oklahoma court stayed the litigation pending the resolution of re-examination proceedings in the United States Patent and Trademark Office (U.S. PTO). The U.S. PTO has issued re-examination certificates confirming the patentability of the original claims and allowing

certain new claims added by Transdata. The parties conducted a claim construction hearing on February 5, 2013 on one claim term -- "electric meter circuitry." After initially adopting the defendants' proposed construction of the term, the Court granted Transdata's motion for reconsideration by order of June 25, 2013, and has adopted Transdata's proposed construction. On October 1, 2013, the Court issued an order construing other claim terms. Fact discovery closed on June 29, 2014. Opening expert reports were due July 30, and rebuttal reports are due on September 15, 2014. No trials are scheduled. We do not believe this matter will have a material adverse effect on our business or financial condition, although an unfavorable outcome could have a material adverse effect on our results of operations for the period in which such a loss is recognized.

Itron and its subsidiaries are parties to various employment-related proceedings in jurisdictions where it does business. None of the proceedings are individually material to Itron, and we believe that we have made adequate provision such that the ultimate disposition of the proceedings will not materially affect Itron's business or financial condition.

In a series of cases, approximately 300 former employees of Itron Sistemas e Tecnologia Ltda. (Itron Brazil), the majority of whose employment contracts were terminated in 2011, have sued Itron Brazil seeking payment of overtime and salary differential and alleging that the assumption of the employment relationship by Itron Brazil constituted illegal outsourcing under Brazilian law. In 2008, Itron Brazil entered into an agreement to provide installation and maintenance services to one of its customers and, to perform such services, hired over 800 employees of the previous provider of such services. In 2011, Itron Brazil determined to terminate the contract with its customer, which led to the termination of approximately 870 employees. Under applicable statutes of limitation, most additional employee claims must have been brought prior to October 31, 2013. Itron Brazil intends to vigorously defend these cases, but the ultimate outcome of the cases cannot be determined at this time.

On October 31, 2013, we received a claim from one of our customers relating to alleged defects in meters sold to this customer since the year 2000. The customer asserts that it should be compensated for product and other related costs. We have engaged the customer in discussions to determine the factual basis for the claim. Since the discussions and related analysis are at an early stage, we are not yet able to estimate a potential range of loss. Currently, we do not believe that the outcome of this matter will have a material adverse effect on our business or financial condition, although an unfavorable outcome could have a material adverse effect on our results of operations for the period in which such a loss is recognized.

On May 1, 2012, we completed the acquisition of SmartSynch, Inc. On or about April 25, 2012, SmartSynch entered into a contract with a third party supplier to work with the supplier to develop a new joint product that would be marketed and sold to customers. SmartSynch failed to inform us prior to the completion of our acquisition that the contract had been executed. On July 25, 2012, after receiving an invoice for license fees purportedly owed under the contract, we commenced an action against the third party supplier in the Court of Chancery of the State of Delaware seeking a declaration that the contract was unenforceable or, in the alternative, seeking reformation of the contract. On August 21, 2012, the supplier filed a counterclaim for breach of contract, among other claims, seeking damages in excess of \$60 million. Discovery is ongoing, and trial has been scheduled for February 2015. We intend to assert our position and defend against the counterclaim vigorously. We do not believe this matter will have a material adverse effect on our business or financial condition, although an unfavorable outcome could have a material adverse effect on our results of operations for the period in which such a loss is recognized.

Warranty

A summary of the warranty accrual account activity is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in thousands)			
Beginning balance	\$ 46,024	\$ 50,754	\$ 45,146	\$ 53,605
New product warranties	1,483	1,961	2,714	2,822
Other changes/adjustments to warranties	(1,039)	3,611	1,054	5,638
Claims activity	(3,877)	(5,289)	(6,508)	(10,388)
Effect of change in exchange rates	(42)	(405)	143	(1,045)
Ending balance	42,549	50,632	42,549	50,632
Less: current portion of warranty	23,689	24,709	23,689	24,709
Long-term warranty	\$ 18,860	\$ 25,923	\$ 18,860	\$ 25,923

Total warranty expense is classified within cost of revenues and consists of new product warranties issued, costs related to extended warranty contracts, and other changes and adjustments to warranties. Warranty expense for the three and six months ended June 30 was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in thousands)			
Total warranty expense (income)	\$ (644)	\$ 5,572	\$ 2,680	\$ 8,460

Warranty expense decreased during the three and six months ended June 30, 2014, compared with the same periods in 2013 primarily due to a \$5.1 million reduction based on revised estimates for certain customers.

Unearned Revenue Related to Extended Warranty

A summary of changes to unearned revenue for extended warranty contracts is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in thousands)			
Beginning balance	\$ 33,590	\$ 32,363	\$ 33,528	\$ 31,960
Unearned revenue for new extended warranties	1,002	1,664	1,850	2,625
Unearned revenue recognized	(735)	(525)	(1,404)	(995)
Effect of change in exchange rates	101	(107)	(16)	(195)
Ending balance	33,958	33,395	33,958	33,395
Less: current portion of unearned revenue for extended warranty	2,475	2,472	2,475	2,472
Long-term unearned revenue for extended warranty within other long-term obligations	\$ 31,483	\$ 30,923	\$ 31,483	\$ 30,923

Health Benefits

We are self insured for a substantial portion of the cost of our U.S. employee group health insurance. We purchase insurance from a third party, which provides individual and aggregate stop-loss protection for these costs. Each reporting period, we expense the costs of our health insurance plan including paid claims, the change in the estimate of incurred but not reported (IBNR) claims, taxes, and administrative fees (collectively, the plan costs).

Plan costs were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in thousands)			
Plan costs	\$ 4,713	\$ 5,662	\$ 10,976	\$ 10,500

The IBNR accrual, which is included in wages and benefits payable, was as follows:

	June 30, 2014	December 31, 2013
	(in thousands)	
IBNR accrual	\$ 2,015	\$ 2,206

Our IBNR accrual and expenses may fluctuate due to the number of plan participants, claims activity, and deductible limits. For our employees located outside of the United States, health benefits are provided primarily through governmental social plans, which are funded through employee and employer tax withholdings.

Note 12: Restructuring
2013 Projects

On September 10, 2013, our management approved new projects to restructure our operations to improve profitability and increase efficiencies. These restructuring projects will reduce headcount and close or consolidate several manufacturing and office facilities. Overall, we expect to reduce our work force by approximately 9%.

We began implementing these projects in the third quarter of 2013, and we expect to substantially complete these projects by the middle of 2015. Certain aspects of the projects are subject to a variety of labor and employment laws, rules, and regulations, which could result in a delay in implementing the projects at some locations.

During the six months ended June 30, 2014, the total expected costs decreased \$2.4 million from our December 31, 2013 expected costs. This decrease was primarily the result of a reassessment of certain restructuring actions during the second quarter of 2014. This was partially offset by additional workforce reductions from the planned consolidation of certain corporate functions.

The total expected restructuring costs, the restructuring costs recognized during the six months ended June 30, 2014, and the remaining expected restructuring costs as of June 30, 2014 were as follows:

	Total Expected Costs at June 30, 2014	Costs Recognized in Prior Periods	Costs Recognized During the Six Months Ended June 30, 2014	Remaining Costs to be Recognized at June 30, 2014
(in thousands)				
Employee severance costs	24,464	\$ 29,186	\$ (4,722)	\$ —
Asset impairments	1,232	1,232	—	—
Other restructuring costs	3,234	681	2,453	100
Total	<u>\$ 28,930</u>	<u>\$ 31,099</u>	<u>\$ (2,269)</u>	<u>\$ 100</u>
<i>Segments:</i>				
Electricity	15,601	\$ 24,056	\$ (8,455)	\$ —
Gas	4,583	4,369	214	—
Water	2,967	1,957	1,010	—
Corporate unallocated	5,779	717	4,962	100
Total	<u>\$ 28,930</u>	<u>\$ 31,099</u>	<u>\$ (2,269)</u>	<u>\$ 100</u>

The following table summarizes the activity within the restructuring related balance sheet accounts during the six months ended June 30, 2014:

	Accrued Employee Severance	Asset Impairments & Net Loss on Sale or Disposal	Other Accrued Costs	Total
(in thousands)				
Beginning balance, January 1, 2014	\$ 32,709	\$ —	\$ 3,632	\$ 36,341
Costs incurred and charged to expense	(4,722)	—	2,453	(2,269)
Cash payments	(7,903)	—	(1,200)	(9,103)
Non-cash items	—	—	—	—
Effect of change in exchange rates	(456)	—	81	(375)
Ending balance, June 30, 2014	<u>\$ 19,628</u>	<u>\$ —</u>	<u>\$ 4,966</u>	<u>\$ 24,594</u>

Other restructuring costs include expenses to exit facilities, such as costs to relocate inventory and equipment and contract cancellation costs, once the operations in those facilities have ceased. Costs associated with restructuring activities are generally presented as restructuring expense in the Consolidated Statements of Operations, except for certain costs associated with inventory write-downs, which are classified within cost of revenues, and accelerated depreciation expense, which is recognized according to the use of the asset.

The current portions of the restructuring related liability balances were \$19.1 million and \$30.3 million as of June 30, 2014 and December 31, 2013, respectively. The current portion of the liability is classified within "Other current liabilities" on the

Consolidated Balance Sheets. The long-term portions of the restructuring related liability balances were \$5.5 million and \$6.0 million as of June 30, 2014 and December 31, 2013, respectively. The long-term portion of the restructuring liability is classified within "Other long-term obligations" on the Consolidated Balance Sheets.

Asset impairments are determined at the asset group level. Revenues and net operating income from the activities we have exited or will exit under the restructuring plan are not material to our operating segments or consolidated results.

2011 Projects

During the fourth quarter of 2011, we announced the approval of projects to restructure our manufacturing operations to increase efficiency and lower our cost of manufacturing. We began implementing these projects in the fourth quarter of 2011.

As of June 30, 2013, we had substantially completed these restructuring projects, resulting in approximately \$74.1 million of restructuring expense, which was recognized from the fourth quarter of 2011 through the second quarter of 2013.

Note 13: Other Comprehensive Income (Loss)

OCI is reflected as a net increase (decrease) to Itron, Inc. shareholders' equity and is not reflected in our results of operations. The before-tax amount, income tax (provision) benefit, and net-of-tax amount related to each component of other comprehensive income (loss) during the reporting periods were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in thousands)			
Before-tax amount				
Foreign currency translation adjustment	\$ (7,865)	\$ 6,798	\$ (11,388)	\$ (20,649)
Net unrealized gain (loss) on derivative instruments designated as cash flow hedges	(618)	1,336	(773)	1,244
Net hedging loss (gain) reclassified into net income	427	—	845	—
Pension plan benefits liability adjustment	169	263	308	(283)
Total other comprehensive income (loss), before tax	(7,887)	8,397	(11,008)	(19,688)
Tax (provision) benefit				
Foreign currency translation adjustment	(130)	377	19	(3,471)
Net unrealized gain (loss) on derivative instruments designated as cash flow hedges	235	(491)	295	(472)
Net hedging loss (gain) reclassified into net income	(163)	—	(323)	—
Pension plan benefits liability adjustment	(51)	(80)	(93)	86
Total other comprehensive income (loss) tax (provision) benefit	(109)	(194)	(102)	(3,857)
Net-of-tax amount				
Foreign currency translation adjustment	(7,995)	7,175	(11,369)	(24,120)
Net unrealized gain (loss) on derivative instruments designated as cash flow hedges	(383)	845	(478)	772
Net hedging loss (gain) reclassified into net income	264	—	522	—
Pension plan benefits liability adjustment	118	183	215	(197)
Total other comprehensive income (loss), net of tax	\$ (7,996)	\$ 8,203	\$ (11,110)	\$ (23,545)

The changes in the components of accumulated other comprehensive income (loss) (AOCI), net of tax, were as follows:

	Foreign Currency Translation Adjustments	Net Unrealized Gain (Loss) on Derivative Instruments	Net Unrealized Gain (Loss) on Nonderivative Instruments	Pension Plan Benefit Liability Adjustments	Total
(in thousands)					
Balances at January 1, 2013	\$ (3,313)	\$ (1,689)	\$ (14,380)	\$ (15,002)	\$ (34,384)
OCI before reclassifications	(24,120)	772	—	(566)	(23,914)
Amounts reclassified from AOCI	—	—	—	369	369
Total other comprehensive income (loss)	(24,120)	772	—	(197)	(23,545)
Balances at June 30, 2013	\$ (27,433)	\$ (917)	\$ (14,380)	\$ (15,199)	\$ (57,929)
Balances at January 1, 2014	\$ 3,799	\$ (1,256)	\$ (14,380)	\$ (9,885)	\$ (21,722)
OCI before reclassifications	(11,369)	(478)	—	432	(11,415)
Amounts reclassified from AOCI	—	522	—	(217)	305
Total other comprehensive income (loss)	(11,369)	44	—	215	(11,110)
Balances at June 30, 2014	\$ (7,570)	\$ (1,212)	\$ (14,380)	\$ (9,670)	\$ (32,832)

Details about the AOCI components reclassified to the Consolidated Statements of Operations during the reporting periods are as follows:

	Amount Reclassified from AOCI ⁽¹⁾				Affected Line Item in the Income Statement
	Three Months Ended June 30,		Six Months Ended June 30,		
	2014	2013	2014	2013	
(in thousands)					
Amortization of defined benefit pension items					
Prior-service costs	\$ (18)	\$ (17)	\$ (36)	\$ (34)	⁽²⁾
Actuarial losses	(122)	(246)	(245)	(497)	⁽²⁾
Other	(29)	—	(29)	—	⁽²⁾
Total, before tax	(169)	(263)	(310)	(531)	Income before income taxes
Tax benefit (provision)	51	80	93	162	Income tax provision
Total, net of tax	(118)	(183)	(217)	(369)	Net income
Total reclassifications for the period, net of tax	\$ (118)	\$ (183)	\$ (217)	\$ (369)	Net income

⁽¹⁾ Amounts in parenthesis indicate debits to the Consolidated Statements of Operations.

⁽²⁾ These AOCI components are included in the computation of net periodic pension cost. Refer to Note 8 for additional details.

Refer to Note 7 for additional details related to derivative activities that resulted in reclassification of AOCI to the Consolidated Statements of Operations.

Note 14: Fair Values of Financial Instruments

The fair values at June 30, 2014 and December 31, 2013 do not reflect subsequent changes in the economy, interest rates, and other variables that may affect the determination of fair value. The following table presents the fair values of our financial instruments as of the balance sheet dates:

	June 30, 2014		December 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
(in thousands)				
Assets				
Cash and cash equivalents	\$ 114,780	\$ 114,780	\$ 124,805	\$ 124,805
Foreign exchange forwards	57	57	41	41
Liabilities				
Credit facility				
USD denominated term loan	\$ 247,500	\$ 246,918	\$ 258,750	\$ 258,011
Multicurrency revolving line of credit	80,000	79,788	120,000	119,609
Interest rate swaps	1,958	1,958	2,031	2,031
Foreign exchange forwards	146	146	145	145

The following methods and assumptions were used in estimating fair values:

Cash and cash equivalents: Due to the liquid nature of these instruments, the carrying value approximates fair value (Level 1).

Credit facility - term loan and multicurrency revolving line of credit: The term loan and revolver are not traded publicly. The fair values, which are valued based upon a hypothetical market participant, are calculated using a discounted cash flow model with Level 2 inputs, including estimates of incremental borrowing rates for debt with similar terms, maturities, and credit profiles. Refer to Note 6 for a further discussion of our debt.

Derivatives: See Note 7 for a description of our methods and assumptions in determining the fair value of our derivatives, which were determined using Level 2 inputs.

Note 15: Segment Information

We operate under the Itron brand worldwide and manage and report under three operating segments, Electricity, Gas, and Water. Our Water operating segment includes both our global water and heat solutions.

In March 2013, we separated the management of our Energy operating segment into Electricity and Gas to allow each business line to develop its own go-to-market strategy, prioritize its marketing and product development requirements, and focus on its strategic investments. Our sales, marketing, and delivery functions are managed under three business lines - Electricity, Gas, and Water. Our product development and manufacturing operations are now managed on a worldwide basis to promote a global perspective in our operations and processes while maintaining alignment with the business lines. The transition to the new organizational structure, including changes to operations and financial reporting systems, was completed in the fourth quarter of 2013. Our historical segment information for the three and six months ended June 30, 2013 has been recast to reflect our new operating segments.

We have three measures of segment performance: revenue, gross profit (margin), and operating income (margin). Our operating segments have distinct products, and, therefore, intersegment revenues are minimal. Corporate operating expenses, interest income, interest expense, other income (expense), and income tax provision (benefit) are not allocated to the segments, nor included in the measure of segment profit or loss. In addition, we allocate only certain production assets and intangible assets to our operating segments. We do not manage the performance of the segments on a balance sheet basis.

Segment Products

Electricity Standard electricity (electromechanical and electronic) meters; advanced electricity meters and communication modules; smart electricity meters; smart electricity communication modules; prepayment systems, including smart key, keypad, and smart card communication technologies; advanced systems including handheld, mobile, and fixed network collection technologies; smart network technologies; meter data management software; knowledge application solutions; and professional services including implementation, installation, consulting, and analysis.

Gas Standard gas meters; advanced gas meters and communication modules; smart gas meters; smart gas communication modules; prepayment systems, including smart key, keypad, and smart card communication technologies; advanced systems, including handheld, mobile, and fixed network collection technologies; smart network technologies; meter data management software; knowledge application solutions; and professional services, including implementation, installation, consulting, and analysis.

Water Standard water and heat meters; advanced and smart water meters and communication modules; smart heat meters; advanced systems including handheld, mobile, and fixed network collection technologies; meter data management software; knowledge application solutions; and professional services including implementation, installation, consulting, analysis, and system management.

Revenues, gross profit, and operating income associated with our segments were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
(in thousands)				
Revenues				
Electricity	\$ 183,755	\$ 213,612	\$ 363,973	\$ 389,375
Gas	154,322	136,011	300,431	272,926
Water	151,276	132,552	299,744	267,410
Total Company	\$ 489,353	\$ 482,175	\$ 964,148	\$ 929,711
Gross profit				
Electricity	\$ 52,976	\$ 62,545	\$ 95,716	\$ 107,457
Gas	56,711	50,128	115,117	100,770
Water	53,354	46,915	106,743	91,484
Total Company	\$ 163,041	\$ 159,588	\$ 317,576	\$ 299,711
Operating income (loss)				
Electricity	\$ (1,247)	\$ (4,117)	\$ (24,216)	\$ (23,167)
Gas	24,329	18,881	50,053	38,411
Water	20,519	15,389	41,162	27,964
Corporate unallocated	(11,674)	(12,177)	(30,533)	(22,885)
Total Company	31,927	17,976	36,466	20,323
Total other income (expense)	(4,235)	(3,884)	(9,545)	(5,978)
Income before income taxes	\$ 27,692	\$ 14,092	\$ 26,921	\$ 14,345

For the three and six months ended June 30, 2014, no single customer represented more than 10% of total Company or the Electricity, Gas, or Water operating segment revenues.

One customer represented 12% of the Gas operating segment revenues for the three months ended June 30, 2013. No single customer represented more than 10% of the Gas operating segment revenues for the six months ended June 30, 2013. For the three and six months ended June 30, 2013, no single customer represented more than 10% of total Company or the Electricity or Water operating segment revenues.

Revenues by region were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in thousands)			
United States and Canada	\$ 214,336	\$ 211,565	\$ 414,706	\$ 388,771
Europe, Middle East, and Africa	216,257	215,250	439,761	427,145
Other	58,760	55,360	109,681	113,795
Total revenues	\$ 489,353	\$ 482,175	\$ 964,148	\$ 929,711

Depreciation and amortization expense associated with our segments was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in thousands)			
Electricity	\$ 12,391	\$ 11,714	\$ 25,158	\$ 23,344
Gas	6,455	6,634	13,104	13,475
Water	6,119	5,909	12,213	12,178
Corporate Unallocated	49	17	131	34
Total Company	\$ 25,014	\$ 24,274	\$ 50,606	\$ 49,031

Note 16: Subsequent Event

Stock Repurchases

Subsequent to June 30, 2014, we repurchased 79,500 shares of our common stock under the stock repurchase program authorized by the Board of Directors on February 7, 2014. The average price paid per share was \$39.46.

Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

In this Quarterly Report on Form 10-Q, the terms “we,” “us,” “our,” “Itron,” and the “Company” refer to Itron, Inc.

The following discussion and analysis should be read in conjunction with the unaudited condensed consolidated financial statements and notes included in this report and with our Annual Report on Form 10-K for the year ended December 31, 2013, filed with the Securities and Exchange Commission (SEC) on February 26, 2014.

Documents we provide to the SEC are available free of charge under the Investors section of our website at www.itron.com as soon as practicable after they are filed with or furnished to the SEC. In addition, these documents are available at the SEC’s website (<http://www.sec.gov>), at the SEC’s Headquarters at 100 F Street, NE, Washington, DC 20549, or by calling 1-800-SEC-0330.

Certain Forward-Looking Statements

This document contains forward-looking statements concerning our operations, financial performance, revenues, earnings growth, liquidity, and other items. This document reflects our current plans and expectations and is based on information currently available as of the date of this Quarterly Report on Form 10-Q. When we use the words “expect,” “intend,” “anticipate,” “believe,” “plan,” “project,” “estimate,” “future,” “objective,” “may,” “will,” “will continue,” and similar expressions, they are intended to identify forward-looking statements. Forward-looking statements rely on a number of assumptions and estimates. These assumptions and estimates could be inaccurate and cause our actual results to vary materially from expected results. Risks and uncertainties include 1) the rate and timing of customer demand for our products, 2) rescheduling or cancellations of current customer orders and commitments, 3) changes in estimated liabilities for product warranties and/or litigation, 4) our dependence on customers' acceptance of new products and their performance, 5) competition, 6) changes in domestic and international laws and regulations, 7) changes in foreign currency exchange rates and interest rates, 8) international business risks, 9) our own and our customers' or suppliers' access to and cost of capital, 10) future business combinations, and 11) other factors. You should not solely rely on these forward-looking statements as they are only valid as of the date of this Quarterly Report on Form 10-Q. We do not have any obligation to publicly update or revise any forward-looking statement in this document. For a more complete description of these and other risks, refer to Item 1A: “Risk Factors” included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013, which was filed with the SEC on February 26, 2014.

Results of Operations

We are a technology company, offering end-to-end smart metering solutions to electric, natural gas, and water utilities around the world. Our smart metering solutions, meter data management software, and knowledge application solutions bring additional value to a utility’s metering and grid systems. Our professional services help our customers project-manage, install, implement, operate, and maintain their systems.

We operate under the Itron brand worldwide and manage and report under three operating segments - Electricity, Gas, and Water.

In March 2013, we separated the management of our Energy operating segment into Electricity and Gas to allow each business line to develop its own go-to-market strategy, prioritize its marketing and product development requirements, and focus on its strategic investments. Our sales, marketing, and delivery functions are managed under our three business lines - Electricity, Gas, and Water. Our product development and manufacturing operations are now managed on a worldwide basis to promote a global perspective in our operations and processes and still maintain alignment with the business lines. The transition to the new organizational structure, including changes to operations and financial reporting systems, was completed in the fourth quarter of 2013. Our historical segment information for the three and six months ended June 30, 2013 has been recast to reflect our new operating segments.

We have three measures of segment performance: revenue, gross profit (margin), and operating income (margin). Our operating segments have distinct products, and therefore intersegment revenues are minimal. Corporate-specific operating expenses, interest income, interest expense, other income (expense), and income tax provision (benefit) are not allocated to the segments and are not included in the measure of segment profit or loss. In addition, we allocate only certain production assets and intangible assets to our operating segments. We do not manage the performance of the segments on a balance sheet basis.

Overview

Revenues for the three and six months ended June 30, 2014 were \$489 million and \$964 million, compared with \$482 million and \$930 million in the same periods last year. The increases in 2014 were the result of higher revenues for the Gas and Water segments, partially offset by a decrease in the Electricity segment. Gross margin for the three and six months ended June 30, 2014 was 33.3%

and 32.9%, compared with gross margins of 33.1% and 32.2% for the same period in 2013. The higher margins were the result of an increased relative contribution of higher margin products from the the Gas and Water segments.

Operating expenses for the three and six months ended June 30, 2014 include reversals of restructuring expense of \$7.8 million and \$2.3 million, as the result of a reassessment of certain previously planned restructuring actions. These changes to our restructuring actions do not have a significant impact on the savings we expect to attain once the 2013 restructuring projects are completed.

Our tax expense for the three and six months ended June 30, 2014 was lower than the federal statutory rate of 35% due to the forecasted mix of earnings in domestic and international jurisdictions, estimated benefits of foreign tax credits, the benefit of certain interest expense deductions, and an election under U.S. Internal Revenue Code Section 338 with respect to a foreign acquisition in 2007. Our tax expense for the three months ended June 30, 2013 was lower than the federal statutory rate of 35% due to the forecasted mix of earnings in domestic and international jurisdictions, the benefit of certain interest expense deductions, and an election under U.S. Internal Revenue Code Section 338 with respect to a foreign acquisition in 2007. Our tax benefit for the six months ended June 30, 2013 reflects the favorable discrete tax benefit for the retroactive extension of the 2012 research and experimentation credit in the amount of \$4.0 million. The American Taxpayer Relief Act of 2012 was signed into law on January 2, 2013 and extended several business tax provisions including the research and experimentation credit. Our annual estimated effective tax rate for 2013 was favorably impacted due to the forecasted mix of earnings in domestic and international jurisdictions, the benefit of certain interest expense deductions, and an election under U.S. Internal Revenue Code Section 338 with respect to a foreign acquisition in 2007.

Total backlog was \$1.3 billion and twelve-month backlog was \$675 million at June 30, 2014.

Total Company Revenues, Gross Profit and Margin, and Unit Shipments

	Three Months Ended June 30,			Six Months Ended June 30,		
	2014	2013	% Change	2014	2013	% Change
	(in thousands)			(in thousands)		
Revenues	\$ 489,353	\$ 482,175	1%	\$ 964,148	\$ 929,711	4%
Gross Profit	\$ 163,041	\$ 159,588	2%	\$ 317,576	\$ 299,711	6%
Gross Margin	33.3%	33.1%		32.9%	32.2%	

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in thousands)			
Revenues by Region				
United States and Canada (North America)	\$ 214,336	\$ 211,565	\$ 414,706	\$ 388,771
Europe, Middle East, and Africa (EMEA)	216,257	215,250	439,761	427,145
Other	58,760	55,360	109,681	113,795
Total revenues	\$ 489,353	\$ 482,175	\$ 964,148	\$ 929,711

Meter and Module Summary

We classify meters into three categories:

- Standard metering – no built-in remote reading communication technology
- Advanced metering – one-way communication of meter data
- Smart metering – two-way communication including remote meter configuration and upgrade (consisting primarily of our OpenWay® technology)

In addition, advanced and smart meter communication modules can be sold separately from the meter.

Our revenue is driven significantly by sales of meters and communication modules. A summary of our meter and communication module shipments is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(units in thousands)			
Meters				
Standard	4,480	4,730	9,330	9,170
Advanced and smart	1,360	1,340	2,880	2,970
Total meters	5,840	6,070	12,210	12,140
Stand-alone communication modules				
Advanced and smart	1,580	1,350	2,930	2,690

Revenues

Revenues increased \$7.2 million and \$34.4 million, or 1% and 4%, for the three and six months ended June 30, 2014, compared with the same periods in 2013. These increases were driven by higher revenues in the Gas and Water segments for the three and six months ended June 30, 2014, with the largest increase, both in dollars and percentage points, occurring in the Water segment. This was partially offset by a decline in Electricity revenue for the three and six months ended June 30, 2014.

For the three months ended June 30, 2014, revenue was higher due to the increase in advanced and smart meters and communication modules, which more than offset a decline in standard meter volumes. For the six months ended June 30, 2014, the increase in revenues was associated with the increase in communication modules and standard meters.

A more detailed analysis of revenue fluctuations is provided in *Operating Segment Results*.

No single customer accounted for more than 10% of total Company revenues during the three and six months ended June 30, 2014 and June 30, 2013. Our 10 largest customers accounted for 18% and 19% of total revenues during the three and six months ended June 30, 2014 and 22% and 20% of total revenues during the three and six months ended June 30, 2013.

Gross Margins

Gross margin for the second quarter of 2014 was 33.3%, compared with 33.1% for the same period in 2013. For the six months ended June 30, 2014, gross margin was 32.9%, compared with 32.2% in the same period in 2013. The increases in the second quarter and first six months of 2014 were the result of the increased relative contribution of the Gas and Water segments as compared to the Electricity segment gross margin. Gross margins in the Gas and Water segments are higher than the Electricity segment. A more detailed analysis of these fluctuations is provided in *Operating Segment Results*.

Operating Segment Results

For a description of our operating segments, refer to Item 1: “Financial Statements Note 15: Segment Information”.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2014	2013	% Change	2014	2013	% Change
Segment Revenues	(in thousands)			(in thousands)		
Electricity	\$ 183,755	\$ 213,612	(14)%	\$ 363,973	\$ 389,375	(7)%
Gas	154,322	136,011	13%	300,431	272,926	10%
Water	151,276	132,552	14%	299,744	267,410	12%
Total revenues	\$ 489,353	\$ 482,175	1%	\$ 964,148	\$ 929,711	4%

	Three Months Ended June 30,				Six Months Ended June 30,			
	2014		2013		2014		2013	
Segment Gross Profit and Margin	Gross Profit	Gross Margin	Gross Profit	Gross Margin	Gross Profit	Gross Margin	Gross Profit	Gross Margin
	(in thousands)		(in thousands)		(in thousands)		(in thousands)	
Electricity	\$ 52,976	28.8%	\$ 62,545	29.3%	\$ 95,716	26.3%	\$ 107,457	27.6%
Gas	56,711	36.7%	50,128	36.9%	115,117	38.3%	100,770	36.9%
Water	53,354	35.3%	46,915	35.4%	106,743	35.6%	91,484	34.2%
Total gross profit and margin	\$ 163,041	33.3%	\$ 159,588	33.1%	\$ 317,576	32.9%	\$ 299,711	32.2%

	Three Months Ended June 30,				Six Months Ended June 30,			
	2014		2013		2014		2013	
Segment Operating Income (Loss) and Operating Margin	Operating Income (Loss)	Operating Margin						
	(in thousands)		(in thousands)		(in thousands)		(in thousands)	
Electricity	\$ (1,247)	(1)%	\$ (4,117)	(2)%	\$ (24,216)	(7)%	\$ (23,167)	(6)%
Gas	24,329	16%	18,881	14%	50,053	17%	38,411	14%
Water	20,519	14%	15,389	12%	41,162	14%	27,964	10%
Corporate unallocated	(11,674)		(12,177)		(30,533)		(22,885)	
Total Company	\$ 31,927	7%	\$ 17,976	4%	\$ 36,466	4%	\$ 20,323	2%

Electricity:

Revenues - Three months ended June 30, 2014 vs. Three months ended June 30, 2013

Electricity revenues decreased \$29.9 million, or 14%, for the three months ended June 30, 2014, compared with the same period in 2013. Revenues in 2014 were lower primarily due to decreased product shipments and lower professional services in EMEA of \$15.0 million and \$3.9 million, respectively, and decreased product shipments in North America of \$14.4 million, resulting primarily from a temporary manufacturing delay in the U.S. These decreases were partially offset by higher professional services in North America of \$3.6 million and increased volumes of product shipments in Asia/Pacific of \$2.9 million.

Revenues - Six months ended June 30, 2014 vs. Six months ended June 30, 2013

Electricity revenues decreased \$25.4 million, or 7%, for the six months ended June 30, 2014, compared with the same period in 2013. Revenues in 2014 were lower primarily due to decreased product shipments and decreased professional services in EMEA of \$17.6 million and \$4.0 million and decreased product shipments of \$3.6 million in Latin America and of \$3.1 million in Asia/Pacific. These decreases were partially offset by increased professional services revenue of \$6.7 million in North America. The net translation effect of our operations denominated in foreign currencies into U.S. dollars negatively impacted Electricity revenues by \$5.2 million in 2014.

No single customer accounted for more than 10% of the Electricity operating segment revenues during the three and six months ended June 30, 2014 and 2013.

Gross Margin - Three months ended June 30, 2014 vs. Three months ended June 30, 2013

Electricity gross margin was 28.8% for the three months ended June 30, 2014, compared with 29.3% for the three months ended June 30, 2013. In 2014, gross margin decreased 50 basis points over the prior year, primarily as the result of less favorable product mix and lower volumes, partially offset by lower warranty expense.

Gross Margin - Six months ended June 30, 2014 vs. Six months ended June 30, 2013

Electricity gross margin was 26.3% for the six months ended June 30, 2014, compared with 27.6% for the first six months in 2013. During 2014, gross margin decreased 130 basis points over the prior year, primarily as the result of less favorable product mix and lower volumes, partially offset by lower warranty expense.

Operating Expenses - Three months ended June 30, 2014 vs. Three months ended June 30, 2013

Electricity operating expenses decreased \$12.4 million, or 19%, for the three months ended June 30, 2014, compared with the same period in 2013 primarily as a result of a \$7.9 million credit to restructuring expense resulting from our reassessment of our restructuring projects, as well as reduced spending in product development, sales and marketing, and general and administrative expenses, offset partially by a scheduled increase of \$1.5 million in amortization expense. Sales and marketing, product development, general and administrative, and amortization of intangible asset expenses as a percentage of revenues were 34% in 2014 and 30% in 2013.

Operating Expenses - Six months ended June 30, 2014 vs. Six months ended June 30, 2013

Electricity operating expenses decreased \$10.7 million, or 8%, for the six months ended June 30, 2014, compared with the same period in 2013 primarily as a result of an \$8.5 million credit to restructuring expense resulting from our reassessment of our restructuring projects and reduced spending in product development and sales and marketing expenses. These decreases were partially offset by higher litigation expense, which is classified within general and administrative expense, a scheduled increase of \$2.9 million in amortization of intangible assets, and \$1.0 million in goodwill impairment. Sales and marketing, product development, general and administrative, and amortization of intangible asset expenses as a percentage of revenues were 35% in 2014 and 33% in 2013.

Gas:

Revenues - Three months ended June 30, 2014 vs. Three months ended June 30, 2013

Gas revenues increased \$18.3 million, or 13%, for the three months ended June 30, 2014, compared with the second quarter of 2013, primarily driven by North America and EMEA, which had increases of \$10.3 million and \$7.6 million of revenue, respectively. The increase in revenue was primarily related to increased product shipments.

Revenues - Six months ended June 30, 2014 vs. Six months ended June 30, 2013

Gas revenues increased \$27.5 million, or 10%, for the six months ended June 30, 2014, compared with the first half of 2013, primarily driven by product shipments in North America and EMEA, which had increases of \$21.7 million and \$9.1 million of revenue, respectively. The increase in revenue was partially offset by lower professional services revenue in North America.

No single customer accounted for more than 10% of the Gas operating segment revenues during the three and six months ended June 30, 2014 and the six months ended June 30, 2013, while one customer accounted for more than 10% of the Gas operating segment revenues for the three months ended June 30, 2013.

Gross Margin - Three months ended June 30, 2014 vs. Three months ended June 30, 2013

Gas gross margin was 36.7% for the three months ended June 30, 2014, compared with 36.9% for the same period in 2013. The decrease was driven by a less favorable product mix in EMEA, partially offset by higher volumes and lower warranty expense in North America.

Gross Margin - Six months ended June 30, 2014 vs. Six months ended June 30, 2013

Gas gross margin was 38.3% for the six months ended June 30, 2014, compared with 36.9% for the same period last year. The increase was driven by higher volumes of meters and communication modules and more favorable product mix in North America and EMEA.

Operating Expenses - Three months ended June 30, 2014 vs. Three months ended June 30, 2013

Gas operating expenses increased \$1.1 million, or 4%, for the three months ended June 30, 2014, compared with the same period in 2013. This was due primarily to higher product development costs during the quarter. Sales and marketing, product development, general and administrative, and amortization of intangible asset expenses as a percentage of revenues were 21% in 2014 and 23% in 2013.

Operating Expenses - Six months ended June 30, 2014 vs. Six months ended June 30, 2013

Gas operating expenses increased \$2.7 million, or 4%, for the six months ended June 30, 2014, compared with the same period in 2013. This was due primarily to higher product development costs in 2014. Sales and marketing, product development, general and administrative, and amortization of intangible asset expenses as a percentage of revenues were 22% in 2014 and 23% in 2013.

Water:

Revenues - Three months ended June 30, 2014 vs. Three months ended June 30, 2013

Revenues increased \$18.7 million, or 14%, for the three months ended June 30, 2014, compared with the first quarter of 2013. This increase was primarily due to \$12.4 million in higher product volume, including heat products in EMEA, \$4.7 million in higher product volume in North America, and by \$2.8 million in increased shipments in Asia/Pacific, partially offset by a decrease in service revenue of \$1.4 million in North America.

Revenues - Six months ended June 30, 2014 vs. Six months ended June 30, 2013

Revenues increased \$32.3 million, or 12%, for the six months ended June 30, 2014, compared with the same period last year. This increase was primarily due to \$23.8 million in higher product volume, including heat products, in EMEA, as well as increased product volume of \$4.9 million in North America, \$4.2 million in Asia/Pacific, and \$2.6 million in Latin America, partially offset by a decrease in professional services revenue of \$3.2 million in North America.

No single customer represented more than 10% of the Water operating segment revenues during the three and six months ended June 30, 2014 and 2013.

Gross Margin - Three months ended June 30, 2014 vs. Three months ended June 30, 2013

Water gross margin decreased to 35.3% for the three months ended June 30, 2014, compared with 35.4% for the same period last year, primarily as the result of less favorable product mix in Latin America and Asia/Pacific, partially offset by increased product volumes in North America and EMEA and lower warranty expense.

Gross Margin - Six months ended June 30, 2014 vs. Six months ended June 30, 2013

Water gross margin increased to 35.6% for the six months ended June 30, 2014, compared with 34.2% for the same period last year, primarily as the result of a decrease in professional services in North America, which have a lower gross margin, along with increased product volumes in EMEA and North America, and lower warranty expense.

Operating Expenses - Three months ended June 30, 2014 vs. Three months ended June 30, 2013

Operating expenses for the three months ended June 30, 2014 increased by \$1.3 million, or 4%, over the second quarter of 2013, primarily as the result of increased sales and marketing expense associated with higher revenue. Sales and marketing, product development, general and administrative, and amortization of intangible asset expenses as a percentage of revenues were 21% in 2014 and 23% in 2013.

Operating Expenses - Six months ended June 30, 2014 vs. Six months ended June 30, 2013

Operating expenses for the six months ended June 30, 2014 increased by \$2.1 million, or 3%, compared with the same period last year, primarily as the result of increased sales and marketing, associated with higher revenue, and general and administrative expenses, partially offset by a scheduled decrease of \$1.0 million in amortization of intangible assets. Sales and marketing, product development, general and administrative, and amortization of intangible asset expenses as a percentage of revenues were 22% in 2014 and 23% in 2013.

Corporate unallocated:

Operating expenses not directly associated with an operating segment are classified as "Corporate unallocated." These expenses decreased by \$503,000 for the three months ended June 30, 2014 due primarily to lower restructuring costs as compared with the same period in 2013, partially offset by increased professional services costs during the period and the costs of our newly established Global Business Services (GBS) center. Corporate unallocated expenses increased by \$7.6 million for the six months ended June 30, 2014, due to increased restructuring costs, the costs of our newly established GBS center, and higher professional services costs as compared to the same period in 2013.

Bookings and Backlog of Orders

Bookings for a reported period represent customer contracts and purchase orders received during the period that have met certain conditions, such as regulatory and/or contractual approval. Total backlog represents committed but undelivered products and services for contracts and purchase orders at period end. Twelve-month backlog represents the portion of total backlog that we estimate will be recognized as revenue over the next 12 months. Backlog is not a complete measure of our future revenues as we also receive significant book-and-ship orders. Bookings and backlog may fluctuate significantly due to the timing of large project awards. In addition, annual or multi-year contracts are subject to rescheduling and cancellation by customers due to the long-term

nature of the contracts. Beginning total backlog, plus bookings, minus revenues, will not equal ending total backlog due to miscellaneous contract adjustments, foreign currency fluctuations, and other factors.

Quarter Ended	Quarterly Bookings		Ending Total Backlog		Ending 12-Month Backlog
	(in millions)				
June 30, 2014	\$	478	\$	1,330	\$ 675
March 31, 2014		745		1,333	614
December 31, 2013		527		1,068	549
September 30, 2013		457		1,055	582
June 30, 2013		515		1,058	558

Information on bookings by our operating segments is as follows:

Quarter Ended	Total Bookings		Electricity		Gas		Water	
	(in millions)							
June 30, 2014	\$	478	\$	197	\$	142	\$	139
March 31, 2014		745		463		135		147
December 31, 2013		527		192		142		193
September 30, 2013		457		167		167		123
June 30, 2013		515		256		109		150

Operating Expenses

	Three Months Ended June 30,				Six Months Ended June 30,			
	2014	% of Revenues	2013	% of Revenues	2014	% of Revenues	2013	% of Revenues
	(in thousands)		(in thousands)		(in thousands)		(in thousands)	
Sales and marketing	\$ 46,119	9%	\$ 46,182	10%	\$ 93,728	10%	\$ 94,398	10%
Product development	43,999	9%	43,481	9%	88,408	9%	87,689	9%
General and administrative	37,680	8%	38,317	8%	78,087	8%	71,912	8%
Amortization of intangible assets	11,109	2%	10,247	2%	22,179	2%	20,991	2%
Restructuring	(7,793)	(1)%	3,385	1%	(2,269)	—%	4,398	—%
Goodwill impairment	—	—%	—	—%	977	—%	—	—%
Total operating expenses	\$ 131,114	27%	\$ 141,612	29%	\$ 281,110	29%	\$ 279,388	30%

Operating expenses decreased \$10.5 million for the three months ended June 30, 2014. This decrease was primarily the result of a decrease in restructuring expense for the quarter due to a reassessment of certain restructuring actions. Operating expenses increased \$1.7 million for the six months ended June 30, 2014, primarily due to increased litigation reserves, which are included within general and administrative operating expense and goodwill impairment. This was partially offset by lower restructuring costs as a result of the reassessment of our restructuring actions.

Other Income (Expense)

The following table shows the components of other income (expense):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in thousands)			
Interest income	\$ 53	\$ 194	\$ 150	\$ 1,255
Interest expense	(2,509)	(1,920)	(5,014)	(3,845)
Amortization of prepaid debt fees	(404)	(416)	(808)	(829)
Other income (expense), net	(1,375)	(1,742)	(3,873)	(2,559)
Total other income (expense)	\$ (4,235)	\$ (3,884)	\$ (9,545)	\$ (5,978)

Interest income: Interest income is generated from our cash and cash equivalents balances and certain deposits on hand with third parties. Interest income remained consistent for the three months ended June 30, 2014 as compared with the same period in 2013. Interest income declined during the six months ended June 30, 2014 as interest rates remained low, and we recognized interest on deposits with government entities related to tax contingencies in 2013.

Interest expense: Interest expense for the three and six months ended June 30, 2014 increased due to the impact of interest rate swaps, which became effective during the third quarter of 2013 and a higher interest rate margin on the credit facility, offset partially by lower debt outstanding. Average total debt outstanding was \$343.0 million and \$404.2 million for the quarters ended June 30, 2014 and 2013, respectively, and \$358.9 million and \$410.4 million for the six month periods ended June 30, 2014 and 2013, respectively.

Amortization of prepaid debt fees: Amortization of prepaid debt fees for the three and six months ended June 30, 2014 remained consistent with the same periods in 2013. Refer to Item 1: "Financial Statements Note 6: Debt" for additional details related to our long-term borrowings.

Other income (expense), net: Other expenses, net, consist primarily of unrealized and realized foreign currency gains and losses from balances denominated in currencies other than the reporting entity's functional currency and other non-operating income (expenses). As a result of currency movements in certain markets in which we do business, foreign currency losses, net of hedging, were \$0.8 million and \$2.9 million for the three and six months ended June 30, 2014, compared with net foreign currency losses of \$1.6 million and \$2.1 million in the same periods in 2013.

Financial Condition

Cash Flow Information:

	Six Months Ended June 30,	
	2014	2013
	(in thousands)	
Operating activities	\$ 67,191	\$ 18,974
Investing activities	(19,347)	(29,514)
Financing activities	(55,680)	(18,816)
Effect of exchange rates on cash and cash equivalents	(2,189)	(3,393)
Increase (decrease) in cash and cash equivalents	\$ (10,025)	\$ (32,749)

Cash and cash equivalents was \$114.8 million at June 30, 2014, compared with \$124.8 million at December 31, 2013.

Operating activities

Cash provided by operating activities during the six months ended June 30, 2014 was \$48.2 million higher than during the same period in 2013. This increase was primarily due to invoice timing, resulting in \$32.5 million of decreased payments in accounts payable during the first half of 2014 compared with the first half of 2013. Other drivers of this increase included a \$10.1 million increase in wages and benefits payable due to an increase in bonus and profit sharing compensation based on improved performance compared with the prior year, a \$8.3 million lower build up of inventory, and a \$6.1 million increase in unearned revenue due to increased receipts during the six months ended June 30, 2014 compared with the same period in 2013. These increases in cash provided by operating activities were partially offset by a \$10.4 million decrease in accounts receivable collections.

Investing activities

Cash used in investing activities during the six months ended June 30, 2014 was \$10.2 million lower compared with the same period in 2013, primarily due to a decline in the acquisition of property, plant, and equipment of \$9.5 million.

Financing activities

Net cash used in financing activities during the six months ended June 30, 2014 was \$36.9 million higher, compared with the same period in 2013, primarily as a result of increased repayments of debt, net of proceeds from borrowings, of \$43.8 million partially offset by a decrease of \$9.0 million in repurchases of our common stock. Refer to Part II, Item 2: "Unregistered Sale of Equity Securities and Use of Proceeds" for additional details related to our share repurchase program.

Effect of exchange rates on cash and cash equivalents

The effect of exchange rates on the cash balances of currencies held in foreign denominations for the six months ended June 30, 2014 was a decrease of \$2.2 million, compared with a decrease of \$3.4 million for the same period in 2013.

Off-balance sheet arrangements:

We have no off-balance sheet financing agreements or guarantees as defined by Item 303 of Regulation S-K at June 30, 2014 and December 31, 2013 that we believe are reasonably likely to have a current or future effect on our financial condition, results of operations, or cash flows.

Liquidity and Capital Resources:

Our principal sources of liquidity are cash flows from operations, borrowings, and sales of common stock. Cash flows may fluctuate and are sensitive to many factors including changes in working capital and the timing and magnitude of capital expenditures and payments on debt. Working capital, which represents current assets less current liabilities, was \$333.4 million at June 30, 2014, compared with \$344.4 million at December 31, 2013.

Borrowings

Our credit facility consists of a \$300 million U.S. dollar term loan and a multicurrency revolving line of credit (the revolver) with a principal amount of up to \$660 million. At June 30, 2014, \$80.0 million was outstanding under the revolver, and \$49.8 million was utilized by outstanding standby letters of credit, resulting in \$530.2 million available for additional borrowings.

For further description of the term loan and the revolver under our credit facility, refer to Item 1: "Financial Statements, Note 6: Debt."

For a description of our letters of credit and performance bonds, and the amounts available for additional borrowings or letters of credit under our lines of credit, including the revolver that is part of our credit facility, refer to Item 1: "Financial Statements, Note 11: Commitments and Contingencies."

Share Repurchase

On March 8, 2013, the Board authorized a twelve-month repurchase program of up to \$50 million in shares of our common stock. The March 8, 2013 authorization expired on March 7, 2014. From January 1, 2014 through March 7, 2014, we repurchased 75,203 shares of our common stock, totaling \$2.9 million.

On February 7, 2014, the Board authorized a twelve-month repurchase program of up to \$50 million in shares of our common stock, to begin on March 8, 2014, upon the expiration of the previous stock repurchase program. From March 8, 2014 through June 30, 2014, we repurchased 107,477 shares of our common stock, totaling \$4.2 million, with \$45.8 million remaining under our repurchase program.

Repurchases are made in the open market or in privately negotiated transactions and in accordance with applicable securities laws. Refer to Part II, Item 2: "Unregistered Sales of Equity Securities and Use of Proceeds" for additional information related to our share repurchase program.

Restructuring

During the third quarter of 2013, we announced the approval of projects to restructure our operations to improve profitability and increase efficiencies. These restructuring projects will reduce headcount and close or consolidate several manufacturing and office facilities.

We began implementing these projects in the third quarter of 2013, and we expect to substantially complete these projects by the middle of 2015. Certain aspects of the projects are subject to a variety of labor and employment laws, rules, and regulations, which could result in a delay in implementing the projects at some locations. This may delay the completion of the restructuring projects beyond the middle of 2015. During the six months ended June 30, 2014, the total expected costs decreased \$2.4 million from our December 31, 2013 expected costs. This decrease was primarily the result of a reassessment of certain restructuring actions during the second quarter of 2014. This was partially offset by additional workforce reductions from the planned consolidation of certain corporate functions. At June 30, 2014, the current and long-term portions of the restructuring related liability balances were \$19.1 million and \$5.5 million, respectively. For further details regarding our restructuring activities, refer to Item 1: "Financial Statements, Note 12: Restructuring."

Other Liquidity Considerations

We have tax credits and net operating loss carryforwards in various jurisdictions that are available to reduce cash taxes. However, utilization of tax credits and net operating losses are limited in certain jurisdictions. Based on current projections, we expect to pay, net of refunds, approximately \$9.0 million in U.S. federal taxes, and \$15.7 million in local and foreign taxes in 2014. For a discussion of our tax provision and unrecognized tax benefits, see Item 1: “Financial Statements, Note 10: Income Taxes.”

As of June 30, 2014, there was \$34.5 million of cash and short-term investments held by foreign subsidiaries that could be repatriated to fund U.S. operations, and additional tax costs may be required. We do not provide U.S. deferred taxes related to the cash in these foreign subsidiaries because our investment is considered permanent in duration. Tax is one of the many factors that we consider in the management of global cash. Included in the determination of the tax costs in repatriating foreign cash into the United States are the amount of earnings and profits in a particular jurisdiction, withholding taxes that would be imposed, and available foreign tax credits. Accordingly, the amount of taxes that we would need to accrue and pay to repatriate foreign cash could vary significantly.

In several of our consolidated international subsidiaries, we have joint venture partners, who are minority shareholders. Although these entities are not wholly-owned by Itron, Inc, we consolidate them because we have a greater than 50% ownership interest or because we exercise control over the operations. The noncontrolling interest balance in our Consolidated Balance Sheets represents the proportional share of the equity of the joint venture entities, which is attributable to the minority shareholders. Approximately \$17.8 million of our consolidated cash balance at June 30, 2014 resides in our joint venture entities. As a result, the minority shareholders of these entities control their proportional share of this cash balance, and there may be limitations on our ability to repatriate cash to the United States from these entities.

For a description of our funded and unfunded non-U.S. defined benefit pension plans and our expected 2014 contributions, refer to Item 1: “Financial Statements, Note 8: Defined Benefit Pension Plans.”

For a description of our bonus and profit sharing plans, including the amounts accrued at June 30, 2014 and the expected timing of payment, refer to *Bonus and Profit Sharing* within Critical Accounting Estimates below.

General Liquidity Overview

We expect to grow through a combination of internal new product development, licensing technology from and to others, distribution agreements, partnering arrangements, and acquisitions of technology or other companies. We expect these activities to be funded with existing cash, cash flow from operations, borrowings, and the sale of common stock or other securities. We believe existing sources of liquidity will be sufficient to fund our existing operations and obligations for the next 12 months and into the foreseeable future, but offer no assurances. Our liquidity could be affected by the stability of the electricity, gas, and water industries, competitive pressures, changes in estimated liabilities for product warranties and/or litigation, future business combinations, capital market fluctuations, international risks, and other factors described under “Risk Factors” within Item 1A of Part I of our Annual Report on Form 10-K for the fiscal year ended December 31, 2013, which was filed with the SEC on February 26, 2014, as well as “Quantitative and Qualitative Disclosures About Market Risk” within Item 3 of Part I included in this Quarterly Report on Form 10-Q.

Contingencies

Refer to Item 1: “Financial Statements, Note 11: Commitments and Contingencies”.

Critical Accounting Estimates

Revenue Recognition

The majority of our revenue arrangements involve multiple deliverables, which require us to determine the fair value of each deliverable and then allocate the total arrangement consideration among the separate deliverables based on the relative fair value percentages. Revenues for each deliverable are then recognized based on the type of deliverable, such as 1) when the products are shipped, 2) services are delivered, 3) percentage-of-completion when implementation services are essential to other deliverables in the arrangement, 4) upon receipt of customer acceptance, or 5) transfer of title and risk of loss. A majority of our revenue is recognized when products are shipped to or received by a customer or when services are provided.

Fair value represents the estimated price charged if an element were sold separately. If the fair value of any undelivered element included in a multiple deliverable arrangement cannot be objectively determined, revenue is deferred until all elements are delivered and services have been performed, or until the fair value can be objectively determined for any remaining undelivered elements. We review our fair values on an annual basis or more frequently if a significant trend is noted.

If implementation services are essential to a software arrangement, revenue is recognized using either the percentage-of-completion methodology of contract accounting if project costs can be reliably estimated or the completed contract methodology if project costs cannot be reliably estimated. The estimation of costs through completion of a project is subject to many variables such as the length of time to complete, changes in wages, subcontractor performance, supplier information, and business volume assumptions. Changes in underlying assumptions/estimates may adversely or positively affect financial performance.

Under contract accounting, if we estimate that the completion of a contract component (unit of accounting) will result in a loss, the loss is recognized in the period in which it is estimated. We reevaluate the estimated loss through the completion of the contract component, and adjust the estimated loss for changes in facts and circumstances.

Certain of our revenue arrangements include an extended or noncustomary warranty provision that covers all or a portion of a customer's replacement or repair costs beyond the standard or customary warranty period. Whether or not the extended warranty is separately priced in the arrangement, a portion of the arrangement's total consideration is allocated to this extended warranty deliverable. This revenue is deferred and recognized over the extended warranty coverage period. Extended or noncustomary warranties do not represent a significant portion of our revenue.

We allocate consideration to each deliverable in an arrangement based on its relative selling price. We determine selling price using VSOE, if it exists, otherwise we use third-party evidence (TPE). We define VSOE as a median price of recent standalone transactions that are priced within a narrow range. TPE is determined based on the prices charged by our competitors for a similar deliverable when sold separately. If neither VSOE nor TPE of selling price exists for a unit of accounting, we use estimated selling price (ESP). The objective of ESP is to determine the price at which we would transact if the product or service were regularly sold by us on a standalone basis. Our determination of ESP involves a weighting of several factors based on the specific facts and circumstances of the arrangement. The factors considered include the cost to produce the deliverable, the anticipated margin on that deliverable, our ongoing pricing strategy and policies, and the characteristics of the varying markets in which the deliverable is sold.

We analyze the selling prices used in our allocation of arrangement consideration on an annual basis. Selling prices are analyzed on a more frequent basis if a significant change in our business necessitates a more timely analysis or if we experience significant variances in our selling prices.

Warranty

We offer standard warranties on our hardware products and large application software products. We accrue the estimated cost of new product warranties based on historical and projected product performance trends and costs during the warranty period. Testing of new products in the development stage helps identify and correct potential warranty issues prior to manufacturing. Quality control efforts during manufacturing reduce our exposure to warranty claims. When our quality control efforts fail to detect a fault in one of our products, we may experience an increase in warranty claims. We track warranty claims to identify potential warranty trends. If an unusual trend is noted, an additional warranty accrual would be recorded if a failure event is probable and the cost can be reasonably estimated. When new products are introduced, our process relies on historical averages of similar products until sufficient data are available. As actual experience on new products becomes available, it is used to modify the historical averages to ensure the expected warranty costs are within a range of likely outcomes. Management regularly evaluates the sufficiency of the warranty provisions and makes adjustments when necessary. The warranty allowances may fluctuate due to changes in estimates for material, labor, and other costs we may incur to repair or replace projected product failures, and we may incur additional warranty and related expenses in the future with respect to new or established products, which could adversely affect our financial position and results of operations. The long-term warranty balance includes estimated warranty claims beyond one year.

Restructuring

We record a liability for costs associated with an exit or disposal activity under a restructuring project at its fair value in the period in which the liability is incurred. Employee termination benefits considered post-employment benefits are accrued when the obligation is probable and estimable, such as benefits stipulated by human resource policies and practices or statutory requirements. One-time termination benefits are expensed at the date the employee is notified. If the employee must provide future service greater than 60 days, such benefits are expensed ratably over the future service period. For contract termination costs, we record a liability upon the later of when we terminate a contract in accordance with the contract terms or when we cease using the rights conveyed by the contract.

Asset impairments associated with a restructuring project are determined at the asset group level. An impairment may be recorded for assets that are to be abandoned, are to be sold for less than net book value, or are held for sale in which the estimated proceeds are less than the net book value less costs to sell. We may also recognize impairment on an asset group, which is held and used, when the carrying value is not recoverable and exceeds the asset group's fair value. If an asset group is considered a business, a portion of the Company's goodwill balance is allocated to it based on relative fair value. If the sale of an asset group under a

restructuring project results in proceeds that exceed the net book value of the asset group, the resulting gain is recorded within restructuring expense in the Consolidated Statements of Operations.

In determining restructuring charges, we analyze our future operating requirements, including the required headcount by business functions and facility space requirements. Our restructuring costs and any resulting accruals involve significant estimates using the best information available at the time the estimate are made. Our estimates involve a number of risks and uncertainties, some of which are beyond our control, including real estate market conditions and local labor and employment laws, rules, and regulations. If the amounts and timing of cash flows from restructuring activities are significantly different from what we have estimated, the actual amount of restructuring and asset impairment charges could be materially different, either higher or lower, than those we have recorded.

Income Taxes

The calculation of our annual estimated effective tax rate requires significant judgment and is subject to several factors, including fluctuations in the forecast mix of earnings in domestic and international jurisdictions, new or revised tax legislation and accounting pronouncements, tax credits, state income taxes, adjustments to valuation allowances, and uncertain tax positions, among other items.

We record valuation allowances to reduce deferred tax assets to the extent we believe it is more likely than not that a portion of such assets will not be realized. In making such determinations, we consider available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies, and our ability to carry back losses to prior years. We are required to make assumptions and judgments about potential outcomes that lie outside management's control. The most sensitive and critical factors are the projection, source, and character of future taxable income. Although realization is not assured, management believes it is more likely than not that deferred tax assets will be realized. The amount of deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward periods are reduced or current tax planning strategies are not implemented.

We are subject to audit in multiple taxing jurisdictions in which we operate. These audits may involve complex issues, which may require an extended period of time to resolve. We believe we have recorded adequate income tax provisions and reserves for uncertain tax positions.

In evaluating uncertain tax positions, we consider the relative risks and merits of positions taken in tax returns filed and to be filed, considering statutory, judicial, and regulatory guidance applicable to those positions. We make assumptions and judgments about potential outcomes that lie outside management's control. To the extent the tax authorities disagree with our conclusions and depending on the final resolution of those disagreements, our actual tax rate may be materially affected in the period of final settlement with the tax authorities.

Goodwill and Intangible Assets

Goodwill and intangible assets may result from our acquisitions. We use estimates, including estimates of useful lives of intangible assets, the amount and timing of related future cash flows, and fair values of the related operations, in determining the value assigned to goodwill and intangible assets. Our finite-lived intangible assets are amortized over their estimated useful lives based on estimated discounted cash flows. IPR&D is considered an indefinite-lived intangible asset and is not subject to amortization until the associated projects are completed or terminated. Finite-lived intangible assets are tested for impairment at the asset group level when events or changes in circumstances indicate the carrying value may not be recoverable. Indefinite-lived intangible assets are tested for impairment annually, when events or changes in circumstances indicate the asset may be impaired, or at the time when their useful lives are determined to be no longer indefinite.

Goodwill is assigned to our reporting units based on the expected benefit from the synergies arising from each business combination, determined by using certain financial metrics, including the forecast discounted cash flows associated with each reporting unit. The reporting units are aligned with our reporting segments, effective in the fourth quarter of 2013.

We test goodwill for impairment each year as of October 1, or more frequently should a significant impairment indicator occur. As part of the impairment test, we may elect to perform an assessment of qualitative factors. If this qualitative assessment indicates that it is more likely than not that the fair value of a reporting unit, including goodwill, is less than its carrying amount, or if we elect to bypass the qualitative assessment, we would then proceed with the two-step impairment test. The impairment test involves comparing the fair values of the reporting units to their carrying amounts. If the carrying amount of a reporting unit exceeds its fair value, a second step is required to measure the goodwill impairment loss amount. This second step determines the current fair values of all assets and liabilities of the reporting unit and then compares the implied fair value of the reporting unit's goodwill to the carrying amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess.

Determining the fair value of a reporting unit is judgmental in nature and involves the use of significant estimates and assumptions. We forecast discounted future cash flows at the reporting unit level using risk-adjusted discount rates and estimated future revenues and operating costs, which take into consideration factors such as existing backlog, expected future orders, supplier contracts, and expectations of competitive and economic environments. We also identify similar publicly traded companies and develop a correlation, referred to as a multiple, to apply to the operating results of the reporting units. These combined fair values are then reconciled to the aggregate market value of our common stock on the date of valuation, while considering a reasonable control premium.

Based on our qualitative analysis as of October 1, 2013, we determined that it was more likely than not that the fair value of the Gas and Water reporting units exceeded their respective carrying values. As a result, it was not necessary to complete the two-step impairment test for those reporting units. However, during the fourth quarter of 2013 in conjunction with our annual goodwill impairment test, we recognized a goodwill impairment of \$173.2 million in our Electricity reporting unit as the result of delays in global smart grid projects and lower volumes and pricing pressures in certain regions in Europe and Asia/Pacific. The revised forecast for the Electricity business drove a decrease in the fair value of the reporting unit. Upon finalizing our 2013 goodwill analysis late in the year-end reporting process, we determined \$977,000 of additional goodwill impairment expense should have been recognized. See Item 1: “Financial Statements, Note 5: Goodwill.” for further information regarding this adjustment.

The goodwill balance in the Electricity reporting unit before and after the goodwill impairment was as follows:

Reporting Unit	Before Impairment	Impairment	After Impairment
	(in thousands)		
Electricity	\$ 231,894	\$ 174,226	\$ 57,668

Changes in market demand, fluctuations in the economies in which we operate, the volatility and decline in the worldwide equity markets, and a further decline in our market capitalization could negatively impact the remaining carrying value of our goodwill, which could have a significant effect on our current and future results of operations and financial condition.

Defined Benefit Pension Plans

We sponsor both funded and unfunded defined benefit pension plans for our international employees, primarily in Germany, France, Italy, Indonesia, Brazil, and Spain. We recognize a liability for the projected benefit obligation in excess of plan assets or an asset for plan assets in excess of the projected benefit obligation. We also recognize the funded status of our defined benefit pension plans on our Consolidated Balance Sheets and recognize as a component of other comprehensive income (loss) (OCI), net of tax, the actuarial gains or losses and prior service costs or credits, if any, that arise during the period but are not recognized as components of net periodic benefit cost.

Several economic assumptions and actuarial data are used in calculating the expense and obligations related to these plans. The assumptions are updated annually at December 31 and include the discount rate, the expected remaining service life, the expected rate of return on plan assets, and the rate of future compensation increase. The discount rate is a significant assumption used to value our pension benefit obligation. We determine a discount rate for our plans based on the estimated duration of each plan’s liabilities. For our euro denominated defined benefit pension plans, which represent 95% of our benefit obligation, we use three discount rates, with consideration of the duration of the plans, using a hypothetical yield curve developed from euro-denominated AA-rated corporate bond issues, partially weighted for market value, with minimum amounts outstanding of €250 million for bonds with less than 10 years to maturity and €50 million for bonds with 10 or more years to maturity, and excluding the highest and lowest yielding 10% of bonds within each maturity group. The discount rates used, depending on the duration of the plans, were 2.75%, 3.25% and 3.50%, respectively. The weighted average discount rate used to measure the projected benefit obligation for all of the plans at December 31, 2013 was 3.76%. A change of 25 basis points in the discount rate would change our pension benefit obligation by approximately \$3.5 million. The financial and actuarial assumptions used at December 31, 2013 may differ materially from actual results due to changing market and economic conditions and other factors. These differences could result in a significant change in the amount of pension expense recorded in future periods. Gains and losses resulting from changes in actuarial assumptions, including the discount rate, are recognized in OCI in the period in which they occur.

Our general funding policy for these qualified pension plans is to contribute amounts at least sufficient to satisfy funding standards of the respective countries for each plan. Refer to Item 1: “Financial Statements, Note 8: Defined Benefit Pension Plans” for our expected contributions for 2014.

Contingencies

A loss contingency is recorded if it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. We evaluate, among other factors, the degree of probability of an unfavorable outcome and our ability to make a reasonable estimate of the amount of the ultimate loss. Loss contingencies that we determine to be reasonably possible, but not probable, are disclosed but not recorded. Changes in these factors and related estimates could materially affect our financial position and results of operations. Legal costs to defend against contingent liabilities are expensed as incurred.

Bonus and Profit Sharing

We have various employee bonus and profit sharing plans, which provide award amounts for the achievement of annual financial and nonfinancial targets. If management determines it probable that the targets will be achieved and the amounts can be reasonably estimated, a compensation accrual is recorded based on the proportional achievement of the financial and nonfinancial targets. Although we monitor and accrue expenses quarterly based on our estimated progress toward the achievement of the annual targets, the actual results at the end of the year may require awards that are significantly greater or less than the estimates made in earlier quarters. For the three and six months ended June 30, 2014, we accrued \$5.2 million and \$14.2 million for such awards, compared with \$2.0 million and \$8.0 million for the same periods in 2013. Awards are typically distributed in the first quarter of the following year.

Stock-Based Compensation

We measure and recognize compensation expense for all stock-based awards made to employees and directors, including awards of stock options, stock sold pursuant to our Employee Stock Purchase Plan (ESPP), and the issuance of restricted stock units and unrestricted stock awards, based on estimated fair values. The fair value of stock options is estimated at the date of grant using the Black-Scholes option-pricing model, which includes assumptions for the dividend yield, expected volatility, risk-free interest rate, and expected term. The fair value of restricted stock units with a market condition is estimated at the date of award using a Monte Carlo simulation model, which includes assumptions for the dividend yield, expected volatility, risk-free interest rate and the expected term. In valuing our stock options and restricted stock units with a market condition, significant judgment is required in determining the expected volatility of our common stock and the expected life that individuals will hold their stock options prior to exercising. Expected volatility for stock options is based on the historical and implied volatility of our own common stock while the volatility for our restricted stock units with a market condition is based on the historical volatility of our own stock and the stock for companies comprising the market index within the market condition. The expected life of stock option grants is derived from the historical actual term of option grants and an estimate of future exercises during the remaining contractual period of the option. While volatility and estimated life are assumptions that do not bear the risk of change subsequent to the grant date of stock options, these assumptions may be difficult to measure as they represent future expectations based on historical experience. Further, our expected volatility and expected life may change in the future, which could substantially change the grant-date fair value of future awards of stock options and ultimately the expense we record. For ESPP awards, the fair value is the difference between the market close price of our common stock on the date of purchase and the discounted purchase price. For restricted stock units without a market condition and unrestricted stock awards, the fair value is the market close price of our common stock on the date of grant. We consider many factors when estimating expected forfeitures, including types of awards, employee class, and historical experience. Actual results and future estimates may differ substantially from our current estimates. We expense stock-based compensation at the date of grant for unrestricted stock awards. For awards with only a service condition, we expense stock-based compensation, adjusted for estimated forfeitures, using the straight-line method over the requisite service period for the entire award. For awards with both performance and service conditions, we expense the stock-based compensation, adjusted for estimated forfeitures, on a straight-line basis over the requisite service period for each separately vesting portion of the award. Excess tax benefits are credited to common stock when the deduction reduces cash taxes payable. When we have tax deductions in excess of the compensation cost, they are classified as financing cash inflows in the Consolidated Statements of Cash Flows.

Effective October 1, 2013, we changed the terms of the ESPP to reduce the discount to 5% from the fair market value of the stock at the end of each fiscal quarter. As a result of this change, the ESPP is no longer considered compensatory, and no compensation expense is recognized for sales of our common stock to employees.

Item 3: Quantitative and Qualitative Disclosures about Market Risk

In the normal course of business, we are exposed to interest rate and foreign currency exchange rate risks that could impact our financial position and results of operations. As part of our risk management strategy, we may use derivative financial instruments to hedge certain foreign currency and interest rate exposures. Our objective is to offset gains and losses resulting from these exposures with losses and gains on the derivative contracts used to hedge them, therefore reducing the impact of volatility on earnings or protecting the fair values of assets and liabilities. We use derivative contracts only to manage existing underlying exposures. Accordingly, we do not use derivative contracts for trading or speculative purposes.

Interest Rate Risk

We are exposed to interest rate risk through our variable rate debt instruments. In May 2012, we entered into six forward starting pay-fixed, receive one-month LIBOR interest rate swaps. The interest rate swaps convert \$200 million of our LIBOR-based debt from a floating LIBOR interest rate to a fixed interest rate of 1.00% (excluding the applicable margin on the debt) and are effective from July 31, 2013 to August 8, 2016.

The table below provides information about our financial instruments that are sensitive to changes in interest rates and the scheduled minimum repayment of principal and the weighted average interest rates at June 30, 2014. Weighted average variable rates in the table are based on implied forward rates in the Reuters U.S. dollar yield curve as of June 30, 2014 and our estimated leverage ratio, which determines our additional interest rate margin at June 30, 2014.

	2014	2015	2016	2017	2018	Total	Fair Value
	(in thousands)						
<i>Variable Rate Debt</i>							
Principal: U.S. dollar term loan	\$ 15,000	\$ 30,000	\$ 202,500	\$ —	\$ —	\$ 247,500	\$ 246,918
Average interest rate	1.66 %	1.94 %	2.55%	—%	—%		
Principal: Multicurrency revolving line of credit	\$ —	\$ —	\$ 80,000	\$ —	\$ —	\$ 80,000	\$ 79,788
Average interest rate	1.66 %	1.94 %	2.55%	—%	—%		
<i>Interest rate swap on LIBOR-based debt</i>							
Average interest rate (Pay)	1.00 %	1.00 %	1.00%	—%	—%		
Average interest rate (Receive)	0.16 %	0.44 %	1.05%	—%	—%		
Net/Spread	(0.84)%	(0.56)%	0.05%	—%	—%		

Based on a sensitivity analysis as of June 30, 2014, we estimate that, if market interest rates average one percentage point higher in 2014 than in the table above, our financial results in 2014 would not be materially impacted.

We continually monitor and assess our interest rate risk and may institute additional interest rate swaps or other derivative instruments to manage such risk in the future.

Foreign Currency Exchange Rate Risk

We conduct business in a number of countries. As a result, over half of our revenues and operating expenses are denominated in foreign currencies, which expose our account balances to movements in foreign currency exchange rates that could have a material effect on our financial results. Our primary foreign currency exposure relates to non-U.S. dollar denominated transactions in our international subsidiary operations, the most significant of which is the euro. Revenues denominated in functional currencies other than the U.S. dollar were 59% of total revenues for the three and six months ended June 30, 2014, compared with 59% and 62% for the same respective period in 2013.

We are also exposed to foreign exchange risk when we enter into non-functional currency transactions, both intercompany and third-party. At each period-end, non-functional currency monetary assets and liabilities are revalued, with the change recorded to other income and expense. We enter into monthly foreign exchange forward contracts (a total of 259 contracts were entered into during the six months ended June 30, 2014) not designated for hedge accounting, with the intent to reduce earnings volatility associated with certain of these balances. The notional amounts of the contracts ranged from \$224,000 to \$16.6 million, offsetting our exposures from the euro, South African rand, Saudi riyal, Canadian dollar, Australian dollar, Chinese yuan renminbi, and various other currencies.

In future periods, we may use additional derivative contracts to protect against foreign currency exchange rate risks.

Item 4: Controls and Procedures

- (a) *Evaluation of disclosure controls and procedures.* At June 30, 2014, an evaluation was performed under the supervision and with the participation of our Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e)) under the Securities Exchange Act of 1934, as amended. Based on that evaluation, the Company's management, including the Chief Executive Officer and Chief Financial Officer, concluded that as of June 30, 2014, the Company's disclosure controls and procedures were effective to ensure the information required to be disclosed by an issuer in the reports that it files or submits under the Securities Exchange Act of 1934 is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.
- (b) *Changes in internal controls over financial reporting.* While we are continuing the process of upgrading our global enterprise resource software systems, there have been no changes in our internal control over financial reporting during the three months ended June 30, 2014 that materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

PART II: OTHER INFORMATION**Item 1: Legal Proceedings**

Refer to Item 1: "Financial Statements, Note 11: Commitments and Contingencies".

Item 1A: Risk Factors

There were no material changes to risk factors during the second quarter of 2014 from those previously disclosed in Item 1A: "Risk Factors" of Part I of our Annual Report on Form 10-K for the fiscal year ended December 31, 2013, which was filed with the SEC on February 26, 2014.

Item 2: Unregistered Sales of Equity Securities and Use of Proceeds

(a) Not applicable.

(b) Not applicable.

(c) Issuer Repurchase of Equity Securities

The table below summarizes information about the Company's purchases of its shares of common stock, based on settlement date, during the quarterly period ended June 30, 2014.

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share ⁽²⁾	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in thousands)
April 1 through April 30	—	\$ —	—	\$ 50,000
May 1 through May 31	38,000	38.50	38,000	48,537
June 1 through June 30	69,477	39.63	69,477	45,784
Total	107,477	\$ 39.23	107,477	

⁽¹⁾ On February 7, 2014, the Board authorized a new repurchase program of up to \$50 million of our common stock over a 12-month period beginning March 8, 2014. Repurchases are made in the open market or in privately negotiated transactions, and in accordance with applicable securities laws. No shares were purchased outside of this plan.

⁽²⁾ Includes commissions.

Subsequent to June 30, 2014, we repurchased 79,500 shares of our common stock under the stock repurchase program authorized by the Board of Directors on February 7, 2014. The average price paid per share was \$39.46.

Item 5: Other Information

(a) No information was required to be disclosed in a report on Form 8-K during the second quarter of 2014 that was not reported.

(b) Not applicable.

Item 6: Exhibits

Exhibit Number	Description of Exhibits
10.1	Form of Stock Option Grant Notice and Agreement for use in connection with both incentive and non-qualified stock options granted under Itron, Inc.'s Amended and Restated 2010 Stock Incentive Plan. * (attached hereto)
10.2	Form of Restricted Stock Unit (RSU) Award Notice and Agreement for all Participants (excluding France) for use in connection with Itron, Inc.'s Amended and Restated 2010 Stock Incentive Plan. * (attached hereto)
10.3	Form of RSU Award Notice and Agreement for Participants in France for use in connection with Itron, Inc.'s Amended and Restated 2010 Stock Incentive Plan. * (attached hereto)
10.4	Form of Long Term Performance RSU Award Notice and Agreement for U.S. Participants for use in connection with Itron, Inc.'s Amended and Restated 2010 Stock Incentive Plan. * (attached hereto)
10.5	Form of Long Term Performance RSU Award Notice and Agreement for Participants in France for use in connection with Itron, Inc.'s Amended and Restated 2010 Stock Incentive Plan. * (attached hereto)
10.6	Rules of Itron, Inc.'s Amended and Restated 2010 Stock Incentive Plan for the Grant of Restricted Stock Units to Participants in France. * (attached hereto)
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.
101.DEF	XBRL Taxonomy Extension Definition Linkbase.
101.LAB	XBRL Taxonomy Extension Label Linkbase.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.
*	Management contract or compensatory plan or arrangement.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ITRON, INC.

August 5, 2014

Date

By:

/s/ STEVEN M. HELMBRECHT

Steven M. Helmbrecht

Executive Vice President and Chief Financial Officer

ITRON, INC.
AMENDED AND RESTATED 2010 STOCK INCENTIVE PLAN

STOCK OPTION GRANT NOTICE

Itron, Inc. (the "Company") hereby grants to Participant an option (the "Option") to purchase shares of the Company's common stock.

Participant: <<Name>> <<SSN>>
Grant Date: <<Grant Date>>
Number of Shares Subject to Option: <<Option Granted>>
Grant Price (per Share): <<Grant Price>>
Option Expiration Date: <<Expiration Date>>
Type of Option: <<Incentive Stock Option>>
<<Nonqualified Stock Option>>

Vesting and Exercisability Schedule:

33-1/3% of the Option will vest and become exercisable on the one-year anniversary of the Grant Date. An additional 33-1/3% of the Option will vest and become exercisable each year thereafter so that the entire Option will be fully vested and exercisable three years from the Grant Date.

Additional Terms: The Option is subject to all the terms and conditions set forth in this Stock Option Grant Notice (this "Grant Notice"), the Stock Option Agreement, and the Company's Amended and Restated 2010 Stock Incentive Plan (the "Plan"), which are attached to and incorporated into this Grant Notice in their entirety.

<<Name>>

I accept the Option subject to the terms and conditions stated herein.

<<electronically signed>>

Attachments:

1. Stock Option Agreement
2. Amended and Restated 2010 Stock Incentive Plan
3. Plan Prospectus

ITRON, INC.
AMENDED AND RESTATED 2010 STOCK INCENTIVE PLAN

STOCK OPTION AGREEMENT

Pursuant to your Stock Option Grant Notice (the "Grant Notice"), Itron, Inc. (the "Company") has granted you an Option (the "Option") under its Amended and Restated 2010 Stock Incentive Plan (the "Plan") to purchase the number of shares of the Company's common stock (the "Shares") indicated in your Grant Notice at the price (the "Grant Price") indicated in your Grant Notice. Capitalized terms not expressly defined in this Stock Option Agreement or the Grant Notice have the same definitions as in the Plan.

The details of the Option are as follows:

- 1. Vesting and Exercisability.** Subject to the limitations contained herein, the Option will vest and become exercisable as provided in your Grant Notice. Notwithstanding the foregoing, in the event of your death or Disability while an employee of the Company or a Related Corporation, the Option will fully vest and become exercisable.
- 2. Change in Control Transaction**
 - (a) In the event of a Change in Control Transaction, the Option will be subject to any change in control severance agreement or other agreement providing for change in control provisions between you and the Company (a "CIC Agreement"). If you are not a party to a CIC Agreement, the provisions of this Section 2 shall apply.
 - (b) In the event of a Change in Control Transaction in which (i) the Option is not assumed, substituted for, or converted into an option or similar right of the acquiring or surviving corporation (or a publicly-traded parent thereof) in a manner which prevents dilution of your rights under the Option or (ii) the acquiring or surviving corporation (or parent thereof) is not publicly-traded, the Option shall fully vest and become exercisable as of the date of the Change in Control Transaction.
 - (c) In the event of a Change in Control Transaction in which your Option is assumed, substituted for, or converted into an option or similar right of the acquiring or surviving public corporation (or a publicly-traded parent thereof) and your employment is terminated within twenty-four (24) months following such Change in Control Transaction, other than (i) by the Company for Cause, (ii) by reason of death or Disability (which shall be governed by Section 1), or (iii) by you without Good Reason, the Option will fully vest and become exercisable as of the date of your termination of employment.
 - (d) Definitions - For purposes of this Section 2, the following capitalized terms shall have the meanings set forth below:

- (i) “Base Salary” shall mean your annual base salary immediately prior to a Change in Control Transaction, as such salary may be increased from time to time (in which case such increased amount shall be the Base Salary for purposes hereof), but without giving effect to any reduction thereto.
- (ii) “Beneficial Owner” shall have the meaning set forth in Rule 13d-3 under the Exchange Act.
- (iii) “Cause” for termination of your employment by the Company or your employer, if different (the “Employer”) shall mean (A) your willful and continued failure (other than any such failure resulting from (1) your incapacity due to physical or mental illness, (2) any such actual or anticipated failure after the issuance by you of a notice of termination in a form prescribed by the Company for Good Reason or (3) the Employer’s active or passive obstruction of the performance of your duties and responsibilities) to perform substantially the duties and responsibilities of your position with the Employer after a written demand for substantial performance is delivered to you by the Employer, which demand specifically identifies the manner in which the Employer believes that you have not substantially performed such duties or responsibilities; (B) your conviction by a court of competent jurisdiction for felony criminal conduct (or the equivalent under applicable local law); or (C) your willful engaging in fraud or dishonesty which is injurious to the Company and/or the Employer or its reputation, monetarily or otherwise. No act, or failure to act, on your part shall be deemed “willful” unless committed, or omitted by you in bad faith and without reasonable belief that your act or failure to act was in, or not opposed to, the best interest of the Company and/or the Employer.
- (iv) “Good Reason” for termination of your employment by you shall mean the occurrence (without your express written consent) after any Change in Control Transaction of any one of the following acts by the Company or the Employer, or failures by the Company or the Employer to act, unless, in the case of any act or failure to act described in subsection (A), (B), (C), (D) or (E) below, such act or failure to act is corrected prior to the date of your termination specified in a notice of termination in a form prescribed by the Company given in respect thereof:
 - (A) an adverse change in your status or position(s) with the Employer as in effect immediately prior to the Change in Control Transaction, including, without limitation, any adverse change in your status or position as a result of a diminution of your duties or responsibilities (other than, if applicable, any such change directly and solely attributable to the fact that the Company is no longer publicly owned) or the assignment to you of any duties or responsibilities which are inconsistent with such status or position(s), or any removal of you from, or any failure to reappoint or reelect you to, such position(s);

- (B) a reduction in your Base Salary;
- (C) a reduction in your annual bonus opportunity or long term incentive opportunity, as compared to the year immediately preceding the year in which the Change in Control Transaction occurs;
- (D) the failure to continue provide welfare, pension and fringe benefits which are in each case, in the aggregate, substantially similar to those provided to you immediately prior to Change in Control Transaction;
- (E) the Employer requiring you to be based at an office that is greater than 50 miles from where your office is located immediately prior to the Change in Control Transaction except for required travel on the Employer's business to an extent substantially consistent with the business travel obligations which you undertook on behalf of the Employer prior to the Change in Control Transaction; or

Notwithstanding the foregoing, the events described in clauses (B), (C) or (D) above shall not constitute Good Reason hereunder to the extent they are as a result of across-the-board reductions of the applicable compensation element following the Change in Control Transaction which are equally applicable to all similarly situated employees of the surviving corporation and its affiliates. Your right to terminate your employment for Good Reason shall not be affected by your incapacity due to physical or mental illness. In order for Good Reason to exist hereunder, you must provide notice to the Company of the existence of the condition or circumstance described above within 90 days of the initial existence of the condition or circumstance (or, if later, within 90 days of becoming aware of such condition or circumstance), and the Employer must have failed to cure such condition within 30 days of the receipt of such notice. Subject to the preceding sentence, your continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

- (v) "Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (A) the Company or any of its subsidiaries, (B) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its affiliates, (C) an underwriter temporarily holding securities pursuant to an offering of such securities or (D) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

3. **Securities Law Compliance.** At the present time, the Company has an effective registration statement on file with the U.S. Securities and Exchange Commission with respect to the Shares. The Company intends to maintain this registration but has no obligation to do so. In the event that such registration ceases to be effective, you will not be able to exercise the Option unless exemptions from registration under U.S. federal and state (and, where applicable, foreign) securities laws are available, which exemptions from registration are very limited and might be unavailable. The exercise of the Option must also comply with other applicable laws and regulations governing the Option, and you may not exercise the Option if the Company determines that such exercise would not be in material compliance with such laws and regulations. In addition, you agree not to sell any of the Shares received under this Option at a time when applicable laws or Company policies prohibit a sale.

4. **Type of Option.** Your Grant Notice specifies the type of Option granted to you, which may be an Incentive Stock Option or a Nonqualified Stock Option, or both. Of the total number of options granted to you, the number of Incentive Stock Options shall be determined in accordance with the limits set forth in the Code and related regulations. Incentive Stock Options are governed by the Code and related regulations as described below:

(a) Incentive Stock Option Qualification. If all or a portion of the Option is intended to qualify as an Incentive Stock Option under U.S. federal income tax law, the Company does not represent or guarantee that the Option qualifies as such.

If the aggregate Fair Market Value (determined as of the Grant Date) of the Shares subject to the Option and all other Incentive Stock Options you hold that first become exercisable during any calendar year exceeds \$100,000, any excess portion will be treated as a Nonqualified Stock Option, unless the rules and regulations governing the \$100,000 limit for Incentive Stock Options are amended. A portion of the Option may be treated as a Nonqualified Stock Option if certain events cause exercisability of the Option to accelerate.

(b) Notice of Disqualifying Disposition. To obtain certain tax benefits afforded to Incentive Stock Options, you must hold the Shares issued upon the exercise of the Option for two years after the Grant Date and one year after the date of exercise. You may be subject to the alternative minimum tax at the time of exercise.

By accepting the Incentive Stock Option, you agree to promptly notify the Company if you dispose of any of the Shares within one year from the date you exercise all or part of your Option or within two years from the Grant Date.

The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding your participation in the Plan or your acquisition or sale of the Shares underlying the Option. You are hereby advised to consult with your own personal tax, legal and financial advisors regarding your participation in the Plan before taking any action related to the Plan. You acknowledge that you have either consulted with competent advisors independent of the Company to obtain advice concerning the receipt of the Option and the acquisition or disposition of any Shares to

be issued pursuant to the exercise of the Option in light of your specific situation or had the opportunity to consult with such advisors but chose not to do so.

5. **Method of Exercise.** You may exercise the Option upon notice and payment of the Grant Price by any of the following methods, unless disallowed by law:

- (a) broker assisted exercise; or
- (b) Shares already owned by you.

You may elect to receive the proceeds of the exercise in either cash or Shares; *provided, however*, that if your Option is an Incentive Stock Option and you take the proceeds of its exercise in cash, you may not receive the benefit of the intended tax treatment of your Incentive Stock Option, as explained above in Section 4(b).

6. **Term of Option.** This Option shall expire ten years from the Grant Date thereof, but shall be subject to earlier termination as follows:

- (a) Unvested Options. In the event you cease to be an employee of the Company or a Related Corporation for any reason, the unvested portion of the Option shall terminate immediately.
- (b) Vested Options.
 - (i) Termination of Employment. In the event you cease to be an employee of the Company or a Related Corporation for any reason other than death, Disability, Retirement (as defined below) or Cause, the vested portion of the Option shall remain exercisable until the earlier of (A) 90 days after the date you cease to be an employee of the Company or a Related Corporation or (B) the date on which the Option expires by its terms.
 - (ii) Death or Disability. In the event of your death or Disability while an employee of the Company or a Related Corporation, the vested portion of the Option (including any portion of the Option that vests in the event of your death or Disability while an employee of the Company or a Related Corporation, as described in Section 1 above) shall remain exercisable until the earlier of (A) one year following the date of death or Disability or (B) the date on which the Option expires by its terms. Upon death, the vested and exercisable portion of the Option may be exercised by the personal representative of your estate, the person(s) to whom your rights under the Option have passed by will or the applicable laws of descent and distribution, or the beneficiary you have designated pursuant to the Plan.
 - (iii) Retirement. In the event you cease to be an employee of the Company or a Related Corporation due to Retirement, the vested portion of the Option shall remain exercisable until the earlier of (A) three years following the date of Retirement or (B) the date on which the Option expires by its terms. For

purposes of this Stock Option Agreement, "Retirement" means retirement on or after the earlier of (i) age 65 or (ii) age 55 plus ten years of employment with the Company and/or a Related Corporation.

- (iv) **Cause.** The unvested and vested portion of the Option will automatically expire at the time the Company first notifies you of your termination of employment for Cause, unless the Plan Administrator determines otherwise. If your employment relationship is suspended pending an investigation of whether you will be terminated for Cause, all your rights under the Option likewise will be suspended during the period of investigation. If any facts that would constitute termination for Cause are discovered after your termination of employment, any Option you then hold may be immediately terminated by the Plan Administrator.

Notwithstanding anything to the contrary contained herein, if your Option is an Incentive Stock Option and assuming it does not otherwise expire by its terms, to qualify for the beneficial tax treatment afforded Incentive Stock Options, your Option must be exercised within (i) three months after termination of employment for reasons other than death or Disability, and (ii) one year after termination of employment due to death or Disability.

It is your responsibility to be aware of the date the Option terminates.

7. **Limited Transferability.** During your lifetime only you can exercise the Option. The Option is not transferable except by will or by the applicable laws of descent and distribution, except to the extent permitted by the Plan Administrator. The Plan provides for exercise of the Option by a beneficiary designated on a Company-approved form or the personal representative of your estate.
8. **Withholding Taxes.** Regardless of any action the Company (or your employer, if different) takes with respect to any and all income or withholding tax (including federal, state, local and non-U.S. tax), social insurance, payroll tax or other tax-related items related to your participation in the Plan and legally applicable to you ("Tax-Related Items"), you acknowledge that the ultimate liability for all Tax-Related Items is and remains your responsibility and may exceed the amount, if any, actually withheld by the Company. You further acknowledge that the Company (a) makes no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Option, including the grant, vesting or exercise of the Option, the subsequent sale of Shares acquired pursuant to such exercise and the receipt of any dividends; and (b) does not commit to and is under no obligation to structure the terms of the grant or any aspect of this Option to reduce or eliminate your liability for Tax-Related Items or achieve any particular tax result. Further, if you have become subject to tax in more than one jurisdiction between the Grant Date and the date of any taxable or tax withholding event, as applicable, you acknowledge that the Company may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable or tax withholding event, as applicable, you shall pay or make adequate arrangements satisfactory to the Company to satisfy all Tax-Related Items. In this

regard, you authorize the Company or its agent, at the Company's discretion, to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following methods:

- withholding from wages or other cash compensation otherwise payable to you by the Company (or your employer, if different), and/or
- withholding from the proceeds of the sale of Shares acquired upon exercise of the Option, either through a voluntary sale or through a mandatory sale arranged by the Company (on your behalf pursuant to this authorization); and/or
- withholding in Shares to be issued upon exercise of the Option, provided, however, that if you are a Section 16 officer of the Company under the Exchange Act, then the Plan Administrator (as constituted to satisfy Rule 16b-3 of the Exchange Act) shall establish the method of withholding from the alternatives herein and, if the Plan Administrator does not exercise its discretion prior to the Tax-Related Items withholding event, then you shall be entitled to elect the method of withholding from the alternatives herein.

Depending on the withholding method, the Company may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates, including maximum applicable rates, in which case you will receive a refund of any over-withheld amount in cash and will have no entitlement to the equivalent in Shares. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, you will be deemed to have been issued the full number of Shares subject to the exercised portion of the Option, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of your participation in the Plan.

The Company may refuse to honor the exercise and refuse to deliver the Shares if you fail to comply with your obligations in connection with the Tax-Related Items as described in this section.

- 9. Section 409A.** The Company reserves the right, to the extent the Company deems necessary or advisable in its sole discretion, to unilaterally amend or modify the Plan, this Stock Option Agreement or the Grant Notice or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, as the Plan Administrator determines are necessary or appropriate to ensure that this Option qualifies for exemption from, or complies with the requirements of, Section 409A of the Code; provided, however, that the Company makes no representation that the Option will be exempt from or will comply with, Section 409A of the Code, and makes no undertaking to preclude Section 409A of the Code from applying to the Option or to ensure that it complies with Section 409A of the Code.

10. **Option Not an Employment or Service Contract.** Nothing in the Plan or any award under the Plan will be deemed to be an employment contract or limit in any way the right of the Company to terminate your employment at any time, with or without cause.
11. **Successors and Assigns.** This Stock Option Agreement will inure to the benefit of the successors and assigns of the Company and be binding upon you and your heirs, executors, administrators, successors and assigns.
12. **Data Privacy.** You hereby explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your personal data as described in the Grant Notice by and among, as applicable, the Company and its Related Corporations and any stock plan service provider, including any designated broker, that may assist the Company with the Plan (presently or in the future) for the exclusive purpose of implementing, administering and managing your participation in the Plan.
13. **Electronic Delivery and Participation.** The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.
14. **Imposition of Other Requirements.** If you relocate to another country, any special terms and conditions applicable to stock options granted in such country will apply to you, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons.

In addition, the Company reserves the right to impose other requirements on the Option and any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require you to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.
15. **Governing Law and Choice of Venue.** The Option and the provisions of this Stock Option Agreement will be construed and administered in accordance with and governed by the laws of the State of Washington without giving effect to such state's principles of conflict of laws. For the purposes of litigating any dispute that arises under this grant of this Stock Option Agreement, the parties hereby submit to and consent to the exclusive jurisdiction of the State of Washington and agree that such litigation shall be conducted in the courts of Spokane County, Washington, or the federal courts for the United States for the Eastern District of Washington, where this grant is made and/or to be performed.
16. **Severability.** The provisions of this Stock Option Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.
17. **Notice.** Any notice required or permitted hereunder shall be made in writing and sent to the following address:

Itron, Inc.
Attn. General Counsel
2111 N. Molter Road
Liberty Lake, WA USA 99019

**ITRON, INC.
AMENDED AND RESTATED 2010 STOCK INCENTIVE PLAN**

**RESTRICTED STOCK UNIT AWARD NOTICE
ALL PARTICIPANTS (EXCLUDING FRANCE)**

Itron, Inc. (the “**Company**”) hereby grants to Participant a restricted stock unit award (the “**Award**”). The Award is subject to all the terms and conditions set forth in this Restricted Stock Unit Award Notice (the “**Award Notice**”), the Restricted Stock Unit Award Agreement, including Appendix A (the “**Agreement**”) and the Itron, Inc. Amended and Restated 2010 Stock Incentive Plan (the “**Plan**”), all of which are incorporated into the Award Notice in their entirety.

Participant: «First_Name» «Last_Name»

Grant Date: «Grant Date»

Number of Restricted Stock Units: «# of Units»

Vesting Schedule: The Award will vest with respect to one-third of the Restricted Stock Units on each of the first, second and third anniversaries of the Grant Date (each, a “**Vest Date**”).

Additional Terms/Acknowledgement: This Award is subject to all the terms and conditions set forth in this Award Notice, the Agreement, and the Plan which are attached to and incorporated into this Award Notice in their entirety.

«First_Name» «Last_Name»

I accept this award subject to the terms and conditions stated herein.

«Electronically Signed»

Attachments:

1. Restricted Stock Unit Award Agreement, including Appendix A
2. Amended and Restated 2010 Stock Incentive Plan
3. Plan Prospectus

ITRON, INC.
AMENDED AND RESTATED 2010 STOCK INCENTIVE PLAN

RESTRICTED STOCK UNIT AWARD AGREEMENT
ALL PARTICIPANTS (EXCLUDING FRANCE)

Pursuant to your Restricted Stock Unit Award Notice (the "**Award Notice**") and this Restricted Stock Unit Award Agreement, including Appendix A (this "**Agreement**"), Itron, Inc. (the "**Company**") has granted you a restricted stock unit award (the "**Award**") under its Amended and Restated 2010 Stock Incentive Plan (the "**Plan**") for the number of restricted stock units indicated in your Award Notice. Capitalized terms not expressly defined in this Agreement but defined in the Plan shall have the same definitions as in the Plan.

The details of the Award are as follows:

1. Vesting

The Award will vest according to the vesting schedule set forth in the Award Notice (the "**Vesting Schedule**"). One share of Common Stock will be issuable for each restricted stock unit that vests. Restricted stock units that have vested and are no longer subject to forfeiture according to the Vesting Schedule are referred to herein as "**Vested Units**." Restricted stock units that have not vested and remain subject to forfeiture under the Vesting Schedule are referred to herein as "**Unvested Units**." Except as provided in Sections 2 and 3 below, the Unvested Units will vest (and to the extent so vested cease to be Unvested Units remaining subject to forfeiture) in accordance with the Vesting Schedule (the Unvested and Vested Units are collectively referred to herein as the "**Units**"). Except as provided in Sections 2 and 3 below, the Award will terminate and the Unvested Units will be forfeited upon termination of your employment for any reason.

2. Death or Disability

In the event that your employment terminates during the Units' vesting period by reason of death or Disability, any Unvested Units will accelerate in vesting and become Vested Units upon such termination of employment.

3. Change in Control Transaction

3.1 In the event of a Change in Control Transaction, the Award will be subject to any change in control severance agreement or other agreement providing for change in control provisions between you and the Company (a "**CIC Agreement**"). If you are not party to a CIC Agreement, the provisions of this Section 3 shall apply.

3.2 In the event of a Change in Control Transaction in which (i) the Unvested Units are not assumed, substituted for, or converted into an award of the acquiring or surviving corporation (or a publicly-traded parent thereof) in a manner which prevents dilution of your rights under the Award or (ii) the acquiring or surviving corporation (or parent thereof) is not publicly-traded, any Unvested Units shall become immediately and fully vested as of the date of the Change in Control Transaction.

3.3 In the event of a Change in Control Transaction in which your Unvested Units are assumed, substituted for, or converted into an award of the acquiring or surviving public corporation (or a publicly-traded parent thereof) and your employment is terminated within twenty-four (24) months following such Change in Control Transaction, other than (a) by the Company for Cause, (b) by reason of death or Disability (which shall be governed by Section 2), or (c) by you without Good Reason, any Unvested Units shall become immediately and fully vested as of the date of your termination of employment.

3.4 Definitions - For purposes of this Section 3, the following capitalized terms shall have the meanings set forth below:

(a) “**Base Salary**” shall mean your annual base salary immediately prior to a Change in Control Transaction, as such salary may be increased from time to time (in which case such increased amount shall be the Base Salary for purposes hereof), but without giving effect to any reduction thereto.

(b) “**Beneficial Owner**” shall have the meaning set forth in Rule 13d-3 under the Exchange Act.

(c) “**Cause**” for termination of your employment by the Company or your employer, if different (the “**Employer**”) shall mean (i) your willful and continued failure (other than any such failure resulting from (A) your incapacity due to physical or mental illness, (B) any such actual or anticipated failure after the issuance by you of a notice of termination in a form prescribed by the Company for Good Reason or (C) the Employer’s active or passive obstruction of the performance of your duties and responsibilities) to perform substantially the duties and responsibilities of your position with the Employer after a written demand for substantial performance is delivered to you by the Employer, which demand specifically identifies the manner in which the Employer believes that you have not substantially performed such duties or responsibilities; (ii) your conviction by a court of competent jurisdiction for felony criminal conduct (or the equivalent under applicable local law); or (iii) your willful engaging in fraud or dishonesty which is injurious to the Company and/or the Employer or its reputation, monetarily or otherwise. No act, or failure to act, on your part shall be deemed “willful” unless committed, or omitted by you in bad faith and without reasonable belief that your act or failure to act was in, or not opposed to, the best interest of the Company and/or the Employer.

(d) “**Good Reason**” for termination of your employment by you shall mean the occurrence (without your express written consent) after any Change in Control Transaction of any one of the following acts by the Company or the Employer, or failures by the Company or the Employer to act, unless, in the case of any act or failure to act described in subsection (i), (ii), (iii), (iv) or (v) below, such act or failure to act is corrected prior to the date of your termination specified in a notice of termination in a form prescribed by the Company given in respect thereof:

(i) an adverse change in your status or position(s) with the Employer as in effect immediately prior to the Change in Control Transaction, including, without limitation, any adverse change in your status or position as a result of a diminution of your duties or responsibilities (other than, if applicable, any such change directly and solely attributable to the fact that the Company is no longer publicly owned) or the assignment to you of any duties or responsibilities which are inconsistent with such status or position(s), or any removal of you from, or any failure to reappoint or reelect you to, such position(s);

(ii) a reduction in your Base Salary;

(iii) a reduction in your annual bonus opportunity or long term incentive opportunity, as compared to the year immediately preceding the year in which the Change in Control Transaction occurs;

(iv) the failure to continue provide welfare, pension and fringe benefits which are in each case, in the aggregate, substantially similar to those provided to you immediately prior to Change in Control Transaction;

(v) the Employer requiring you to be based at an office that is greater than 50 miles from where your office is located immediately prior to the Change in Control Transaction except for required travel on the Employer's business to an extent substantially consistent with the business travel obligations which you undertook on behalf of the Employer prior to the Change in Control Transaction; or

Notwithstanding the foregoing, the events described in clauses (ii), (iii) or (iv) above shall not constitute Good Reason hereunder to the extent they are as a result of across-the-board reductions of the applicable compensation element following the Change in Control Transaction which are equally applicable to all similarly situated employees of the surviving corporation and its affiliates. Your right to terminate your employment for Good Reason shall not be affected by your incapacity due to physical or mental illness. In order for Good Reason to exist hereunder, you must provide notice to the Company of the existence of the condition or circumstance described above within 90 days of the initial existence of the condition or circumstance (or, if later, within 90 days of becoming aware of such condition or circumstance), and the Employer must have failed to cure such condition within 30 days of the receipt of such notice. Subject to the preceding sentence, your continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

(e) "**Person**" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (i) the Company or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its affiliates, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities or (iv) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

4. Settlement of Vested Units.

Vested Units shall be settled on the earliest to occur of (a) a date within 30 days following the applicable Vest Date, (b) a date within 30 days following the termination of your employment (i) due to death or Disability pursuant to Section 2 above or (ii) following a Change in Control Transaction pursuant to Section 3.3 above, or (c) the date of a Change in Control Transaction pursuant to Section 3.2 above that constitutes a “change in control event” within the meaning of U.S. Treasury Regulation Section 1.409A-3(i)(5).

5. Securities Law Compliance

5.1 You represent and warrant that you (a) have been furnished with a copy of the prospectus for the Plan and all information which you deem necessary to evaluate the merits and risks of receipt of the Award, (b) have had the opportunity to ask questions and receive answers concerning the information received about the Award and the Company, and (c) have been given the opportunity to obtain any additional information you deem necessary to verify the accuracy of any information obtained concerning the Award and the Company.

5.2 You hereby agree that you will in no event sell or distribute all or any part of the shares of Common Stock that you receive pursuant to settlement of this Award (the “**Shares**”) unless (a) there is an effective registration statement under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) and any applicable state and foreign securities laws covering any such transaction involving the Shares or (b) the Company receives an opinion of your legal counsel (concurring with legal counsel for the Company) stating that such transaction is exempt from registration or the Company otherwise satisfies itself that such transaction is exempt from registration. You understand that the Company has no obligation to you to register the Shares with the U.S. Securities and Exchange Commission or any foreign securities regulator and has not represented to you that it will so register the Shares.

5.3 You confirm that you have been advised, prior to your receipt of the Shares, that neither the offering of the Shares nor any offering materials have been reviewed by any regulator under the Securities Act or any other applicable securities act (the “**Acts**”) and that the Shares cannot be resold unless they are registered under the Acts or unless an exemption from such registration is available.

5.4 You hereby agree to indemnify the Company and hold it harmless from and against any loss, claim or liability, including attorneys’ fees or legal expenses, incurred by the Company as a result of any breach by you of, or any inaccuracy in, any representation, warranty or statement made by you in this Agreement or the breach by you of any terms or conditions of this Agreement.

6. Transfer Restrictions

Units shall not be sold, transferred, assigned, encumbered, pledged or otherwise disposed of, whether voluntarily or by operation of law.

7. No Rights as Shareholder

You shall not have voting or other rights as a shareholder of the Company with respect to the Units.

8. Book Entry Registration of Shares

The Company will issue the Shares by registering the Shares in book entry form with the Company's transfer agent in your name and the applicable restrictions will be noted in the records of the Company's transfer agent and in the book entry system.

9. Responsibility for Taxes

9.1 Regardless of any action the Company or your employer, if different (the "**Employer**") take with respect to any and all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to your participation in the Plan and legally applicable to you ("**Tax-Related Items**"), you acknowledge that the ultimate liability for all Tax-Related Items is and remains your responsibility and may exceed the amount actually withheld by the Company and/or the Employer. You further acknowledge that the Company and the Employer (a) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Award, including, but not limited to, the granting or vesting of the Award, the settlement of Vested Units, the issuance of Shares upon settlement of the Vested Units, the subsequent sale of Shares acquired upon settlement of the Vested Units and the receipt of any dividends; and (b) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Award to reduce or eliminate your liability for Tax-Related Items or achieve any particular tax result. Further, if you have become subject to Tax-Related Items in more than one jurisdiction between the Grant Date and the date of any relevant taxable or tax withholding event, as applicable, you acknowledge that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

9.2 Prior to any relevant taxable or tax withholding event, as applicable, you will pay or make adequate arrangements satisfactory to the Company and or the Employer to satisfy all Tax-Related Items.

(a) In this regard, you hereby irrevocably appoint Fidelity or any stock plan service provider or brokerage firm designated by the Company for such purpose (the "**Agent**") as your Agent, and authorize the Agent, to:

(i) Sell on the open market at the then prevailing market price(s), on your behalf, as soon as practicable on or after the settlement date for any Vested Unit, the minimum number of Shares (rounded up to the next whole number) sufficient to generate proceeds to cover the Tax-Related Items and all applicable fees and commissions due to, or required to be collected by, the Agent;

(ii) Remit directly to the Company the cash amount necessary to cover the Tax-Related Items;

(iii) Retain the amount required to cover all applicable fees and commissions due to, or required to be collected by, the Agent, relating directly to the sale of Shares referred to in clause (i) above; and

(iv) Remit any remaining funds to you.

(b) Alternatively, or in addition to or in combination with the withholding mechanism described in Section 9.2(a), you authorize the Company and/or the Employer, at their discretion, to satisfy the obligations with regard to all Tax-Related Items by:

(i) requiring you to pay to the Company or the Employer any amount of the Tax-Related Items; and/or

(ii) withholding any amount of the Tax-Related Items from your wages or other cash compensation paid to you by the Company and/or the Employer; and/or

(iii) withholding in Shares to be issued upon settlement of the Vested Units, provided, however, that if you are a Section 16 officer of the Company under the Exchange Act, then the Plan Administrator (as constituted to satisfy Rule 16b-3 of the Exchange Act) shall establish the method of withholding from the alternatives (i) - (iii) herein and, if the Plan Administrator does not exercise its discretion prior to the Tax-Related Items withholding event, then you shall be entitled to elect the method of withholding from the alternatives (i) - (iii) herein.

(c) Depending on the withholding method, the Company may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates, including maximum applicable rates, in which case you will receive a refund of any over-withheld amount in cash and will have no entitlement to the equivalent amount in Shares. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, you will be deemed to have been issued the full number of Shares subject to the Vested Units notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of your participation in the Plan. The Company may refuse to issue or deliver Shares to you if you fail to comply with your obligations in connection with the Tax-Related Items.

9.3 You acknowledge that the authorization and instruction to the Agent set forth in Section 9.2(a)(i) above to sell Shares to cover the Tax-Related Items is intended to comply with the requirements of Rule 10b5-1(c)(1)(i)(B) under the Exchange Act and to be interpreted to comply with the requirements of Rule 10b5-1(c) under the Exchange Act (regarding trading of the Company's securities on the basis of material nonpublic information) (a "**10b5-1 Plan**"). This 10b5-1 Plan is being adopted to permit you to sell a number of Shares issued upon settlement of Vested Units sufficient to pay the Tax-Related Items.

You acknowledge that the broker is under no obligation to arrange for the sale of Shares at any particular price. You further acknowledge that you will be responsible for all brokerage fees and other costs of sale, and you agree to indemnify and hold the Company harmless from any losses, costs, damages, or expenses relating to any such sale. You acknowledge that it may not be possible to sell Shares during the term of this 10b5-1 Plan due to (a) a legal or contractual restriction applicable

to you or to the broker, (b) a market disruption, (c) rules governing order execution priority on the NASDAQ or other exchange where the Shares may be traded, (d) a sale effected pursuant to this 10b5-1 Plan that fails to comply (or in the reasonable opinion of the Agent's counsel is likely not to comply) with the Securities Act, or (e) if the Company determines that sales may not be effected under this 10b5-1 Plan. In the event of the Agent's inability to sell Shares, you will continue to be responsible for the Tax-Related Items.

You hereby agree to execute and deliver to the Agent any other agreements or documents as the Agent reasonably deems necessary or appropriate to carry out the purposes and intent of the 10b5-1 Plan. You acknowledge that this 10b5-1 Plan is subject to the terms of any policy adopted now or hereafter by the Company governing the adoption of 10b5-1 plans. The Agent is a third party beneficiary of Section 9.2(a)(i) and this 10b5-1 Plan.

10. Nature of Grant

In accepting the grant, you acknowledge, understand and agree that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;

(b) the grant of the Award is voluntary and occasional and does not create any contractual or other right to receive future grants of restricted stock units, or benefits in lieu of restricted stock units, even if restricted stock units have been granted in the past;

(c) all decisions with respect to future grants of restricted stock units, if any, will be at the sole discretion of the Company;

(d) the grant of the Award and your participation in the Plan shall not create a right to employment or be interpreted as forming an employment or service contract with the Employer, the Company or any Related Corporation and shall not interfere with the ability of the Employer, the Company or any Related Corporation to terminate your employment or service relationship (if any);

(e) you are voluntarily participating in the Plan;

(f) the Award and the Shares subject to the Award are not intended to replace any pension rights or compensation;

(g) the Award and the Shares subject to the Award, and the income and value of same, are not part of normal or expected compensation for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments;

(h) the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;

(i) no claim or entitlement to compensation or damages shall arise from forfeiture of the Award resulting from your ceasing to provide employment or other services to the Company or the Employer (for any reason whatsoever, and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or the terms of your employment agreement, if any) and, in consideration of the grant of the Award to which you are otherwise not entitled, you irrevocably agree never to institute any claim against the Company, any Related Corporation or the Employer, waive the ability, if any, to bring any such claim and release the Company, any Related Corporation and the Employer from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, you will be deemed irrevocably to have agreed not to pursue such claim and agree to execute any and all documents necessary to request dismissal or withdrawal of such claims;

(j) for purposes of the Award, your employment will be considered terminated as of the date you cease to actively provide services to the Company or a Related Corporation; further, in the event of termination of your employment or other services (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or the terms of your employment agreement, if any), unless otherwise provided in this Agreement or determined by the Company, your right to vest in the Award, if any, will terminate effective as of the date that you are no longer actively providing services and will not be extended by any notice period (*e.g.*, active service would not include any contractual notice period or any period of “garden leave” or similar period mandated under employment laws in the jurisdiction where you are employed or the terms of your employment agreement, if any); the Company’s Chief Executive Officer shall have the exclusive discretion to determine when you are no longer actively providing services for purposes of the Award (including whether or not you may still be considered to be providing services while on an approved leave of absence);

(k) unless otherwise provided in the Plan or by the Company in its discretion, the Award and the benefits evidenced by this Agreement do not create any entitlement to have the Award or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the shares of the Company; and

(l) the following provisions apply only if you are providing services outside the United States:

(i) the Award and the Shares subject to the Award are not part of normal or expected compensation or salary for any purpose;

(ii) neither the Company, the Employer nor any Related Corporation shall be liable for any foreign exchange rate fluctuation between your local currency and the United States dollar that may affect the value of the Award or of any amounts due to you pursuant to the settlement of the Award or the subsequent sale of any Shares acquired upon settlement.

11. No Advice Regarding Grant

The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding your participation in the Plan or your acquisition or sale of the underlying Shares. You are hereby advised to consult with your own personal tax, legal and financial advisors regarding your participation in the Plan before taking any action related to the Plan. You acknowledge that you have either consulted with competent advisors independent of the Company to obtain advice concerning the receipt of the Award and the acquisition or disposition of any Shares to be issued pursuant to the Award in light of your specific situation or had the opportunity to consult with such advisors but chose not to do so.

12. Data Privacy

You hereby explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your personal data as described in this Agreement and any other Award materials by and among, as applicable, the Employer, the Company and its Related Corporations for the exclusive purpose of implementing, administering and managing your participation in the Plan.

You understand that the Company and the Employer may hold certain personal information about you, including, but not limited to, your name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all Awards or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in your favor, for the exclusive purpose of implementing, administering and managing the Plan (“Data”).

You understand that Data will be transferred to Fidelity or such other stock plan service provider as may be selected by the Company in the future, which is assisting the Company with the implementation, administration and management of the Plan. You understand that the recipients of Data may be located in the United States or elsewhere, and that the recipients’ country (e.g., the United States) may have different data privacy laws and protections than your country. You understand that you may request a list with the names and addresses of any potential recipients of Data by contacting your local human resources representative. You authorize the Company, Fidelity and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer Data, in electronic or other form, for the sole purpose of implementing, administering and managing your participation in the Plan. You understand that Data will be held only as long as is necessary to implement, administer and manage your participation in the Plan. You understand that you may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing your local human resources representative. Further, you understand that you are providing the consents herein on a purely voluntary basis. If you do not consent, your employment status or service and career with the Employer will not be adversely affected; the only adverse consequence of refusing or withdrawing your consent is that the Company would not be able to grant you the Award or other equity awards or administer or maintain such awards. Therefore, you understand that refusing or withdrawing your consent may

affect your ability to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local human resources representative.

13. Electronic Delivery and Participation

The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

14. Language

If you have received this Agreement (or any portion thereof) or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different from the English version, the English version will control.

15. General Provisions

15.1 Successors and Assigns. The provisions of this Agreement will inure to the benefit of the successors and assigns of the Company and be binding upon you and your heirs, executors, administrators, successors and assigns.

15.2 Section 409A.

(a) For purposes of U.S. taxpayers, the settlement of the Units is intended to be in compliance with Section 409A of the Code, and this Agreement will be interpreted, operated and administered in a manner that is consistent with this intent. In furtherance of this intent, the Plan Administrator may, at any time and without your consent, modify the terms of the Award as it determines appropriate to comply with the requirements of Section 409A of the Code and the related U.S. Department of Treasury guidance or to mitigate any additional tax, interest and/or penalties that may apply under Section 409A of the Code if compliance is not practicable. The Company makes no representation or covenant to ensure that the Units, settlement of the Units or other payment hereunder are compliant with Section 409A of the Code and will have no liability to you or any other party if the settlement of the Units or other payment hereunder that is intended to be compliant with Section 409A of the Code, is not compliant or for any action taken by the Plan Administrator with respect thereto.

(b) Notwithstanding anything in this Agreement to the contrary, any Units that become vested under this Agreement by reason of a termination of employment and that constitute an item of non-qualified deferred compensation subject to Section 409A of the Code shall not be settled unless you experience a “separation from service” within the meaning of Section 409A of the Code (a “**Separation from Service**”) and such Units shall be settled within 90 days of a Separation from Service; provided, however, that if you are a “specified employee” within the meaning of Section 409A of the Code as of the date of the Separation from Service (as determined according to the methodology established by the Company as in effect on the date of your termination of employment), such Units shall instead be settled on the first business day that is after the earlier of (i) the date that

is six months following the date of the Separation from Service or (ii) the date of your death, to the extent such delayed payment is otherwise required in order to avoid a prohibited distribution under Section 409A(a)(2) of the Code, or any successor provision thereto.

15.3 Governing Law and Choice of Venue. The Award and the provisions of this Agreement will be construed and administered in accordance with and governed by the laws of the State of Washington without giving effect to such state's principles of conflict of laws. For the purposes of litigating any dispute that arises under this grant of this Agreement, the parties hereby submit to and consent to the exclusive jurisdiction of the State of Washington and agree that such litigation shall be conducted in the courts of Spokane County, Washington, or the federal courts for the United States for the Eastern District of Washington, where this grant is made and/or to be performed.

15.4 Severability. The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

15.5 Notice. Any notice required or permitted hereunder shall be made in writing and sent to the following address:

Itron, Inc.
Attn. General Counsel
2111 N. Molter Road
Liberty Lake, WA USA 99019

16. Appendix A

Notwithstanding any provisions in this Agreement, the Award shall be subject to any special terms and conditions set forth in Appendix A to this Agreement for your country ("**Appendix A**"). Moreover, if you relocate to one of the countries included in Appendix A, the special terms and conditions for such country will apply to you, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. Appendix A constitutes part of this Agreement.

17. Imposition of Other Requirements

The Company reserves the right to impose other requirements on your participation in the Plan, on the Award and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require you to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing

18. Waiver

You acknowledge that a waiver by the Company of breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by you or any other Participant.

APPENDIX A

ITRON, INC.

AMENDED AND RESTATED 2010 STOCK INCENTIVE PLAN RESTRICTED STOCK UNIT AWARD AGREEMENT

ALL PARTICIPANTS (EXCLUDING FRANCE)

Terms and Conditions

This Appendix A includes additional terms and conditions that govern the grant of the restricted stock unit award (the “**Award**”) under the Itron, Inc. Amended and Restated 2010 Stock Incentive Plan (the “**Plan**”) in the countries listed below. Capitalized terms not expressly defined in this Appendix A but defined in the Plan or the Restricted Stock Unit Award Agreement (the “**Agreement**”) shall have the same definitions as in the Plan and/or the Agreement, as applicable.

Notifications

This Appendix A also includes information regarding exchange control and other issues of which you should be aware with respect to your participation in the Plan. The information is based on the exchange control, securities and other laws in effect in the respective countries as of February 2014. Such laws are often complex and change frequently. As a result, the Company strongly recommends that you not rely on the information herein as the only source of information relating to the consequences of participation in the Plan because the information may be out of date at the time that the Award vests or the Shares acquired under the Plan are sold.

In addition, the information contained herein is general in nature and may not apply to your particular situation and the Company is not in a position to assure you of a particular result. Accordingly, you are advised to seek appropriate professional advice as to how the relevant laws in your country may apply to your situation.

* * * * *

If you are a citizen or resident of a country other than the one in which you are currently working, or if you transfer employment or residency to another country after the Award is granted, the terms and conditions and information contained herein may not be applicable to you or may not be applicable to you in the same manner. The Company shall, in its sole discretion, determine to what extent the terms and conditions herein shall apply to you in such a situation.

ALL COUNTRIES

Notifications

Insider Trading Restrictions/Market Abuse Laws. Depending on your country of residence, you may be subject to insider trading restrictions and/or market abuse laws, which may affect your ability to acquire or sell Shares or rights to Shares (*e.g.*, the Award) under the Plan during such times as you are considered to have “inside information” regarding the Company (as defined by the laws in your country). Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Company insider trading policy. You are responsible for ensuring compliance with any applicable restrictions and you are advised to consult your personal legal advisor on this matter.

ARGENTINA

Notifications

Securities Law Notification. Neither the Award nor the underlying Shares are publicly offered or listed on any stock exchange in Argentina. The offer is private and not subject to the supervision of any Argentine governmental authority.

Exchange Control Notification. In the event that you transfer proceeds from the sale of Shares into Argentina within 10 days of receipt (*i.e.*, the proceeds have not been held in the offshore bank or brokerage account for at least 10 days prior to transfer), you must deposit 30% of the proceeds into a non-interest bearing account in Argentina for 365 days. The Argentine bank handling the transaction may request certain documentation in connection with your request to transfer proceeds into Argentina, including evidence of the sale and proof that no funds were remitted out of Argentina to acquire the Shares. If the bank determines that the 10-day rule or any other rule or regulation promulgated by the Argentine Central Bank has not been satisfied, it will require that 30% of the proceeds be placed in a non-interest bearing dollar denominated mandatory deposit account for a holding period of 365 days.

Please note that exchange control regulations in Argentina are subject to frequent change. *You should consult with your personal legal advisor regarding any exchange control obligations you may have in connection with your participation in the Plan.*

AUSTRALIA

Notifications

Securities Law Notification. If you acquire Shares under the Plan and subsequently offer the Shares for sale to a person or entity resident in Australia, such an offer may be subject to disclosure requirements under Australian law and you should obtain legal advice regarding any applicable disclosure requirements prior to making any such offer.

AUSTRIA

Notifications

Consumer Protection Notification. You may be entitled to revoke acceptance of the Award on the basis of the Austrian Consumer Protection Act (the “Act”) under the conditions listed below, if the Act is considered to be applicable to the Agreement and the Plan:

- (i) If you accept the Award outside the business premises of the Company, you may be entitled to revoke your acceptance of the Award, provided the revocation is made within one (1) week after such acceptance of the Award.
- (ii) The revocation must be in written form to be valid. It is sufficient if you return the Agreement to the Company or the Company’s representative with language which can be understood as a refusal to conclude or honor the Agreement, provided the revocation is sent within the period discussed above.

Exchange Control Notification. If you hold Shares acquired under the Plan outside of Austria, you may be required to submit a report to the Austrian National Bank either on an annual basis or on a quarterly basis, depending on the value of the Shares. In addition, a separate reporting requirement may apply when you sell Shares acquired under the Plan if the cash proceeds are held outside of Austria, depending on the transaction volume of all of your accounts abroad. *You should consult with your personal legal advisor regarding any exchange control reporting obligations you may have in connection with your participation in the Plan.*

BELGIUM

Notifications

Foreign Account Reporting Notification. If you are a Belgian resident, you are required to report any bank or brokerage accounts held outside of Belgium on your annual tax return.

BRAZIL

Terms and Conditions

Compliance with the Law. In accepting the grant of the Award, you acknowledge your agreement to comply with applicable Brazilian laws and to pay any and all applicable tax associated with the Award and the sale of the Shares acquired under the Plan.

Notifications

Exchange Control Notification. If you are a resident or domiciled in Brazil, you will be required to submit an annual declaration of assets and rights held outside of Brazil to the Central Bank of Brazil if the aggregate value of such assets and rights is equal to or greater than US\$100,000. Assets and rights that must be reported include Shares acquired under the Plan.

CANADA

Terms and Conditions

Vesting. This provision supplements Section 1 of the Agreement:

The grant of the Award does not provide any right for you to receive a cash payment and the Vested Units will be settled in Shares only.

Nature of Grant. The following provision replaces Section 10(j) of the Agreement:

For purposes of the Award, your employment or service relationship will be considered terminated as of the earlier of: (i) the date your employment with the Company and its Related Corporations is terminated, (ii) the date you receive written notice of termination from the Company or the Employer, regardless of any notice period or period of pay in lieu of such notice mandated under the employment laws in the jurisdiction where you are employed or the terms of your employment agreement, if any, or (iii) the date you are no longer actively employed by or actively providing services to the Company or any of its Related Corporations and, unless otherwise expressly provided in the Agreement or determined by the Company, your right to vest in the Award, if any, will terminate as of such date; the Company's Chief Executive Officer shall have the exclusive discretion to determine when you are no longer actively employed or actively providing services for purposes of the Award (including whether you may still be considered to be actively employed or actively providing services while on a leave of absence).

Notifications

Securities Law Notification. You are permitted to sell Shares acquired under the Plan through the designated broker appointed under the Plan, if any, provided the resale of Shares acquired under the Plan takes place outside of Canada through the facilities of a stock exchange on which the Shares are listed. The Shares are currently listed on the NASDAQ.

Foreign Assets Reporting Notification. You are required to report your foreign property on Form T1135 (Foreign Income Verification Statement) if the total cost of such foreign property exceeds C\$100,000 at any time during the year. The form must be filed by April 30th of the following year. Foreign property includes Shares acquired under the Plan, proceeds from the sale of Shares and may include the Award granted under the Plan. *You should consult your personal tax advisor regarding the details of this requirement.*

CHILE

Notifications

Securities Law Notification. Pursuant to Ruling No. 99 of 2001 issued by the Chilean Superintendence of Securities ("CSS"), neither the Units nor any Shares that may be issued under the Plan will be registered with the Registry of Securities held by the CSS nor are they under the control or supervision of the CSS.

Exchange Control Notification. You are not required to repatriate proceeds obtained from the sale of Shares or from dividends to Chile; however, if you decide to repatriate proceeds from the sale of Shares and the amount of the proceeds to be repatriated exceeds US\$10,000, you must use the Formal Exchange Market (*i.e.*, a commercial bank or registered foreign exchange office) to repatriate the proceeds into Chile.

Further, if the value of your aggregate investments held outside of Chile exceeds US\$5,000,000 (including the value of Shares acquired under the Plan) at any time in the relevant calendar year, you must report the status of such investments annually to the Central Bank.

Tax Reporting and Registration Notification. You must file Tax Form 1851 in relation to any Shares acquired under the Plan that are held abroad and any taxes paid abroad (if you will be seeking a credit against Chilean income tax owed) with the Chilean Internal Revenue Service (the “CIRS”), The form must be submitted through the CIRS web page at www.sii.cl before March 15th of each year.

Registration of the acquisition of Shares with the CIRS will also provide evidence of the acquisition price of the Shares which you will need when the Shares are sold. It may also be possible for you to provide other evidence in the form of the Agreement or a report of the price paid for the Shares and the number of Shares acquired and sold; however, neither the Company nor Fidelity (or any other stock plan service provider designated by the Company) are under any obligation to provide you with such a report. *You should consult with your personal legal and tax advisors regarding how to register with the CIRS (if desired).*

CHINA

Terms and Conditions

Vesting. This provision supplements Section 1 of the Agreement.

To facilitate compliance with applicable laws or regulations in China, you agree and acknowledge that the Company or the Agent is entitled to (a) immediately sell all Shares issued to you upon settlement of the Vested Units (on your behalf pursuant to this authorization), either at the time the Vested Units are settled or when you cease employment with the Employer, the Company or a Related Corporation, or (b) require that any Shares acquired under the Plan be held with the Agent until the Shares are sold. You also agree to sign any forms and/or consents required by the Agent to effectuate the sale of Shares in case you cease employment and you acknowledge that the Agent is under no obligation to arrange for the sale of the Shares at any particular price. In any event, when the Shares acquired under the Plan are sold, the proceeds of the sale of the Shares, less any applicable Tax-Related Items and broker’s fees or commissions, will be remitted to you in accordance with applicable exchange control law and regulations, as further described below.

Exchange Control Requirements. You understand and agree that, pursuant to local exchange control requirements, you will be required to repatriate the cash proceeds from the sale of the Shares acquired under the Plan to China. You further understand that, under local law, such repatriation of the cash proceeds may need to be effectuated through a special exchange control account established by the Company, a Related Corporation or the Employer, and you hereby consent and agree that any cash

proceeds from the sale of Shares acquired under the Plan may be transferred to such special account prior to being delivered to you. You also understand that the Company will deliver the proceeds to you as soon as possible, but there may be delays in distributing the funds to you due to exchange control requirements in China. Proceeds may be paid to you in U.S. dollars or local currency at the Company's discretion. If the proceeds are paid to you in U.S. dollars, you will be required to set up a U.S. dollar bank account in China so that the proceeds may be deposited into this account. If the proceeds are paid to you in local currency, the Company is under no obligation to secure any particular exchange conversion rate and the Company may face delays in converting the proceeds to local currency due to exchange control restrictions. You further agree to comply with any other requirements that may be imposed by the Company in the future in order to facilitate compliance with exchange control requirements in China.

CZECH REPUBLIC

Notifications

Exchange Control Notification. Upon request of the Czech National Bank (the "**CNB**"), you may need to report the following to the CNB: foreign direct investments, financial credits from abroad, investment in foreign securities and associated collection and payments (Shares and proceeds from the sale of Shares may be included in this reporting requirement). You may need to report the following even in the absence of a request from the CNB: foreign direct investments with a value of CZK 2,500,000 or more in the aggregate or other foreign financial assets with a value of CZK 200,000,000 or more.

GERMANY

Notifications

Exchange Control Notification. You must report any cross-border payments in excess of €12,500 to the German Federal Bank on a monthly basis. If you make or receive a payment in excess of this amount, you must report the payment to Bundesbank electronically using the "General Statistics Reporting Portal" ("*Allgemeines Meldeportal Statistik*") available via Bundesbank's website (www.bundesbank.de).

HUNGARY

There are no country-specific provisions.

INDIA

Notifications

Exchange Control Notification. You understand that you must repatriate any proceeds from the sale of Shares acquired under the Plan to India within ninety (90) days of receipt. You will receive a foreign inward remittance certificate ("**FIRC**") from the bank where you deposit the foreign currency. You should maintain the FIRC as evidence of the repatriation of the proceeds in the event the Reserve Bank of India or the Employer requests proof of repatriation. You are also responsible

for complying with any other exchange control laws in India that may apply to the Award or the Shares acquired under the Plan.

Foreign Account / Assets Reporting Notification. You are required to declare any foreign bank accounts and any foreign financial assets (including Shares acquired under the Plan, proceeds from the sale of Shares and, possibly, the Award) in your annual tax return.

INDONESIA

Notifications

Exchange Control Information. If you remit funds (including proceeds from the sale of Shares) into Indonesia, the Indonesian bank through which the transaction is made will submit a report of the transaction to the Bank of Indonesia for statistical reporting purposes. For transactions of US\$10,000 or more, a more detailed description of the transaction must be included in the report and you may be required to provide information about the transaction (*e.g.*, the relationship between you and the transferor of the funds, the source of the funds, etc.) to the bank in order for the bank to complete the report.

IRELAND

Notifications

Director Notification Requirement. If you are a director (including a shadow director¹) or a secretary of an Irish Related Corporation, you (and your spouse, your children under 18 years of age and any family-held company or trust) are subject to certain notification requirements under the Companies Act. Among these requirements is the obligation to notify the Irish Related Corporation in writing when receiving or disposing of an interest in the Company (*e.g.*, Units, Shares). Such notification must be made within five (5) business days of receiving or disposing of such an interest, becoming aware of the event giving rise to the notification requirement or becoming a director or secretary if such an interest exists at that time.

ITALY

Terms and Conditions

Data Privacy. This provision replaces Section 12 of the Agreement:

You understand that the Employer, the Company and any Related Corporation may hold certain personal information about you, including, but not limited to, your name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company or any Related Corporation, details of all Awards or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in your favor and will process such data for the exclusive purpose of implementing, managing and administering the Plan (“Data”) and in compliance with applicable laws and regulations.

¹ A shadow director is an individual who is not on the board of the Irish Related Corporation but who has sufficient control so that the board of directors of the Irish Related Corporation acts in accordance with the directions and instructions of the individual.

You also understand that providing the Company with Data is mandatory for compliance with local law and necessary for the performance of the Plan and that your refusal to provide such Data would make it impossible for the Company to perform its contractual obligations and may affect your ability to participate in the Plan. The controller of personal data processing is Itron, Inc. with registered offices at 2111 N. Molter Road, Liberty Lake, Washington 99019, U.S.A., and, pursuant to Legislative Decree no. 196/2003, its representative in Italy is Itron Italia SPA, with registered offices at Via Gorky, 105, 20092 Cinisello Balsamo, Milan, Italy.

You understand that Data will not be publicized, but it may be accessible by the Employer and its internal and external personnel in charge of processing of such Data and by the data processor (the "Processor"), if any. An updated list of Processors and other transferees of Data is available upon request from the Employer. Furthermore, Data may be transferred to banks, other financial institutions, or brokers involved in the management and administration of the Plan. You understand that Data may also be transferred to the independent registered public accounting firm engaged by the Company. You further understand that the Company and/or any Related Corporation will transfer Data among themselves as necessary for the purpose of implementing, administering and managing your participation in the Plan, and that the Company and/or any Related Corporation may each further transfer Data to third parties assisting the Company in the implementation, administration, and management of the Plan, including any requisite transfer of Data to a broker or other third party with whom you may elect to deposit any Shares acquired upon vesting of the Units. Such recipients may receive, possess, use, retain, and transfer Data in electronic or other form, for the sole purpose of implementing, administering, and managing your participation in the Plan. You understand that these recipients may be acting as controllers, Processors or persons in charge of processing, as the case may be, in accordance with local law and may be located in or outside the European Economic Area in countries such as in the United States that might not provide the same level of protection as intended under Italian data privacy laws. Should the Company exercise its discretion in suspending all necessary legal obligations connected with the management and administration of the Plan, it will delete Data as soon as it has completed all the necessary legal obligations connected with the management and administration of the Plan.

You understand that Data processing related to the purposes specified above shall take place under automated or non-automated conditions, anonymously when possible, that comply with the purposes for which Data is collected and with confidentiality and security provisions as set forth by applicable laws and regulations, with specific reference to Legislative Decree no. 196/2003.

The processing activity, including communication, the transfer of Data abroad, including outside of the European Economic Area, as herein specified and pursuant to applicable laws and regulations, does not require your consent thereto as the processing is necessary to the performance of contractual obligations related to implementation, administration and management of the Plan. You understand that, pursuant to Section 7 of the Legislative Decree no. 196/2003, you have the right to, including but not limited to, access, delete, update, correct, or terminate, for legitimate reason, the Data processing. You should contact the Employer in this regard.

¹ A shadow director is an individual who is not on the board of the Irish Related Corporation but who has sufficient control so that the board of directors of the Irish Related Corporation acts in accordance with the directions and instructions of the individual.

Furthermore, you are aware that Data will not be used for direct marketing purposes. In addition, Data provided can be reviewed and questions or complaints can be addressed by contacting your human resources department.

Plan Document Acknowledgment. In accepting the grant of the Award, you acknowledge that you have received a copy of the Plan and the Agreement and have reviewed the Plan and the Agreement, including this Appendix A, in their entirety and fully understand and accept all provisions of the Plan and the Agreement, including this Appendix A.

You further acknowledge that you have read and specifically and expressly approve the following sections of the Agreement and this Appendix A: Section 1: Vesting; Section 3: Change in Control Transaction; Section 9: Responsibility for Taxes; Section 10: Nature of Grant; Section 13: Electronic Delivery and Participation; Section 14: Language; Section 15.3: Governing Law and Choice of Venue; Section 17: Imposition of Other Requirements; and the Data Privacy provision above.

Notifications

Foreign Assets Reporting Notification. If you are an Italian resident who, at any time during the fiscal year, holds foreign financial assets (including cash and Shares) which may generate income taxable in Italy, you are required to report these assets on your annual tax return (UNICO Form, RW Schedule) for the year during which the assets are held, or on a special form if no tax return is due. These reporting obligations will also apply to Italian residents who are the beneficial owners of foreign financial assets under Italian money laundering provisions.

JAPAN

Notifications

Foreign Assets Reporting Notification. If you hold assets outside of Japan (*e.g.*, Shares acquired under the Plan) with a value exceeding ¥50,000,000 (as of December 31 each year), you are required to comply with annual tax reporting obligations with respect to such assets. *You should consult your personal tax advisor regarding the details of this requirement.*

KOREA

Notifications

Exchange Control Notification. If you realize US\$500,000 or more from the sale of Shares in a single transaction, you must repatriate the sale proceeds to Korea within eighteen (18) months of the sale.

Foreign Assets Reporting Notification. If you are a Korean resident, you must declare all foreign financial accounts (*e.g.*, non-Korean bank accounts, brokerage accounts) to the Korean tax authority and file a report with respect to such accounts if the value of such accounts exceeds KRW 1 billion (or an equivalent amount in foreign currency). *You should consult your personal tax advisor regarding the details of this requirement.*

LUXEMBOURG

There are no country-specific provisions.

MALAYSIA

Notifications

Director Notification Requirement. If you are a director of a Malaysian Related Corporation, you are subject to certain notification requirements under the Malaysian Companies Act, 1965. Among these requirements is an obligation to notify the Malaysian Related Corporation in writing when you acquire or dispose of an interest (*e.g.*, Units, Shares) in the Company or a Related Corporation. Such notifications must be made within fourteen (14) days of acquiring or disposing of any interest in the Company or a Related Corporation.

MEXICO

Terms and Conditions

Acknowledgement of the Agreement. By accepting the Award, you acknowledge that you have received a copy of the Plan, the Award Notice, and the Agreement, including this Appendix A, which you have reviewed. You acknowledge further that you accept all the provisions of the Plan, the Award Notice, and the Agreement, including this Appendix A. You also acknowledge that you have read and specifically and expressly approve the terms and conditions set forth in the “Nature of Grant” section of the Agreement, which clearly provide as follows:

- (1) Your participation in the Plan does not constitute an acquired right;
- (2) The Plan and your participation in it are offered by the Company on a wholly discretionary basis;
- (3) Your participation in the Plan is voluntary; and
- (4) The Company and its Related Corporations are not responsible for any decrease in the value of any Shares acquired upon settlement of the Award.

Labor Law Acknowledgement and Policy Statement. By accepting the Award, you acknowledge that Itron, Inc., with registered offices at 2111 N. Molter Road, Liberty Lake, Washington 99019, United States of America, is solely responsible for the administration of the Plan. You further acknowledge that your participation in the Plan, the grant of the Award and any acquisition of Shares under the Plan do not constitute an employment relationship between you and Itron, Inc. because you are participating in the Plan on a wholly commercial basis and your sole employer is Itron Servicios, S.A. de C.V. (“*Itron-Mexico*”). Based on the foregoing, you expressly acknowledge that the Plan and the benefits that you may derive from participation in the Plan do not establish any rights between you and your Employer, Itron-Mexico, and do not form part of the employment conditions and/or benefits provided by Itron-Mexico, and any modification of the Plan or its termination shall not constitute a change or impairment of the terms and conditions of your employment.

You further understand that your participation in the Plan is the result of a unilateral and discretionary decision of the Company; therefore, the Company reserves the absolute right to amend and/or discontinue your participation in the Plan at any time, without any liability to you.

Finally, you hereby declare that you do not reserve to yourself any action or right to bring any claim against Itron, Inc. for any compensation or damages regarding any provision of the Plan or the benefits derived under the Plan, and you therefore grant a full and broad release to the Company, its Related Corporations, branches, representation offices, shareholders, officers, agents or legal representatives, with respect to any claim that may arise.

Spanish Translation

Reconocimiento del Acuerdo. *Al aceptar el Premio, usted reconoce que ha recibido una copia del Plan, la notificación del Premio, y el Acuerdo, inclusive este anexo A, el cual ha tenido oportunidad de revisar. Usted reconoce, además, que acepta todas las disposiciones del Plan, la Notificación del Premio y el Acuerdo, incluyendo este anexo A. Usted también reconoce que ha leído y de forma expresa aprueba los términos y condiciones establecidos en la sección denominada “Naturaleza del Premio” del Acuerdo, que claramente dispone lo siguiente:*

- (1) Su participación en el Plan no constituye un derecho adquirido;*
- (2) El Plan y su participación en el Plan se ofrecen por la Compañía en forma totalmente discrecional;*
- (3) Su participación en el Plan es voluntaria; y*
- (4) La Compañía y sus Subsidiarias o Afiliadas no son responsables de ninguna disminución en el valor de las acciones adquiridas en la obtención del Premio.*

Reconocimiento de Ausencia de Relación Laboral y Declaración de la Política. *Al aceptar el Premio, usted reconoce que Itron, Inc, con domicilio social en 2111 N. Molter Road, Liberty Lake, Washington 99019, Estados Unidos de América, es el único responsable de la administración del Plan. Además, usted acepta que su participación en el Plan, la concesión del Premio y cualquier adquisición de acciones en el marco del Plan no constituyen una relación laboral entre usted y Itron, Inc. porque usted está participando en el Plan en su totalidad sobre una base comercial y su único empleador es Itron Servicios, S.A. de C.V. (“Itron-Mexico”). Derivado de lo anterior, usted expresamente reconoce que el Plan y los beneficios que pueden derivarse de la participación en el Plan no establece ningún derecho entre usted y su Empleador, Itron-Mexico, y que no forman parte de las condiciones de empleo y / o prestaciones previstas por Itron-Mexico, y cualquier modificación del Plan o la terminación de su contrato no constituirá un cambio o deterioro de los términos y condiciones de su empleo.*

Además, usted reconoce que su participación en el Plan es derivada de una decisión discrecional y unilateral de la Compañía, por lo que la Compañía se reserva el derecho absoluto a modificar y / o suspender su participación en el Plan en cualquier momento, sin responsabilidad alguna para con usted.

Finalmente, usted manifiesta que no se reserva ninguna acción o derecho que origine una demanda en contra de Itron, Inc., por cualquier compensación o daño en relación con cualquier disposición del Plan o de los beneficios derivados del mismo, y en consecuencia usted otorga un amplio y total finiquito a la Compañía, sus Subsidiarias o Afiliadas, sucursales, oficinas de representación, sus accionistas, directores, agentes y representantes legales con respecto a cualquier demanda que pudiera surgir.

NETHERLANDS

There are no country-specific provisions.

POLAND

Notifications

Exchange Control Notification. If you transfer funds in excess of €15,000 into Poland in connection with the sale of Shares acquired under the Plan, the funds must be transferred via a bank account. You are required to retain the documents connected with a foreign exchange transaction for a period of five (5) years, as measured from the end of the year in which such transaction occurred. Additionally, if you hold Shares acquired under the Plan and/or keep a bank account abroad, you may have reporting duties to the National Bank of Poland depending on the value of your assets held abroad. *You should consult with your personal legal advisor to determine what you must do to fulfill any applicable reporting duties.*

PORTUGAL

Language Consent. You hereby expressly declare that you have full knowledge of the English language and have read, understood and fully accepted and agreed with the terms and conditions established in the Plan and the Agreement.

Conhecimento da Língua. *Você expressamente declara ter pleno conhecimento do idioma inglês e ter lido, entendido e totalmente aceito e concordou com os termos e condições estabelecidas no plano e no acordo.*

Notifications

Exchange Control Notification. If you acquire Shares upon settlement of the Vested Units, the acquisition of the Shares should be reported to the *Banco de Portugal* for statistical purposes. If the Shares are deposited with a commercial bank or financial intermediary in Portugal, such bank or financial intermediary will submit the report on your behalf. If the Shares are not deposited with a commercial bank or financial intermediary in Portugal, you are responsible for submitting the report to the *Banco de Portugal*.

RUSSIA

Notifications

Exchange Control Notification. You must repatriate to Russia the proceeds from the sale of Shares and any cash dividends received in relation to the Shares within a reasonably short time of receipt. Such funds must be initially credited to you through a foreign currency account opened in your name at an authorized bank in Russia. After the funds are initially received in Russia, they may be further remitted to foreign banks subject to the following limitations: (i) the foreign account may be opened only for individuals; (ii) the foreign account may not be used for business activities; and (iii) you must give notice to the Russian tax authorities about the opening or closing of each foreign account within one month of the account opening or closing, as applicable. *You are strongly advised to contact your personal legal advisor regarding your obligations resulting from participation in the Plan as significant penalties may apply in the case of non-compliance with exchange control requirements and because such exchange control requirements may change.*

Securities Law Notification. The Agreement, the Plan and all other materials you may receive regarding the Award and participation in the Plan do not constitute advertising or an offering of securities in Russia. The issuance of Shares under the Plan has not and will not be registered in Russia and, therefore, the Shares described in any Plan documents may not be offered or placed in public circulation in Russia. In no event will Shares be delivered to you in Russia; all Shares acquired under the Plan will be maintained on your behalf in the United States. You are not permitted to sell Shares directly to a Russian legal entity or resident.

SINGAPORE

Notifications

Securities Law Notification. The grant of the Award is being made pursuant to the “Qualifying Person” exemption” under section 273(1)(f) of the Securities and Futures Act (Chapter 289, 2006 Ed.) (“SFA”). The Plan has not been lodged or registered as a prospectus with the Monetary Authority of Singapore. You should note that the Award is subject to section 257 of the SFA and you will not be able to make (i) any subsequent sale of the Shares in Singapore or (ii) any offer of such subsequent sale of the Shares subject to the Award in Singapore, unless such sale or offer is made pursuant to the exemptions under Part XIII Division 1 Subdivision (4) (other than section 280) of the SFA. The Shares are currently traded on the NASDAQ Global Select Market, which is located outside of Singapore, under the ticker symbol “ITRI” and Shares acquired under the Plan may be sold through this exchange.

Director Notification Requirement. If you are a director, associate director or shadow director² of a Singapore Related Corporation, you are subject to certain notification requirements under the Singapore Companies Act, regardless of whether you are a Singapore resident or employed in Singapore. Among these requirements is the obligation to notify the Singapore Related Corporation in writing when you receive or dispose of an interest (*e.g.*, Units, Shares) in the Company or a Related Corporation. These notifications must be made within two (2) business days of acquiring or disposing of any interest in the Company or any Related Corporation or within two (2) business days of becoming a director, associate director or shadow director if such an interest exists at that time.

² A shadow director is an individual who is not on the board of directors of the Singapore Related Corporation but who has sufficient control so that the board of directors of the Singapore Related Corporation acts in accordance with the directions and instructions of the individual.

SOUTH AFRICA

Terms and Conditions

Responsibility for Taxes. The following provision supplements Section 9 of the Agreement:

In accepting the grant of the Award, you agree that, immediately upon vesting of the Award, you will notify the Employer of the amount of any gain realized. If you fail to advise the Employer of the gain realized upon vesting, you may be liable for a fine. You will be solely responsible for paying any difference between the actual tax liability resulting from the Award and the amount withheld by the Company or the Employer.

Notifications

Exchange Control Notification. You are solely responsible for ensuring compliance with any applicable exchange control laws and regulations in South Africa. *Because exchange control regulations change frequently and without notice, you should consult your legal advisor prior to the acquisition or sale of Shares to ensure compliance with current regulations.* Neither the Company nor the Employer has any obligation to obtain any applicable exchange control approval or complete any applicable exchange control filings on your behalf. You (not the Company nor the Employer) will be liable for any fines or penalties resulting from your failure to comply with any applicable requirements.

² A shadow director is an individual who is not on the board of directors of the Singapore Related Corporation but who has sufficient control so that the board of directors of the Singapore Related Corporation acts in accordance with the directions and instructions of the individual.

SPAIN

Terms and Conditions

Nature of Grant. The following provision supplements Section 10 of the Agreement:

In accepting the grant of the Award, you consent to participation in the Plan and acknowledge that you have received a copy of the Plan.

You understand that the Company has unilaterally, gratuitously and in its sole discretion decided to grant Awards to individuals who may be employees of the Company or a Related Corporation throughout the world. The decision is limited and entered into based upon the express assumption and condition that any grant will not bind the Company or a Related Corporation, other than as expressly set forth in the Agreement. Consequently, you understand that the Award is granted on the assumption and condition that the Award and any Shares acquired upon settlement of the Vested Units are not part of any employment contract (whether with the Company or a Related Corporation) and shall not be considered a mandatory benefit, salary for any purpose (including severance compensation), or any other right whatsoever.

Additionally, you understand that the vesting of the Award is expressly conditioned on your continued and active rendering of service to the Company or a Related Corporation such that if your employment terminates for any reason (including for the reasons listed below but excluding the reasons and circumstances specified in Sections 2 and 3 of the Agreement), the Award will cease vesting immediately effective as of the date of termination of your employment. This will be the case, for example, even if (1) you are considered to be unfairly dismissed without good cause; (2) you are dismissed for disciplinary or objective reasons or due to a collective dismissal; (3) you terminate employment due to a change of work location, duties or any other employment or contractual condition; (4) you terminate employment due to unilateral breach of contract of the Company or any of its Related Corporations; or (5) your employment terminates for any other reason (excluding the reasons and circumstances specified in Sections 2 and 3 of the Agreement). Consequently, upon termination of your employment for any of the above reasons, you will automatically lose any rights to the Award granted to you to the extent that the Units subject to the Award have not yet become Vested Units as of the date of your termination of employment, as described in the Agreement.

You acknowledge that you have read and specifically accept the conditions referred to in Section 1 of the Agreement.

Finally, you understand that this grant would not be made to you but for the assumptions and conditions referred to herein; thus, you acknowledge and freely accept that should any or all of the assumptions be mistaken or should any of the conditions not be met for any reason, then the grant of the Award shall be null and void.

Notifications

Securities Law Notification. No “offer to the public,” as defined under Spanish Law, has taken place or will take place in the Spanish territory in connection with the Award. The Plan, the Agreement (including this Appendix) and any other documents evidencing the grant of the Award have not been,

nor will they be, registered with the *Comisión Nacional del Mercado de Valores* (the Spanish securities regulator), and none of those documents constitutes a public offering prospectus.

Exchange Control Notification. You must declare the acquisition, ownership and disposition of stock in a foreign company (including Shares acquired under the Plan) to the *Spanish Dirección General de Comercio e Inversiones* (the “*DGCI*”), which is a department of the Ministry of Economy and Competitiveness. Generally, the declaration must be filed in January for Shares acquired or disposed of during the prior year and/or for Shares owned as of December 31 of the prior year; however, if the value of the Shares acquired or disposed under the Plan or the amount of the sale proceeds exceeds €1,502,530, the declaration must be filed within one month of the acquisition or disposition, as applicable.

You may be required to declare electronically to the Bank of Spain any foreign accounts (including brokerage accounts held abroad), any foreign instruments (including Shares acquired under the Plan), and any transactions with non-Spanish residents (including any Shares received by the Company), depending on the value of the transactions during the relevant year or the balances in such accounts and the value of such instruments as of December 31 of the relevant year. *You should consult your personal legal advisor regarding the applicable thresholds and corresponding reporting requirements.*

Foreign Assets Reporting Notification. You are required to report assets or rights deposited or held outside of Spain (including Shares acquired under the Plan or cash proceeds from the sale of such Shares) if the value of such rights or assets exceeds a certain threshold. This obligation applies to assets and rights held as of December 31 (or at any time during the year in which the asset or right is sold or otherwise disposed of) and requires that information on such assets and rights be included in your tax return filed with the Spanish tax authorities for such year. After such assets or rights are initially reported, the reporting obligation will apply for subsequent years only if the value of any previously-reported asset or right increases by more than a certain threshold or if ownership of such asset or right is transferred or relinquished during the year.

SWEDEN

There are no country-specific provisions.

SWITZERLAND

Notifications

Securities Law Notification. The grant of the restricted stock units under the Plan is considered a private offering in Switzerland and is, therefore, not subject to registration in Switzerland.

THAILAND

Notifications

Exchange Control Notification. You must repatriate any funds received pursuant to the Plan (*e.g.*, proceeds from the sale of Shares) to Thailand immediately upon receipt if the amount of such funds is equal to or greater than US\$50,000 in a single transaction. In this case, you must (i) convert such funds to Thai Baht or deposit the funds in a foreign exchange account with a commercial bank in Thailand within 360 days of repatriation and (ii) report the inward remittance by submitting a Foreign Exchange Transaction Form to an authorized agent (*i.e.*, a commercial bank authorized by the Bank of Thailand to engage in the purchase, exchange and withdrawal of foreign currency).

UNITED ARAB EMIRATES

Notifications

Securities Law Notification. The Agreement, the Plan, and other incidental communication materials related to the Award are intended for distribution only to employees of the Company and its Related Corporations for the purposes of an incentive scheme. The Emirates Securities and Commodities Authority and the Central Bank have no responsibility for reviewing or verifying any documents in connection with this statement. Neither the Ministry of Economy nor the Dubai Department of Economic Development have approved this statement nor taken steps to verify the information set out in it, and have no responsibility for it. The securities to which this statement relate may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the securities offered should conduct their own due diligence on the securities. If you do not understand the contents of the Agreement or the Plan, you should consult an authorized financial adviser.

UNITED KINGDOM

Terms and Conditions

Vesting. This provision supplements Section 1 of the Agreement:

The grant of the Award does not provide any right for you to receive a cash payment and the Vested Units will be settled in Shares only.

Responsibility for Taxes. The following provision supplements Section 9 of the Agreement:

If payment or withholding of the income tax due is not made within ninety (90) days of the event giving rise to the liability or such other period specified in Section 222(1)(c) of the U.K. Income Tax (Earnings and Pensions) Act 2003 (the “**Due Date**”), the amount of any uncollected income tax will constitute a loan owed by you to the Employer, effective on the Due Date. You agree that the loan will bear interest at the then-current official rate of Her Majesty’s Revenue and Customs (“**HMRC**”), it will be immediately due and repayable, and the Company or the Employer may recover it at any time thereafter by any of the means referred to in Section 9.2 of the Agreement. Notwithstanding the foregoing, if you are a director or executive officer of the Company (within the meaning of Section 13(k) of the Exchange Act), you will not be eligible for such a loan to cover the income tax due. In

the event that you are a director or executive officer and the income tax due is not collected from or paid by you by the Due Date, the amount of any uncollected income tax may constitute a benefit to you on which additional income tax and national insurance contributions may be payable. You acknowledge that you ultimately will be responsible for reporting and paying any income tax due on this additional benefit directly to HMRC under the self-assessment regime and for paying the Company or the Employer (as applicable) for the value of any employee NICs due on this additional benefit. You further acknowledge that the Company or the Employer may recover such amounts from you by any of the means referred to in Section 9.2 of the Agreement.

Joint Election. As a condition of your participation in the Plan, you agree to accept any liability for secondary Class 1 national insurance contributions (the “**Employer’s Liability**”) which may be payable by the Company and/or the Employer in connection with the Award and any event giving rise to Tax-Related Items. To accomplish the foregoing, you agree to execute the following joint election with the Company (the “**Joint Election**”), the form of such Joint Election being formally approved by HMRC, and any other consent or elections required to accomplish the transfer of the Employer’s Liability to you. You further agree to execute such other joint elections as may be required between yourself and any successor to the Company and/or the Employer. You further agree that the Company and/or the Employer may collect the Employer’s Liability by any of the means set forth in Section 9.2 of the Agreement.

If you do not enter into a Joint Election prior to vesting of the Award or any other event giving rise to Tax-Related Items, you will forfeit the Units and any benefits in connection with the Award, and any Shares that have been issued will be returned to the Company at no cost to the Company, without any liability to the Company and/or the Employer.

ITRON, INC.

AMENDED AND RESTATED 2010 STOCK INCENTIVE PLAN

**Important Note on the Joint Election to Transfer
Employer National Insurance Contributions**

As a condition of participation in the Itron, Inc. Amended and Restated 2010 Stock Incentive Plan (the “*Plan*”) and the vesting of the restricted stock unit award (the “*Award*”) that has been granted to you by Itron, Inc. (the “*Company*”), you are required to enter into a joint election to transfer to you any liability for employer national insurance contributions (the “*Employer’s Liability*”) that may arise in connection with the Award, or in connection with future restricted stock unit awards, granted to you by the Company under the Plan (the “*Joint Election*”).

If you do not agree to enter into the Joint Election, the Award will be worthless, as (under the terms of the Restricted Stock Unit Award Agreement) you will not be able to vest in the Award or receive any benefit in connection with the Award.

By entering into the Joint Election:

- ¹ you agree that any Employer’s Liability that may arise in connection with or pursuant to the vesting of the Award (and the acquisition of shares of the Company’s common stock) or other taxable events in connection with the Award will be transferred to you; and
- ¹ you authorize the Company and/or your employer to recover an amount sufficient to cover this liability by any method set forth in the Restricted Stock Unit Award Agreement and/or the Joint Election.

Indicating your acceptance of the Restricted Stock Unit Award Agreement indicates your agreement to be bound by the terms of the Joint Election.

**Please read the terms of the Joint Election carefully before
accepting the Restricted Stock Unit Award Agreement
and the Joint Election.**

**Please print and keep a copy of the Joint Election
for your records.**

ITRON, INC.
AMENDED AND RESTATED 2010 STOCK INCENTIVE PLAN

Restricted Stock Units
for Employees in the United Kingdom

FORM OF ELECTION TO TRANSFER THE EMPLOYER'S SECONDARY
CLASS 1 NATIONAL INSURANCE LIABILITY TO THE EMPLOYEE

1. Parties

This Election is between:

- (A) You, the individual who has obtained access to this Election (the “**Employee**”), who is employed by one of the employing companies listed in the attached schedule (the “**Employer**”), and who is eligible to receive a restricted stock unit award pursuant to the terms and conditions of the Itron, Inc. Amended and Restated 2010 Stock Incentive Plan (the “**Plan**”), and
- (B) Itron, Inc. of 2111 N. Molter Road, Lake Liberty, Washington 99019, U.S.A. (the “**Company**”) which may grant restricted stock unit awards under the Plan and is entering this Election on behalf of the Employer.

2. Purpose of Election

- 2.1 This Election relates to the Employer’s secondary Class 1 national insurance contributions (the “**Employer’s Liability**”) which may arise on the occurrence of a “**Taxable Event**” pursuant to section 4(4)(a) or paragraph 3B(1A) of Schedule 1 of the Social Security Contributions and Benefits Act 1992, including but not limited to:
 - (i) the acquisition of securities pursuant to the restricted stock unit award (pursuant to section 477(3)(a) ITEPA); and/or
 - (ii) the assignment or release of the restricted stock unit award in return for consideration (pursuant to section 477(3)(b) ITEPA); and/or
 - (iii) the receipt of a benefit in connection with the restricted stock unit award other than a benefit within (i) or (ii) above (pursuant to section 477(3)(c) ITEPA).

In this Election, ITEPA means the Income Tax (Earnings and Pensions) Act 2003.

- 2.2 This Election is made in accordance with paragraph 3B(1) of Schedule 1 to the Social Security Contributions and Benefits Act 1992.
- 2.3 This Election applies to all restricted stock unit awards granted to the Employee under the Plan, on or after 6 May 2010 up to the termination date of the Plan.

- 2.4 This Election does not apply in relation to any liability, or any part of any liability, arising as a result of regulations being given retrospective effect by virtue of section 4B(2) of either the Social Security Contributions and Benefits Act 1992, or the Social Security Contributions and Benefits (Northern Ireland) Act 1992.
- 2.5 This Election will not apply to the extent that it relates to relevant employment income which is employment income of the earner by virtue of Chapter 3A of Part 7 of ITEPA 2003 (employment income: securities with artificially depressed market value).

3. The Election

The Employee and the Company jointly elect that the entire liability of the Employer to pay the Employer's Liability on the Taxable Event is hereby transferred to the Employee. The Employee understands that by clicking on the acceptance of the Restricted Stock Unit Award button where indicated, he or she will become personally liable for the Employer's Liability covered by this Election.

4. Payment of the Employer's Liability

- 4.1 Notwithstanding that pursuant to this Election, the Employer's Liability is transferred to the Employee, the Employee authorises the Employer and the Employer agrees, to remit the Employer's Liability to Her Majesty's Revenue and Customs ("**HMRC**") on behalf of the Employee within 14 days following the end of the UK Income Tax month during which the Taxable Event occurs, or within 17 days following the end of the UK Income Tax month during which the Taxable Event occurs, if submitted electronically. The Employee agrees to pay to the Employer the Employer's Liability on demand at any time on or after the Taxable Event.
- 4.2 Without limitation to Clause 4.1 above, the Employee hereby authorises the Company and/or the Employer to collect the Employer's Liability from the Employee at any time on or after the Taxable Event:
- (i) by deduction from salary or any other payment payable to the Employee at any time on or after the date of the Taxable Event; and/or
 - (ii) directly from the Employee by payment in cash or cleared funds; and/or
 - (iii) by arranging, on behalf of the Employee, for the sale of some of the securities which the Employee is entitled to receive in respect of the restricted stock unit award; and/or
 - (iv) through any other method set forth in the Restricted Stock Unit Award Agreement entered into between the Employee and the Company.
- 4.3 The Company hereby reserves for itself and the Employer the right to withhold the transfer of any securities to the Employee until full payment of the Employer's Liability is received.

5. Duration of Election

- 5.1 The Employee and the Company agree to be bound by the terms of this Election regardless of whether the Employee is transferred abroad or is not employed by the UK Employer on the date on which the Employer's Liability becomes due.
- 5.2 This Election will continue in effect until the earliest of the following:
- (i) such time as both the Employee and the Company agree in writing that it should cease to have effect;
 - (ii) the date the Company serves written notice on the Employee terminating its effect;
 - (iii) the date HMRC withdraws approval of this Form of Election; or
 - (iv) the date the Election ceases to have effect in accordance with its terms in respect of any outstanding restricted stock unit awards granted under the Plan.

Acceptance by the Employee

The Employee acknowledges that by clicking on the acceptance of the Restricted Stock Unit Award button where indicated, the Employee agrees to be bound by the terms of this Election as stated above.

Acceptance by the Company

The Company acknowledges that by arranging for the scanned signature of an authorised representative to appear on this Election, the Company agrees to be bound by the terms of this Election as stated above.

Vice President and Corporate Controller

Itron, Inc.

Date:

Schedule to Form of Election - Employing Companies

The Employing Companies to which this Form of Election relates are:

(1) Itron Metering Solutions UK Limited

Registered Office:	Langer Road, Felixstowe, Suffolk, IP11 2ER United Kingdom
Company Number:	04274515
Corporation Tax District:	
Corporation Tax Reference:	
PAYE District:	
PAYE Reference:	

UNITED STATES

There are no country specific provisions.

**ITRON, INC.
AMENDED AND RESTATED 2010 STOCK INCENTIVE PLAN**

**RESTRICTED STOCK UNIT AWARD NOTICE
FOR PARTICIPANTS IN FRANCE**

Itron, Inc. (the “**Company**”) hereby grants to Participant a restricted stock unit award (the “**Award**”). The Award is subject to all the terms and conditions set forth in this Restricted Stock Unit Award Notice (the “**Award Notice**”), the Restricted Stock Unit Award Agreement (the “**Agreement**”), the Itron, Inc. Amended and Restated 2010 Stock Incentive Plan (the “**U.S. Plan**”) and the Rules of the Itron, Inc. Amended and Restated 2010 Stock Incentive Plan for the Grant of Restricted Stock Units to Participants in France (the “**French RSU Plan**” and together with the U.S. Plan, the “**Plan**”), all of which are incorporated into the Award Notice in their entirety.

Participant: «First_Name» «Last_Name»

Date of Grant: «Grant Date»

Number of Restricted Stock Units: «# of Units»

Vesting Schedule:

The Award will vest in full on the second anniversary of the Date of Grant (the “**Vesting Date**”), except in certain exceptional circumstances.

Restriction on Sale of Shares:

Any Shares acquired pursuant to the Award cannot be sold prior to the second anniversary of the Vesting Date or during Closed Periods (as defined in the Agreement), except in certain exceptional circumstances.

Additional Terms/Acknowledgement: This Award is subject to all the terms and conditions set forth in this Award Notice, the Agreement, and the Plan which are attached to and incorporated into this Award Notice in their entirety.

By accepting this Award Notice and Agreement providing for the terms and conditions of my grant, I confirm having read and understood the documents relating to this grant (the Restricted Stock Unit Award Agreement, the U.S. Plan, the French RSU Plan and the U.S. Plan Prospectus) which were provided to me in English language. I accept the terms of those documents accordingly.

En acceptant la présente Notice d’Attribution et le Contrat décrivant les termes et conditions de mon attribution, je confirme ainsi avoir lu et compris les documents relatifs à cette attribution (le Contrat d’Attribution d’Actions Gratuites, le Plan Américain, le Sous-Plan pour la France et le Prospectus

Américain) qui m'ont été communiqués en langue anglaise. J'en accepte les termes en connaissance de cause.

«First_Name» «Last_Name»

I accept this Award subject to the terms and conditions stated herein.

«Electronically Signed»

Attachments:

1. Restricted Stock Unit Award Agreement
2. U.S. Plan
3. French RSU Plan
4. U.S. Plan Prospectus

ITRON, INC.
AMENDED AND RESTATED 2010 STOCK INCENTIVE PLAN

**RESTRICTED STOCK UNIT AWARD AGREEMENT
FOR PARTICIPANTS IN FRANCE**

Pursuant to your Restricted Stock Unit Award Notice (the “*Award Notice*”) and this Restricted Stock Unit Award Agreement (this “*Agreement*”), Itron, Inc. (the “*Company*”) has granted you a restricted stock unit award (the “*Award*”) under its Amended and Restated 2010 Stock Incentive Plan (the “*U.S. Plan*”) and the Rules of the Itron, Inc. Amended and Restated 2010 Stock Incentive Plan for the Grant of Restricted Stock Units to Participants in France (the “*French RSU Plan*”) and together with the U.S. Plan, the “*Plan*”) for the number of restricted stock units indicated in your Award Notice. Capitalized terms not expressly defined in this Agreement but defined in the Plan shall have the same definitions as in the Plan.

The Award is intended to qualify for the specific tax and social security treatment in France applicable to shares granted for no consideration under Sections L. 225-197-1 to

L. 225-197-6 of the French Commercial Code, as amended. However, certain events may affect the qualified status of the Award and the Company does not make any undertaking or representation to maintain the qualified status of the Award. If the Award does not retain its qualified status, the specific tax and social security treatment will not apply and you will be required to pay your portion of social security contributions resulting from the Award.

Moreover, if you relocate to another country, any special terms and conditions applicable to restricted stock unit awards granted in such country will apply to you, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons.

In addition, the Company reserves the right to impose other requirements on the Award and any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require you to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

The details of the Award are as follows:

1. Vesting and Settlement

The Award will vest according to the vesting schedule set forth in the Award Notice (the “*Vesting Schedule*”). Restricted stock units that have vested and are no longer subject to forfeiture according to the Vesting Schedule are referred to herein as “*Vested Units*.” Restricted stock units that have not vested and remain subject to forfeiture under the Vesting Schedule are referred to herein as “*Unvested Units*.” Except as provided in Sections 2 and 3 below, the Unvested Units will vest (and to the extent so vested cease to be Unvested Units remaining subject to forfeiture) in accordance with the Vesting Schedule (the Unvested and Vested Units are collectively referred to herein as the “*Units*”).

Vested Units shall be settled as soon as practicable after the Vesting Date or, if earlier, the date set forth in Section 2.2 or 2.3 below, provided, however, that if you are a U.S. taxpayer, the Vested Units shall be settled on the earliest to occur of (a) a date within 30 days following the Vesting Date, (b) a date within 30 days following the termination of your employment (i) due to death or Disability pursuant to Section 3 below or (ii) following a Change in Control Transaction pursuant to Section 2.3 below, or (c) the date of a Change in Control Transaction pursuant to Section 2.2 below that constitutes a “change in control event” within the meaning of U.S. Treasury Regulation Section 1.409A-3(i)(5).

2. Change in Control Transaction

2.1 In the event of a Change in Control Transaction, the Award will be subject to any change in control severance agreement or other agreement providing for change in control provisions between you and the Company (a “**CIC Agreement**”). If you are not party to a CIC Agreement, the provisions of this Section 2 shall apply.

2.2 In the event of a Change in Control Transaction in which (i) the Unvested Units are not assumed, substituted for, or converted into an award of the acquiring or surviving corporation (or a publicly-traded parent thereof) in a manner which prevents dilution of your rights under the Award or (ii) the acquiring or surviving corporation (or parent thereof) is not publicly-traded, any Unvested Units shall become immediately and fully vested as of the date of the Change in Control Transaction.

2.3 In the event of a Change in Control Transaction in which your Unvested Units are assumed, substituted for, or converted into an award of the acquiring or surviving public corporation (or a publicly-traded parent thereof) and your employment is terminated within twenty-four (24) months following such Change in Control Transaction, other than (a) by the Company for Cause, (b) by reason of death or Disability (which shall be governed by Section 3 below), or (c) by you without Good Reason, any Unvested Units shall become immediately and fully vested as of the date of your termination of employment.

2.4 In the event of a Change in Control Transaction triggering the provisions set forth in Sections 2.1, 2.2 or 2.3, the Award may not retain its qualified status in which case the specific tax and social security treatment applicable to qualified awards will not apply.

2.5 Definitions - For purposes of this Section 2, the following capitalized terms shall have the meanings set forth below:

(a) “**Base Salary**” shall mean your annual base salary immediately prior to a Change in Control Transaction, as such salary may be increased from time to time (in which case such increased amount shall be the Base Salary for purposes hereof), but without giving effect to any reduction thereto.

(b) “**Beneficial Owner**” shall have the meaning set forth in Rule 13d-3 under the Exchange Act.

(c) **“Cause”** for termination of your employment by the Company or your employer (the **“Employer”**) shall mean (i) your willful and continued failure (other than any such failure resulting from (A) your incapacity due to physical or mental illness, (B) any such actual or anticipated failure after the issuance by you of a notice of termination in a form prescribed by the Company for Good Reason or (C) the Employer’s active or passive obstruction of the performance of your duties and responsibilities) to perform substantially the duties and responsibilities of your position with the Employer after a written demand for substantial performance is delivered to you by the Employer, which demand specifically identifies the manner in which the Employer believes that you have not substantially performed such duties or responsibilities; (ii) your conviction by a court of competent jurisdiction for felony criminal conduct (or the equivalent under applicable local law); or (iii) your willful engaging in fraud or dishonesty which is injurious to the Company and/or the Employer or its reputation, monetarily or otherwise. No act, or failure to act, on your part shall be deemed “willful” unless committed, or omitted by you in bad faith and without reasonable belief that your act or failure to act was in, or not opposed to, the best interest of the Company and/or the Employer.

(d) **“Good Reason”** for termination of your employment by you shall mean the occurrence (without your express written consent) after any Change in Control Transaction of any one of the following acts by the Company or the Employer, or failures by the Company or the Employer to act, unless, in the case of any act or failure to act described in subsection (A), (B), (C), (D) or (E) below, such act or failure to act is corrected prior to the date of your termination specified in a notice of termination in a form prescribed by the Company given in respect thereof:

(A) an adverse change in your status or position(s) with the Employer as in effect immediately prior to the Change in Control Transaction, including, without limitation, any adverse change in your status or position as a result of a diminution of your duties or responsibilities (other than, if applicable, any such change directly and solely attributable to the fact that the Company is no longer publicly owned) or the assignment to you of any duties or responsibilities which are inconsistent with such status or position(s), or any removal of you from, or any failure to reappoint or reelect you to, such position(s);

(B) a reduction in your Base Salary;

(C) a reduction in your annual bonus opportunity or long term incentive opportunity, as compared to the year immediately preceding the year in which the Change in Control Transaction occurs;

(D) the failure to continue provide welfare, pension and fringe benefits which are in each case, in the aggregate, substantially similar to those provided to you immediately prior to Change in Control Transaction;

(E) the Employer requiring you to be based at an office that is greater than 50 miles from where your office is located immediately prior to the Change in Control Transaction except for required travel on the Employer’s business to an extent substantially consistent with the business travel obligations which you undertook on behalf of the Employer prior to the Change in Control Transaction; or

Notwithstanding the foregoing, the events described in clauses (B), (C) or (D) above shall not constitute Good Reason hereunder to the extent they are as a result of across-the-board reductions of the applicable compensation element following the Change in Control Transaction which are equally applicable to all similarly situated employees of the surviving corporation and its affiliates. Your right to terminate your employment for Good Reason shall not be affected by your incapacity due to physical or mental illness. In order for Good Reason to exist hereunder, you must provide notice to the Company of the existence of the condition or circumstance described above within 90 days of the initial existence of the condition or circumstance (or, if later, within 90 days of becoming aware of such condition or circumstance), and the Employer must have failed to cure such condition within 30 days of the receipt of such notice. Subject to the preceding sentence, your continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

(e) **“Person”** shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (A) the Company or any of its subsidiaries, (B) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its affiliates, (C) an underwriter temporarily holding securities pursuant to an offering of such securities or (D) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

3. Termination of Employment

If your employment terminates during the Units' vesting period by reason of death, the Units will become transferable to your heirs. The Company will issue the Shares subject to the Units to your heirs upon their request, provided they contact the Company with such a request within six (6) months following your death. If your heirs do not request the issuance of the Shares within six (6) months of your death, the Units will be forfeited to the Company.

If your employment terminates during the Units' vesting period by reason of Disability (and such Disability meets the definition of Disability in both the French RSU Plan and the U.S. Plan), any Unvested Units will accelerate in vesting and become Vested Units upon such termination of employment.

If your employment terminates during the Units' vesting period for any reason other than death or Disability, any Unvested Units will be forfeited to the Company.

4. No Rights as Shareholder

You shall not have voting or other rights as a shareholder of the Company with respect to the Units.

5. Transferability of Units

Units shall not be sold, transferred, assigned, encumbered, pledged or otherwise disposed of, whether voluntarily or by operation of law.

6. Transferability of Shares

6.1 Holding Period

You are required to hold the Shares issued pursuant to the vesting of the Units for two years as measured from the Vesting Date or such other period as is required to comply with the minimum mandatory holding period applicable to Shares underlying French-qualified Restricted Stock Units (the “**Holding Period**”) in order to benefit from the specific French tax and social insurance contributions regime, even if you are no longer an employee or corporate officer, as applicable, of a French Entity or otherwise employed by the Company or a Subsidiary, if applicable. As from the end of the Holding Period, the corresponding Shares shall be freely transferable, subject to applicable legal and regulatory provisions in force and in particular to the provisions of Section 6.2 below.

This Holding Period requirement shall not apply to your heirs should they acquire Shares under the Plan pursuant to Section 3 above nor shall it apply if you terminate employment due to Disability (as defined in the French RSU Plan).

6.2 Closed Period

As long as the Award and the Shares issued upon vesting of the Units maintain their qualified status and to the extent such restriction is applicable under French law, the Shares may not be sold during a Closed Period which currently includes:

Ten quotation days preceding and three quotation days following the disclosure to the public of the consolidated financial statements or the annual statements of the Company; and

Any period during which the corporate management of the Company possesses material information which could, if disclosed to the public, significantly impact the quotation of the Shares, until ten quotation days after the day such information is disclosed to the public.

This Closed Period restriction shall not apply to your heirs should they acquire Shares under the Plan pursuant to Section 3 above nor shall it apply if you terminate employment due to Disability (as defined in the French RSU Plan).

6.3 Shareholding Restrictions

If you qualify as a managing corporate officer (*i.e.*, “*mandataires sociaux*,” *Président du Conseil d’Administration, Directeur Général, Directeur Général Délégué, Membre du Directoire, Gérant de Sociétés par actions*) or have a comparable position in any other company within the Company group, and if the Award is granted to you in such capacity, you are subject to shareholding restrictions and you must hold 20% of the Shares issued upon vesting of the Units and not sell such Shares until you cease to serve as a managing corporate officer (or cease to have a comparable position as described herein), if required under French law.

6.4 Compliance with Transfer Restrictions

To ensure compliance with the restrictions on the transfer of Shares described in Sections 6.1, 6.2 and 6.3. above, the Company may require that the Shares be held with Fidelity or any brokerage firm designated by the Company (or according to any procedure implemented by the Company) until such Shares are sold.

7. Securities Law Compliance

7.1 You represent and warrant that you (a) have been furnished with a copy of the prospectus for the Plan and all information which you deem necessary to evaluate the merits and risks of receipt of the Award, (b) have had the opportunity to ask questions and receive answers concerning the information received about the Award and the Company, and (c) have been given the opportunity to obtain any additional information you deem necessary to verify the accuracy of any information obtained concerning the Award and the Company.

7.2 You hereby agree that you will in no event sell or distribute all or any part of the Shares unless (a) there is an effective registration statement under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) and any applicable state and foreign securities laws covering any such transaction involving the Shares or (b) the Company receives an opinion of your legal counsel (concurring with legal counsel for the Company) stating that such transaction is exempt from registration or the Company otherwise satisfies itself that such transaction is exempt from registration. You understand that the Company has no obligation to you to register the Shares with the U.S. Securities and Exchange Commission or any foreign securities regulator and has not represented to you that it will so register the Shares.

7.3 You confirm that you have been advised, prior to your receipt of the Shares, that neither the offering of the Shares nor any offering materials have been reviewed by any regulator under the Securities Act or any other applicable securities act (the “**Acts**”) and that the Shares cannot be resold unless they are registered under the Acts or unless an exemption from such registration is available.

7.4 You hereby agree to indemnify the Company and hold it harmless from and against any loss, claim or liability, including attorneys’ fees or legal expenses, incurred by the Company as a result of any breach by you of, or any inaccuracy in, any representation, warranty or statement made by you in this Agreement or the breach by you of any terms or conditions of this Agreement.

8. Book Entry Registration of Shares

The Company will issue the Shares by registering the Shares in book entry form with the Company’s transfer agent in your name and the applicable restrictions will be noted in the records of the Company’s transfer agent and in the book entry system.

9. Responsibility for Taxes

9.1 Regardless of any action the Company or your employer (the “**Employer**”) take with respect to any and all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to your participation in the Plan and legally applicable to you (“**Tax-Related Items**”), you acknowledge that the ultimate liability for all Tax-Related Items is and remains your responsibility and may exceed the amount actually withheld by the Company and/or the Employer. You further acknowledge that the Company and the Employer (a) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Award, including, but not limited to, the granting or vesting of the Award, the settlement of Vested Units, the issuance of Shares upon settlement of the Vested Units, the subsequent sale of Shares acquired upon settlement of the Vested Units and the receipt of any dividends; and (b) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Award to reduce or eliminate your liability for Tax-Related Items or achieve any particular tax and/or social insurance contribution result. Further, if you have become subject to tax and/or social insurance contributions in more than one jurisdiction between the Date of Grant and the date of any relevant taxable or tax withholding event, as applicable, you acknowledge that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

9.2 Prior to any relevant taxable or tax and/or social insurance contribution withholding event, as applicable, you will pay or make adequate arrangements satisfactory to the Company and or the Employer to satisfy all Tax-Related Items.

(a) In this regard, you hereby irrevocably appoint Fidelity or any stock plan service provider or brokerage firm designated by the Company for such purpose (the “**Agent**”) as your Agent, and authorize the Agent, to:

- (A) Sell on the open market at the then prevailing market price(s), on your behalf, as soon as practicable on or after the settlement date for any Vested Unit, the minimum number of Shares (rounded up to the next whole number) sufficient to generate proceeds to cover the Tax-Related Items and all applicable fees and commissions due to, or required to be collected by, the Agent;
- (B) Remit directly to the Company the cash amount necessary to cover the Tax-Related Items;
- (C) Retain the amount required to cover all applicable fees and commissions due to, or required to be collected by, the Agent, relating directly to the sale of Shares referred to in clause (i) above; and
- (D) Remit any remaining funds to you.

(b) Alternatively, or in addition to or in combination with the withholding mechanism described in Section 9.2(a), you authorize the Company and/or the Employer, at their discretion, to satisfy the obligations with regard to all Tax-Related Items by:

- (A) requiring you to pay to the Company or the Employer any amount of the Tax-Related Items; and/or
- (B) withholding any amount of the Tax-Related Items from your wages or other cash compensation paid to you by the Company and/or the Employer, within legal limits; and/or
- (C) withholding in Shares to be issued upon settlement of the Vested Units, provided, however, that if you are a Section 16 officer of the Company under the Exchange Act, then the Plan Administrator (as constituted to satisfy Rule 16b-3 of the Exchange Act) shall establish the method of withholding from the alternatives (i) - (iii) herein and, if the Plan Administrator does not exercise its discretion prior to the Tax-Related Items withholding event, then you shall be entitled to elect the method of withholding from the alternatives (i) - (iii) herein.

(c) Depending on the withholding method, the Company may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates, including maximum applicable rates, in which case you will receive a refund of any over-withheld amount in cash and will have no entitlement to the equivalent amount in Shares. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax and/or social insurance contribution purposes, you will be deemed to have been issued the full number of Shares subject to the Vested Units notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of your participation in the Plan. The Company may refuse to issue or deliver Shares to you if you fail to comply with your obligations in connection with the Tax-Related Items.

9.3 You acknowledge that the authorization and instruction to the Agent set forth in Section 9.2(a)(i) above to sell Shares to cover the Tax-Related Items is intended to comply with the requirements of Rule 10b5-1(c)(1)(i)(B) under the Exchange Act and to be interpreted to comply with the requirements of Rule 10b5-1(c) under the Exchange Act (regarding trading of the Company's securities on the basis of material nonpublic information) (a "**10b5-1 Plan**"). This 10b5-1 Plan is being adopted to permit you to sell a number of Shares issued upon settlement of Vested Units sufficient to pay the Tax-Related Items.

You acknowledge that the broker is under no obligation to arrange for the sale of Shares at any particular price. You further acknowledge that you will be responsible for all brokerage fees and other costs of sale, and you agree to indemnify and hold the Company harmless from any losses, costs, damages, or expenses relating to any such sale. You acknowledge that it may not be possible to sell Shares during the term of this 10b5-1 Plan due to (a) a legal or contractual restriction applicable to you or to the broker, (b) a market disruption, (c) rules governing order execution priority on the NASDAQ or other exchange where the Shares may be traded, (d) a sale effected pursuant to this 10b5-1 Plan that fails to comply (or in the reasonable opinion of the Agent's counsel is likely not to comply) with the Securities Act, or (e) if the Company determines that sales may not be effected under this 10b5-1 Plan. In the event of the Agent's inability to sell Shares, you will continue to be responsible for the Tax-Related Items.

You hereby agree to execute and deliver to the Agent any other agreements or documents as the Agent reasonably deems necessary or appropriate to carry out the purposes and intent of the 10b5-1 Plan. You acknowledge that this 10b5-1 Plan is subject to the terms of any policy adopted now or hereafter by the Company governing the adoption of 10b5-1 plans. The Agent is a third party beneficiary of Section 9.2(a)(i) and this 10b5-1 Plan.

10. Nature of Grant

In accepting the grant, you acknowledge, understand and agree that:

- (a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;
- (b) the grant of the Award is voluntary and occasional and does not create any contractual or other right to receive future grants of restricted stock units, or benefits in lieu of restricted stock units, even if restricted stock units have been granted in the past;
- (c) all decisions with respect to future grants of restricted stock units, if any, will be at the sole discretion of the Company;
- (d) the grant of the Award and your participation in the Plan shall not create a right to employment or be interpreted as forming an employment or service contract with the Employer, the Company or any Related Corporation and shall not interfere with the ability of the Employer, the Company or any Related Corporation to terminate your employment or service relationship (if any);
- (e) you are voluntarily participating in the Plan;
- (f) the Award and the Shares subject to the Award are not intended to replace any pension rights or compensation;
- (g) the Award and the Shares subject to the Award, and the income and value of same, are not part of normal or expected compensation for any purpose, including but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments;
- (h) the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;
- (i) no claim or entitlement to compensation or damages shall arise from forfeiture of the Award resulting from your ceasing to provide employment or other services to the Company or the Employer (for any reason whatsoever, and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or the terms of your employment agreement, if any) and, in consideration of the grant of the Award to which you are otherwise not entitled, you irrevocably agree never to institute any claim against the Company, any Related Corporation or the Employer, waive the ability, if any, to bring any such claim and release the Company, any Related Corporation and the Employer from any such claim; if, notwithstanding the foregoing,

any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, you will be deemed irrevocably to have agreed not to pursue such claim and agree to execute any and all documents necessary to request dismissal or withdrawal of such claims;

(j) for purposes of the Award, your employment will be considered terminated as of the date you cease to actively provide services to the Company or a Related Corporation; further, in the event of termination of your employment or other services (for any reason whatsoever, and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or the terms of your employment agreement, if any), unless otherwise provided in this Agreement or determined by the Company, your right to vest in the Award, if any, will terminate effective as of the date that you are no longer actively providing services and will not be extended by any notice period (*e.g.*, active service would not include any contractual notice period or any period of “garden leave” or similar period mandated under employment laws in the jurisdiction where you are employed or the terms of your employment agreement, if any); the Company’s Chief Executive Officer shall have the exclusive discretion to determine when you are no longer actively providing services for purposes of the Award (including whether or not you may still be considered to be providing services while on an approved leave of absence);

(k) the grant of the Award is only made to you in your capacity of “employee” of a Related Corporation;

(l) unless otherwise provided in the Plan or by the Company in its discretion, the Award and the benefits evidenced by this Agreement do not create any entitlement to have the Award or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the shares of the Company; and

(l) neither the Company, the Employer nor any Related Corporation shall be liable for any foreign exchange rate fluctuation between your local currency and the United States dollar that may affect the value of the Award or of any amounts due to you pursuant to the settlement of the Award or the subsequent sale of any Shares acquired upon settlement.

11. No Advice Regarding Grant

The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding your participation in the Plan or your acquisition or sale of the underlying Shares. You are hereby advised to consult with your own personal tax, legal and financial advisors regarding your participation in the Plan before taking any action related to the Plan. You acknowledge that you have either consulted with competent advisors independent of the Company to obtain advice concerning the receipt of the Award and the acquisition or disposition of any Shares to be issued pursuant to the Award in light of your specific situation or had the opportunity to consult with such advisors but chose not to do so.

12. Data Privacy

You hereby explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your personal data as described in this Agreement and any other Award materials by and among, as applicable, the Employer, the Company and its Related Corporations for the exclusive purpose of implementing, administering and managing your participation in the Plan.

You understand that the Company and the Employer may hold certain personal information about you, including, but not limited to, your name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all Awards or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in your favor, for the exclusive purpose of implementing, administering and managing the Plan (“Data”).

You understand that Data will be transferred to Fidelity or such other stock plan service provider as may be selected by the Company in the future, which is assisting the Company with the implementation, administration and management of the Plan. You understand that the recipients of Data may be located in the United States or elsewhere, and that the recipients’ country (e.g., the United States) may have different data privacy laws and protections than France. You understand that you may request a list with the names and addresses of any potential recipients of Data by contacting your local human resources representative. You authorize the Company, Fidelity and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer Data, in electronic or other form, for the sole purpose of implementing, administering and managing your participation in the Plan. You understand that Data will be held only as long as is necessary to implement, administer and manage your participation in the Plan. You understand that you may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing your local human resources representative. Further, you understand that you are providing the consents herein on a purely voluntary basis. If you do not consent, your employment status or service and career with the Employer will not be adversely affected; the only adverse consequence of refusing or withdrawing your consent is that the Company would not be able to grant you the Award or other equity awards or administer or maintain such awards. Therefore, you understand that refusing or withdrawing your consent may affect your ability to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local human resources representative.

13. Electronic Delivery and Participation

The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

14. Language

If you have received this Agreement (or any portion thereof) or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different from the English version, the English version will control.

15. General Provisions

15.1 Successors and Assigns. The provisions of this Agreement will inure to the benefit of the successors and assigns of the Company and be binding upon you and your heirs, executors, administrators, successors and assigns.

15.2 Section 409A.

(a) For purposes of U.S. taxpayers, the settlement of the Units is intended to be in compliance with Section 409A of the Code, and this Agreement will be interpreted, operated and administered in a manner that is consistent with this intent. In furtherance of this intent, the Plan Administrator may, at any time and without your consent, modify the terms of the Award as it determines appropriate to comply with the requirements of Section 409A of the Code and the related U.S. Department of Treasury guidance or to mitigate any additional tax, interest and/or penalties that may apply under Section 409A of the Code if compliance is not practicable. The Company makes no representation or covenant to ensure that the Units, settlement of the Units or other payment hereunder are compliant with Section 409A of the Code and will have no liability to you or any other party if the settlement of the Units or other payment hereunder that is intended to be compliant with Section 409A of the Code, is not compliant or for any action taken by the Plan Administrator with respect thereto.

(b) Notwithstanding anything in this Agreement to the contrary, any Units that become vested under this Agreement by reason of a termination of employment and that constitute an item of non-qualified deferred compensation subject to Section 409A of the Code shall not be settled unless you experience a “separation from service” within the meaning of Section 409A of the Code (a “**Separation from Service**”) and such Units shall be settled within 90 days of a Separation from Service; provided, however, that if you are a “specified employee” within the meaning of Section 409A of the Code as of the date of the Separation from Service (as determined according to the methodology established by the Company as in effect on the date of your termination of employment), such Units shall instead be settled on the first business day that is after the earlier of (i) the date that is six months following the date of the Separation from Service or (ii) the date of your death, to the extent such delayed payment is otherwise required in order to avoid a prohibited distribution under Section 409A(a)(2) of the Code, or any successor provision thereto.

15.3 Governing Law and Choice of Venue. The Award and the provisions of this Agreement will be construed and administered in accordance with and governed by the laws of the State of Washington without giving effect to such state's principles of conflict of laws. For the purposes of litigating any dispute that arises under this grant of this Agreement, the parties hereby submit to and consent to the exclusive jurisdiction of the State of Washington and agree that such litigation shall be conducted in the courts of Spokane County, Washington, or the federal courts for the United States for the Eastern District of Washington, where this grant is made and/or to be performed.

15.4 Severability. The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

15.5 Notice. Any notice required or permitted hereunder shall be made in writing and sent to the following address:

Itron, Inc.
Attn. General Counsel
2111 N. Molter Road
Liberty Lake, WA 99019
USA

16. Waiver

You acknowledge that a waiver by the Company of breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by you or any other Participant.

**ITRON, INC.
AMENDED AND RESTATED 2010 STOCK INCENTIVE PLAN**

**LONG TERM PERFORMANCE
RESTRICTED STOCK UNIT AWARD NOTICE
FOR U.S. PARTICIPANTS**

Itron, Inc. (the “*Company*”) hereby grants to Participant a performance restricted stock unit award (the “*Award*”). The Award is subject to all the terms and conditions set forth in this Long Term Performance Restricted Stock Unit Award Notice (the “*Award Notice*”), the Long Term Performance Restricted Stock Unit Award Agreement, including Appendices A and B (the “*Agreement*”), and the Itron, Inc. Amended and Restated 2010 Stock Incentive Plan (the “*Plan*”), all of which are incorporated into the Award Notice in their entirety.

Participant: «First_Name» «Last_Name»

Grant Date: «Grant Date»

Performance Period: January 1, 2014 to December 31, 2016 (“*Performance Period*”)

Number of Long-Term Performance Restricted Stock Units (“PSUs”):

The actual number of PSUs that vest shall be determined based on the attainment of the performance goals specified in Appendix A, as assessed by the Plan Administrator as soon as reasonably practicable after the end of the Performance Period.

The aggregate target number of PSUs for the Performance Period is «# of Units» (the “*Target PSUs*”).

Additional Terms/Acknowledgement: This Award is subject to all the terms and conditions set forth in this Award Notice, the Agreement and the Plan which are attached to and incorporated into this Award Notice in their entirety.

«First_Name» «Last_Name»

I accept this Award subject to the terms and conditions stated herein.

«Electronically Signed»

Attachments:

1. Long-Term Performance Restricted Stock Unit Award Agreement, including Appendices A and B
2. Amended and Restated 2010 Stock Incentive Plan
3. Plan Prospectus

ITRON, INC.
AMENDED AND RESTATED 2010 STOCK INCENTIVE PLAN

LONG TERM PERFORMANCE
RESTRICTED STOCK UNIT AWARD AGREEMENT
FOR U.S. PARTICIPANTS

Pursuant to your Long Term Performance Restricted Stock Unit Award Notice (the “**Award Notice**”) and this Long Term Performance Restricted Stock Unit Award Agreement, including Appendices A and B (this “**Agreement**”), Itron, Inc. (the “**Company**”) has granted you a performance restricted stock unit award (the “**Award**”) under its Amended and Restated 2010 Stock Incentive Plan (the “**Plan**”). Capitalized terms not expressly defined in this Agreement but defined in the Plan shall have the same definitions as in the Plan, as applicable.

The details of the Award are as follows:

1. Number of Units Subject to Award

This Award is a performance-based award, the vesting of which is based on the attainment of the performance goals set by the Plan Administrator at the beginning of the performance period set forth in the Award Notice (the “**Performance Period**”) and at the beginning of each Annual EPS Performance Period (as defined in Appendix A), in accordance with the requirements of Section 162(m) of the Code in the case of any Award that is intended to constitute “qualified-performance-based compensation” within the meaning of Section 162(m) (4)(C) of the Code. The performance goals are set forth in Appendix A (or will be communicated to you as described in Appendix A) and the aggregate target number of PSUs for the Performance Period (the “**Target PSUs**”) is set forth in the Award Notice and in Appendix A.

2. Vesting

The Award will vest to the extent the performance goals set forth in Appendix A are attained for the Performance Period, as determined by the Plan Administrator. The Plan Administrator shall determine as soon as reasonably practicable, but in any event within thirty (30) days, after the end of the Performance Period, the attainment level of the performance goals. One share of Common Stock will be issuable for each PSU that vests. PSUs that have vested are referred to herein as “**Vested PSUs**.” PSUs that have not vested and remain subject to forfeiture are referred to herein as “**Unvested PSUs**.” The Unvested and Vested PSUs are collectively referred to herein as the “**PSUs**.” Except as provided in Section 3 below, the Award will terminate and the Unvested PSUs will be forfeited upon termination of your employment for any reason.

3. Termination of Employment; Change in Control Transaction

3.1 Death and Disability

If your employment terminates during the Performance Period by reason of (a) death or (b) Disability, you will become eligible to receive that number of PSUs that vest based on the actual

attainment of the performance goals as assessed after the end of the Performance Period and such PSUs shall be settled in accordance with Section 4 below.

3.2 Change in Control Transaction

(a) In the event of a Change in Control Transaction, the PSUs will be subject to any change in control severance agreement or other agreement providing for change in control provisions between you and the Company (a "**CIC Agreement**"). If you are not party to a CIC Agreement, the provisions of this Section 3.2 shall apply.

(b) In the event of a Change in Control Transaction in which (i) the Unvested PSUs are not assumed, substituted for, or converted into an award of the acquiring or surviving corporation (or a publicly-traded parent thereof) in a manner which prevents dilution of your rights under the Award or (ii) the acquiring or surviving corporation (or parent thereof) is not publicly-traded, the Unvested PSUs shall vest with respect to a number of PSUs equal to the greater of the (A) number of Target PSUs or (B) the number of PSUs based on the actual level of performance attained for the year in which the Change in Control Transaction occurs (as determined by the Board if the Board concludes that such performance may be determined as of the date of the Change in Control Transaction). Any PSUs that vest pursuant to this Section 3.2 (b) shall be paid out pro-rata, in accordance with Section 4 hereof, based on the portion of the Performance Period that has elapsed as of the date of the Change in Control Transaction.

(c) In the event of a Change in Control Transaction in which your Unvested PSUs are assumed, substituted for, or converted into an award of the acquiring or surviving public corporation (or a publicly-traded parent thereof) and your employment is terminated within twenty-four (24) months following such Change in Control Transaction and prior to settlement of the PSUs, other than (i) by the Company for Cause, (ii) by reason of death or Disability (which shall be governed by Section 3.1), or (iii) by you without Good Reason, the Unvested PSUs shall vest with respect to a number of PSUs equal to the greater of the (A) Target Number of PSUs or (B) the number of PSUs based on the actual level of performance attained for the year in which your termination occurs (as determined by the Board if the Board concludes that such performance may be determined as of the date of your termination). Any PSUs that vest pursuant to this Section 3.2(c) shall be paid out pro-rata, in accordance with Section 4, based on the portion of the Performance Period that has elapsed as of the date of your termination of employment.

(d) Definitions - For purposes of this Section 3.2, the following capitalized terms shall have the meanings set forth below:

(i) "**Base Salary**" shall mean your annual base salary immediately prior to a Change in Control Transaction, as such salary may be increased from time to time (in which case such increased amount shall be the Base Salary for purposes hereof), but without giving effect to any reduction thereto.

(ii) "**Beneficial Owner**" shall have the meaning set forth in Rule 13d-3 under the Exchange Act.

(iii) “**Cause**” for termination of your employment by the Company or your employer, if different (the “**Employer**”) shall mean (A) your willful and continued failure (other than any such failure resulting from (1) your incapacity due to physical or mental illness, (2) any such actual or anticipated failure after the issuance of a notice of termination in a form prescribed by the Company by you for Good Reason or (3) the Employer's active or passive obstruction of the performance of your duties and responsibilities) to perform substantially the duties and responsibilities of your position with the Employer after a written demand for substantial performance is delivered to you by the Employer, which demand specifically identifies the manner in which the Employer believes that you have not substantially performed such duties or responsibilities; (B) your conviction by a court of competent jurisdiction for felony criminal conduct (or the equivalent under applicable local law); or (C) your willful engaging in fraud or dishonesty which is injurious to the Company and/or the Employer or its reputation, monetarily or otherwise. No act, or failure to act, on your part shall be deemed “willful” unless committed, or omitted by you in bad faith and without reasonable belief that your act or failure to act was in, or not opposed to, the best interest of the Company and/or the Employer.

(iv) “**Good Reason**” for termination of your employment by you shall mean the occurrence (without your express written consent) after any Change in Control Transaction of any one of the following acts by the Company or the Employer, or failures by the Company or the Employer to act, unless, in the case of any act or failure to act described in subsection (A), (B), (C), (D) or (E) below, such act or failure to act is corrected prior to the date of your termination specified in a notice of termination in a form prescribed by the Company given in respect thereof:

(A) an adverse change in your status or position(s) with the Employer as in effect immediately prior to the Change in Control Transaction, including, without limitation, any adverse change in your status or position as a result of a diminution of your duties or responsibilities (other than, if applicable, any such change directly and solely attributable to the fact that the Company is no longer publicly owned) or the assignment to you of any duties or responsibilities which are inconsistent with such status or position(s), or any removal of you from, or any failure to reappoint or reelect you to, such position(s);

(B) a reduction in your Base Salary;

(C) a reduction in your annual bonus opportunity or long term incentive opportunity, as compared to the year immediately preceding the year in which the Change in Control Transaction occurs;

(D) the failure to continue provide welfare, pension and fringe benefits which are in each case, in the aggregate, substantially similar to those provided to you immediately prior to Change in Control Transaction;

(E) the Employer requiring you to be based at an office that is greater than 50 miles from where your office is located immediately prior to the Change in Control Transaction except for required travel on the Employer's business to an extent substantially consistent with the business travel obligations which you undertook on behalf of the Employer prior to the Change in Control Transaction; or

Notwithstanding the foregoing, the events described in clauses (B), (C) or (D) above shall not constitute Good Reason hereunder to the extent they are as a result of across-the-board reductions of the applicable compensation element following the Change in Control Transaction which are equally applicable to all similarly situated employees of the surviving corporation and its affiliates. Your right to terminate your employment for Good Reason shall not be affected by your incapacity due to physical or mental illness. In order for Good Reason to exist hereunder, you must provide notice to the Company of the existence of the condition or circumstance described above within 90 days of the initial existence of the condition or circumstance (or, if later, within 90 days of becoming aware of such condition or circumstance), and the Employer must have failed to cure such condition within 30 days of the receipt of such notice. Subject to the preceding sentence, your continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

(v) “**Person**” shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (A) the Company or any of its subsidiaries, (B) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its affiliates, (C) an underwriter temporarily holding securities pursuant to an offering of such securities or (D) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

4. Settlement of Vested Units.

Vested PSUs shall be settled on the earliest to occur of (a) a date within 60 days following the end of the Performance Period, (b) a date within 30 days following the termination of your employment (i) due to death or Disability pursuant to Section 3.1 above or (ii) following a Change in Control Transaction pursuant to Section 3.2(c) above, or (c) the date of a Change in Control Transaction pursuant to Section 3.2(b) above that constitutes a “change in control event” within the meaning of U.S. Treasury Regulation Section 1.409A-3(i)(5).

5. Securities Law Compliance

5.1 You represent and warrant that you (a) have been furnished with a copy of the prospectus for the Plan and all information which you deem necessary to evaluate the merits and risks of receipt of the Award, (b) have had the opportunity to ask questions and receive answers concerning the information received about the Award and the Company, and (c) have been given the opportunity to obtain any additional information you deem necessary to verify the accuracy of any information obtained concerning the Award and the Company.

5.2 You hereby agree that you will in no event sell or distribute all or any part of the shares of Common Stock that you receive pursuant to settlement of this Award (the “**Shares**”) unless (a) there is an effective registration statement under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) and any applicable state and foreign securities laws covering any such transaction involving the Shares or (b) the Company receives an opinion of your legal counsel (concurring with legal counsel for the Company) stating that such transaction is exempt from registration or the Company otherwise satisfies itself that such transaction is exempt from registration. You understand that the

Company has no obligation to you to register the Shares with the U.S. Securities and Exchange Commission or any foreign securities regulator and has not represented to you that it will so register the Shares.

5.3 You confirm that you have been advised, prior to your receipt of the Shares, that neither the offering of the Shares nor any offering materials have been reviewed by any regulator under the Securities Act or any other applicable securities act (the “**Acts**”) and that the Shares cannot be resold unless they are registered under the Acts or unless an exemption from such registration is available.

5.4 You hereby agree to indemnify the Company and hold it harmless from and against any loss, claim or liability, including attorneys’ fees or legal expenses, incurred by the Company as a result of any breach by you of, or any inaccuracy in, any representation, warranty or statement made by you in this Agreement or the breach by you of any terms or conditions of this Agreement.

6. Transfer Restrictions

PSUs shall not be sold, transferred, assigned, encumbered, pledged or otherwise disposed of, whether voluntarily or by operation of law.

7. No Rights as Shareholder

You shall not have voting or other rights as a shareholder of the Company with respect to the PSUs.

8. Book Entry Registration of Shares

The Company will issue the Shares by registering the Shares in book entry form with the Company’s transfer agent in your name and the applicable restrictions will be noted in the records of the Company’s transfer agent and in the book entry system.

9. Responsibility for Taxes

9.1 Regardless of any action the Company or your employer, if different (the “**Employer**”) take with respect to any and all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to your participation in the Plan and legally applicable to you (“**Tax-Related Items**”), you acknowledge that the ultimate liability for all Tax-Related Items is and remains your responsibility and may exceed the amount actually withheld by the Company and/or the Employer. You further acknowledge that the Company and the Employer (a) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Award, including, but not limited to, the granting or vesting of the Award, the settlement of Vested PSUs, the issuance of Shares upon settlement of the Vested PSUs, the subsequent sale of Shares acquired upon settlement of the Vested PSUs and the receipt of any dividends; and (b) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Award to reduce or eliminate your liability for Tax-Related Items or achieve any particular tax result. Further, if you have become subject to Tax-Related Items in more than one jurisdiction between the Grant Date and the date of any relevant taxable or tax withholding event, as applicable, you

acknowledge that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

9.2 Prior to any relevant taxable or tax withholding event, as applicable, you will pay or make adequate arrangements satisfactory to the Company and or the Employer to satisfy all Tax-Related Items.

(a) In this regard, you hereby irrevocably appoint Fidelity or any stock plan service provider or brokerage firm designated by the Company for such purpose (the “**Agent**”) as your Agent, and authorize the Agent, to:

- (i) Sell on the open market at the then prevailing market price(s), on your behalf, as soon as practicable on or after the settlement date for any Vested Unit, a number of Shares (rounded up to the next whole number) sufficient to generate proceeds to cover the Tax-Related Items and all applicable fees and commissions due to, or required to be collected by, the Agent;
- (ii) Remit directly to the Company the cash amount necessary to cover the Tax-Related Items;
- (iii) Retain the amount required to cover all applicable fees and commissions due to, or required to be collected by, the Agent, relating directly to the sale of Shares referred to in clause (i) above; and
- (iv) Remit any remaining funds to you.

(b) Alternatively, or in addition to or in combination with the withholding mechanism described in Section 9.2(a), you authorize the Company and/or the Employer, at their discretion, to satisfy the obligations with regard to all Tax-Related Items by:

- (i) requiring you to pay to the Company or the Employer any amount of the Tax-Related Items; and/or
- (ii) withholding any amount of the Tax-Related Items from your wages or other cash compensation paid to you by the Company and/or the Employer; and/or
- (iii) withholding in Shares to be issued upon settlement of the Vested PSUs provided, however, that if you are a Section 16 officer of the Company under the Exchange Act, then the Plan Administrator (as constituted to satisfy Rule 16b-3 of the Exchange Act) shall establish the method of withholding from the alternatives (i) - (iii) herein and, if the Plan Administrator does not exercise its discretion prior to the Tax-Related Items withholding event, then you shall be entitled to elect the method of withholding from the alternatives (i) - (iii) herein.

(c) Depending on the withholding method, the Company may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates, including maximum applicable rates, in which case you will receive a refund of any over-withheld amount in cash and will have no entitlement to the equivalent amount in Shares. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, you will be deemed to have been issued the full number of Shares subject to the Vested PSUs notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of your participation in the Plan. The Company may refuse to issue or deliver Shares to you if you fail to comply with your obligations in connection with the Tax-Related Items.

9.3 You acknowledge that the authorization and instruction to the Agent set forth in Section 9.2(a)(i) above to sell Shares to cover the Tax-Related Items is intended to comply with the requirements of Rule 10b5-1(c)(1)(i)(B) under the Exchange Act and to be interpreted to comply with the requirements of Rule 10b5-1(c) under the Exchange Act (regarding trading of the Company's securities on the basis of material nonpublic information) (a "**10b5-1 Plan**"). This 10b5-1 Plan is being adopted to permit you to sell a number of Shares issued upon settlement of Vested PSUs sufficient to pay the Tax-Related Items.

You acknowledge that the broker is under no obligation to arrange for the sale of Shares at any particular price. You further acknowledge that you will be responsible for all brokerage fees and other costs of sale, and you agree to indemnify and hold the Company harmless from any losses, costs, damages, or expenses relating to any such sale. You acknowledge that it may not be possible to sell Shares during the term of this 10b5-1 Plan due to (a) a legal or contractual restriction applicable to you or to the broker, (b) a market disruption, (c) rules governing order execution priority on the NASDAQ or other exchange where the Shares may be traded, (d) a sale effected pursuant to this 10b5-1 Plan that fails to comply (or in the reasonable opinion of the Agent's counsel is likely not to comply) with the Securities Act, or (e) if the Company determines that sales may not be effected under this 10b5-1 Plan. In the event of the Agent's inability to sell Shares, you will continue to be responsible for the Tax-Related Items.

You hereby agree to execute and deliver to the Agent any other agreements or documents as the Agent reasonably deems necessary or appropriate to carry out the purposes and intent of the 10b5-1 Plan. You acknowledge that this 10b5-1 Plan is subject to the terms of any policy adopted now or hereafter by the Company governing the adoption of 10b5-1 plans. The Agent is a third party beneficiary of Section 9.2(a)(i) and this 10b5-1 Plan.

10. Nature of Grant

In accepting the grant, you acknowledge, understand and agree that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;

(b) the grant of the Award is voluntary and occasional and does not create any contractual or other right to receive future grants of performance restricted stock units, or benefits in lieu of performance restricted stock units, even if performance restricted stock units have been granted in the past;

(c) all decisions with respect to future grants of performance restricted stock units, if any, will be at the sole discretion of the Company;

(d) the grant of the Award and your participation in the Plan shall not create a right to employment or be interpreted as forming an employment or service contract with the Employer, the Company or any Related Corporation and shall not interfere with the ability of the Employer, the Company or any Related Corporation to terminate your employment or service relationship (if any);

(e) you are voluntarily participating in the Plan;

(f) the Award and the Shares subject to the Award are not intended to replace any pension rights or compensation;

(g) the Award and the Shares subject to the Award, and the income and value of same, are not part of normal or expected compensation for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments;

(h) the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;

(i) no claim or entitlement to compensation or damages shall arise from forfeiture of the Award resulting from your ceasing to provide employment or other services to the Company or the Employer (for any reason whatsoever, and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or the terms of your employment agreement, if any) and, in consideration of the grant of the Award to which you are otherwise not entitled, you irrevocably agree never to institute any claim against the Company, any Related Corporation or the Employer, waive the ability, if any, to bring any such claim and release the Company, any Related Corporation and the Employer from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, you will be deemed irrevocably to have agreed not to pursue such claim and agree to execute any and all documents necessary to request dismissal or withdrawal of such claims;

(j) for purposes of the Award, your employment will be considered terminated as of the date you cease to actively provide services to the Company or a Related Corporation; further, in the event of termination of your employment or other services (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or the terms of your employment agreement, if any), unless otherwise provided in this Agreement or determined by the Company, your right to vest in the Award, if any, will terminate effective as of the date that you are no longer actively providing services and will not be extended by any notice period (e.g., active service would not include any contractual notice period or any period of “garden leave” or similar period mandated under employment laws in the jurisdiction where you are employed or the terms of your employment agreement, if any); the Company’s Chief Executive Officer shall have the exclusive discretion to determine when you are no longer actively providing services for purposes of the Award (including whether or not you may still be considered to be providing services while on an approved leave of absence); and

(k) unless otherwise provided in the Plan or by the Company in its discretion, the Award and the benefits evidenced by this Agreement do not create any entitlement to have the Award or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the shares of the Company.

11. No Advice Regarding Grant

The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding your participation in the Plan or your acquisition or sale of the underlying Shares. You are hereby advised to consult with your own personal tax, legal and financial advisors regarding your participation in the Plan before taking any action related to the Plan. You acknowledge that you have either consulted with competent advisors independent of the Company to obtain advice concerning the receipt of the Award and the acquisition or disposition of any Shares to be issued pursuant to the Award in light of your specific situation or had the opportunity to consult with such advisors but chose not to do so.

12. Data Privacy

You hereby explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your personal data as described in this Agreement and any other Award materials by and among, as applicable, the Employer, the Company and its Related Corporations for the exclusive purpose of implementing, administering and managing your participation in the Plan.

You understand that the Company and the Employer may hold certain personal information about you, including, but not limited to, your name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all Awards or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in your favor, for the exclusive purpose of implementing, administering and managing the Plan (“Data”).

You understand that Data will be transferred to Fidelity or such other stock plan service provider as may be selected by the Company in the future, which is assisting the Company with

the implementation, administration and management of the Plan. You understand that the recipients of Data may be located in the United States or elsewhere, and that the recipients' country (e.g., the United States) may have different data privacy laws and protections than your country. You understand that you may request a list with the names and addresses of any potential recipients of Data by contacting your local human resources representative. You authorize the Company, Fidelity and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer Data, in electronic or other form, for the sole purpose of implementing, administering and managing your participation in the Plan. You understand that Data will be held only as long as is necessary to implement, administer and manage your participation in the Plan. You understand that you may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing your local human resources representative. Further, you understand that you are providing the consents herein on a purely voluntary basis. If you do not consent, your employment status or service and career with the Employer will not be adversely affected; the only adverse consequence of refusing or withdrawing your consent is that the Company would not be able to grant you the Award or other equity awards or administer or maintain such awards. Therefore, you understand that refusing or withdrawing your consent may affect your ability to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local human resources representative.

13. Electronic Delivery and Participation

The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

14. Language

If you have received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different from the English version, the English version will control.

15. General Provisions

15.1 Successors and Assigns. The provisions of this Agreement will inure to the benefit of the successors and assigns of the Company and be binding upon you and your heirs, executors, administrators, successors and assigns.

15.2 Section 409A.

(a) For purposes of U.S. taxpayers, the PSUs and the settlement of the PSUs are intended to comply with Section 409A of the Code, and this Agreement will be interpreted, operated and administered in a manner that is consistent with this intent. In furtherance of this intent, the Plan Administrator may, at any time and without your consent, modify the terms of the Award as it determines appropriate to comply with the requirements of Section 409A of the Code and the related U.S. Department of Treasury guidance or to mitigate any additional tax, interest and/or penalties that may apply under Section 409A of the Code if compliance is not practicable. The Company makes no representation or covenant to ensure that the PSUs, settlement of the PSUs or other payment hereunder are compliant with Section 409A of the Code and neither the Company nor any of its affiliates shall under any circumstances have any liability to you or any other party if the settlement of the PSUs or other payment hereunder that is intended to be compliant with Section 409A of the Code is not compliant or for any action taken by the Plan Administrator with respect thereto.

(b) Notwithstanding anything in this Agreement to the contrary, any PSUs that become vested under this Agreement by reason of a termination of employment and that constitute an item of non-qualified deferred compensation subject to Section 409A of the Code shall not be settled unless you experience a “separation from service” within the meaning of Section 409A of the Code (a “**Separation from Service**”) and such PSUs shall be settled within 90 days of a Separation from Service; provided, however, that if you are a “specified employee” within the meaning of Section 409A of the Code as of the date of the Separation from Service (as determined according to the methodology established by the Company as in effect on the date of your termination of employment), such PSUs shall instead be settled on the first business day that is after the earlier of (i) the date that is six months following the date of the Separation from Service or (ii) the date of your death, to the extent such delayed payment is otherwise required in order to avoid a prohibited distribution under Section 409A(a)(2) of the Code, or any successor provision thereto.

15.3 Governing Law and Choice of Venue. The Award and the provisions of this Agreement will be construed and administered in accordance with and governed by the laws of the State of Washington without giving effect to such state’s principles of conflict of laws. For the purposes of litigating any dispute that arises under this grant of this Agreement, the parties hereby submit to and consent to the exclusive jurisdiction of the State of Washington and agree that such litigation shall be conducted in the courts of Spokane County, Washington, or the federal courts for the United States for the Eastern District of Washington, where this grant is made and/or to be performed.

15.4 Severability. The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

15.5 Notice. Any notice required or permitted hereunder shall be made in writing and sent to the following address:

Itron, Inc.
Attn. General Counsel
2111 N. Molter Road
Liberty Lake, WA USA 99019

16. Appendix B

Notwithstanding any provisions in this Agreement, the Award shall be subject to any special terms and conditions set forth in Appendix B to this Agreement for your country ("**Appendix B**"). Moreover, if you relocate to one of the countries included in Appendix B, the special terms and conditions for such country will apply to you, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. Appendix B constitutes part of this Agreement.

17. Imposition of Other Requirements

The Company reserves the right to impose other requirements on your participation in the Plan, on the Award and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require you to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

18. Waiver

You acknowledge that a waiver by the Company of breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by you or any other Participant.

19. Repayment/Clawback/Recovery

If Participant is subject to the Company's Incentive Repayment Policy (the "**Repayment Policy**") at any time between the Grant Date and the date the PSUs are settled, any Shares, payment or benefit made under the Award shall be subject to repayment in accordance with the provisions of the Repayment Policy. In addition, any Shares, payment or benefit made under the Award will be subject to recoupment in accordance with any clawback policy that the Company is required to adopt pursuant to the listing standards of any national securities exchange or association on which the Company's securities are listed or as is otherwise required by the Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable law.

APPENDIX A

ITRON, INC. AMENDED AND RESTATED 2010 STOCK INCENTIVE PLAN

LONG TERM PERFORMANCE RESTRICTED STOCK UNIT AWARD NOTICE

Appendix A sets forth the performance goals for the performance restricted stock unit award (the “**Award**”) under the Itron, Inc. Amended and Restated 2010 Stock Incentive Plan (the “**Plan**”) evidenced by the Long Term Performance Restricted Stock Unit Award Agreement (the “**Agreement**”) to which it is attached. Capitalized terms not expressly defined in this Appendix A but defined in the Plan or the Agreement shall have the same definitions as in the Plan and/or the Agreement, as applicable. Please refer to the schedule that is attached to Appendix A for supplemental information explaining the operation of the performance goals applicable to the Award.

The aggregate target number of PSUs for the Performance Period is: «# of Units» (the “**Target PSUs**”).

The actual number of PSUs that shall vest is based on the level of attainment of a combination of the following two performance goals: non-GAAP Earnings Per Share (“**EPS**”) of the Company as calculated for purposes of the Company’s earnings release as described in the Company’s public filings and Total Shareholder Return (“**TSR**”) of the Company during the Performance Period as further described below.

The total number of PSUs that is eligible to vest under this Award is between 0% - 200% of the Target PSUs based on attainment of the EPS performance goal and the TSR performance goal. The total number of PSUs that will actually vest will be equal to the sum of (i) the EPS-Based Vested PSUs, plus (ii) the product of (x) the TSR Performance Goal Multiplier, multiplied by (y) the EPS-Based Vested PSUs (as these terms are defined and further described below).

Any PSUs that vest shall be settled in accordance with Section 4 of the Agreement.

EPS Performance Goal:

A number of PSUs that is equal to between 0% - 160% of the Target PSUs is eligible to vest based on the attainment of EPS performance goals in accordance with the following terms:

An annual “**EPS Performance Goal**” (including “**Threshold Goal**” and “**Maximum Goal**”) shall be established at the beginning of each year for each of the calendar years contained in the Performance Periods (each, an “**Annual EPS Performance Period**”). Immediately following the end of each Annual EPS Performance Period, the Plan Administrator shall assess the attainment level of the Company’s EPS against the annual EPS Performance Goal corresponding to the Annual EPS Performance Period and assign a percentage of attainment of between 0% - 160% (with attainment between the Threshold Goal and Maximum Goal subject to interpolation). The number of PSUs that is eligible to vest at the end of the Performance Period based on the attainment of the EPS Performance

Goal shall be equal to the product of (a) the average of the attainment level of the EPS Performance Goal for each of the Annual EPS Performance Periods contained in the Performance Period (expressed as a percentage), multiplied by (b) the portion of the Target PSUs for the Performance Period (the “**EPS-Based Vested PSUs**”).

No PSUs will become eligible for vesting if the Company’s EPS is below the Threshold Goal.

TSR Performance Goal Multiplier:

The number of PSUs that is eligible to vest may be greater or less than the number of EPS-Based Vested PSUs depending on the level of attainment of Company TSR performance relative to the TSR attained by companies comprising the Russell 3000 Index (such increase or decrease to the number of PSUs eligible to vest, the “**TSR Performance Goal Multiplier**,” and the index, the “**Peer Group TSR**”). For purposes of calculating the Company’s TSR, the value of the Common Stock on the first day of the Performance Period shall be deemed to be the average of the closing price of the Common Stock for the 20 trading days ending on the first trading day of the Performance Period and the value of the Common Stock for the last day of the Performance Period shall be deemed to be the average of the closing price of the Common Stock for the 20 trading days ending on the last trading day of the Performance Period. The TSR Performance Goal Multiplier shall be between 0.75 and 1.25, as determined in accordance with the following schedule:

- If Company TSR is at or below the 25% percentile of the Peer Group TSR, the TSR Performance Goal Multiplier shall be equal to 0.75.
- If Company TSR is at the 50% percentile of the Peer Group TSR, the TSR Performance Goal Multiplier shall be equal to 1.
- If Company TSR is at or above the 75th percentile of the Peer Group TSR, the TSR Performance Goal Multiplier shall be equal to 1.25.
- If Company TSR is above the 25th or below the 75th percentile of the Peer Group TSR, the attainment between the goals shall be subject to interpolation.

If the Award is intended to constitute “qualified performance-based compensation,” within the meaning of Section 162(m) (4)(C) of the Code, the Plan Administrator shall determine and certify the actual level of attainment of the performance goals and the number of PSUs that become eligible for vesting in accordance with the requirements of Section 162(m) of the Code. The performance goals shall be adjusted per the 2014 Long-Term Performance Plan Criteria, as approved by the Plan Administrator, provided that the Plan Administrator may also adjust the performance goals in a manner that would result in a decrease to the number of PSUs that would otherwise become eligible for vesting. Further, in determining the number of PSUs that become eligible for vesting, the Plan Administrator has the discretion to reduce (including to zero), but not increase, the number of PSUs that would otherwise become eligible for vesting.

APPENDIX B

ITRON, INC.

AMENDED AND RESTATED 2010 STOCK INCENTIVE PLAN

LONG TERM PERFORMANCE RESTRICTED STOCK UNIT AWARD NOTICE

Terms and Conditions

Appendix B includes additional terms and conditions that govern the grant of the restricted stock unit award (the “*Award*”) under the Itron, Inc. Amended and Restated 2010 Stock Incentive Plan (the “*Plan*”) in the countries listed below. Capitalized terms not expressly defined in this Appendix B but defined in the Plan or the Long Term Performance Restricted Stock Unit Award Agreement (the “*Agreement*”) shall have the same definitions as in the Plan and/or the Agreement, as applicable.

Notifications

This Appendix B also includes information regarding exchange control and other issues of which you should be aware with respect to your participation in the Plan. The information is based on the exchange control, securities and other laws in effect in the respective countries as of February 2014. Such laws are often complex and change frequently. As a result, the Company strongly recommends that you not rely on the information herein as the only source of information relating to the consequences of participation in the Plan because the information may be out of date at the time that the Award vests or the Shares acquired under the Plan are sold.

In addition, the information contained herein is general in nature and may not apply to your particular situation and the Company is not in a position to assure you of a particular result. Accordingly, you are advised to seek appropriate professional advice as to how the relevant laws in your country may apply to your situation.

Finally, if you are a citizen or resident of a country other than the one in which you are currently working, or if you transfer employment or residency to another country after the Award is granted, the information contained herein may not be applicable to you.

UNITED STATES

Terms and Conditions

Termination of Employment. This provision supplements Section 3.1 of the Agreement:

If your employment terminates during the Performance Period by reason of Retirement, you shall be eligible to receive a prorated number of PSUs that vest based on the actual attainment of the performance goals as assessed after the end of the Performance Period and such PSUs shall be settled in accordance with Section 4. The prorated portion shall be calculated by multiplying the number of PSUs that vest based on actual attainment of the performance goal by a fraction, the numerator of which shall be equal to the number of the calendar days you were actively employed with the Company and/or a Related Corporation during the Performance Period and the denominator of which shall be the number of calendar days in the Performance Period.

For purposes of this Agreement, "Retirement" shall mean a termination of employment (other than an involuntary termination for Cause) (a) on or after your 65th birthday or (b) on or after your 55th birthday if you have, at such time, been employed by the Company and/or a Related Corporation for at least ten (10) years.

**ITRON, INC.
AMENDED AND RESTATED 2010 STOCK INCENTIVE PLAN**

**LONG TERM PERFORMANCE
RESTRICTED STOCK UNIT AWARD NOTICE
FOR PARTICIPANTS IN FRANCE**

Itron, Inc. (the “*Company*”) hereby grants to Participant a performance restricted stock unit award (the “*Award*”). The Award is subject to all the terms and conditions set forth in this Long Term Performance Restricted Stock Unit Award Notice (the “*Award Notice*”), the Long Term Performance Restricted Stock Unit Award Agreement, including Appendix A (the “*Agreement*”), the Itron, Inc. 2010 Amended and Restated Stock Incentive Plan (the “*U.S. Plan*”), and the Rules of the Itron, Inc. Amended and Restated 2010 Stock Incentive Plan for the Grant of Restricted Stock Units to Participants in France (the “*French RSU Plan*” and together with the U.S. Plan, the “*Plan*”), all of which are incorporated into the Award Notice in their entirety.

Participant: «First_Name» «Last_Name»

Grant Date: «Grant Date»

Performance Period: January 1, 2014 to December 31, 2016 (“*Performance Period*”)

Time-Based Vesting Date: Last day of the Performance Period (which shall, in no event, be prior to the second anniversary of the Grant Date).

The actual number of PSUs that vest shall be determined based on Participant’s continued employment through the Time-Based Vesting Date and the attainment of the performance goals specified in Appendix A, as assessed by the Plan Administrator as soon as reasonably practicable after the end of the Performance Period.

Number of Long-Term Performance Restricted Stock Units (“PSUs”): The aggregate target number of PSUs for the Performance Period is «# of Units» (the “*Target PSUs*”).

Restriction on Sale of Shares: Any Shares acquired pursuant to the Award cannot be sold prior to the second anniversary of the date the Shares are issued to you or during Closed Periods (as described in the Agreement), except in certain exceptional circumstances.

Additional Terms/Acknowledgement: This Award is subject to all the terms and conditions set forth in this Award Notice, the Agreement and the Plan which are attached to and incorporated into this Award Notice in their entirety.

By accepting this Award Notice and Agreement providing for the terms and conditions of my grant, I confirm having read and understood the documents relating to this grant (the Performance Restricted Stock Unit Award Agreement, including Appendix A, the U.S. Plan, the French RSU Plan and the U.S. Plan Prospectus) which were provided to me in English language. I accept the terms of those documents accordingly.

En acceptant la présente Notice d'Attribution et le Contrat décrivant les termes et conditions de mon attribution, je confirme ainsi avoir lu et compris les documents relatifs à cette attribution (le Contrat d'Attribution d'Actions Gratuites soumises à des Conditions de Performance, incluant l'Annexe A, le Plan Américain, le Sous-Plan pour la France et le Prospectus Américain) qui m'ont été communiqués en langue anglaise. J'en accepte les termes en connaissance de cause.

«First_Name» «Last_Name»

I accept this Award subject to the terms and conditions stated herein.

«Electronically Signed»

Attachments:

1. Long-Term Performance Restricted Stock Unit Award Agreement, including Appendix A
2. U.S. Plan
3. French RSU Plan
4. U.S. Plan Prospectus

ITRON, INC.
AMENDED AND RESTATED 2010 STOCK INCENTIVE PLAN

LONG TERM PERFORMANCE
RESTRICTED STOCK UNIT AWARD AGREEMENT
FOR PARTICIPANTS IN FRANCE

Pursuant to your Long Term Performance Restricted Stock Unit Award Notice (the “**Award Notice**”) and this Long Term Performance Restricted Stock Unit Award Agreement, including Appendix A (this “**Agreement**”), Itron, Inc. (the “**Company**”) has granted you a performance restricted stock unit award (the “**Award**”) under its Amended and Restated 2010 Stock Incentive Plan (the “**U.S. Plan**”) and the Rules of the Itron, Inc. Amended and Restated 2010 Stock Incentive Plan for the Grant of Restricted Stock Units to Participants in France (the “**French RSU Plan**” and together with the U.S. Plan, the “**Plan**”). Capitalized terms not expressly defined in this Agreement but defined in the Plan shall have the same definitions as in the Plan, as applicable.

The Award is intended to qualify for the specific tax and social security treatment in France applicable to shares granted for no consideration under Sections L. 225-197-1 to

L. 225-197-6 of the French Commercial Code, as amended. However, certain events may affect the qualified status of the Award and the Company does not make any undertaking or representation to maintain the qualified status of the Award. If the Award does not retain its qualified status, the specific tax and social security treatment will not apply and you will be required to pay your portion of social security contributions resulting from the Award.

Moreover, if you relocate to another country, any special terms and conditions applicable to restricted stock unit awards granted in such country will apply to you, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons.

In addition, the Company reserves the right to impose other requirements on the Award and any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require you to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

The details of the Award are as follows:

1. Number of Units Subject to Award

This Award is a performance-based award, the vesting of which is based both on your continued employment through the Time-Based Vesting Date and on the attainment of the performance goals set by the Plan Administrator at the beginning of the performance period set forth in the Award Notice (the “**Performance Period**”) and at the beginning of each Annual EPS Performance Period (as defined in Appendix A), in accordance with the requirements of Section 162(m) of the Code in the case of any Award that is intended to constitute “qualified-performance-based compensation” within the

meaning of Section 162(m) (4)(C) of the Code. The performance goals are set forth in Appendix A (or will be communicated to you as described in Appendix A) and the aggregate target number of PSUs for the Performance Period (the “**Target PSUs**”) is set forth in the Award Notice and in Appendix A.

2. Vesting

The Award will vest based on your continued employment through the Time-Based Vesting Date and to the extent the performance goals set forth in Appendix A are attained for the Performance Period, as determined by the Plan Administrator. The Plan Administrator shall determine as soon as reasonably practicable, but in any event within thirty (30) days, after the end of the Performance Period, the attainment level of the performance goals.

One share of Common Stock will be issuable for each PSU that vests. PSUs that have vested are referred to herein as “**Vested PSUs**.” PSUs that have not vested and remain subject to forfeiture are referred to herein as “**Unvested PSUs**.” The Unvested and Vested PSUs are collectively referred to herein as the “**PSUs**.” Except as provided in Section 3 below, the Award will terminate and the Unvested PSUs will be forfeited upon termination of your employment for any reason.

3. Termination of Employment; Change in Control Transaction

3.1 Death and Disability

If your employment terminates during the Performance Period by reason of death, the number of PSUs that vest based on the actual attainment of the performance goals as assessed after the end of the Performance Period and such PSUs shall be settled in accordance with Section 4 below. The Company will issue the Shares subject to such PSUs to your heirs in the year following the end of the Performance Period, provided they contact the Company to request the issuance of the Shares within six (6) months following your death. If your heirs do not request the issuance of the Shares within six (6) months of your death, all of the PSUs will be forfeited to the Company.

If your employment terminates during a Performance Period by reason of Disability (as defined in the French RSU Plan), you will become eligible to receive that number of PSUs that vest based on the actual attainment of the performance goals as assessed after the end of the corresponding Performance Period and such PSUs shall be settled in accordance with Section 4 below.

3.2 Change in Control Transaction

(a) In the event of a Change in Control Transaction, the PSUs will be subject to any change in control severance agreement or other agreement providing for change in control provisions between you and the Company (a “**CIC Agreement**”). If you are not party to a CIC Agreement, the provisions of this Section 3.2 shall apply.

(b) In the event of a Change in Control Transaction in which (i) the Unvested PSUs are not assumed, substituted for, or converted into an award of the acquiring or surviving corporation (or a publicly-traded parent thereof) in a manner which prevents dilution of your rights under the Award or (ii) the acquiring or surviving corporation (or parent thereof) is not publicly-traded, the

Unvested PSUs shall vest with respect to a number of PSUs equal to the greater of the (A) number of Target PSUs or (B) the number of PSUs based on the actual level of performance attained for the year in which the Change in Control Transaction occurs (as determined by the Board if the Board concludes that such performance may be determined as of the date of the Change in Control Transaction). Any PSUs that vest pursuant to this Section 3.2 (b) shall be paid out pro-rata, in accordance with Section 4 hereof, based on the portion of the Performance Period that has elapsed as of the date of the Change in Control Transaction.

(c) In the event of a Change in Control Transaction in which your Unvested PSUs are assumed, substituted for, or converted into an award of the acquiring or surviving public corporation (or a publicly-traded parent thereof) and your employment is terminated within twenty-four (24) months following such Change in Control Transaction and prior to settlement of the PSUs, other than (i) by the Company for Cause, (ii) by reason of death or Disability (which shall be governed by Section 3.1), or (iii) by you without Good Reason, the Unvested PSUs shall vest with respect to a number of PSUs equal to the greater of the (A) Target Number of PSUs or (B) the number of PSUs based on the actual level of performance attained for the year in which your termination occurs (as determined by the Board if the Board concludes that such performance may be determined as of the date of your termination). Any PSUs that vest pursuant to this Section 3.2(c) shall be paid out pro-rata, in accordance with Section 4, based on the portion of the Performance Period that has elapsed as of the date of your termination of employment.

(d) In the event of a Change in Control Transaction triggering the provisions set forth in Sections 3.2(a), 3.2(b) or 3.2(c), the Award may not retain its qualified status in which case the specific tax and social security treatment applicable to qualified awards will not apply.

(e) Definitions - For purposes of this Section 3.2, the following capitalized terms shall have the meanings set forth below:

(i) “**Base Salary**” shall mean your annual base salary immediately prior to a Change in Control Transaction, as such salary may be increased from time to time (in which case such increased amount shall be the Base Salary for purposes hereof), but without giving effect to any reduction thereto.

(ii) “**Beneficial Owner**” shall have the meaning set forth in Rule 13d-3 under the Exchange Act.

(iii) “**Cause**” for termination of your employment by the Company or your employer (the “**Employer**”) shall mean (A) your willful and continued failure (other than any such failure resulting from (1) your incapacity due to physical or mental illness, (2) any such actual or anticipated failure after the issuance of a notice of termination in a form prescribed by the Company by you for Good Reason or (3) the Employer’s active or passive obstruction of the performance of your duties and responsibilities) to perform substantially the duties and responsibilities of your position with the Employer after a written demand for substantial performance is delivered to you by the Employer, which demand specifically identifies the manner in which the Employer believes that you have not substantially performed such duties or responsibilities; (B) your conviction by a court of competent jurisdiction for felony criminal conduct (or the equivalent under applicable local law); or

(C) your willful engaging in fraud or dishonesty which is injurious to the Company and/or the Employer or its reputation, monetarily or otherwise. No act, or failure to act, on your part shall be deemed “willful” unless committed, or omitted by you in bad faith and without reasonable belief that your act or failure to act was in, or not opposed to, the best interest of the Company and/or the Employer.

(iv) “**Good Reason**” for termination of your employment by you shall mean the occurrence (without your express written consent) after any Change in Control Transaction of any one of the following acts by the Company or the Employer, or failures by the Company or the Employer to act, unless, in the case of any act or failure to act described in subsection (A), (B), (C), (D) or (E) below, such act or failure to act is corrected prior to the date of your termination specified in a notice of termination in a form prescribed by the Company given in respect thereof:

(A) an adverse change in your status or position(s) with the Employer as in effect immediately prior to the Change in Control Transaction, including, without limitation, any adverse change in your status or position as a result of a diminution of your duties or responsibilities (other than, if applicable, any such change directly and solely attributable to the fact that the Company is no longer publicly owned) or the assignment to you of any duties or responsibilities which are inconsistent with such status or position(s), or any removal of you from, or any failure to reappoint or reelect you to, such position(s);

(B) a reduction in your Base Salary;

(C) a reduction in your annual bonus opportunity or long term incentive opportunity, as compared to the year immediately preceding the year in which the Change in Control Transaction occurs;

(D) the failure to continue provide welfare, pension and fringe benefits which are in each case, in the aggregate, substantially similar to those provided to you immediately prior to Change in Control Transaction;

(E) the Employer requiring you to be based at an office that is greater than 50 miles from where your office is located immediately prior to the Change in Control Transaction except for required travel on the Employer's business to an extent substantially consistent with the business travel obligations which you undertook on behalf of the Employer prior to the Change in Control Transaction; or

Notwithstanding the foregoing, the events described in clauses (B), (C) or (D) above shall not constitute Good Reason hereunder to the extent they are as a result of across-the-board reductions of the applicable compensation element following the Change in Control Transaction which are equally applicable to all similarly situated employees of the surviving corporation and its affiliates. Your right to terminate your employment for Good Reason shall not be affected by your incapacity due to physical or mental illness. In order for Good Reason to exist hereunder, you must provide notice to the Company of the existence of the condition or circumstance described above within 90 days of the initial existence of the condition or circumstance (or, if later, within 90 days of becoming aware of such condition or circumstance), and the Employer must have failed to cure such condition within 30 days of the receipt of such notice. Subject to the preceding sentence, your continued

employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

(v) “**Person**” shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (A) the Company or any of its subsidiaries, (B) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its affiliates, (C) an underwriter temporarily holding securities pursuant to an offering of such securities or (D) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

4. Settlement of Vested PSUs.

Vested PSUs shall be settled on the earliest to occur of (a) a date within 60 days following the end of the Performance Period, (b) a date within 30 days following the termination of your employment (i) due to death or Disability pursuant to Section 3.1 above or (ii) following a Change in Control Transaction pursuant to Section 3.2(c) above, or (c) the date of a Change in Control Transaction pursuant to Section 3.2(b) above that constitutes a “change in control event” within the meaning of U.S. Treasury Regulation Section 1.409A-3(i)(5).

5. Securities Law Compliance

5.1 You represent and warrant that you (a) have been furnished with a copy of the prospectus for the Plan and all information which you deem necessary to evaluate the merits and risks of receipt of the Award, (b) have had the opportunity to ask questions and receive answers concerning the information received about the Award and the Company, and (c) have been given the opportunity to obtain any additional information you deem necessary to verify the accuracy of any information obtained concerning the Award and the Company.

5.2 You hereby agree that you will in no event sell or distribute all or any part of the shares of Common Stock that you receive pursuant to settlement of this Award (the “**Shares**”) unless (a) there is an effective registration statement under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) and any applicable state and foreign securities laws covering any such transaction involving the Shares or (b) the Company receives an opinion of your legal counsel (concurred with by legal counsel for the Company) stating that such transaction is exempt from registration or the Company otherwise satisfies itself that such transaction is exempt from registration. You understand that the Company has no obligation to you to register the Shares with the U.S. Securities and Exchange Commission or any foreign securities regulator and has not represented to you that it will so register the Shares.

5.3 You confirm that you have been advised, prior to your receipt of the Shares, that neither the offering of the Shares nor any offering materials have been reviewed by any regulator under the Securities Act or any other applicable securities act (the “**Acts**”) and that the Shares cannot be resold unless they are registered under the Acts or unless an exemption from such registration is available.

5.4 You hereby agree to indemnify the Company and hold it harmless from and against any loss, claim or liability, including attorneys' fees or legal expenses, incurred by the Company as a result of any breach by you of, or any inaccuracy in, any representation, warranty or statement made by you in this Agreement or the breach by you of any terms or conditions of this Agreement.

6. Transfer Restrictions

PSUs shall not be sold, transferred, assigned, encumbered, pledged or otherwise disposed of, whether voluntarily or by operation of law.

6.1 Holding Period

You are required to hold the Shares issued pursuant to the vesting of the PSUs for two years as measured from the date the Shares are issued to you in accordance to Section 4 above or such other period as is required to comply with the minimum mandatory holding period applicable to Shares underlying French-qualified Restricted Stock Units (the "**Holding Period**") in order to benefit from the specific French tax and social insurance contributions regime, even if you are no longer an employee or corporate officer, as applicable, of a French Entity or otherwise employed by the Company or a Subsidiary, if applicable. As from the end of the Holding Period, the corresponding Shares shall be freely transferable, subject to applicable legal and regulatory provisions in force and in particular to the provisions of Section 6.2 below.

This Holding Period requirement shall not apply to your heirs should they acquire Shares under the Plan pursuant to Section 3.1 above nor shall it apply if you terminate employment due to Disability (as defined in the French RSU Plan).

6.2 Closed Period

As long as the Award and the Shares issued upon settlement of the vested PSUs maintain their qualified status and to the extent such restriction is applicable under French law, the Shares may not be sold during a Closed Period which currently includes:

Ten quotation days preceding and three quotation days following the disclosure to the public of the consolidated financial statements or the annual statements of the Company; and

Any period during which the corporate management of the Company possesses material information which could, if disclosed to the public, significantly impact the quotation of the Shares, until ten quotation days after the day such information is disclosed to the public. This Closed Period restriction shall not apply to your heirs should they acquire Shares under the Plan pursuant to Section 3.1 above nor shall it apply if you terminate employment due to Disability (as defined in the French RSU Plan).

6.3 Shareholding Restrictions

If you qualify as a managing corporate officer (i.e., “*mandataires sociaux*,” *Président du Conseil d’Administration*, *Directeur Général*, *Directeur Général Délégué*, *Membre du Directoire*, *Gérant de Sociétés par actions*) or have a comparable position in any other company within the Company group, and if the Award is granted to you in such capacity, you are subject to shareholding restrictions and you must hold 20% of the Shares issued upon vesting of the PSUs and not sell such Shares until you cease to serve as a managing corporate officer of the Company (or cease to have a comparable position as described herein), if required under French law.

7. No Rights as Shareholder

You shall not have voting or other rights as a shareholder of the Company with respect to the PSUs.

8. Book Entry Registration of Shares

The Company will issue the Shares by registering the Shares in book entry form with the Company’s transfer agent in your name and the applicable restrictions will be noted in the records of the Company’s transfer agent and in the book entry system.

9. Responsibility for Taxes

9.1 Regardless of any action the Company or your employer (the “**Employer**”) take with respect to any and all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to your participation in the Plan and legally applicable to you (“**Tax-Related Items**”), you acknowledge that the ultimate liability for all Tax-Related Items is and remains your responsibility and may exceed the amount actually withheld by the Company and/or the Employer. You further acknowledge that the Company and the Employer (a) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Award, including, but not limited to, the granting or vesting of the Award, the settlement of Vested PSUs, the issuance of Shares upon settlement of the Vested PSUs, the subsequent sale of Shares acquired upon settlement of the Vested PSUs and the receipt of any dividends; and (b) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Award to reduce or eliminate your liability for Tax-Related Items or achieve any particular tax result. Further, if you have become subject to Tax-Related Items in more than one jurisdiction between the Grant Date and the date of any relevant taxable or tax withholding event, as applicable, you acknowledge that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

9.2 Prior to any relevant taxable or tax withholding event, as applicable, you will pay or make adequate arrangements satisfactory to the Company and or the Employer to satisfy all Tax-Related Items.

(a) In this regard, you hereby irrevocably appoint Fidelity or any stock plan service provider or brokerage firm designated by the Company for such purpose (the “**Agent**”) as your Agent, and authorize the Agent, to:

- (i) Sell on the open market at the then prevailing market price(s), on your behalf, as soon as practicable on or after the settlement date for any Vested Unit, a number of Shares (rounded up to the next whole number) sufficient to generate proceeds to cover the Tax-Related Items and all applicable fees and commissions due to, or required to be collected by, the Agent;
- (ii) Remit directly to the Company the cash amount necessary to cover the Tax-Related Items;
- (iii) Retain the amount required to cover all applicable fees and commissions due to, or required to be collected by, the Agent, relating directly to the sale of Shares referred to in clause (i) above; and
- (iv) Remit any remaining funds to you.

(b) Alternatively, or in addition to or in combination with the withholding mechanism described in Section 9.2(a), you authorize the Company and/or the Employer, at their discretion, to satisfy the obligations with regard to all Tax-Related Items by:

- (i) requiring you to pay to the Company or the Employer any amount of the Tax-Related Items; and/or
- (ii) withholding any amount of the Tax-Related Items from your wages or other cash compensation paid to you by the Company and/or the Employer; and/or
- (iii) withholding in Shares to be issued upon settlement of the Vested PSUs provided, however, that if you are a Section 16 officer of the Company under the Exchange Act, then the Plan Administrator (as constituted to satisfy Rule 16b-3 of the Exchange Act) shall establish the method of withholding from the alternatives (i) - (iii) herein and, if the Plan Administrator does not exercise its discretion prior to the Tax-Related Items withholding event, then you shall be entitled to elect the method of withholding from the alternatives (i) - (iii) herein.

(c) Depending on the withholding method, the Company may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates, including maximum applicable rates, in which case you will receive a refund of any over-withheld amount in cash and will have no entitlement to the equivalent amount in Shares. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax and/or social insurance contribution purposes, you will be deemed to have been issued the full number of Shares subject to the Vested PSUs notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of your participation in

the Plan. The Company may refuse to issue or deliver Shares to you if you fail to comply with your obligations in connection with the Tax-Related Items.

9.3 You acknowledge that the authorization and instruction to the Agent set forth in Section 9.2(a)(i) above to sell Shares to cover the Tax-Related Items is intended to comply with the requirements of Rule 10b5-1(c)(1)(i)(B) under the Exchange Act and to be interpreted to comply with the requirements of Rule 10b5-1(c) under the Exchange Act (regarding trading of the Company's securities on the basis of material nonpublic information) (a "**10b5-1 Plan**"). This 10b5-1 Plan is being adopted to permit you to sell a number of Shares issued upon settlement of Vested PSUs sufficient to pay the Tax-Related Items.

You acknowledge that the broker is under no obligation to arrange for the sale of Shares at any particular price. You further acknowledge that you will be responsible for all brokerage fees and other costs of sale, and you agree to indemnify and hold the Company harmless from any losses, costs, damages, or expenses relating to any such sale. You acknowledge that it may not be possible to sell Shares during the term of this 10b5-1 Plan due to (a) a legal or contractual restriction applicable to you or to the broker, (b) a market disruption, (c) rules governing order execution priority on the NASDAQ or other exchange where the Shares may be traded, (d) a sale effected pursuant to this 10b5-1 Plan that fails to comply (or in the reasonable opinion of the Agent's counsel is likely not to comply) with the Securities Act, or (e) if the Company determines that sales may not be effected under this 10b5-1 Plan. In the event of the Agent's inability to sell Shares, you will continue to be responsible for the Tax-Related Items.

You hereby agree to execute and deliver to the Agent any other agreements or documents as the Agent reasonably deems necessary or appropriate to carry out the purposes and intent of the 10b5-1 Plan. You acknowledge that this 10b5-1 Plan is subject to the terms of any policy adopted now or hereafter by the Company governing the adoption of 10b5-1 plans. The Agent is a third party beneficiary of Section 9.2(a)(i) and this 10b5-1 Plan.

10. Nature of Grant

In accepting the grant, you acknowledge, understand and agree that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;

(b) the grant of the Award is voluntary and occasional and does not create any contractual or other right to receive future grants of performance restricted stock units, or benefits in lieu of performance restricted stock units, even if performance restricted stock units have been granted in the past;

(c) all decisions with respect to future grants of performance restricted stock units, if any, will be at the sole discretion of the Company;

(d) the grant of the Award and your participation in the Plan shall not create a right to employment or be interpreted as forming an employment or service contract with the Employer, the

Company or any Related Corporation and shall not interfere with the ability of the Employer, the Company or any Related Corporation to terminate your employment or service relationship (if any);

(e) you are voluntarily participating in the Plan;

(f) the Award and the Shares subject to the Award are not intended to replace any pension rights or compensation;

(g) the Award and the Shares subject to the Award, and the income and value of same, are not part of normal or expected compensation for any purpose including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments;

(h) the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;

(i) no claim or entitlement to compensation or damages shall arise from forfeiture of the Award resulting from your ceasing to provide employment or other services to the Company or the Employer (for any reason whatsoever, and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or the terms of your employment agreement, if any) and, in consideration of the grant of the Award to which you are otherwise not entitled, you irrevocably agree never to institute any claim against the Company, any Related Corporation or the Employer, waive the ability, if any, to bring any such claim and release the Company, any Related Corporation and the Employer from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, you will be deemed irrevocably to have agreed not to pursue such claim and agree to execute any and all documents necessary to request dismissal or withdrawal of such claims;

(j) for purposes of the Award, your employment will be considered terminated as of the date you cease to actively provide services to the Company or a Related Corporation; further, in the event of termination of your employment or other services (for any reason whatsoever and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or the terms of your employment agreement, if any), unless otherwise provided in this Agreement or determined by the Company, your right to vest in the Award, if any, will terminate effective as of the date that you are no longer actively providing services and will not be extended by any notice period (*e.g.*, active service would not include any contractual notice period or any period of “garden leave” or similar period mandated under employment laws in the jurisdiction where you are employed or the terms of your employment agreement, if any); the Company’s Chief Executive Officer shall have the exclusive discretion to determine when you are no longer actively providing services for purposes of the Award (including whether or not you may still be considered to be providing services while on an approved leave of absence);

(k) the grant of the Award is only made to you in your capacity of “employee” of a Related Corporation;

(l) unless otherwise provided in the Plan or by the Company in its discretion, the Award and the benefits evidenced by this Agreement do not create any entitlement to have the Award or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the shares of the Company; and

(m) neither the Company, the Employer nor any Related Corporation shall be liable for any foreign exchange rate fluctuation between your local currency and the United States dollar that may affect the value of the Award or of any amounts due to you pursuant to the settlement of the PSUs or the subsequent sale of any Shares acquired upon settlement.

11. No Advice Regarding Grant

The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding your participation in the Plan or your acquisition or sale of the underlying Shares. You are hereby advised to consult with your own personal tax, legal and financial advisors regarding your participation in the Plan before taking any action related to the Plan. You acknowledge that you have either consulted with competent advisors independent of the Company to obtain advice concerning the receipt of the Award and the acquisition or disposition of any Shares to be issued pursuant to the Award in light of your specific situation or had the opportunity to consult with such advisors but chose not to do so.

12. Data Privacy

You hereby explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your personal data as described in this Agreement and any other Award materials by and among, as applicable, the Employer, the Company and its Related Corporations for the exclusive purpose of implementing, administering and managing your participation in the Plan.

You understand that the Company and the Employer may hold certain personal information about you, including, but not limited to, your name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all Awards or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in your favor, for the exclusive purpose of implementing, administering and managing the Plan (“Data”).

You understand that Data will be transferred to Fidelity or such other stock plan service provider as may be selected by the Company in the future, which is assisting the Company with the implementation, administration and management of the Plan. You understand that the recipients of Data may be located in the United States or elsewhere, and that the recipients’ country (e.g., the United States) may have different data privacy laws and protections than France. You understand that you may request a list with the names and addresses of any potential recipients of Data by contacting your local human resources representative. You authorize the Company, Fidelity and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer Data, in electronic or other form, for the sole purpose of implementing, administering and

managing your participation in the Plan. You understand that Data will be held only as long as is necessary to implement, administer and manage your participation in the Plan. You understand that you may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing your local human resources representative. Further, you understand that you are providing the consents herein on a purely voluntary basis. If you do not consent, your employment status or service and career with the Employer will not be adversely affected; the only adverse consequence of refusing or withdrawing your consent is that the Company would not be able to grant you the Award or other equity awards or administer or maintain such awards. Therefore, you understand that refusing or withdrawing your consent may affect your ability to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local human resources representative.

13. Electronic Delivery and Participation

The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

14. Language

If you have received this Agreement (or any portion thereof) or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different from the English version, the English version will control.

15. General Provisions

15.1 Successors and Assigns. The provisions of this Agreement will inure to the benefit of the successors and assigns of the Company and be binding upon you and your heirs, executors, administrators, successors and assigns.

15.2 Section 409A. For purposes of U.S. taxpayers, the PSUs and the settlement of the PSUs are intended to comply with Section 409A of the Code, and this Agreement will be interpreted, operated and administered in a manner that is consistent with this intent. In furtherance of this intent, the Plan Administrator may, at any time and without your consent, modify the terms of the Award as it determines appropriate to comply with the requirements of, Section 409A of the Code and the related U.S. Department of Treasury guidance or to mitigate any additional tax, interest and/or penalties that may apply under Section 409A of the Code if compliance is not practicable. The Company makes no representation or covenant to ensure that the PSUs, settlement of the PSUs or other payment hereunder are compliant with Section 409A of the Code and neither the Company nor any of its affiliates shall under any circumstances have any liability to you or any other party if the settlement of the PSUs or other payment hereunder that is intended to be compliant with Section 409A of the Code is not compliant or for any action taken by the Plan Administrator with respect thereto.

(a) Notwithstanding anything in this Agreement to the contrary, any PSUs that become vested under this Agreement by reason of a termination of employment and that constitute an item of non-qualified deferred compensation subject to Section 409A of the Code shall not be settled unless you experience a “separation from service” within the meaning of Section 409A of the Code (a “**Separation from Service**”) and such PSUs shall be settled within 90 days of a Separation from Service; provided, however, that if you are a “specified employee” within the meaning of Section 409A of the Code as of the date of the Separation from Service (as determined according to the methodology established by the Company as in effect on the date of your termination of employment), such PSUs shall instead be settled on the first business day that is after the earlier of (i) the date that is six months following the date of the Separation from Service or (ii) the date of your death, to the extent such delayed payment is otherwise required in order to avoid a prohibited distribution under Section 409A(a)(2) of the Code, or any successor provision thereto.

15.3 Governing Law and Choice of Venue. The Award and the provisions of this Agreement will be construed and administered in accordance with and governed by the laws of the State of Washington without giving effect to such state’s principles of conflict of laws. For the purposes of litigating any dispute that arises under this grant of this Agreement, the parties hereby submit to and consent to the exclusive jurisdiction of the State of Washington and agree that such litigation shall be conducted in the courts of Spokane County, Washington, or the federal courts for the United States for the Eastern District of Washington, where this grant is made and/or to be performed.

15.4 Severability. The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

15.5 Notice. Any notice required or permitted hereunder shall be made in writing and sent to the following address:

Itron, Inc.
Attn. General Counsel
2111 N. Molter Road
Liberty Lake, WA USA 99019

16. Waiver

You acknowledge that a waiver by the Company of breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by you or any other Participant.

17. Repayment/Clawback/Recovery

If Participant is subject to the Company’s Incentive Repayment Policy (the “**Repayment Policy**”) at any time between the Grant Date and the date the PSUs are settled, any Shares, payment or benefit made under the Award shall be subject to repayment in accordance with the provisions of the Repayment Policy. In addition, any Shares, payment or benefit made under the Award will be subject to recoupment in accordance with any clawback policy that the Company is required to adopt pursuant to the listing standards of any national securities exchange or association on which the

Company's securities are listed or as is otherwise required by the Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable law.

APPENDIX A

ITRON, INC. AMENDED AND RESTATED 2010 STOCK INCENTIVE PLAN

LONG TERM PERFORMANCE RESTRICTED STOCK UNIT AWARD NOTICE

Appendix A sets forth the performance goals for the performance restricted stock unit award (the “**Award**”) under the Itron, Inc. Amended and Restated 2010 Stock Incentive Plan (the “**Plan**”) evidenced by the Long Term Performance Restricted Stock Unit Award Agreement (the “**Agreement**”) to which it is attached. Capitalized terms not expressly defined in this Appendix A but defined in the Plan or the Agreement shall have the same definitions as in the Plan and/or the Agreement, as applicable. Please refer to the schedule that is attached to Appendix A for supplemental information explaining the operation of the performance goals applicable to the Award.

The aggregate target number of PSUs for the Performance Period is: «# of Units» (the “**Target PSUs**”).

The actual number of PSUs that shall vest is based on the level of attainment of a combination of the following two performance goals: non-GAAP Earnings Per Share (“**EPS**”) of the Company as calculated for purposes of the Company’s earning release as described in the Company’s public filings and Total Shareholder Return (“**TSR**”) of the Company during the Performance Period as further described below.

The total number of PSUs that is eligible to vest under this Award is between 0% - 200% of the Target PSUs based on attainment of the EPS performance goal and the TSR performance goal. The total number of PSUs that will actually vest will be equal to the sum of (i) the EPS-Based Vested PSUs, plus (ii) the product of (x) the TSR Performance Goal Multiplier, multiplied by (y) the EPS-Based Vested PSUs (as these terms are defined and further described below).

Any PSUs that vest shall be settled in accordance with Section 4 of the Agreement.

EPS Performance Goal:

A number of PSUs that is equal to between 0% - 160% of the Target PSUs is eligible to vest based on the attainment of EPS performance goals in accordance with the following terms:

An annual “**EPS Performance Goal**” (including “**Threshold Goal**” and “**Maximum Goal**”) shall be established at the beginning of each year for each of the calendar years contained in the Performance Periods (each, an “**Annual EPS Performance Period**”). Immediately following the end of each Annual EPS Performance Period, the Plan Administrator shall assess the attainment level of the Company’s EPS against the annual EPS Performance Goal corresponding to the Annual EPS Performance Period and assign a percentage of attainment of between 0% - 160% (with attainment between the Threshold Goal and Maximum Goal subject to interpolation). The number of PSUs that is eligible to vest at the end of the Performance Period based on the attainment of the EPS Performance

Goal shall be equal to the product of (a) the average of the attainment level of the EPS Performance Goal for each of the Annual EPS Performance Periods contained in the Performance Period (expressed as a percentage), multiplied by (b) the portion of the Target PSUs for the Performance Period (the “**EPS-Based Vested PSUs**”).

No PSUs will become eligible for vesting if the Company’s EPS is below the Threshold Goal.

TSR Performance Goal Multiplier:

The number of PSUs that is eligible to vest may be greater or less than the number of EPS-Based Vested PSUs depending on the level of attainment of Company TSR performance relative to the TSR attained by companies comprising the Russell 3000 Index (such increase or decrease to the number of PSUs eligible to vest, the “**TSR Performance Goal Multiplier**,” and the index, the “**Peer Group TSR**”). For purposes of calculating the Company’s TSR, the value of the Common Stock on the first day of the Performance Period shall be deemed to be the average of the closing price of the Common Stock for the 20 trading days ending on the first trading day of the Performance Period and the value of the Common Stock for the last day of the Performance Period shall be deemed to be the average of the closing price of the Common Stock for the 20 trading days ending on the last trading day of the Performance Period. The TSR Performance Goal Multiplier shall be between 0.75 and 1.25, as determined in accordance with the following schedule:

- If Company TSR is at or below the 25% percentile of the Peer Group TSR, the TSR Performance Goal Multiplier shall be equal to 0.75.
- If Company TSR is at the 50% percentile of the Peer Group TSR, the TSR Performance Goal Multiplier shall be equal to 1.
- If Company TSR is at or above the 75th percentile of the Peer Group TSR, the TSR Performance Goal Multiplier shall be equal to 1.25.
- If Company TSR is above the 25th or below the 75th percentile of the Peer Group TSR, the attainment between the goals shall be subject to interpolation.

If the Award is intended to constitute “qualified performance-based compensation,” within the meaning of Section 162(m)(4)(C) of the Code, the Plan Administrator shall determine and certify the actual level of attainment of the performance goals and the number of PSUs that become eligible for vesting in accordance with the requirements of Section 162(m) of the Code. The performance goals shall be adjusted per the 2014 Long-Term Performance Plan Criteria, as approved by the Plan Administrator, provided that the Plan Administrator may also adjust the performance goals in a manner that would result in a decrease to the number of PSUs that would otherwise become eligible for vesting. Further, in determining the number of PSUs that become eligible for vesting, the Plan Administrator has the discretion to reduce (including to zero), but not increase, the number of PSUs that would otherwise become eligible for vesting.

**Rules of the Itron, Inc.
Amended and Restated 2010 Stock Incentive Plan
for the Grant of Restricted Stock Units
to Participants in France**

1. Introduction.

(a) The board of directors (the “**Board**”) of Itron, Inc. (the “**Company**”) has established the Itron, Inc. Amended and Restated 2010 Stock Incentive Plan, as amended from time to time (the “**U.S. Plan**”) for the benefit of certain eligible persons, including employees of the Company and its Related Corporations (as defined in the U.S. Plan), including its Related Corporations in France of which the Company holds directly or indirectly at least 10% of the share capital (each a “**French Entity**” and collectively the “**French Entities**”).

(b) Sections 3.2 and 18.7 of the U.S. Plan specifically authorize the Plan Administrator (which, as defined in the U.S. Plan, is the Board and/or a committee appointed by the Board) to determine all terms, conditions, restrictions and limitations, if any, of an award granted under the U.S. Plan and the terms of any instrument that evidences the award, and to adopt such modifications, procedures and sub-plans as may be necessary or desirable to ensure the viability of the benefits from awards granted to participants in foreign countries and to meet the objectives of the U.S. Plan. The Plan Administrator has determined that it is advisable to establish a sub-plan for the purpose of permitting restricted stock units granted to eligible persons to qualify for the favorable tax and social security treatment available for such grants in France. The Plan Administrator, therefore, intends to establish a sub-plan of the U.S. Plan for the purpose of granting restricted stock units that qualify for the favorable tax and social security treatment in France applicable to shares granted for no consideration under Sections L. 225-197-1 to L. 225-197-6 of the French Commercial Code, as amended (“**French-qualified Restricted Stock Units**”), to qualifying participants who are resident in France for French tax purposes and/or subject to the French social security regime (the “**French Participants**”).

The terms of the U.S. Plan applicable to restricted stock units, as set out in Appendix 1 hereto, shall, subject to the modifications in the following rules, constitute the Rules of the Itron, Inc. Amended and Restated 2010 Stock Incentive Plan for the Grant of Restricted Stock Units to Participants in France (the “**French RSU Plan**”).

Under the French RSU Plan, qualifying employees will be granted Restricted Stock Units only as defined in Section 2 hereunder. The provisions of the U.S. Plan permitting the grant of Options, Stock Appreciation Rights, Unrestricted Stock, Restricted Stock, Performance Shares, and Performance Units are not applicable to grants made under the French RSU Plan.

2. Definitions.

Any capitalized term used in this French RSU Plan without definition shall have the meaning ascribed to such term in the U.S. Plan.

The terms set forth below shall have the following meanings:

(a) The term “**Closed Period**” is defined in Section L. 225-197-1 of the French Commercial Code, as amended, as:

(i) Ten quotation days preceding and following the disclosure to the public of the consolidated financial statements or the annual statements of the Company; or

(ii) Any period during which the corporate management of the Company possesses material information which could, if disclosed to the public, significantly impact the quotation of the Shares, until ten quotation days after the day such information is disclosed to the public.

If the French Commercial Code is amended after adoption of this French RSU Plan to modify the definition and/or the applicability of the Closed Periods to French-qualified Restricted Stock Units, such amendments shall become applicable to any French-qualified Restricted Stock Units granted under this French Plan, to the extent required by French law.

(b) The term “**Date of Grant**” shall be the date on which the Plan Administrator both:

(i) designates the French Participant; and

(ii) specifies the terms and conditions of the Restricted Stock Units, including the number of Shares to be issued at a future date (or the method by which the number of Shares to be issued at a future date is to be determined), the conditions for the vesting of the Restricted Stock Units, and the conditions for the issuance of the Shares underlying the Restricted Stock Units by the Company, if any, and the conditions for the transferability of the Shares once issued, if any.

(c) The term “**Disability**” means disability as defined under categories 2 and 3 of Section L. 341-1 of the French Social Security Code and subject to the fulfillment of related conditions.

(d) The term “**Restricted Stock Unit**” shall mean a promise by the Company to issue to a French Participant, at a future date, for no cash consideration, one Share for each Restricted Stock Unit granted to a French Participant, provided the French Participant remains employed by the French Entity or the Company, and for which any dividend and voting rights are attached only upon the issuance of the Shares at the time of vesting of the Restricted Stock Units.

(e) The term “**Shares**” means shares of common stock of the Company, no par value;

(f) The term “**Vesting Date**” shall mean the relevant date on which Restricted Stock Units are vested, as specified by the Plan Administrator, and the French Participants are entitled to receive the Shares of the Company underlying the Restricted Stock Units. To qualify for the French favorable tax and social security regime, such Vesting Date shall not occur prior to the second anniversary of the Date of Grant, or such other period as is required to comply with the minimum mandatory vesting

period applicable to French-qualified Restricted Stock Units under Section L. 225-197-1 of the French Commercial Code, as amended, or the relevant sections of the French Tax Code or the French Social Security Code, as amended, to benefit from the favorable tax and social security regime and provided any additional conditions for the vesting that may be provided for in the Restricted Stock Unit Award Notice and Award Agreement are satisfied.

3. Eligibility to Participate.

(a) Notwithstanding any other term of this French RSU Plan, Restricted Stock Units may be granted only to French Participants who hold less than ten percent (10%) of the outstanding Shares of the Company (including unvested Restricted Stock Units) and who otherwise satisfy the eligibility conditions of Section 5 of the U.S. Plan.

(b) Subject to Section 3(c) below, the following persons shall be eligible to receive, at the discretion of the Plan Administrator, Restricted Stock Units under this French RSU Plan, provided he or she also satisfies the eligibility conditions of Section 5 of the U.S. Plan:

- (i) any French Participant who, on the Date of Grant and to the extent required under French law, is (A) employed under the terms and conditions of an employment contract (“*contrat de travail*”) by a French Entity, or (B) a managing corporate officer (as described in 3(c) below) of a French Entity, and
- (ii) to the extent permissible under French tax and social security laws, including guidelines and specific tax or social security rulings issued by French tax and social security authorities, any individual who is otherwise employed by the Company or a Subsidiary even if the individual is not French tax resident and/or subject to French social contribution regime at the Date of Grant and such an individual shall be considered, to the extent applicable (as determined by the Administrator in its sole discretion), as a French Participant for purposes of this French RSU Plan.

(c) Restricted Stock Units may not be issued to corporate officers of French Entities, other than the managing corporate officers (i.e., “*mandataires sociaux*,” *Président du Conseil d’Administration*, *Directeur Général*, *Directeur Général Délégué*, *Membre du Directoire*, *Gérant de Sociétés par actions*) unless the corporate officer is an employee of a French Entity, as defined by French law.

4. Conditions of the Restricted Stock Units.

(a) Vesting of Restricted Stock Units. Restricted Stock Units will not vest prior to the second anniversary of the Date of Grant in accordance with the Vesting Date defined under Section 2(f) above and provided any additional conditions for the vesting that may be provided for in the Restricted Stock Unit Award Notice and Award Agreement are satisfied. However, notwithstanding the foregoing, (i) in the event of the death of a French Participant, all of his or her outstanding Restricted Stock Units shall become vested under the conditions set forth in Section 5 of this French RSU Plan and (ii) in the event of Disability of a French Participant, the Restricted Stock Units may vest prior

to the second anniversary of the Date of Grant under the conditions set forth in Section 5 of this French RSU Plan.

(b) Transfer of Shares. The sale or transfer of the Shares issued pursuant to the Restricted Stock Units held by the French Participants shall not occur prior to the relevant anniversary of the Vesting Date specified by the Plan Administrator and in no case prior to the second anniversary of the Vesting Date, or such other period as is required to comply with the minimum mandatory holding period applicable to shares underlying French-qualified Restricted Stock Units under Section L. 225-197-1 of the French Commercial Code, as amended, or under the relevant sections of the French Tax Code or the French Social Security Code, as amended, to benefit from the favorable tax and social security regime. This holding period applies even after the French Participant is no longer an employee or corporate officer of a French Entity, except as provided for in Section 5 of this French RSU Plan.

In addition, the Shares may not be sold or transferred during certain Closed Periods as provided for by Section L. 225-197-1 of the French Commercial Code, as amended, and as interpreted by the French administrative guideline, to the extent Closed Periods are applicable to Shares underlying French-qualified Restricted Stock Units.

To the extent required for French-qualified Restricted Stock Units, the Plan Administrator may specify a specific holding period for the Shares underlying the French-qualified Restricted Stock Units with respect to French Participants who qualify as managing corporate officers under French law (“*mandataires sociaux*”), as defined under Section 3(c) of this French RSU Plan, or who have a comparable position in any other company within the Company group.

(c) French Participant’s Account. The Shares issued to a French Participant shall be recorded in the name of the French Participant in an account with the Company or a broker, or in such other manner as the Company may otherwise determine, to ensure compliance with applicable restrictions and holding periods provided under French law.

5. Death and Disability.

If a French Participant’s service to the Company or any Related Corporation terminates by reason of his or her death, the Restricted Stock Units held by the French Participant at the time of death become transferable to the French Participant’s heirs. The Company shall issue the Shares underlying the Restricted Stock Units to the French Participant’s heirs, at the heirs’ request, if such request occurs within six (6) months following the death of the French Participant and pursuant to the conditions provided for in the Restricted Stock Unit Award Notice and Award Agreement. If the French Participant’s heirs do not request the issuance of the Shares underlying the Restricted Stock Units within six (6) months following the French Participant’s death, the Restricted Stock Units will be forfeited.

The French Participant’s heirs are not subject to the restrictions on the sale of Shares set forth in Section 4(b) of this French RSU Plan.

If a French Participant’s service to the Company or any Related Corporation terminates by reason of his or her Disability (and such Disability meets the definition of Disability in both this French RSU Plan and the U.S. Plan), the Restricted Stock Units may become fully vested and the

Company may issue the underlying Shares to the French Participant, if such provisions are included in the terms and conditions of the Award Agreement delivered to the French Participant.

In the case of Disability of a French Participant, the French Participant is no longer subject to the restrictions on the sale of Shares set forth in Section 4(b) of this French RSU Plan.

6. Adjustments upon Changes in Capital Structure.

In the event of a change in the Company's corporate or capital structure or a Change in Control Transaction as set forth in Section 16 of the U.S. Plan, adjustment to the terms and conditions of the French-qualified Restricted Stock Units or underlying Shares may be made only in accordance with the U.S. Plan and pursuant to applicable French legal and tax rules. Nevertheless, the Plan Administrator, at its discretion, may decide to make adjustments in the case of a transaction for which adjustments are not authorized under French law, in which case, the Restricted Stock Units may no longer qualify as French-qualified Restricted Stock Units and the favorable tax and social security treatment may be lost.

Assumption or substitution of the Restricted Stock Units in the case of a Change in Control Transaction as well as an acceleration of vesting or the holding period or any other mechanism implemented upon a Change in Control Transaction, or in any other event, may result in the Restricted Stock Units no longer being eligible for the favorable French tax and social security treatment.

7. Disqualification of Restricted Stock Units.

If the Restricted Stock Units are otherwise modified or adjusted in a manner in keeping with the terms of the U.S. Plan or as mandated as a matter of law or by decision of the Company's shareholders, the Board, or the Plan Administrator and the modification or adjustment is contrary to the terms and conditions of this French RSU Plan, the Restricted Stock Units may no longer qualify as French-qualified Restricted Stock Units.

If the Restricted Stock Units no longer qualify as French-qualified Restricted Stock Units, the Plan Administrator may, provided it is authorized to do so under the U.S. Plan, and in its sole discretion, determine to lift, shorten or terminate certain restrictions applicable to the vesting of the Restricted Stock Units or the sale of the Shares underlying the Restricted Stock Units which may have been imposed under this French RSU Plan or in the Restricted Stock Unit Award Notice and/or Award Agreement delivered to the French Participant.

8. Interpretation.

It is intended that the Restricted Stock Units granted under this French RSU Plan shall qualify for the favorable tax and social security treatment applicable to shares granted for no consideration under Sections L. 225-197-1 to L. 225-197-6 of the French Commercial Code, as amended, and in accordance with the relevant provisions set forth by French tax and social security laws, but no undertaking is made to maintain such status.

The terms of the French RSU Plan shall be interpreted accordingly and in accordance with the relevant provisions set forth by French tax and social security laws, as well as the French tax and

social security administrations and the relevant guidelines released by the French tax and social security authorities and subject to the fulfillment of any applicable legal, tax and reporting obligations, if applicable.

9. Employment Rights.

The adoption of this French RSU Plan shall not confer upon the French Participants or any employees of a French Entity, any employment rights and shall not be construed as a part of any employment contracts that a French Entity has with its employees.

10. Non-Transferability.

Notwithstanding any provision in the U.S. Plan to the contrary and, except in the case of death, the Restricted Stock Units shall not be transferred to any third party other than the Participant's heirs, and Shares shall be issued only to the French Participant during his or her lifetime.

11. Amendments.

Subject to the terms of the U.S. Plan, the Plan Administrator reserves the right to amend or terminate the French RSU Plan at any time.

12. Number of Shares Granted and Shareholder Approval.

The U.S. Plan, including the share limitations set forth in Section 4 of the U.S. Plan, has been approved by the Company's shareholders for grants to eligible persons, including French Participants, and such approval is intended to meet the requirements of Section L. 225-197-1 of the French Commercial Code, to the extent applicable to grants made by the Company.

13. Effective Date.

The French RSU Plan is effective as of May 1, 2014.

Appendix 1

The Amended and Restated 2010 Stock Incentive Plan was filed as Appendix A to Itron, Inc's Proxy Statement for the 2014 Annual Meeting of Shareholders, filed on March 13, 2014.

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

The certification set forth below is being submitted in connection with the Quarterly Report of Itron, Inc. (the Company) on Form 10-Q for the quarterly period ended June 30, 2014 (the Report) for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and Section 1350 of Chapter 63 of Title 18 of the United States Code.

Philip C. Mezey, the Chief Executive Officer and Steven M. Helmbrecht, the Chief Financial Officer of the Company, each certifies that to the best of his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ PHILIP C. MEZEY

Philip C. Mezey
President and Chief Executive Officer
August 5, 2014

/s/ STEVEN M. HELMBRECHT

Steven M. Helmbrecht
Executive Vice President and Chief Financial Officer
August 5, 2014