ITRON INC /WA/
Form 10-K
February 20, 2015

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

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2014
OR
o 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	91-1011792
(State of Incorporation)	(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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common stock, no par value	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No ý
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 ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, 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 ý No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ý
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 ý	Accelerated filer ¨
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

As of June 30, 2014 (the last business day of the registrant's most recently completed second fiscal quarter), the aggregate market value of the shares of common stock held by non-affiliates of the registrant (based on the closing price for the common stock on the NASDAQ Global Select Market) was $1,580,109,944.

As of January 31, 2015 there were outstanding 38,274,317 shares of the registrant's common stock, no par value, which is the only class of common stock of the registrant.

DOCUMENTS INCORPORATED BY REFERENCE

The information called for by Part III is incorporated by reference to the definitive Proxy Statement for the Annual Meeting of Shareholders of the Company to be held on May 8, 2015.

Itron, Inc.
Table of Contents

In this Annual Report on Form 10-K, the terms "we," "us," "our," "Itron," and the "Company" refer to Itron, Inc.

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 Annual Report on Form 10-K. When we use the words "expect," "intend," "anticipate," "believe," "plan," "project," "estimate," "future," "objective," "may," "will," "will continue," and simila 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, litigation, and costs to deliver and implement network solutions, 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, 11) implementation of restructuring projects, and 12) other factors. You should not solely rely on these forward-looking statements as they are only valid as of the date of this Annual Report on Form 10-K. 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 this Annual Report on Form 10-K.

PART I

ITEM 1: BUSINESS

Available Information

Documents we provide to the Securities and Exchange Commission (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) and at the SEC's Headquarters at 100 F Street, NE, Washington, DC 20549, or by calling 1-800-SEC-0330.

General

Itron is among the leading technology and services companies dedicated to the resourceful use of electricity, natural gas, and water. We provide comprehensive solutions that measure, manage, and analyze energy and water use. Our broad product portfolio helps utilities responsibly and efficiently manage resources.

With increasing populations and resource consumption, there continues to be growing demand for electricity, natural gas, and water. This demand comes at a time when utilities are challenged by cost constraints, regulatory requirements, and environmental concerns. Our solution is to provide utilities with the knowledge they need to optimize their resources and to better understand and serve their customers - knowledge that gives their customers control over their energy and water needs and allows for better management and conservation of valuable resources.

We were incorporated in 1977 with a focus on meter reading technology. In 2004, we entered the electricity meter manufacturing business with the acquisition of Schlumberger Electricity Metering. In 2007, we expanded our presence in global meter manufacturing and systems with the acquisition of Actaris Metering Systems SA.

The following is a discussion of our major products, our markets, and our operating segments. Refer to Item 7: "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this Annual Report on Form 10-K for specific segment results.

Our Business

We offer solutions that enable electric and natural gas utilities to build smart grids to manage assets, secure revenue, lower operational costs, improve customer service, and enable demand response. Our solutions include standard meters and next-generation advanced and smart metering products, metering systems, and services, which ultimately empower and benefit consumers.

Table of Contents

We supply comprehensive solutions to address the unique challenges facing the water industry, including increasing demand and resource scarcity. We offer a complete product portfolio, including standard meters and advanced and smart metering products, metering systems, and services, for applications in the residential and commercial industrial markets for water and heat.

We offer a portfolio of services to our customers from standalone services to end-to-end solutions. These include licensing meter data management and analytics software, managed services, software as a service (hosted software), technical support services, licensing hardware technology, and consulting services.

We classify metering systems into three categories: standard metering systems, advanced metering systems, and smart metering systems. These categories are described in more detail below:

Standard Metering Systems

Standard metering systems employ a standard meter, which measures electricity, natural gas, water, or thermal energy by mechanical, electromechanical, or electronic means, with no built-in remote-reading communication capability. Standard meters require manual reading, which is typically performed by a utility representative or meter reading service provider. Worldwide, we produce standard residential, commercial and industrial (C&I), and transmission and distribution (T&D) electricity, natural gas, water, and heat meters.

Advanced Metering Systems

Advanced metering systems use a meter with a one-way communication module embedded in or attached to the meter to collect and store meter data, which is transmitted to handheld computers, mobile units, and/or fixed networks. This allows utilities to collect meter data for billing systems and analyze the data for more efficient resource management and operations. Worldwide, we produce electricity, natural gas, and water advanced metering systems and technology. Communication technologies can vary by region and country and include telephone, radio frequency (RF), cellular, power line carrier (PLC), and Ethernet devices.

Smart Metering Systems

Smart metering systems employ meters, which have two-way communication capability to collect and transmit meter data to support various applications beyond monthly billings. Our smart metering solutions have substantially more features and functions than our advanced metering systems. Smart meters can collect and store interval data, remotely connect and disconnect service to the meter, send data, receive commands, and interface with other devices, such as in-home displays, smart thermostats and appliances, home area networks, and advanced control systems. Smart meters can also include adaptive communication technology (ACT). ACT enables dynamic selection of the optimal communications path, utilizing RF or PLC, based on network operating conditions, data attributes and application requirements.

Bookings and Backlog of Orders

Bookings for a reported period represent customer contracts and purchase orders received during the period for hardware, software, and services that have met certain conditions, such as regulatory and/or contractual approval. Total backlog represents committed but undelivered 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.

Year Ended	Annual Bookings (in millions)	Total Backlog	12-Month Backlog
December 31, 2014	$2,385	$1,486	$747

December 31, 2013	1,946	1,068	549
December 31, 2012	1,861	1,035	568

Information on bookings by our operating segments is as follows:

2

Table of Contents

Year Ended	Total Bookings (in millions)	Electricity	Gas	Water
December 31, 2014	$2,385	$1,074	$753	$558
December 31, 2013	1,946	786	552	608
December 31, 2012	1,861	797	560	504

Our Operating Segments

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. This structure allows each segment 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 each segment. Our product development and manufacturing operations are managed on a worldwide basis to promote a global perspective in our operations and processes and yet still maintain alignment with the segments.

Sales and Distribution

We use a combination of direct and indirect sales channels in our operating segments. A direct sales force is utilized for large electric, natural gas, and water utilities, with which we have long-established relationships. For smaller utilities, we typically use an indirect sales force that consists of distributors, sales representatives, partners, and meter manufacturer representatives.

No single customer represented more than 10% of total revenues for the years ended December 31, 2014, 2013, and 2012. Our 10 largest customers in each of the years ended December 31, 2014, 2013, and 2012, accounted for approximately 20%, 28%, and 27% of total revenues, respectively.

Raw Materials

Our products require a wide variety of components and materials, which are subject to price and supply fluctuations. We enter into standard purchase orders in the ordinary course of business, which can vary in terms and can include purchase orders for specific quantities based on market prices, as well as open-ended agreements that provide for estimated quantities over an extended shipment period, typically up to one year at an established unit cost. Although we have multiple sources of supply for most of our material requirements, certain components and raw materials are supplied by sole-source vendors, and our ability to perform certain contracts depends on the availability of these materials. Refer to Item 1A: “Risk Factors”, included in this Annual Report on Form 10-K, for further discussion related to supply risks.

Partners

In connection with delivering products and systems to our customers, we may partner with third party vendors to provide hardware, software, or services, e.g., meter installation and communication network equipment and infrastructure. Our ability to perform on our contractual obligations with our customers is dependent on these partners meeting their obligations to us.

Product Development

Our product development is focused on both improving existing technology and developing innovative new technology for electricity, natural gas, water, and heat meters, sensing and control devices, data collection software, communication technologies, data warehousing, and software applications. We invested approximately $176 million, $176 million, and $179 million in product development in 2014, 2013 and 2012, which represented 9%, 9%, and 8% of total revenues, respectively.

Workforce

As of December 31, 2014, we had approximately 8,000 people in our workforce, including permanent and temporary employees as well as contractors. We have not experienced significant work stoppages and consider our employee relations to be good.

Competition

We provide a broad portfolio of products, solutions, software, and services to electric, gas, and water utility customers globally. Consequently, we operate within a large and complex competitive landscape. Some of our competitors have diversified product portfolios and participate in multiple geographic markets, while others focus on specific regional markets and/or certain types of products, including some low-cost suppliers based in China and India. Our competitors range from small to large, established companies. Our primary competitors for each operating segment are discussed below.

We believe that our competitive advantage is based on our in-depth knowledge of the utility industries, our capacity to innovate, our ability to provide complete end-to-end integrated solutions (including metering, network communications, data collection systems, meter data management software, and other metering software applications), our established customer

3

Table of Contents

relationships, and our track record of delivering reliable, accurate, and long-lived products and services. Refer to Item 1A: “Risk Factors” included in this Annual Report on Form 10-K for a discussion of the competitive pressures we face.

Electricity

We are among the leading global suppliers of electricity metering solutions, including standard meters and advanced and smart metering systems. Within the electricity business line, our primary global competitors include Elster (Melrose PLC), GE Digital Energy (General Electric Company), and Landis+Gyr (Toshiba). On a regional basis, other major competitors include Aclara (Sun Capital Partners), OSAKI Group, Sagemcom Energy & Telecom (SAS), Sensus (The Resolute Fund, L.P.), Silver Spring Networks, Trilliant Networks, and ZIV (Avantha Group).

Gas

We are among the leading global suppliers of gas metering solutions, including standard meters and advanced and smart metering systems. Our primary global competitors include Elster and Landis+Gyr. On a regional basis, other major competitors include Aclara, Apator, LAO Industria, and Sensus.

Water

We are among the leading global suppliers of standard and advanced water meters and communication modules. Our primary global competitors include Apator, Diehl Metering (Diehl Stiftung & Co. KG), Elster, Sensus, and Zenner Performance (Zenner International GmbH & Co. KG). On a regional basis, other major competitors include Badger Meter, LAO Industria, and Neptune Technologies (Roper Industries).

Strategic Alliances

We pursue strategic alliances with other companies in areas where collaboration can produce product advancement and acceleration of entry into new markets. The objectives and goals of a strategic alliance can include one or more of the following: technology exchange, product development, joint sales and marketing, or access to new geographic markets. Refer to Item 1A: “Risk Factors” included in this Annual Report on Form 10-K for a discussion of risks associated with strategic alliances.

Intellectual Property

Our patents and patent applications cover a range of technologies, which relate to standard metering, advanced metering systems and technology, smart metering systems and technology, meter data management software, and knowledge application solutions. We also rely on a combination of copyrights and trade secrets to protect our products and technologies.

Disputes over the ownership, registration, and enforcement of intellectual property rights arise in the ordinary course of our business. While we believe patents and trademarks are important to our operations and, in aggregate, constitute valuable assets, no single patent or trademark, or group of patents or trademarks, is critical to the success of our business. We license some of our technology to other companies, some of which are our competitors.

Environmental Regulations

In the ordinary course of our business we use metals, solvents, and similar materials that are stored on-site. We believe we are in compliance with environmental laws, rules, and regulations applicable to the operation of our business.

Table of Contents

EXECUTIVE OFFICERS

Set forth below are the names, ages, and titles of our executive officers as of February 20, 2015.

Name	Age	Position
Philip C. Mezey	55	President and Chief Executive Officer
John W. Holleran	60	Executive Vice President and Chief Operating Officer
W. Mark Schmitz	63	Executive Vice President and Chief Financial Officer
Michel C. Cadieux	57	Senior Vice President, Human Resources
Russell E. Vanos	58	Senior Vice President, Strategy and Business Development
Shannon M. Votava	54	Vice President, General Counsel and Corporate Secretary

Philip C. Mezey is President and Chief Executive Officer and a member of our Board of Directors. Mr. Mezey was appointed to his current position and to the Board of Directors in January 2013. Mr. Mezey joined Itron in March 2003, and in 2007 Mr. Mezey became Sr. Vice President and Chief Operating Officer, Itron North America. Mr. Mezey served as President and Chief Operating Officer, Energy from March 2011 through December 2012.

John W. Holleran is Executive Vice President and Chief Operating Officer. Mr. Holleran has held this position since January 2013. Mr. Holleran joined Itron in January 2007 as Sr. Vice President, General Counsel, and Corporate Secretary. From January 2012 through December 2012, Mr. Holleran served as Itron's Sr. Vice President, Special Projects and Corporate Secretary.

W. Mark Schmitz is Executive Vice President and Chief Financial Officer. Mr. Schmitz was appointed to this role on September 8, 2014. Prior to joining Itron, Mr. Schmitz was Chief Financial Officer of Alghanim Industries from 2009 to 2013. Mr. Schmitz served as the Executive Vice President and Chief Financial Officer of The Goodyear Tire and Rubber Company from 2007 to 2008 and as Vice President and Chief Financial Officer of Tyco International Limited's Fire and Security Segment from 2003 to 2007.

Michel C. Cadieux is Senior Vice President, Human Resources and has been so since joining Itron in February 2014. From 2008 to 2012, Mr. Cadieux was Senior Vice President of Human Resources and Security at Freescale Semiconductor, Inc.

Russell E. Vanos is Senior Vice President, Strategy and Business Development. Mr. Vanos has served in this role since January 2013. Mr. Vanos joined Itron in 1980 and since then has held various positions in sales, marketing, and operations. Most recently Mr. Vanos served as Vice President, Global Smart Grid Solutions and Business Development from November 2011 through December 2012. Prior to this role Mr. Vanos served as Vice President and General Manager, Sales and Marketing from January 2011 to November 2011 and as Vice President, Marketing from January 2007 through December 2010.

Shannon M. Votava is Vice President, General Counsel and Corporate Secretary. Ms. Votava joined Itron in May 2010 as Assistant General Counsel and was promoted to Vice President and General Counsel in January 2012. She assumed the responsibilities of Corporate Secretary in January 2013. Before joining Itron, Ms. Votava served as Associate General Counsel, Commercial at Cooper Industries plc from October 2008 to April 2010, and as General Counsel for Honeywell's Electronic Materials business from 2003-2008.

Table of Contents

ITEM 1A: RISK FACTORS

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

We derive the majority of our revenues from sales of products and services to utilities. Purchases of our products may be deferred as a result of many factors, including economic downturns, slowdowns in new residential and commercial construction, customers' access to capital upon acceptable terms, the timing and availability of government subsidies or other incentives, utility specific financial circumstances, mergers and acquisitions, regulatory decisions, weather conditions, and fluctuating interest rates. We have experienced, and may in the future experience, variability in operating results on an annual and a quarterly basis as a result of these factors.

Utility industry sales cycles can be lengthy and unpredictable.

The utility industry is subject to substantial government regulation. Regulations have often influenced the frequency of meter replacements. Sales cycles for standalone meter products have typically been based on annual or biennial bid-based agreements. Utilities place purchase orders against these agreements as their inventories decline, which can create fluctuations in our sales volumes.

Sales cycles for advanced and smart metering systems are generally long and unpredictable due to several factors, including budgeting, purchasing, and regulatory approval processes that can take several years to complete. Our utility customers typically issue requests for quotes and proposals, establish evaluation processes, review different technical options with vendors, analyze performance and cost/benefit justifications, and perform a regulatory review, in addition to applying the normal budget approval process. Today, governments around the world are implementing new laws and regulations to promote increased energy efficiency, slow or reverse growth in the consumption of scarce resources, reduce carbon dioxide emissions, and protect the environment. Many of the legislative and regulatory initiatives encourage utilities to develop a smart grid infrastructure, and some of these initiatives provide for government subsidies, grants, or other incentives to utilities and other participants in their industry to promote transition to smart grid technologies. If government regulations regarding the smart grid and smart metering are delayed, revised to permit lower or different investment levels in metering infrastructure, or terminated altogether, this could have a material adverse effect on our results of operation, cash flow, and financial condition.

Our quarterly results may fluctuate substantially due to several factors.

We have experienced variability in quarterly results, including losses, and believe our quarterly results will continue to fluctuate as a result of many factors, including those risks and events included throughout this section. Additional factors that may cause our results to vary include:

- a higher proportion of products sold with fewer features and functionality, resulting in lower revenues and gross margins;
- a shift in sales channel mix, which could impact the revenue received and commissions paid;
- a decrease in sales volumes, which could result in lower gross margins as driven by lower absorption of manufacturing costs
- a change in accounting standards or practices that may impact us to a greater degree than other companies due to our product mix, which would impact revenue recognition, or our borrowing structure;
- a change in existing taxation rules or practices due to our specific operating structure that may not be comparable to other companies; and
- a shortfall in sales without a proportional decrease in expenses.

We may face product-failure exposure.

Our products are complex and may contain defects or experience failures due to any number of issues in design, materials, deployment, and/or use. If any of our products contain a defect, a compatibility or interoperability issue, or other types of errors, we may have to devote significant time and resources to identify and correct the issue. We provide product warranties for varying lengths of time and establish allowances in anticipation of warranty expenses. In addition, we record contingent liabilities for additional product-failure related costs. These warranty and related product-failure allowances may be inadequate due to product defects, and unanticipated component failures, as well as higher than anticipated material, labor, and other costs we may incur to replace projected product failures. A product recall or a significant number of product returns could be expensive; damage our reputation and relationships with utilities, meter and communication vendors, and other third-party vendors; result in the loss of business to competitors; or result in litigation against us. We may incur additional warranty expenses in the future with respect to new or established products, which could materially and adversely affect our operations and financial position.

Table of Contents

Our customer contracts may contain provisions that could cause us to incur penalties, be liable for damages, and/or incur unanticipated expenses with respect to the functionality, deployment, operation, and availability of our products and services.

In addition to the risk of unanticipated warranty or recall expenses, our customer contracts may contain provisions that could cause us to incur penalties, be liable for damages, including liquidated damages, or incur other expenses if we experience difficulties with respect to the functionality, deployment, operation, and availability of our products and services. In the event of late deliveries, late or improper installations or operations, failure to meet product or performance specifications or other product defects, or interruptions or delays in our managed service offerings, our customer contracts may expose us to penalties, liquidated damages, and other liabilities. In the event we were to incur contractual penalties, such as liquidated damages or other related costs that exceed our expectations, our business, financial condition, and operating results could be materially and adversely affected. Further, we could be required to recognize a current-period expense related to a specific component of a customer contract at the time we determine the products and/or services to be delivered under that component would result in a loss due to expected revenues estimated to be less than expected costs. Depending on the amounts of the associated revenues (if any) and the costs, this charge could be material to our results of operations in the period it is recognized.

We may encounter strikes or other labor disruptions that could adversely affect our financial condition and results of operations .

We have significant operations throughout the world. In a number of countries outside the U.S., our employees are covered by collective bargaining agreements. As the result of various corporate or operational actions, which our management has undertaken or may be made in the future, we could encounter labor disruptions. These disruptions may be subject to local media coverage, which could damage our reputation. Additionally, the disruptions could delay our ability to meet customer orders and could adversely affect our results of operations. Any labor disruptions could also have an impact on our other employees. Employee morale and productivity could suffer, and we may lose valued employees whom we wish to retain.

We depend on our ability to develop new competitive products.

Our future success will depend, in part, on our ability to continue to design and manufacture new competitive products and to enhance and sustain our existing products, keep pace with technological advances and changing customer requirements, gain international market acceptance, and manage other factors in the markets in which we sell our products. Product development will require continued investment in order to maintain our competitive position, and the periods in which we incur significant product development costs may drive variability in our quarterly results. We may not have the necessary capital, or access to capital at acceptable terms, to make these investments. We have made, and expect to continue to make, substantial investments in technology development. However, we may experience unforeseen problems in the development or performance of our technologies or products. In addition, we may not meet our product development schedules. New products often require certifications or regulatory approvals before the products can be used and we cannot be certain that our new products will be approved in a timely manner. Finally, we may not achieve market acceptance of our new products and services.

We face increasing competition.

We face competitive pressures from a variety of companies in each of the markets we serve. Some of our present and potential future competitors have, or may have, substantially greater financial, marketing, technical, or manufacturing resources and, in some cases, have greater name recognition, customer relationships, and experience. Some competitors may enter markets we serve and sell products at lower prices in order to gain or grow market share. Our competitors may be able to respond more quickly to new or emerging technologies and changes in customer requirements. They may also be able to devote greater resources to the development, promotion, and sale of their products and services than we can. Some competitors have made, and others may make, strategic acquisitions or establish cooperative relationships among themselves or with third parties that enhance their ability to address the needs of our prospective customers. It is possible that new competitors or alliances among current and new competitors may emerge and rapidly gain significant market share. Other companies may also drive technological innovation and develop products that are equal in quality and performance or superior to our products, which could put pressure on our market position, reduce our overall sales, and require us to invest additional funds in new technology development. In addition, there is a risk that low-cost providers will expand their presence in our markets, improve their quality, or form alliances or cooperative relationships with our competitors, thereby contributing to future price erosion. Some of our products and services may become commoditized, and we may have to adjust the prices of some of our products to stay competitive. Further, some utilities may purchase meters separately from the communication devices. The specifications for the meters would require interchangeability, which could lead to further commoditization of the meter, driving prices lower and reducing margins. Should we fail to compete successfully with current or future competitors, we could experience material adverse effects on our business, financial condition, results of operations, and cash flows.

Table of Contents

Our acquisitions of and investments in third parties have risks.

We may complete additional acquisitions or make investments in the future, both within and outside of the United States. In order to finance future acquisitions, we may need to raise additional funds through public or private financings, and there are no assurances that such financing would be available at acceptable terms. Acquisitions and investments involve numerous risks such as the diversion of senior management’s attention; unsuccessful integration of the acquired entity’s personnel, operations, technologies, and products; incurrence of significant expenses to meet an acquiree's customer contractual commitments; lack of market acceptance of new services and technologies; or difficulties in operating businesses in international legal jurisdictions. Failure to properly or adequately address these issues could result in the diversion of management’s attention and resources and materially and adversely impact our ability to manage our business. In addition, acquisitions and investments in third parties may involve the assumption of obligations, significant write-offs, or other charges associated with the acquisition. Impairment of an investment, goodwill, or an intangible asset may result if these risks were to materialize. For investments in entities that are not wholly owned by Itron, such as joint ventures, a loss of control as defined by U.S. generally accepted accounting principles (GAAP) could result in a significant change in accounting treatment and a change in the carrying value of the entity. There can be no assurances that an acquired business will perform as expected, accomplish our strategic objectives, or generate significant revenues, profits, or cash flows.

We may face adverse publicity, consumer or political opposition, or liability associated with our products.

The safety and security of the power grid and gas and water supply systems, the accuracy and protection of the data collected by meters and transmitted via the smart grid, concerns about the safety and perceived health risks of using radio frequency communications, and privacy concerns of monitoring home appliance energy usage have been the focus of recent adverse publicity. Negative publicity and consumer opposition may cause utilities or their regulators to delay or modify planned smart grid initiatives. Smart grid projects may be, or may be perceived as, unsuccessful.

We may be subject to claims that there are adverse health effects from the radio frequencies utilized in connection with our products. If these claims prevail, our customers could suspend implementation or purchase substitute products, which could cause a loss of sales.

Changes in tax laws, valuation allowances, and unanticipated tax liabilities could adversely affect our effective income tax rate and profitability.

We are subject to income tax in the United States and numerous foreign jurisdictions. Significant judgment is required in evaluating our tax positions and determining our provision for income taxes. During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. We establish reserves for tax-related uncertainties based on estimates of whether, and the extent to which, additional taxes will be due. These reserves may be established when we believe that certain positions might be challenged despite our belief that our tax return positions are fully supportable. We adjust these reserves in light of changing facts and circumstances. The provision for income taxes includes the impact of reserve positions and changes to reserves that are considered appropriate, as well as valuation allowances when we determine it is more likely than not that a deferred tax asset cannot be realized. In addition, future changes in tax laws in the jurisdictions in which we operate could have a material impact on our effective income tax rate and profitability. We regularly assess all of these matters to determine the adequacy of our tax provision, which is subject to significant judgment

Disruption and turmoil in global credit and financial markets, which may be exacerbated by the inability of certain countries to continue to service their sovereign debt obligations, and the possible negative implications of such events for the global economy, may negatively impact our business, liquidity, operating results, and financial condition.

The current economic conditions, including volatility in the availability of credit and foreign exchange rates and extended economic slowdowns, have contributed to the instability in some global credit and financial markets. Additionally, at-risk financial institutions in certain countries may, without forewarning, seize a portion of depositors' account balances. The seized funds would be used to recapitalize the at-risk financial institution and would no longer be available for the depositors' use. If such seizure were to occur at financial institutions where we have funds on deposit, it could have a significant impact on our overall liquidity. While the ultimate outcome of these events cannot be predicted, it is possible that such events may have a negative impact on the global economy and our business, liquidity, operating results, and financial condition.

We are subject to international business uncertainties, obstacles to the repatriation of earnings, and foreign currency fluctuations.

A substantial portion of our revenues is derived from operations conducted outside the United States. International sales and operations may be subjected to risks such as the imposition of government controls, government expropriation of facilities, lack

Table of Contents

of a well-established system of laws and enforcement of those laws, access to a legal system free of undue influence or corruption, political instability, terrorist activities, restrictions on the import or export of critical technology, currency exchange rate fluctuations, and adverse tax burdens. Lack of availability of qualified third-party financing, generally longer receivable collection periods than those commonly practiced in the United States, trade restrictions, changes in tariffs, labor disruptions, difficulties in staffing and managing international operations, difficulties in imposing and enforcing operational and financial controls at international locations, potential insolvency of international distributors, preference for local vendors, burdens of complying with different permitting standards and a wide variety of foreign laws, and obstacles to the repatriation of earnings and cash all present additional risk to our international operations. Fluctuations in the value of international currencies may impact our operating results due to the translation to the U.S. dollar as well as our ability to compete in international markets. International expansion and market acceptance depend on our ability to modify our technology to take into account such factors as the applicable regulatory and business environment, labor costs, and other economic conditions. In addition, the laws of certain countries do not protect our products or technologies in the same manner as the laws of the United States. Further, foreign regulations or restrictions, e.g., opposition from unions or works councils, could delay, limit, or disallow significant operating decisions made by our management, e.g., decisions to exit certain businesses, close certain manufacturing locations, or other restructuring actions. There can be no assurance that these factors will not have a material adverse effect on our future international sales and, consequently, on our business, financial condition, and results of operations.

We depend on certain key vendors and components.

Certain of our products, subassemblies, and system components are procured from limited sources. Our reliance on such limited sources involves certain risks, including the possibility of shortages and reduced control over delivery schedules, quality, costs, and our vendors’ access to capital upon acceptable terms. Any adverse change in the supply, or price, of these components could adversely affect our business, financial condition, and results of operations. In addition, we depend on a small number of contract manufacturing vendors for a large portion of our low-volume manufacturing business and all of our repair services for our domestic handheld meter reading units. Should any of these vendors become unable to perform up to their responsibilities, our operations could be materially disrupted.

Business interruptions could adversely affect our business.

Our worldwide operations could be subject to hurricanes, tornadoes, earthquakes, floods, fires, extreme weather conditions, medical epidemics or pandemics, or other natural or man-made disasters or business interruptions. The occurrence of any of these business disruptions could seriously harm our business, financial condition, and results of operations.

Our key manufacturing facilities are concentrated, and, in the event of a significant interruption in production at any of our manufacturing facilities, considerable expense, time, and effort could be required to establish alternative production lines to meet contractual obligations, which would have a material adverse effect on our business, financial condition, and results of operations.

Asset impairment could result in significant changes that would adversely impact our future operating results.

We have significant intangible assets, long-lived assets, goodwill, and deferred tax assets that are susceptible to valuation adjustments as a result of changes in various factors or conditions.

We assess impairment of amortizable intangible and long-lived assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that could trigger an impairment of such assets include the following:

- underperformance relative to projected future operating results;
- changes in the manner or use of the acquired assets or the strategy for our overall business;
- negative industry or economic trends;
- decline in our stock price for a sustained period or decline in our market capitalization below net book value; and
- changes in our organization or management reporting structure, which could result in additional reporting units, requiring greater aggregation or disaggregation in our analysis by reporting unit and potentially alternative methods/assumptions of estimating fair values.

We assess the potential impairment of goodwill each year as of October 1. We also assess the potential impairment of goodwill whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Adverse changes in economic conditions or our operations could affect the assumptions we use to calculate the fair value, which in turn could result in an impairment charge in future periods that would impact our results of operations and financial position in that period.

Table of Contents

The realization of our deferred tax assets is supported in part by projections of future taxable income. 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 all 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. Our most sensitive and critical factors are the projection, source, and character of future taxable income. Realization is not assured, and the amount of deferred tax assets considered realizable 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 a variety of litigation that could adversely affect our results of operations and financial condition.

From time to time, we are involved in litigation that arises from our business. Litigation may, for example, relate to alleged infringements of intellectual property rights of others. Non-practicing entities may also make infringement claims in order to reach a settlement with us. In addition, these entities may bring claims against our customers, which, in some instances, could result in an indemnification of the customer. Litigation may also relate to, among other things, product failure or product liability claims, contractual disputes, employment matters, or securities litigation. Litigation can be expensive to defend and can divert the attention of management and other personnel for long periods of time, regardless of the ultimate outcome. We may be required to pay damage awards or settlements or become subject to equitable remedies that could adversely affect our financial condition and results of operations. While we currently maintain insurance coverage, such insurance may not provide adequate coverage against potential claims.

We may face losses associated with alleged unauthorized use of third party intellectual property.

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

If our products infringe the intellectual property rights of others, we may be required to indemnify our customers for any damages they suffer. We generally indemnify our customers with respect to infringement by our products of the proprietary rights of third parties. Third parties may assert infringement claims against our customers. These claims may require us to initiate or defend protracted and costly litigation on behalf of our customers, regardless of the merits of these claims. If any of these claims succeed, we may be forced to pay damages on behalf of our customers or may be required to obtain licenses for the products they use. If we cannot obtain all necessary licenses on commercially reasonable terms, our customers may be forced to stop using our products.

We are affected by the availability and regulation of radio spectrum and interference with the radio spectrum that we use.

A significant number of our products use radio spectrum, which are subject to regulation by the Federal Communications Commission (FCC) in the United States. The FCC may adopt changes to the rules for our licensed and unlicensed frequency bands that are incompatible with our business. In the past, the FCC has adopted changes to the requirements for equipment using radio spectrum, and it is possible that the FCC or the U.S. Congress will adopt additional changes.

Although radio licenses are generally required for radio stations, Part 15 of the FCC's rules permits certain low-power radio devices (Part 15 devices) to operate on an unlicensed basis. Part 15 devices are designed for use on frequencies used by others. These other users may include licensed users, which have priority over Part 15 users. Part 15 devices cannot cause harmful interference to licensed users and must be designed to accept interference from licensed radio devices. In the United States, our advanced and smart metering systems are typically Part 15 devices that transmit information to (and receive information from, if applicable) handheld, mobile, or fixed network systems pursuant to these rules.

We depend upon sufficient radio spectrum to be allocated by the FCC for our intended uses. As to the licensed frequencies, there is some risk that there may be insufficient available frequencies in some markets to sustain our planned operations. The unlicensed frequencies are available for a wide variety of uses and may not be entitled to protection from interference by other users who operate in accordance with FCC rules. The unlicensed frequencies are also often the subject of proposals to the FCC requesting a change in the rules under which such frequencies may be used. If the unlicensed frequencies become crowded to unacceptable levels, restrictive, or subject to changed rules governing their use, our business could be materially adversely affected.

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

Outside of the United States, certain of our products require the use of RF and are subject to regulations in those jurisdictions where we have deployed such equipment. In some jurisdictions, radio station licensees are generally required to operate a radio transmitter and such licenses may be granted for a fixed term and must be periodically renewed. In other jurisdictions, the rules permit certain low power devices to operate on an unlicensed basis. Our advanced and smart metering systems typically transmit to (and receive information from, if applicable) handheld, mobile, or fixed network reading devices in license-exempt bands pursuant to rules regulating such use. In Europe, we generally use the 169 megahertz (MHz), 433 MHz, and 868 MHz bands. In the rest of the world, we primarily use the 433 MHz and 2.4000-2.4835 gigahertz (GHz) bands, as well as other local license-exempt bands. To the extent we introduce new products designed for use in the United States or another country into a new market, such products may require significant modification or redesign in order to meet frequency requirements and other regulatory specifications. In some countries, limitations on frequency availability or the cost of making necessary modifications may preclude us from selling our products in those countries. In addition, new consumer products may create interference with the performance of our products, which could lead to claims against us.

We may be unable to adequately protect our intellectual property.

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

We have pension benefit obligations, which could have a material impact on our earnings, liabilities, and shareholders' equity and could have significant adverse impacts in future periods.

We sponsor both funded and unfunded defined benefit pension plans for our international employees, primarily in Germany, France, Italy, Indonesia, Brazil, and Spain. 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.

The determination of pension plan expense, benefit obligation, and future contributions depends heavily on market factors such as the discount rate and the actual return on plan assets. We estimate pension plan expense, benefit obligation, and future contributions to these plans using assumptions with respect to these and other items. Changes to those assumptions could have a significant effect on future contributions as well as on our annual pension costs and/or result in a significant change to Shareholders' equity.

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

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

If we are unable to protect our information technology infrastructure and network against data corruption, cyber-based attacks or network security breaches, we could be exposed to customer liability and reputational risk.

In the course of our operations, we rely on interconnected technology systems for the operation of our products, managed services on behalf of our customers, accounting and other administrative processes, and compliance with various regulations. There are

Table of Contents

various risks associated with technology systems such as hardware or software failure, communications failure, data distortion or destruction, unauthorized access to data, misuse of proprietary or confidential data, unauthorized control through electronic means, programming mistakes, and other deliberate or inadvertent human errors. In particular, cyber attacks, terrorism, or other malicious acts could damage, destroy, or disrupt these systems. Any failure of technology systems could result in a loss of revenues, an increase in operating expenses, and costs to repair or replace damaged assets. Any of the above could also result in the loss or release of confidential customer information or other proprietary data that could adversely affect our reputation and result in costly litigation. As these potential cyber attacks become more common and sophisticated, we could be required to incur costs to strengthen our systems and respond to emerging concerns.

We may not realize the expected benefits from strategic alliances.

We have several strategic alliances with large and complex organizations and other companies with which we work to offer complementary products and services. There can be no assurance we will realize the expected benefits from these strategic alliances. If successful, these relationships may be mutually beneficial and result in shared growth. However, alliances carry an element of risk because, in most cases, we must both compete and collaborate with the same company from one market to the next. Should our strategic partnerships fail to perform, we could experience delays in product development or experience other operational difficulties.

We rely on information technology systems.

Our industry requires the continued operation of sophisticated information technology systems and network infrastructures, which may be subject to disruptions arising from events that are beyond our control. We are dependent on information technology systems, including, but not limited to, networks, applications, and outsourced services. We continually enhance and implement new systems and processes throughout our global operations.

We offer managed services and software utilizing several data center facilities located worldwide. Any damage to, or failure of, these systems could result in interruptions in the services we provide to our utility customers. As we continue to add capacity to our existing and future data centers, we may move or transfer data. Despite precautions taken during this process, any delayed or unsuccessful data transfers may impair the delivery of our services to our utility customers. We also sell vending and pre-payment systems with security features that, if compromised, may lead to claims against us.

We are completing a phased upgrade of our primary enterprise resource planning (ERP) systems to allow for greater depth and breadth of functionality worldwide. System conversions are expensive and time consuming undertakings that impact all areas of the Company. While successful implementations of each phase will provide many benefits to us, an unsuccessful or delayed implementation of any particular phase may cost us significant time and resources.

The failure of these systems to operate effectively, problems with transitioning to upgraded or replacement systems, or a breach in security of these systems due to computer viruses, hacking, acts of terrorism, and other causes could materially and adversely affect our business, financial condition, and results of operations by harming our ability to accurately forecast sales demand, manage our supply chain and production facilities, achieve accuracy in the conversion of electronic data and records, and report financial and management information on a timely and accurate basis. In addition, due to the systemic internal control features within ERP systems, we may experience difficulties that could affect our internal control over financial reporting.

Our credit facility limits our ability and the ability of many of our subsidiaries to take certain actions.

Our credit facility places restrictions on our ability, and the ability of many of our subsidiaries, dependent on meeting specified financial ratios, to, among other things:

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

Our credit facility contains other customary covenants, including the requirement to meet specified financial ratios. Our ability to borrow under our credit facility will depend on the satisfaction of these covenants. Events beyond our control can affect our ability to meet those covenants. Our failure to comply with obligations under our borrowing arrangements may result in declaration of an event of default. An event of default, if not cured or waived, may permit acceleration of required payments against such indebtedness. We cannot be certain we will be able to remedy any such defaults. If our required payments are accelerated, we cannot be certain that we will have sufficient funds available to pay the indebtedness or that we will have the ability to raise

Table of Contents

sufficient capital to replace the indebtedness on terms favorable to us or at all. In addition, in the case of an event of default under our secured indebtedness such as our credit facility, the lenders may be permitted to foreclose on our assets securing that indebtedness.

Our credit facility is sensitive to interest rate fluctuations that could impact our financial position and results of operations.

Our ability to service our indebtedness is dependent on our ability to generate cash, which is influenced by many factors beyond our control.

Our ability to make payments on or refinance our indebtedness, fund planned capital expenditures, and continue research and development will depend on our ability to generate cash in the future. This is dependent on the degree to which we succeed in executing our business plans, which is influenced, in part, by general economic, financial, competitive, legislative, regulatory, counterparty, and other risks that are beyond our control. We may need to refinance all or a portion of our indebtedness on or before maturity. We cannot provide assurance that we will be able to refinance any of our indebtedness on commercially reasonable terms or at all.

We are exposed to counterparty default risks with our financial institutions and insurance providers.

If one or more of the depository institutions in which we maintain significant cash balances were to fail, our ability to access these funds might be temporarily or permanently limited, and we could face material liquidity problems and financial losses.

The lenders of our credit facility consist of several participating financial institutions. Our revolving line of credit allows us to provide letters of credit in support of our obligations for customer contracts and provides additional liquidity. If our lenders are not able to honor their line of credit commitments due to the loss of a participating financial institution or other circumstance, we would need to seek alternative financing, which may not be under acceptable terms, and therefore could adversely impact our ability to successfully bid on future sales contracts and adversely impact our liquidity and ability to fund some of our internal initiatives or future acquisitions.

If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results, prevent fraud, or maintain investor confidence.

Effective internal controls are necessary for us to provide reliable and accurate financial reports and effectively prevent fraud. We have devoted significant resources and time to comply with the internal control over financial reporting requirements of the Sarbanes-Oxley Act. In addition, Section 404 under the Sarbanes-Oxley Act requires that our auditors attest to the design and operating effectiveness of our controls over financial reporting. Our compliance with the annual internal control report requirement for each fiscal year will depend on the effectiveness of our financial reporting, data systems, and controls across our operating subsidiaries. Furthermore, an important part of our growth strategy has been, and will likely continue to be, the acquisition of complementary businesses, and we expect these systems and controls to become increasingly complex to the extent that we integrate acquisitions and our business grows. Likewise, the complexity of our transactions, systems, and controls may become more difficult to manage. We cannot be certain that these measures will ensure that we design, implement, and maintain adequate controls over our financial processes and reporting in the future, especially for acquisition targets that may not have been required to be in compliance with Section 404 of the Sarbanes-Oxley Act at the date of acquisition. Any failure to implement required new or improved controls, difficulties encountered in their implementation or operation, or difficulties in the assimilation of acquired businesses into our control system could harm our operating results or cause it to fail to meet our financial reporting obligations. Inadequate internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our stock and our access to capital.

We are subject to regulatory compliance.

We are subject to various governmental regulations in all of the jurisdictions in which we conduct business. Failure to comply with current or future regulations could result in the imposition of substantial fines, suspension of production, alteration of our production processes, cessation of operations, or other actions, which could materially and adversely affect our business, financial condition, and results of operations.

Changes in environmental regulations, violations of such regulations, or future environmental liabilities could cause us to incur significant costs and could adversely affect our operations.

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

Our international sales and operations are subject to complex laws relating to foreign corrupt practices and anti-bribery laws, among many others, and a violation of, or change in, these laws could adversely affect our operations.

The Foreign Corrupt Practices Act in the United States requires United States companies to comply with an extensive legal framework to prevent bribery of foreign officials. The laws are complex and require that we closely monitor local practices of our overseas offices. The United States Department of Justice has recently heightened enforcement of these laws. In addition, other countries continue to implement similar laws that may have extra-territorial effect. In the United Kingdom, where we have operations, the U.K. Bribery Act imposes significant oversight obligations on us and could impact our operations outside of the United Kingdom. The costs for complying with these and similar laws may be significant and could require significant management time and focus. Any violation of these or similar laws, intentional or unintentional, could have a material adverse effect on our business, financial condition, or results of operations.

Regulations related to “conflict minerals” may force us to incur additional expenses, may result in damage to our business reputation, and may adversely impact our ability to conduct our business.

In August 2012, under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the SEC adopted requirements for companies that use certain minerals and derivative metals (referred to as “conflict minerals,” regardless of their actual country of origin) in their products. Some of these metals are commonly used in electronic equipment and devices, including our products. These requirements require companies to investigate, disclose and report whether or not such metals originated from the Democratic Republic of Congo or adjoining countries and required due diligence efforts. There may be increased costs associated with complying with these disclosure requirements, including for diligence to determine the sources of conflict minerals used in our products and other potential changes to products, processes or sources of supply as a consequence of such verification activities. Further interpretation and implementation of these rules could adversely affect the sourcing, supply, and pricing of materials used in our products.

Table of Contents

ITEM 1B: UNRESOLVED STAFF COMMENTS

None.

ITEM 2: PROPERTIES

We own our headquarters facility, which is located in Liberty Lake, Washington.

Our Gas and Water manufacturing facilities are located throughout the world, while our Electricity manufacturing facilities are located primarily in Europe, Middle East, and Africa (EMEA) and North America. The following table lists our major manufacturing facilities by the location and product line.

	Product Line			
Region	Electricity	Gas	Water	Multiple Product Lines
North America	Oconee, SC (O)	Owenton, KY (O)	None	Waseca, MN - G,W (L)
EMEA	Chasseneuil, France (O) Godollo, Hungary (O) Atlantis, South Africa[1] (L)	Argenteuil, France (L) Reims, France (O) Karlsruhe, Germany (O) Stretford, England (O) Naples, Italy[1] (O)	Massy, France (L) Macon, France (O) Haguenau, France (O) Oldenburg, Germany (O) Asti, Italy (O)	None
Asia/Pacific	None	Wujiang, China (L)	Suzhou, China (L) Dehradun, India (L)	Bekasi, Indonesia - E,W (O)
Latin America	None	Buenos Aires, Argentina (O)	Americana, Brazil (O)	None

[1] As a part of our 2014 restructuring projects, we are engaged in consultation with the local works councils to close these facilities in order to reduce costs and improve efficiencies. For additional discussion related to our restructuring projects, see Item 8: “Financial Statements and Supplementary Data, Note 13: Restructuring”

(O) - Manufacturing facility is owned

(L) - Manufacturing facility is leased

E - Electricity manufacturing facility, G - Gas manufacturing facility, W - Water manufacturing facility

Our principal properties are in good condition, and we believe our current facilities are sufficient to support our operations. Our major manufacturing facilities are owned, while smaller factories are typically leased.

In addition to our manufacturing facilities, we have numerous sales offices, product development facilities, and distribution centers. These additional facilities are located throughout the world and support our operations.

ITEM 3: LEGAL PROCEEDINGS

Please refer to Item 8: "Financial Statements and Supplementary Data, Note 12: Commitments and Contingencies" included in this Annual Report on Form 10-K and our Current Report on Form 8-K dated February 6, 2015. Except as described therein, there were no material pending legal proceedings, as defined by Item 103 of Regulation S-K, at December 31, 2014.

ITEM 4: MINE SAFETY DISCLOSURES

Not applicable.

Table of Contents

PART II

ITEM 5: MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information for Common Stock

Our common stock is traded on the NASDAQ Global Select Market. The following table reflects the range of high and low common stock sales prices for the four quarters of 2014 and 2013 as reported by the NASDAQ Global Select Market.

	2014		2013	
	High	Low	High	Low
First Quarter	$43.14	$33.64	$47.90	$41.50
Second Quarter	$41.21	$33.68	$47.00	$39.15
Third Quarter	$42.88	$35.77	$43.72	$37.16
Fourth Quarter	$43.35	$36.42	$45.76	$38.79

Performance Graph

The following graph compares the five-year cumulative total return to shareholders on our common stock with the five-year cumulative total return of our peer group of companies used for the year ended December 31, 2014 and the NASDAQ Composite Index.

* $100 invested on 12/31/09 in stock or index, including investment of dividends.

Fiscal years ending December 31.

Table of Contents

The above presentation assumes $100 invested on December 31, 2009 in the common stock of Itron, Inc., the peer group, and the NASDAQ Composite Index, with all dividends reinvested. With respect to companies in the peer group, the returns of each such corporation have been weighted to reflect relative stock market capitalization at the beginning of each annual period plotted. The stock prices shown above for our common stock are historical and not necessarily indicative of future price performance.

Each year, we reassess our peer group to identify global companies that are either direct competitors or have similar industry and business operating characteristics. In 2013, we did not include Silver Spring Networks, Inc. in the cumulative total return graph as there was no impact to the cumulative total return in 2013, given that Silver Spring Networks, Inc. was not publicly traded at the beginning of 2013. Therefore, in the graph above our old peer group includes the following publicly traded companies: Badger Meter, Inc., Echelon Corporation, National Instruments Corporation, and Roper Industries, Inc. Our 2014 new peer group includes the following publicly traded companies: Badger Meter, Inc., Echelon Corporation, National Instruments Corporation, Roper Industries, Inc., and Silver Spring Networks, Inc. During 2014, ESCO Technologies Inc. (ESCO) sold its Aclara business line, which represented ESCO's metering related business. As ESCO is no longer in our line of business, it has been omitted from our peer group and cumulative total return graph above.

Issuer Repurchase of Equity Securities

The table below summarizes information about our purchases of our shares of common stock, based on settlement date, during the quarterly period ended December 31, 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)
October 1 through October 31	80,500	$38.20	80,500	$34,549
November 1 through November 30	183,313	40.77	183,313	27,075
December 1 through December 31	336,000	41.05	336,000	13,283
Total	599,813	$40.58	599,813	

(1) On February 7, 2014, our Board of Directors authorized a twelve-month repurchase program of up to $50 million of Itron's common stock. 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 December 31, 2014 we repurchased 335,251 shares of our common stock. The average price paid per share was $39.62. These subsequent repurchases fully utilized the remaining $13.3 million authorized under the program. Repurchases are made in the open market or in privately negotiated transactions and in accordance with applicable securities laws.

On February 19, 2015, Itron's Board of Directors authorized a new repurchase program of up to $50 million of our common stock over a 12-month period, beginning February 19, 2015.

Holders

At January 31, 2015, there were 243 holders of record of our common stock.

Dividends

Since the inception of the Company, we have not declared or paid cash dividends. We intend to retain future earnings for the development of our business and do not anticipate paying cash dividends in the foreseeable future.

Table of Contents

ITEM 6: SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data below is derived from our consolidated financial statements, which have been audited by an independent registered public accounting firm. These selected consolidated financial and other data represent portions of our financial statements. You should read this information together with Item 7: “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Item 8: “Financial Statements and Supplementary Data” included in this Annual Report on Form 10-K. Historical results are not necessarily indicative of future performance.

	Year Ended December 31,				
	2014[5]	2013[4]	2012	2011[2]	2010
	(in thousands, except per share data)				
Consolidated Statements of Operations Data					
Revenues	$1,970,697	$1,948,728	$2,178,178	$2,434,124	$2,259,271
Cost of revenues	1,347,572	1,334,195	1,463,031	1,687,666	1,558,596
Gross profit	623,125	614,533	715,147	746,458	700,675
Operating income (loss)	3,832	(135,181)	151,126	(459,183)	184,197
Net income (loss) attributable to Itron, Inc.	(22,920)	(146,809)	108,275	(510,157)	104,770
Earnings (loss) per common share - Basic	$(0.58)	$(3.74)	$2.73	$(12.56)	$2.60
Earnings (loss) per common share - Diluted	$(0.58)	$(3.74)	$2.71	$(12.56)	$2.56
Weighted average common shares outstanding - Basic	39,184	39,281	39,625	40,612	40,337
Weighted average common shares outstanding - Diluted	39,184	39,281	39,934	40,612	40,947
Consolidated Balance Sheets Data					
Working capital[1]	$261,911	$344,354	$353,577	$329,632	$178,483
Total assets	1,710,305	1,882,511	2,089,441	2,064,282	2,745,797
Total debt	323,969	378,750	417,500	452,502	610,941
Total Itron, Inc. shareholders' equity	696,940	855,236	992,967	906,925	1,428,295
Other Financial Data					
Cash provided by operating activities	$132,973	$105,421	$205,090	$252,358	$254,591
Cash used in investing activities[3]	(41,496)	(56,771)	(125,445)	(78,741)	(56,274)
Cash used in financing activities	(91,877)	(57,438)	(77,528)	(209,453)	(148,637)
Capital expenditures	(44,495)	(60,020)	(50,543)	(60,076)	(62,822)

(1) Working capital represents current assets less current liabilities.

(2) During 2011, we incurred a goodwill impairment charge of $584.8 million. In addition, restructuring projects were approved and commenced to increase efficiency and lower our cost of manufacturing, for which we incurred costs of $68.1 million in 2011.

(3) On May 1, 2012, we completed our acquisition of SmartSynch, Inc. for $77.7 million in cash (net of $6.7 million of cash and cash equivalents acquired).

(4) During 2013, we incurred a goodwill impairment charge of $173.2 million. In addition, we incurred costs of $35.5 million in 2013 related to restructuring projects to increase efficiency.

(5) During 2014, we incurred costs of $50.9 million related to restructuring projects to improve operational efficiencies and reduce expenses. Refer to Item 8: "Financial Statements and Supplementary Data, Note 13: Restructuring" included in this Annual Report on Form 10-K for further disclosures regarding the restructuring charges.

ITEM 7: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with Item 8: “Financial Statements and Supplementary Data.”

Overview

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. Our Water operating segment includes both our global water and heat solutions. This structure allows each segment 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 each segment. Our product development and manufacturing operations are managed on a worldwide basis to promote a global perspective in our operations and processes and yet still maintain alignment with the segments.

We have three measures of segment performance: revenue, gross profit (margin), and operating income (margin). Intersegment revenues were minimal. Interest income, interest expense, other income (expense), income tax provision (benefit), and certain corporate operating expenses are not allocated to the segments, nor included in the measure of segment profit or loss.

Revenues increased $22.0 million, or 1%, in 2014, compared with 2013. Revenues were driven higher in 2014 by increases in product shipments in the Gas and Water segments, partially offset by a decline in product volumes in the Electricity segment. Foreign currency translation had an unfavorable impact of $31.9 million on 2014 revenues. Revenues decreased 11% in 2013, compared with 2012. The 2013 revenue decline was due primarily to the completion of several large OpenWay projects in the Electricity segment in 2012, partially offset by a $15.2 million increase in revenues in the Water segment.

Total backlog was $1.5 billion, and twelve-month backlog was $747.0 million at December 31, 2014.

Total company gross margin increased 10 basis points in 2014, compared with 2013. The primarily flat gross margin performance was the result of favorable product mix in the Water segment, partially offset by less favorable product mix in the Gas segment. Total company gross margin decreased 130 basis points in 2013, compared with 2012. Gross margin decline in 2013 over the prior year was primarily driven by decreased volumes in our Electricity and Gas segments and less favorable product mix within all three segments.

During 2014, we revised our estimate of the cost to complete an OpenWay project in North America. This resulted in a decrease to gross profit of $15.9 million, which reduced gross margin by 90 basis points for the year ended December 31, 2014. We previously recorded additional costs on this contract in 2013, which decreased gross profit by $16.5 million and reduced gross margin by 80 basis points for the year December 31, 2013.

We recognized income tax provision (benefit) of $6.6 million, $(3.6) million, and $26.0 million for the years ended December 31, 2014, 2013, and 2012. Our actual tax rate differed from the 35% U.S. federal statutory tax rate due to various items. Our tax expense increased due to an increase in valuation allowances related to deferred tax assets for which we do not anticipate future realization. The following items decreased tax expense: (1) recognition of research and experimentation credits for 2014; (2) earnings of our subsidiaries outside of the U.S. in jurisdictions where our statutory tax rate is lower than in the U.S.; (3) the benefit of certain interest expense deductions; and (4) benefits of certain acquisition related elections for tax purposes. Our tax provisions for 2013 and 2012 reflect the benefits of lower statutory tax rates on foreign earnings as compared with our U.S. federal statutory rate, foreign interest expense deductions and the benefits of certain acquisition related elections for tax purposes. During 2013, no tax benefit was recorded for the nondeductible portion of the goodwill impairment charge. During 2012, we recognized a benefit related to the release of reserves for uncertain tax positions. For additional discussion related to income taxes, see Item 8: “Financial Statements and Supplementary Data, Note 11: Income Taxes”.

In November 2014, our management approved restructuring projects (2014 Projects) to restructure our Electricity business and related general and administrative activities, along with certain Gas and Water activities, to improve operational efficiencies and reduce expenses. The 2014 Projects include consolidation of certain facilities and reduction of our global workforce. The improved structure will position us to meet our long-term profitability goals by better aligning global operations with markets where we can serve our customers profitably. In connection with the 2014 Projects, we recognized $55.8 million in restructuring expense, of which $47.4 million was for severance, $8.0 million was for asset impairments, and $401,000 was for other exit costs. We began

Table of Contents

implementing these projects in the fourth quarter of 2014, and we expect to substantially complete these projects by the end of 2016. Upon completion of the 2014 Projects, we expect to achieve annualized savings of $40 million. 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.

On February 2, 2015, we reached a settlement agreement with the counterparty related to the product development contract litigation from the SmartSynch, Inc. acquisition. As a result of the settlement, we recognized litigation cost, net of recovery from an indemnification escrow from SmartSynch shareholders, of $14.7 million, inclusive of attorney’s fees incurred, reflected in our results of operations for the year ended December 31, 2014 within general and administrative expense.

On March 8, 2013, our 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, our 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 December 31, 2014, we repurchased 910,990 shares of our common stock, totaling $36.7 million.

Subsequent to December 31, 2014 we repurchased 335,251 shares of our common stock. The average price paid per share was $39.62. These subsequent repurchases fully utilized the remaining $13.3 million authorized under the program. Repurchases are made in the open market or in privately negotiated transactions and in accordance with applicable securities laws.

On February 19, 2015, Itron's Board of Directors authorized a new repurchase program of up to $50 million of our common stock over a 12-month period, beginning February 19, 2015. Refer to Part II, Item 5: "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities" for additional information related to our current share repurchase program.

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

	Year Ended December 31,				
	2014	% Change	2013	% Change	2012
	(in thousands)		(in thousands)		(in thousands)
Revenues	$1,970,697	1%	$1,948,728	(11)%	$2,178,178
Gross Profit	$623,125	1%	$614,533	(14)%	$715,147
Gross Margin	31.6 %		31.5 %		32.8 %

	Year Ended December 31,		
	2014	2013	2012
	(in thousands)		
Revenues by region			
United States and Canada	$899,399	$851,295	$1,014,739
Europe, Middle East, and Africa (EMEA)	848,502	858,026	878,615
Other	222,796	239,407	284,824
Total revenues	$1,970,697	$1,948,728	$2,178,178

20

Table of Contents

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:

	Year Ended December 31,		
	2014	2013	2012
	(units in thousands)		
Meters			
Standard	18,740	17,850	17,920
Advanced and smart	6,090	5,930	8,030
Total meters	24,830	23,780	25,950
Stand-alone communication modules			
Advanced and smart	5,770	5,550	6,460

Revenues

Revenues increased 1%, or $22.0 million, in 2014, compared with 2013. Revenues in 2014 were higher, primarily driven by growth in the Gas and Water segments of 5% and 7%, respectively, partially offset by a decline of 5% in the Electricity segment. Changes in currency exchange rates unfavorably impacted revenues by $31.9 million across all segments. Revenues decreased 11%, or $229.5 million, in 2013, compared with 2012. Revenues in 2013 were lower, primarily driven by the substantial completion of four of our five largest OpenWay projects in the Electricity segment in 2012 and by $14.6 million in the unfavorable net translation impact of operations denominated in foreign currencies, partially offset by an increase in Water revenues during the year. A more detailed analysis of these fluctuations is provided in Operating Segment Results.

No single customer represented more than 10% of total revenues for the years ended December 31, 2014, 2013, and 2012. Our 10 largest customers accounted for 20%, 28%, and 27% of total revenues in 2014, 2013, and 2012.

Gross Margin

Gross margin was 31.6% for 2014, compared with 31.5% in 2013. The increase was driven by more favorable product mix in the Water segment, which was partially offset by a less favorable product mix in the Gas segment. Gross margin was 31.5% in 2013, compared with 32.8% in 2012. The decline was primarily the result of lower volumes in 2013 in both the Electricity and Gas segments, along with a less favorable mix of product sales in 2013 as compared with 2012 for all three segments and a higher warranty expense in the Gas segment. These decreases were partially offset by increased volumes in Water and benefits from our restructuring projects and manufacturing efficiencies. A more detailed analysis of these fluctuations is provided in Operating Segment Results.

During 2014, we revised our estimate of the cost to complete an OpenWay project in North America. This resulted in a decrease to gross profit of $15.9 million, which reduced gross margin by 90 basis points for the year ended December 31, 2014. We previously recorded additional costs on this contract in 2013, which decreased gross profit by

$16.5 million and reduced gross margin by 80 basis points for the year December 31, 2013.

Table of Contents

Operating Segment Results

For a description of our operating segments, refer to Item 8: “Financial Statements and Supplementary Data, Note 16: Segment Information” in this Annual Report on Form 10-K. The following tables and discussion highlight significant changes in trends or components of each operating segment.

	Year Ended December 31,				
	2014	% Change	2013	% Change	2012
Segment Revenues	(in thousands)		(in thousands)		(in thousands)
Electricity	$794,144	(5)%	$836,553	(18)%	$1,024,340
Gas	599,081	5%	570,297	(9)%	627,193
Water	577,472	7%	541,878	3%	526,645
Total revenues	$1,970,697	1%	$1,948,728	(11)%	$2,178,178

	Year Ended December 31,					
	2014		2013		2012	
	Gross Profit	Gross Margin	Gross Profit	Gross Margin	Gross Profit	Gross Margin
Segment Gross Profit and Margin	(in thousands)		(in thousands)		(in thousands)	
Electricity	$208,476	26.3%	$218,913	26.2%	$295,005	28.8%
Gas	211,815	35.4%	207,915	36.5%	235,391	37.5%
Water	202,834	35.1%	187,705	34.6%	184,751	35.1%
Total gross profit and margin	$623,125	31.6%	$614,533	31.5%	$715,147	32.8%

	Year Ended December 31,				
	2014	% Change	2013	% Change	2012
Segment Operating Expenses	(in thousands)		(in thousands)		(in thousands)
Electricity	$280,952	(38)%	$454,821	68%	$270,193
Gas	136,217	10%	124,033	(1)%	124,834
Water	131,828	6%	124,453	(1)%	125,541
Corporate unallocated	70,296	51%	46,407	7%	43,453
Total operating expenses	$619,293	(17)%	$749,714	33%	$564,021

	Year Ended December 31,					
	2014		2013		2012	
	Operating Income (Loss)	Operating Margin	Operating Income (Loss)	Operating Margin	Operating Income (Loss)	Operating Margin
Segment Operating Income (Loss) and Operating Margin	(in thousands)		(in thousands)		(in thousands)	
Electricity	$(72,476)	(9)%	$(235,908)	(28)%	$24,812	2%
Gas	75,598	13%	83,882	15%	110,557	18%
Water	71,006	12%	63,252	12%	59,210	11%
Corporate unallocated	(70,296)		(46,407)		(43,453)	
Total Company	$3,832	—%	$(135,181)	(7)%	$151,126	7%

Electricity:

Revenues - 2014 vs. 2013

Electricity revenues for 2014 decreased by $42.4 million, or 5%, compared with 2013 revenues. The decrease was primarily driven by lower product volumes and services in EMEA, resulting in a $40.8 million decline in revenue. In addition, Latin America had a decline in product revenue of $12.1 million primarily due to our decision to reduce the manufacture and sale of standard meters in the region as part of our restructuring projects. These decreases were partially offset by $27.6 million in increased product sales and professional services in North America. The net translation effect of our operations in foreign currencies negatively impacted 2014 revenues by $14.9 million.

No customer represented more than 10% of the Electricity operating segment revenues in 2014.

Table of Contents

Revenues - 2013 vs. 2012
Electricity revenues for 2013 decreased by $187.8 million, or 18%, compared with 2012 revenues. The decrease was primarily driven by $246.3 million in lower revenue of our five largest OpenWay projects in North America, as four of these projects were substantially completed during 2013. Lower prepayment meter shipments drove a decrease of $24.8 million in our Asia/Pacific region. These decreases were partially offset by $81.5 million in increased products and services in North America, apart from the five largest OpenWay projects, as well as by $27.3 million in increased product shipments and services in EMEA. The net translation effect of our operations in foreign currencies negatively impacted 2013 revenues by $18.1 million.

No customer represented more than 10% of the Electricity operating segment revenues in 2013, while one customer individually represented 17% of the Electricity operating segment revenues in 2012.

Gross Margin - 2014 vs. 2013
Gross margin was 26.3% in 2014, compared with 26.2% in 2013. The slight margin improvement was driven by lower warranty costs in Latin America, partially offset by decreased volume in all regions except North America. In 2014, net charges for an OpenWay project in North America were $15.9 million, which negatively impacted gross margin by 210 basis points. A similar charge was recorded on this project in 2013 for $16.5 million, which reduced gross margin by 190 basis points.

Gross Margin - 2013 vs. 2012
Gross margin was 26.2% in 2013, compared with 28.8% in 2012. The lower margin was primarily driven by decreased volume in 2013 and less favorable product mix in all regions. In 2013, net charges for an OpenWay project in North America were $16.5 million, which negatively impacted gross margin by 190 basis points.

Operating Expenses - 2014 vs. 2013
Electricity operating expenses decreased by $173.9 million, or 38%, in 2014, primarily due to the goodwill impairment of $173.2 million recognized in 2013 and $10.1 million in reduced product development expense as a result of restructuring activities. These decreases were partially offset by $8.0 million in higher general and administrative expense, primarily due to a legal settlement related to a contract dispute that resulted in $14.7 million of litigation expense. Intangible asset amortization expense increased $5.6 million based on the expected cash flows determined at acquisition. We recognized $29.7 million in restructuring charges under the 2014 Projects, which was partially offset by an $8.5 million reduction in 2014 that related to a reassessment of certain restructuring activities under the 2013 restructuring projects (2013 Projects). In 2013, we recognized $24.1 million in restructuring expense under the 2013 Projects. Operating expenses for sales and marketing, product development, general and administrative, and amortization of intangible assets as a percentage of revenues were 33% in 2014 and 31% in 2013.

Operating Expenses - 2013 vs. 2012
Electricity operating expenses increased by $184.6 million or 68%, in 2013 primarily due to the goodwill impairment of $173.2 million recognized in 2013 for the Electricity reporting unit and $23.9 million in additional restructuring expenses in 2013. We reduced sales and marketing expense by $12.1 million as a result of our restructuring projects, offset by $5.6 million in higher litigation expense within general and administrative expense. Operating expenses for sales and marketing, product development, general and administrative, and amortization of intangible assets as a percentage of revenues were 31% in 2013 and 26% in 2012.

Gas:

Revenues - 2014 vs. 2013
Gas revenues increased by $28.8 million, or 5%, in 2014, compared with 2013. The increase was driven by $27.6 million in increased sales in North America and $9.2 million and $3.7 million in increased product sales in EMEA and

Latin America, partially offset by lower professional services revenue in EMEA of $2.2 million. Foreign currency translation had an unfavorable impact of $9.1 million in 2014.

No single customer represented more than 10% of the Gas operating segment revenues in 2014, 2013, and 2012.

Revenues - 2013 vs. 2012
Gas revenues decreased by $56.9 million, or 9%, in 2013, compared with 2012. The decrease was driven by $54.2 million in lower product sales in EMEA and $18.7 million in lower communication module shipments and lower service revenue in North America, the effect of which was partially offset by $21.3 million in increased North America gas meter shipments, particularly smart meters.

Gross Margin - 2014 vs. 2013
Gross margin was 35.4% in 2014, compared with 36.5% in 2013. The 110 basis point decline in gross margin was primarily the result of less favorable product mix in EMEA.

Table of Contents

Gross Margin - 2013 vs. 2012
Gross margin was 36.5% in 2013, compared with 37.5% in 2012. The 100 basis point decline in gross margin was primarily the result of less favorable product mix and higher warranty costs.

Operating Expenses - 2014 vs. 2013
Gas operating expenses increased by $12.2 million, or 10%, in 2014. The increase resulted from an increase in restructuring expense of $5.7 million and an increase in product development costs of $7.5 million. Operating expenses for sales and marketing, product development, general and administrative, and amortization of intangible assets as a percentage of revenues, were 21% in 2014 and 2013.

Operating Expenses - 2013 vs. 2012
Gas operating expenses decreased by $801,000, or 1% in 2013. Lower sales and marketing and product development expenses were partially offset by higher general and administrative expenses. Operating expenses for sales and marketing, product development, general and administrative, and amortization of intangible assets as a percentage of revenues, were 21% in 2013 and 20% in 2012.

Water:

Revenues - 2014 vs. 2013
The increase in revenues of $35.6 million, or 7%, in 2014 was driven primarily by growth in product sales in EMEA of $35.2 million, in North America of $3.3 million, and in Asia/Pacific of $2.8 million. Latin America experienced growth of $2.3 million, which included an unfavorable impact from foreign currency translation of $5.9 million. Services revenue declined $7.9 million during 2014, with North America contributing $6.7 million of the total decline due to the completion of a significant project in 2013.

No single customer represented more than 10% of the Water operating segment revenues in 2014, 2013, and 2012.

Revenues - 2013 vs. 2012
Revenues increased $15.2 million, or 3%, in 2013. This increase was driven primarily by growth in projects in North America of $10.2 million. Latin America experienced growth of $7.0 million, but was negatively impacted by foreign currency translation of $4.3 million.

Gross Margin - 2014 vs. 2013
Water gross margin increased to 35.1% in 2014, compared with 34.6% in 2013, due to decreases in manufacturing costs globally, as well as lower service revenue in North America, which carries a lower margin.

Gross Margin - 2013 vs. 2012
Water gross margin decreased to 34.6% in 2013, compared with 35.1% in 2012, driven predominantly by higher service revenues in North America, which have a lower margin, and partially offset by favorable product mix in EMEA.

Operating Expenses - 2014 vs. 2013
In 2014, Water operating expenses were $131.8 million compared with $124.5 million in 2013. The increase was a result of a $5.0 million increase in sales and marketing expense, primarily higher compensation expense related to increased revenues, and a $3.4 million increase in general and administrative expenses. The overall increase was partially offset by a decrease in intangible asset amortization expense of $2.2 million. Operating expenses for sales and marketing, product development, general and administrative, and amortization of intangible assets as percentages of revenues were 22% in 2014 and 2013.

Operating Expenses - 2013 vs. 2012
In 2013, Water operating expenses were $124.5 million, compared with $125.5 million in 2012. Decreases of $5.9 million in sales and marketing expense and $2.1 million in lower amortization of intangible expense were partially offset by increases in product development, general and administrative, and restructuring expenses. Operating expenses for sales and marketing, product development, general and administrative, and amortization of intangible assets as percentages of revenues were 22% in 2013, compared with 24% in 2012.

Corporate unallocated:

Operating expenses not directly associated with an operating segment are classified as “Corporate unallocated.” These expenses increased 51% to $70.3 million in 2014, compared with 2013, primarily due to $14.5 million in increased restructuring expenses

Table of Contents

in 2014, as well as $8.9 million in general and administrative expenses - due to increased variable compensation expense and costs associated with our shared services center in Ireland, which was established late in 2013.

Corporate unallocated expenses increased 7% to $46.4 million in 2013, compared with 2012, primarily due to $2.7 million in increased restructuring expenses in 2013, as well as $3.8 million in sales and marketing costs, which are no longer allocated to the operating segments. These increases were partially offset by a decline in general and administrative expenses, including $3.0 million in acquisition-related expenses incurred in 2012 that did not recur in 2013.

Operating Expenses

The following table details our total operating expenses in dollars and as a percentage of revenues:

	Year Ended December 31,					
	2014	% of Revenues	2013	% of Revenues	2012	% of Revenues
	(in thousands)		(in thousands)		(in thousands)	
Sales and marketing	$185,239	9%	$180,371	9%	$197,603	9%
Product development	175,500	9%	176,019	9%	178,653	8%
General and administrative	163,101	8%	142,559	7%	138,290	6%
Amortization of intangible assets	43,619	2%	42,019	2%	47,810	2%
Restructuring expense	50,857	3%	35,497	2%	1,665	—%
Goodwill impairment	977	—%	173,249	9%	—	—%
Total operating expenses	$619,293	31%	$749,714	38%	$564,021	26%

2014 vs. 2013
Operating expenses decreased $130.4 million in 2014, compared with 2013. The 2013 operating expenses included $173.2 million in goodwill impairment charges associated with the Electricity reporting unit compared with $1.0 million in 2014. The decline in goodwill impairment was partially offset by a $15.4 million increase in restructuring expense following the approval of the 2014 Projects. In addition, general and administrative expenses increased by $20.5 million due to litigation costs and higher variable compensation. Operating expenses for sales and marketing, product development, general and administrative, and amortization of intangible assets represented 29% of revenues in 2014, compared with 28% in 2013.

2013 vs. 2012
Operating expenses increased $185.7 million in 2013, compared with 2012. The 2013 operating expenses included $173.2 million in goodwill impairment charges associated with the Electricity reporting unit, as well as $35.5 million in restructuring expenses, which represented the majority of total expected expenses under our 2013 Projects initiated in the third quarter of 2013. Operating expenses for sales and marketing, product development, general and administrative, and amortization of intangible assets represented 28% of revenues in 2013, compared with 26% in 2012. Sales and marketing and product development expenses decreased in 2013 compared with 2012, primarily due to our restructuring activities under the 2011 Projects that were completed in June 2013. In addition, scheduled decreases in intangible asset amortization resulted in $5.8 million in lower operating expenses. These decreases were partially offset by an increase in general and administrative expenses of $4.3 million, primarily as a result of higher litigation expense.

Other Income (Expense)

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

	Year Ended December 31,		
	2014	2013	2012
	(in thousands)		
Interest income	$494	$1,620	$952
Interest expense	(9,990)	(9,030)	(8,518)
Amortization of prepaid debt fees	(1,612)	(1,656)	(1,597)
Other income (expense), net	(7,633)	(4,007)	(5,744)
Total other income (expense)	$(18,741)	$(13,073)	$(14,907)

Table of Contents

Interest income: Interest income is generated from our cash and cash equivalents. Interest rates have continued to remain low. Interest income for the year ended December 31, 2013 included interest recognized on certain deposits with governmental entities related to tax contingencies.

Interest expense: Interest expense increased from 2013 due to the impact of interest rate swaps, which became effective during the third quarter of 2013, partially offset by a lower principal balance of debt outstanding. The weighted-average debt outstanding was $340.6 million, $410.8 million, and $448.2 million at December 31, 2014, 2013, and 2012, respectively.

Amortization of prepaid debt fees: Amortization of prepaid debt fees in 2014 was consistent with the 2013 and 2012 levels. Amortization of prepaid debt fees may fluctuate each year dependent upon the timing of debt payments. When debt is repaid prior to the contractual due date, the related portion of unamortized prepaid debt fees is written-off. Refer to Item 8: “Financial Statements and Supplementary Data, Note 6: Debt” in this Annual Report on Form 10-K 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 due to transactions denominated in a currency other than the reporting entity's functional currency. Foreign currency losses, net of hedging, were $5.1 million in 2014, compared with net foreign currency losses of $3.3 million in 2013 and $3.8 million in 2012.

Financial Condition

Cash Flow Information:

	Year Ended December 31,		
	2014	2013	2012
	(in thousands)		
Operating activities	$132,973	$105,421	$205,090
Investing activities	(41,496)	(56,771)	(125,445)
Financing activities	(91,877)	(57,438)	(77,528)
Effect of exchange rates on cash and cash equivalents	(12,034)	(2,818)	1,208
Increase (decrease) in cash and cash equivalents	$(12,434)	$(11,606)	$3,325

Cash and cash equivalents at December 31, 2014 were $112.4 million, compared with $124.8 million at December 31, 2013. The decrease in cash and cash equivalents was primarily the result of a decrease in net income, exclusive of goodwill impairment, an increase in accounts receivable, and higher payments on debt, partially offset by increases in accounts payable and other current liabilities. Cash and cash equivalents at December 31, 2013 were lower compared with the prior year primarily due to lower net income, partially offset by decreases in business acquisitions and repurchases of common stock in 2013, compared with 2012.

Operating activities

Net cash provided by operating activities in 2014 was $27.6 million higher than in 2013. This increase was primarily due to a decrease in accounts payable payments of $25.0 million due to timing and an increase in other liabilities of $28.5 million as a result of restructuring activities and litigation accruals recognized at the end of 2014, and a reduction in inventory resulting in $16.9 million of increased cash flows. These increases were partially offset by the decrease in net income of $49.2 million, exclusive of the impact of the goodwill impairment charge, and decreased receipts on accounts receivable balances due to invoice timing resulting in a $30.4 million reduction in cash provided as compared with 2013.

Net cash provided by operating activities in 2013 was $99.7 million lower, compared with 2012. This decline was primarily due to the decrease in net income of $81.6 million, exclusive of the impact of the goodwill impairment charge, and an increase in deferred taxes of $21.0 million.

Investing activities

Net cash used in investing activities in 2014 was $15.3 million lower than in 2013. This decrease in investing activities during 2014 was the result of $15.5 million in reduced acquisitions of property, plant, and equipment.

Net cash used in investing activities in 2013 was $68.7 million lower, compared with 2012. This decrease in investing activities during 2013 was the result of a reduction of $78.2 million in business acquisition payments. In 2013, business acquisition-related payments consisted of contingent payments related to the 2011 Asais acquisition. Business acquisition-related payments in 2012 included payments for the acquisition of SmartSynch. The decrease was partially offset by an increase in acquisitions of property, plant, and equipment of $9.5 million in 2013.

Financing activities
Net cash used in financing activities in 2014 was $34.4 million higher than in 2013, primarily as a result of increased repayments of debt, net of proceeds from borrowings, of $16.0 million in 2014 and an increase of $12.7 million in repurchases of our common stock.

Net cash used in financing activities in 2013 was $20.1 million lower compared with 2012, primarily as a result of a decrease of $20.5 million in repurchases of common stock in 2013.

Effect of exchange rates on cash and cash equivalents
Changes in exchange rates on the cash balances of currencies held in foreign denominations resulted in a decrease of $12.0 million, a decrease of $2.8 million, and an increase of $1.2 million in 2014, 2013, and 2012, respectively. Our foreign currency exposure relates to non-U.S. dollar denominated balances in our international subsidiary operations, the most significant of which is the euro.

Off-balance sheet arrangements:

We have no off-balance sheet financing agreements or guarantees as defined by Item 303 of Regulation S-K at December 31, 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.

Disclosures about contractual obligations and commitments:

The following table summarizes our known obligations to make future payments pursuant to certain contracts as of December 31, 2014, as well as an estimate of the timing in which these obligations are expected to be satisfied.

	Total	Less than 1 year	1-3 years	3-5 years	Beyond 5 years
	(in thousands)				
Credit Facilities[1]					
USD denominated term loan	$238,854	$33,567	$205,287	$—	$—
Multicurrency revolving line of credit	93,974	1,396	92,578	—	—
Operating lease obligations[2]	40,736	12,142	15,663	11,210	1,721
Purchase and service commitments[3]	168,376	165,274	2,989	88	25
Other long-term liabilities reflected on the balance sheet under generally accepted accounting principles[4]	88,006	—	44,848	13,602	29,556
Total	$629,946	$212,379	$361,365	$24,900	$31,302

(1) Borrowings are disclosed within Item 8: “Financial Statements and Supplementary Data, Note 6: Debt” included in this Annual Report on Form 10-K, with the addition of estimated interest expense but not including the amortization of prepaid debt fees.

(2) Operating lease obligations are disclosed in Item 8: “Financial Statements and Supplementary Data, Note 12: Commitments and Contingencies” included in this Annual Report on Form 10-K and do not include common area maintenance charges, real estate taxes, and insurance charges for which we are obligated.

(3)

We enter into standard purchase orders in the ordinary course of business that typically obligate us to purchase materials and other items. Purchase orders can vary in terms, which include open-ended agreements that provide for estimated quantities over an extended shipment period, typically up to one year at an established unit cost. Our long-term executory purchase agreements that contain termination clauses have been classified as less than one year, as the commitments are the estimated amounts we would be required to pay at December 31, 2014 if the commitments were canceled.

(4) Other long-term liabilities consist of warranty obligations, estimated pension benefit payments, and other obligations. Estimated pension benefit payments include amounts from 2016-2024. Long-term unrecognized tax benefits totaling $19.9 million (net of pre-payments), which include accrued interest and penalties, are not included in the above contractual obligations and commitments table as we cannot reliably estimate the period of cash settlement with the respective taxing

authorities. Additionally, because the amount and timing of the future cash outflows are uncertain, deferred revenue totaling $33.2 million, which includes deferred revenue related to extended warranty guarantees, is not included in the table. For further information on defined benefit pension plans, income taxes, and warranty obligations and deferred revenue for extended warranties, see Item 8: "Financial Statements and Supplementary Data," Notes 8, 11, and 12, respectively, included in this Annual Report on Form 10-K.

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 $261.9 million at December 31, 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 December 31, 2014, $91.5 million was outstanding under the revolver, and $50.4 million was utilized by outstanding standby letters of credit, resulting in $518.1 million available for additional borrowings.

For further description of the term loan and the revolver under our credit facility, refer to Item 8: “Financial Statements and Supplementary Data, Note 6: Debt” included in this Annual Report on Form 10-K.

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 8: “Financial Statements and Supplementary Data, Note 12: Commitments and Contingencies” included in this Annual Report on Form 10-K.

Share Repurchases
On March 8, 2013, our 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, our 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 December 31, 2014, we repurchased 910,990 shares of our common stock, totaling $36.7 million.

On February 19, 2015, Itron's Board of Directors authorized a new repurchase program of up to $50 million of our common stock over a 12-month period, beginning February 19, 2015.

Restructuring
In November 2014, our management approved restructuring projects (2014 Projects) to restructure our Electricity business and related general and administrative activities, along with certain Gas and Water activities, to improve operational efficiencies and reduce expenses. The 2014 Projects include consolidation of certain facilities and reduction of our global workforce. The improved structure will position us to meet our long-term profitability goals by better aligning global operations with markets where we can serve our customers profitably.

Total expected costs were approximately $66.7 million as of December 31, 2014. A substantial portion of the total expected restructuring charges was recognized in the fourth quarter of 2014, and $62.9 million was accrued at

December 31, 2014 under the 2013 and 2014 Projects, of which $49.1 million is expected to be paid over the next 12 months. We have begun to realize benefits from our restructuring projects during 2014, and we expect to begin recognizing full savings under the 2013 Projects at the beginning of 2016 and the cost savings of the 2014 Projects by the end of 2016. Certain projects are subject to a variety of labor and employment laws, rules, and regulations that could result in a delay in implementing projects at some locations. Real estate market conditions may impact the timing of our ability to sell some of the manufacturing facilities we have designated for closure and disposal. This may delay the completion of the 2014 Projects beyond December 31, 2016. For further details regarding our restructuring activities, refer to Item 8: "Financial Statements and Supplementary Data, Note 13: Restructuring" included in this Annual Report on Form 10-K.

Table of Contents

Income Tax

Our tax provision (benefit) as a percentage of income (loss) before tax typically differs from the U.S. federal statutory rate of 35%. Changes in our actual tax rate are subject to several factors, including fluctuations in operating results, new or revised tax legislation and accounting pronouncements, changes in the level of business in domestic and foreign jurisdictions, tax credits (including research and development and foreign tax), state income taxes, adjustments to valuation allowances, and interest expense and penalties related to uncertain tax positions, among other items. Changes in tax laws, valuation allowances, and unanticipated tax liabilities could significantly impact our tax rate.

Our cash income tax payments (refunds) for 2014, 2013, and 2012 were as follows:

	Year Ended December 31,		
	2014	2013	2012
	(in thousands)		
U.S. federal taxes paid (refunded)	$3,300	$(13)	$15,500
State income taxes paid (refunded)	438	(18)	2,831
Foreign and local income taxes paid	14,484	18,690	22,468
Total income taxes paid	$18,222	$18,659	$40,799

Based on current projections, we expect to pay, net of refunds, approximately $18.3 million in federal taxes, $1.0 million in state taxes and $15.7 million in foreign and local income taxes in 2015.

We have not provided U.S. deferred taxes related to the cash in certain foreign subsidiaries because our investment is considered permanent in duration. As of December 31, 2014, there was $52.5 million of cash and short-term investments held by certain foreign subsidiaries in which we are permanently reinvested for tax purposes. If this cash were repatriated to fund U.S. operations, additional tax costs may be incurred. Tax is one of 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.

Other Liquidity Considerations

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 $33.9 million of our consolidated cash balance at December 31, 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 U.S. from these entities.

For a description of our funded and unfunded non-U.S. defined benefit pension plans and our expected 2015 contributions, refer to Item 8: “Financial Statements and Supplementary Data, Note 8: Defined Benefit Pension Plans” included in this Annual Report on Form 10-K.

At December 31, 2014, we have accrued $37.9 million of bonus and profit sharing plans expense for the achievement of annual financial and nonfinancial targets, compared with $15.3 million at December 31, 2013. The 2014 awards will be paid in cash during the first quarter of 2015.

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 Item 1A: "Risk Factors," as well as Item 7A: "Quantitative and Qualitative Disclosures About Market Risk," both included in this Annual Report on Form 10-K.

Table of Contents

Contingencies

Refer to Item 8: "Financial Statements and Supplementary Data, Note 12: Commitments and Contingencies" included in this Annual Report on Form 10-K.

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 testing or 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

Table of Contents

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 our 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
We estimate income tax expense in each of the taxing jurisdictions in which we operate. Changes in our actual tax rate are subject to several factors, including fluctuations in operating results, new or revised tax legislation and accounting pronouncements, changes in the level of business in domestic and foreign jurisdictions, tax credits (including research and development and foreign tax), state income taxes, adjustments to valuation allowances, and interest expense and penalties related to uncertain tax positions, among other items. Changes in tax laws, valuation allowances, and unanticipated tax liabilities could significantly impact our tax rate.

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 all 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 our control. Our most sensitive and critical factors are the projection, source, and character of future taxable income. Although realization is not assured, we believe 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 audits 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.

Table of Contents

Inventories
Items are removed from inventory using the first-in, first-out method. Inventories include raw materials, sub-assemblies, and finished goods. Inventory amounts include the cost to manufacture the item, such as the cost of raw materials, labor, and other applied direct and indirect costs. We also review idle facility expense, freight, handling costs, and wasted materials to determine if abnormal amounts should be recognized as current-period charges. We review our inventory for obsolescence and marketability. If the estimated market value, which is based upon assumptions about future demand and market conditions, falls below the original cost, the inventory value is reduced to the market value. If technology rapidly changes or actual market conditions are less favorable than those projected by management, inventory write-downs may be required. Our inventory levels may vary period to period as a result of our factory scheduling and timing of contract fulfillments.

Goodwill and Intangible Assets
Goodwill and intangible assets may result from our business acquisitions. Intangible assets may also result from the purchase of assets and intellectual property where we do not acquire a business. 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. in-process research and development (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, 2014, we determined that it was more likely than not that the fair value of the Electricity, 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.

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.

Table of Contents

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 94% of our benefit obligation, we use two 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 €500 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 1.50% and 2.00%, respectively. The weighted average discount rate used to measure the projected benefit obligation for all of the plans at December 31, 2014 was 2.36%. A change of 25 basis points in the discount rate would change our pension benefit obligation by approximately $5.2 million. The financial and actuarial assumptions used at December 31, 2014 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. Our contributions for both funded and unfunded plans are paid from cash flows from our operations. Refer to Item 8: "Financial Statements and Supplementary Data, Note 8: Defined Benefit Pension Plans" included in this Annual Report on Form 10-K 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.

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.

Table of Contents

ITEM 7A: 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 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 estimated cash interest payments over the remaining lives of our debt at December 31, 2014. Weighted average variable rates in the table are based on implied forward rates in the Reuters U.S. dollar yield curve as of December 31, 2014 and our estimated leverage ratio, which determines our additional interest rate margin at December 31, 2014.

	2015	2016	2017	2018	2019	Total	Fair Value
	(in thousands)						
Variable Rate Debt							
Principal: U.S. dollar term loan	$30,000	$202,500	$—	$—	$—	$232,500	$231,645
Average interest rate	1.66 %	2.33 %	— %	— %	— %		
Principal: Multicurrency revolving line of credit	$—	$91,469	$—	$—	$—	$91,469	$91,124
Average interest rate	1.53 %	1.98 %	— %	— %	— %		
Interest rate swap on LIBOR based debt							
Average interest rate (pay)	1.00 %	1.00 %	— %	— %	— %		
Average interest rate (receive)	0.41 %	1.08 %	— %	— %	— %		
Net/spread	(0.59)%	0.08 %	— %	— %	— %		

Based on a sensitivity analysis as of December 31, 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 was 57% of total revenues for the year ended December 31, 2014, compared with 59% for the years ended December 31, 2013 and 2012.

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, foreign 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 517 contracts were entered into during the year ended December 31, 2014), not designated for hedge accounting, with the intent to reduce earnings volatility associated

Table of Contents

with certain of these balances. The notional amounts of the contracts ranged from $86,000 to $20.7 million, offsetting our exposures from the euro, British pound, Canadian dollar, Australian dollar, Mexican Peso and various other currencies.

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

Table of Contents

ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF MANAGEMENT

To the Board of Directors and Shareholders of Itron, Inc.

Management is responsible for the preparation of our consolidated financial statements and related information appearing in this Annual Report on Form 10-K. Management believes that the consolidated financial statements fairly reflect the form and substance of transactions and that the financial statements reasonably present our results of operations, financial position, and cash flows in conformity with U.S. generally accepted accounting principles. Management has included in our financial statements amounts based on estimates and judgments that it believes are reasonable under the circumstances.

Management's explanation and interpretation of our overall operating results and financial position, with the basic financial statements presented, should be read in conjunction with the entire report. The notes to the consolidated financial statements, an integral part of the basic financial statements, provide additional detailed financial information. Our Board of Directors has an Audit/Finance Committee composed of independent directors. The Committee meets regularly with financial management and Ernst & Young LLP to review internal control, auditing, and financial reporting matters.

Philip C. Mezey	W. Mark Schmitz
President and Chief Executive Officer	Executive Vice President and Chief Financial Officer

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Itron, Inc.

We have audited the accompanying consolidated balance sheets of Itron, Inc. as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income (loss), equity and cash flows for each of the three years in the period ended December 31, 2014. Our audits also included the financial statement schedule listed in the Index at Item 15(a)(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Itron, Inc. at December 31, 2014 and 2013, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Itron, Inc.'s internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 20, 2015 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP
Seattle, Washington
February 20, 2015

Table of Contents

ITRON, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	2014	2013	2012
	(in thousands, except per share data)		
Revenues	$1,970,697	$1,948,728	$2,178,178
Cost of revenues	1,347,572	1,334,195	1,463,031
Gross profit	623,125	614,533	715,147
Operating expenses			
Sales and marketing	185,239	180,371	197,603
Product development	175,500	176,019	178,653
General and administrative	163,101	142,559	138,290
Amortization of business acquisition-related intangible assets	43,619	42,019	47,810
Restructuring expense	50,857	35,497	1,665
Goodwill impairment	977	173,249	—
Total operating expenses	619,293	749,714	564,021
Operating income (loss)	3,832	(135,181)	151,126
Other income (expense)			
Interest income	494	1,620	952
Interest expense	(11,602)	(10,686)	(10,115)
Other income (expense), net	(7,633)	(4,007)	(5,744)
Total other income (expense)	(18,741)	(13,073)	(14,907)
Income (loss) before income taxes	(14,909)	(148,254)	136,219
Income tax (provision) benefit	(6,641)	3,664	(25,995)
Net income (loss)	(21,550)	(144,590)	110,224
Net income attributable to noncontrolling interests	1,370	2,219	1,949
Net income (loss) attributable to Itron, Inc.	$(22,920)	$(146,809)	$108,275
Earnings (loss) per common share - Basic	$(0.58)	$(3.74)	$2.73
Earnings (loss) per common share - Diluted	$(0.58)	$(3.74)	$2.71
Weighted average common shares outstanding - Basic	39,184	39,281	39,625
Weighted average common shares outstanding - Diluted	39,184	39,281	39,934

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

Table of Contents

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

	Year Ended December 31,		
	2014	2013	2012
	(in thousands)		
Net income (loss)	$(21,550)	$(144,590)	$110,224
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments	(90,333)	7,077	21,382
Unrealized gains (losses) on hedging instruments:			
Net unrealized gain (loss) on derivative instruments, designated as cash flow hedges	(566)	2	(1,689)
Net hedging loss (gain) reclassified into net income (loss)	1,054	431	—
Pension plan benefit liability adjustment	(24,947)	5,117	(16,940)
Total other comprehensive income (loss), net of tax	(114,792)	12,627	2,753
Total comprehensive income (loss), net of tax	(136,342)	(131,963)	112,977
Comprehensive income (loss) attributable to noncontrolling interest, net of tax:			
Net income attributable to noncontrolling interests	1,370	2,219	1,949
Foreign currency translation adjustments	—	(35)	(23)
Amounts attributable to noncontrolling interests	1,370	2,184	1,926
Comprehensive income (loss) attributable to Itron, Inc.	$(137,712)	$(134,147)	$111,051

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

39

Table of Contents

ITRON, INC.
CONSOLIDATED BALANCE SHEETS

	December 31, 2014	December 31, 2013
	(in thousands)	
ASSETS		
Current assets		
Cash and cash equivalents	$112,371	$124,805
Accounts receivable, net	348,389	356,709
Inventories	154,504	177,467
Deferred tax assets current, net	39,115	37,110
Other current assets	104,307	103,275
Total current assets	758,686	799,366
Property, plant, and equipment, net	207,789	246,820
Deferred tax assets noncurrent, net	74,598	58,880
Other long-term assets	28,503	33,027
Intangible assets, net	139,909	195,840
Goodwill	500,820	548,578
Total assets	$1,710,305	$1,882,511
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	$184,132	$199,769
Other current liabilities	100,945	70,768
Wages and benefits payable	95,248	89,314
Taxes payable	21,951	10,700
Current portion of debt	30,000	26,250
Current portion of warranty	21,063	21,048
Unearned revenue	43,436	37,163
Total current liabilities	496,775	455,012
Long-term debt	293,969	352,500
Long-term warranty	15,403	24,098
Pension plan benefit liability	101,432	88,687
Deferred tax liabilities noncurrent, net	3,808	7,326
Other long-term obligations	84,437	81,917
Total liabilities	995,824	1,009,540
Commitments and contingencies (Note 12)		
Equity		
Preferred stock, no par value, 10 million shares authorized, no shares issued or outstanding	—	—
Common stock, no par value, 75 million shares authorized, 38,591 and 39,149 shares issued and outstanding	1,270,045	1,290,629
Accumulated other comprehensive loss, net	(136,514)	(21,722)
Accumulated deficit	(436,591)	(413,671)
Total Itron, Inc. shareholders' equity	696,940	855,236

Noncontrolling interests	17,541	17,735
Total equity	714,481	872,971
Total liabilities and equity	$ 1,710,305	$ 1,882,511

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

Table of Contents

ITRON, INC.
CONSOLIDATED STATEMENTS OF EQUITY
(in thousands)

	Shares	Amount	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Accumulated Deficit)	Total Itron, Inc. Shareholders' Equity	Noncontrolling Interests	Total Equity
Balances at January 1, 2012	40,032	$1,319,222	$ (37,160)	$ (375,137)	$ 906,925	$ 14,620	$921,545
Net income				108,275	108,275	1,949	110,224
Other comprehensive income (loss), net of tax			2,776		2,776	(23)	2,753
Stock issues:							
Options exercised	54	1,188			1,188		1,188
Restricted stock awards released	275	—			—		—
Issuance of stock-based compensation awards	17	769			769		769
Employee stock purchase plan	101	3,593			3,593		3,593
Stock-based compensation expense		18,743			18,743		18,743
Employee stock plans income tax deficiencies		(1,861)			(1,861)		(1,861)
Repurchase of common stock	(1,202)	(47,441)			(47,441)		(47,441)
Balances at December 31, 2012	39,277	$1,294,213	$ (34,384)	$ (266,862)	$ 992,967	$ 16,546	$1,009,513
Net income (loss)				(146,809)	(146,809)	2,219	(144,590)
Other comprehensive income (loss), net of tax			12,662		12,662	(35)	12,627
Distributions to noncontrolling interests						(995)	(995)
Stock issues and repurchases:							
Options exercised	74	1,771			1,771		1,771
Restricted stock awards released	331	—			—		—
Issuance of stock-based compensation awards	18	811			811		811
Employee stock purchase plan	94	3,528			3,528		3,528
Stock-based compensation expense		18,039			18,039		18,039

Employee stock plans income tax deficiencies		(756)			(756)		(756)
Repurchase of common stock	(645)	(26,977)			(26,977)		(26,977)
Balances at December 31, 2013	39,149	$1,290,629	$(21,722)	$(413,671)	$855,236	$17,735	$872,971
Net income (loss)				(22,920)	(22,920)	1,370	(21,550)
Other comprehensive income (loss), net of tax			(114,792)		(114,792)	—	(114,792)
Distributions to noncontrolling interests						(1,564)	(1,564)
Stock issues and repurchases:							
Options exercised	65	1,621			1,621		1,621
Restricted stock awards released	281	—			—		—
Issuance of stock-based compensation awards	21	936			936		936
Employee stock purchase plan	61	2,247			2,247		