



ITRON, INC.
AUDIT/FINANCE COMMITTEE CHARTER

Purpose and Authority

The purpose of the Audit and Finance Committee (the "Committee") of Itron, Inc., (the "corporation") is to assist the Board of Directors (the "Board") in fulfilling its responsibilities to shareholders and the investment community by serving as an independent and objective party in monitoring (a) the quality and integrity of the financial reports and other financial information provided by the corporation to governmental bodies and the public; (b) the corporation's auditing, accounting and financial reporting processes; (c) the corporation's compliance with legal and regulatory requirements; (d) the independent auditor's qualifications and independence; (e) the performance of the corporation's internal audit function, internal auditors and its independent auditors; and (f) compliance with the corporation's code of ethics for senior financial officers and compliance with its code of conduct for all personnel.

The Committee shall have the sole authority and responsibility to appoint, determine funding for, oversee and, where appropriate, replace the independent auditor. The Committee shall also have all authority necessary to fulfill the duties and responsibilities assigned to the Committee in this charter or otherwise assigned to it by the Board.

As the Committee deems appropriate, it may retain independent counsel, accounting and other professionals to assist the Committee without seeking Board approval with respect to the selection, fees or terms of engagement of any such advisors.

The Committee when appropriate may form and delegate authority to subcommittees and may delegate authority to one or more designated members of the Committee.

Composition

Independence

The Committee shall be comprised of three or more directors as determined by the Board, each of whom shall meet the independence requirements established by the Board, the Nasdaq Stock Market and any other regulations applicable to the corporation from time to time, including regulations limiting Committee member compensation. Any director who has participated in the preparation of the financial statements of the corporation [or any of its current subsidiaries] at any time during the past three years may not sit on the Committee.



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Financial Literacy

Each member of the Committee shall be financially literate (at a minimum, able to read and understand fundamental financial statements, including the corporation's balance sheet, income statement and cash flow statement). At least one Committee member shall have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the member's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities, and shall be a "financial expert" in accordance with such regulations as may be applicable to the Company from time to time.

Service on Other Public Company Audit Committees

No member of the Committee shall serve on more than two audit committees of publicly traded companies, other than the corporation, at the same time such member serves on this Committee, unless the Board determines that such simultaneous service would not impair the ability of such member to effectively serve on this Committee. If a Committee member serves on the audit committees of both a public company and a wholly owned subsidiary of such company, such service shall be counted as service on one audit committee, rather than two.

Appointment and Removal of Members

The members of the Committee shall be appointed by the Board annually. Unless a Chair is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership.

Meetings

The Committee shall establish a meeting calendar annually, which shall include at least four quarterly meetings for the year. The Committee may hold such other meetings as are necessary or appropriate in order for the Committee to fulfill its responsibilities. A secretary shall be designated to record meeting minutes. As part of its responsibility to foster open communications, the Committee should meet periodically, and at least annually, with management, internal audit personnel and the independent auditor in separate executive sessions to discuss any matter that the Committee or any of the other groups believe warrant Committee attention.

Any two members of the Committee shall be sufficient to constitute a quorum and sufficient to adopt any resolution or take any action, including the approval of reports and documents. Meetings may be held telephonically or in person. The independent auditor shall receive notice of meetings in advance to allow the independent auditor the opportunity to attend.



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Responsibilities

General

1. Provide an open and candid avenue of communication between the independent auditor, internal audit personnel, and the Board.
2. Inquire of management, the independent auditor, and internal audit personnel about significant risks or exposures that exist in the corporation's financial reporting and internal control systems, and assess the steps that management has taken to correct or manage such risks.
3. Provide minutes of Committee meetings to and report, no less frequently than quarterly, to the Board concerning the Committee's various responsibilities.
4. Maintain an awareness of the financial condition of the corporation and its progress in achieving its goals and objectives.

Documents/Reports

1. Review and reassess the adequacy of this charter at least annually and, if appropriate, propose changes to the Board.
2. Review the corporation's annual financial statements, including accompanying footnotes and the independent auditor's report thereon, its quarterly financial statements, and any other reports or other financial information submitted to the public, including any certification, report, opinion, or review rendered by the independent auditor.
3. Review and discuss with management and the independent auditors the corporation's 10-Qs and 10-Ks, including the corporation's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," prior to their filing with the SEC. Review, at the Committee's discretion, any other filings with the SEC (e.g., 8-Ks and registration statements) before they are filed.
4. At the discretion of the Committee, review any other reports filed with any entity or governmental body.
5. Prepare the report of the Audit Committee required by the rules of the SEC to be included in the corporation's annual proxy statement.



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Independent Auditor

1. Select and retain the independent auditor; determine and approve compensation of the independent auditor; resolve disagreements between management and the independent auditor; oversee and evaluate the independent auditor and, where appropriate, replace the independent auditor, with the understanding that the independent auditor shall report directly to the Committee and shall be ultimately accountable to the Committee and to the Board, as representatives of the shareholders of the corporation.
2. At least annually, obtain and review the letter and written disclosures from the independent auditor consistent with Independence Standards Board Standard No. 1, including a formal written statement by the independent auditor delineating all relationships between the auditor and the corporation; actively engage in a dialogue with the auditor with respect to that firm's independence and any disclosed relationships or services that may impact the objectivity and independence of the auditor; and take, or recommend that the Board take, appropriate action to oversee the independence of the outside auditor.
3. Annually discuss with the independent auditor the matters required to be discussed by Statement of Auditing Standards (“SAS”) No. 61, *Communications with Audit Committee*, SAS No. 89, *Audit Adjustments*, and SAS No. 90, *Audit Committee Communications*, all as amended from time to time, together with any other matters as may be required for public disclosure or otherwise under applicable laws, rules and regulations.
4. If so determined by the Committee, based on its review and discussion of the audited financial statements with management and the independent auditor, its discussions with the independent auditor regarding the matters required to be discussed by SAS 61, and its discussions regarding the auditor's independence, recommend to the Board that the audited financial statements be included in the corporation's annual report on Form 10-K.
5. Pre-approve the retention of the independent auditor for all audit and such non-audit services as the independent auditor is permitted to provide the corporation and approve the fees for such services, and ensure that the Committee's approval of any non-audit services from the independent auditor is publicly disclosed pursuant to applicable laws, rules and regulations. Pre-approval of audit and non-audit services from the independent auditor may not be delegated to management, but may be delegated to one or more members of the Committee so long as that member or members report their decisions to the Committee at all regularly scheduled meetings. In considering whether to pre-approve any non-audit services from the independent auditor, the Committee or its delegates shall consider whether the provision of such services is compatible with maintaining the independence of the auditor.



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6. On an annual basis review and approve, in consultation with the independent auditor and management, the scope of the annual audit plan of the independent auditor.
7. At least annually, review the performance and qualifications of the independent auditor, including the lead audit partner, and approve any proposed discharge of the independent auditor. Ensure that the independent auditor's lead partner and reviewing partner are replaced every five years. Consider, from time to time, whether a rotation of the independent auditing firm would be in the best interests of the corporation and its shareholders.
8. Periodically consult with the independent auditor out of the presence of management about internal controls and the fullness and accuracy of the organization's financial statements.
9. Set clear policies for the corporation's hiring of employees or former employees of the independent auditor who were engaged on the corporation's account, and ensure that such policies comply with any regulations applicable to the corporation from time to time.

Internal Auditor

1. On an annual basis review and approve, in consultation with the internal auditor, the scope of the annual audit plan of the internal auditor.
2. Annually review the performance and qualifications of the internal auditor. Any discharge of the internal auditor by management must be approved by the Committee to be effective.
3. Periodically consult with the internal auditor out of the presence of management about internal controls and the fullness and accuracy of the corporation's financial statements.

Financial Reporting Processes

1. In consultation with the independent auditor, review the integrity, quality and appropriateness of the corporation's financial reporting processes, both internal and external, accounting policies and disclosure practices.
2. Consider and approve, if appropriate, major changes to the corporation's auditing and accounting principles and practices, as suggested by the independent accountants or management or by other advisors to the Committee.
3. Review significant management estimates and judgments made in management's preparation of the financial statements and the view of management and the independent auditor as to appropriateness of such judgments and related disclosures.
4. Inquire of management concerning material business risks so that it can assess the quality and adequacy of disclosures.

5. Following completion of the annual audit, review any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information, adjustments noted by the independent auditor but not taken by management, communications between the audit team and the national office, and any management or internal control letters issued or proposed to be issued.
6. Review any significant disagreements among management and the independent auditor in connection with the preparation of financial statements.
7. Review with the internal auditor the internal auditor's assessment of the integrity, quality and appropriateness of the corporation's financial reporting processes, both internal and external, accounting policies and disclosure practices. Review any reports issued by the internal auditor concerning the integrity, quality and appropriateness of the corporation's financial reporting processes.

Accounting Policies; Internal Processes; Risk Management

1. Obtain and review timely reports from the independent auditor regarding (1) all critical accounting policies to be used, (2) all alternative treatments of financial information within GAAP that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor, and (3) other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences.
2. Review with management and the independent auditor the effect of regulatory and accounting initiatives, as well as off-balance sheet structures on the financial statements of the corporation.
3. Review changes in promulgated accounting and auditing standards that may materially affect the corporation's financial reporting practices.
4. Review with the independent auditor and management the results of any benchmarking or process improvement reports (including but not limited to management letters), whether or not containing recommendations, concerning process and organizational performance, efficiency, or improvements.
5. Review with the independent auditor and management the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented.
6. Consider and review with the independent auditor the adequacy of the corporation's internal controls, including computerized information system controls and security. Review any report issued by the independent auditor regarding management's assessment of the corporation's internal controls.



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7. Review any reports by management regarding the effectiveness of, or any deficiencies in, the design or operation of internal controls and any fraud, whether or not material, that involves management or other employees who have a significant role in the corporation's internal controls.
8. Consider and review the adequacy of the corporation's risk management policies and procedures, including insurance and bonding, derivatives and foreign currency exchange risk mitigation and hedging.
9. Summarize for the Board management's recommendations on dividend policy, financing activities, capital investment, and cash management and investments.
10. Review with the internal auditor the adequacy of the corporation's internal controls, including computerized information system controls and security. Review any report issued by the internal auditor regarding the company's internal controls.

Related-Party Transactions

Review and approve all related-party transactions, including transactions between the corporation and its officers or directors or affiliates of officers or directors.

Legal Compliance

1. Ensure that management has a legal review system in place to ensure that corporation's financial statements, reports and other financial information disseminated to governmental organizations and the public satisfy legal requirements.
2. Review, with the corporation's counsel, legal compliance matters including corporate securities trading policies and any legal matter that could have a significant impact on the organization's financial statements.

Ethics Compliance and Complaint Procedures

1. Develop and monitor compliance with a code of ethics for senior financial officers pursuant to and to the extent required by regulations applicable to the corporation from time to time.
2. Develop and monitor compliance with a code of conduct for all employees, officers and directors pursuant to and to the extent required by regulations applicable to the corporation from time to time.
3. Establish procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters.
4. Establish procedures for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.



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Other

1. Conduct or authorize investigations into any matters within the Committee's scope of responsibilities, retaining independent legal counsel and other professionals to assist in the conduct of any investigation as the Committee deems appropriate or necessary.
2. Perform any other activities consistent with this charter, the corporation's by-laws and governing law, as the Committee or the Board deems necessary or appropriate.

It is not the responsibility of the Committee to plan or conduct audits or to determine whether the Company's financial statements are complete and accurate or in accordance with generally accepted accounting principles, as the Committee's role is one of oversight, as distinguished from the roles of management and of the independent auditor.