



INNOVATION

BadgerMeter, Inc.



SUSTAINABILITY

ACCURACY

EXPERTISE

FLOW

GROWTH

RESOURCES

TECHNOLOGY

LEADER

SOLUTIONS

MEASURE by MEASURE

ANNUAL REPORT 2009

Products, expertise, solutions. That’s how we have grown — MEASURE by MEASURE — from a company with a single water meter product 105 years ago to a recognized leader in flow measurement.

We facilitate water conservation by enabling utilities to accurately measure and bill for water usage. We also help municipalities manage their water systems efficiently and cost-effectively.

In addition to measuring water, our products also measure natural gas, oil, grease, transmission fluids and liquids used in petroleum, pharmaceutical, and food and beverage processes. Our expertise in flow measurement is the backbone of our product portfolio, as we develop technologies and products to meet continually evolving customer needs. Our solutions can go far beyond the meters themselves, into advanced metering systems, data management software, installation and field support, and even complete project management. Our success is measured by long-term customer relationships and strong financial performance.

MEASURE by MEASURE, Badger Meter has built a successful company and a solid foundation for the future.

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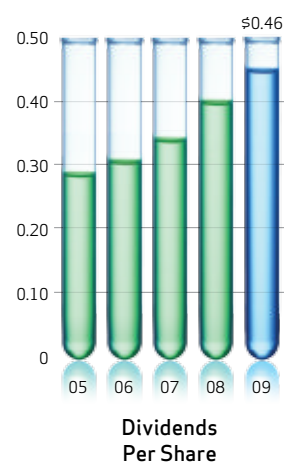
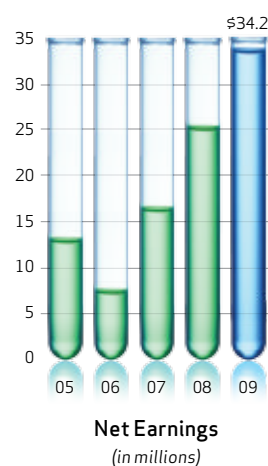
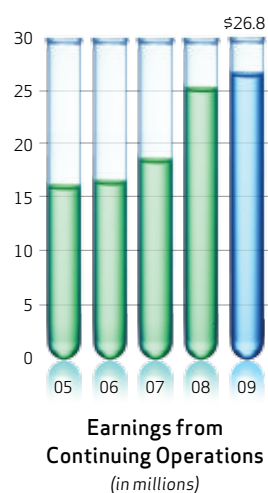
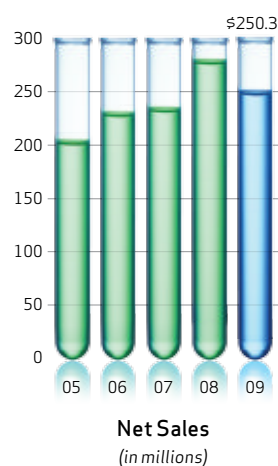
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DIRECTORS, OFFICERS &
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FINANCIAL

HIGHLIGHTS

December 31	2009	2008	% CHANGE
OPERATIONS			
(dollars in thousands)			
Net sales	\$ 250,337	\$ 279,552	(10.5)
Earnings from continuing operations	\$ 26,780	\$ 25,084	6.8
Earnings from discontinued operations	\$ 7,390	\$ —	n/a
Net earnings	\$ 34,170	\$ 25,084	36.2
DILUTED PER COMMON SHARE AMOUNTS			
Earnings from continuing operations	\$ 1.79	\$ 1.69	5.9
Earnings from discontinued operations	\$ 0.49	\$ —	n/a
Total diluted earnings	\$ 2.28	\$ 1.69	34.9
Cash dividends	\$ 0.46	\$ 0.40	15.0
Net book value	\$ 9.65	\$ 7.50	28.7
YEAR-END FINANCIAL POSITION			
(dollars in thousands)			
Total assets	\$ 191,016	\$ 195,358	(2.2)
Total debt (long-term and short-term)	\$ 8,003	\$ 25,174	(68.2)
Shareholders' equity	\$ 144,461	\$ 111,023	30.1
Debt as a percent of total debt and equity	5.2%	18.5%	(71.9)
Earnings from continuing operations as a percent of ending equity	18.5%	22.6%	(18.1)
OTHER			
Number of employees	1,157	1,224	(5.5)
Number of shareholders:			
in employee plans	517	593	(12.8)
of record	874	797	9.9
Shares outstanding at December 31	14,972,565	14,808,462	1.1

results

growth

future

DEAR

SHAREHOLDERS,

A few years back, I visited a bar in Prague called “Bugsy’s,” which had the distinction of being the first American-style cocktail bar behind the Iron Curtain. While there, I had the pleasure of meeting the owner, Václav Vojtěch, a world-renowned mixologist. I asked Václav to tell me the secret of mixing a great drink. He smiled, leaned across the bar and whispered, “measure, measure, measure.” He explained that too many people believe they can accurately “free-pour,” but usually fail to get the proper proportions.

At Badger Meter, we have a similar philosophy: “You can’t manage what you can’t measure.” For over a century, Badger Meter has not only provided meters that carefully measure the world’s precious liquids, but we have also carefully measured our own growth and financial success. Year by year, MEASURE by MEASURE, Badger Meter has produced superior products, provided advanced customer solutions and generated strong financial results. So it is appropriate that this year’s annual report focuses on our steady progress as a company, carefully measuring the components of our success.

financial results

The past year has been a difficult one for most companies. As the world’s economies slumped into what became the worst recession since the Great Depression, many companies saw decreasing sales and declining profits, or in some cases, mounting losses. Badger Meter was not immune to these

economic challenges, as our 2009 sales declined 10.5% from our all-time record sales in 2008. However, we were also able to manage through this challenge by cutting costs and improving productivity, resulting in a 6.8% increase in earnings from continuing operations.

In these challenging economic times, cash flow and a strong balance sheet are often considered as important as annual earnings. Badger Meter continued to maintain a strong financial position, with 2009 cash generated by operations of \$36.6 million, compared to \$26.1 million in 2008. As of December 31, 2009, we had a debt-to-capitalization ratio of approximately 5% and a debt-to-EBITDA ratio of 16%. In 2009, we were also pleased to increase our dividend for the seventeenth year in a row.

major events

In 2009, we not only had financial success, but we also took some measured steps to position the company for the future.

We added three new officers to our management team. Fred Begale was named Vice President of Business Development, Kimberly Stoll was named Vice President of Marketing and Kristie Zahn was named Vice President of Human Resources. These three talented individuals join our strong officer group, replacing Ronald Dix and Daniel Zandron, both of whom retired after many years of service to the company. We thank Ron and Dan for their many contributions to the success of Badger Meter, and we welcome Fred, Kim and Kristie to our executive team.

We added two new directors. Todd J. Teske is the President and CEO of Briggs & Stratton Corporation, a Milwaukee-based manufacturer of power engines. Todd has years of experience in both manufacturing and international operations. Gale E. Klappa is Chairman, President and CEO of Wisconsin Energy Corporation. As head of a regulated utility, Gale brings us not only years of business experience, but also a valuable perspective from the utility sector, which is the largest market we serve. At the same time, we extend a sincere thank you to Ulice Payne, Jr. and Kenneth P. Manning for their experience and guidance over many years. Our commitment to good corporate governance has always been evident in the quality of our Board of Directors, and we appreciate their contributions to the success of our company.

**“Year by year, MEASURE by MEASURE,
Badger Meter has produced superior
products, provided advanced
customer solutions and generated
strong financial results.”**

During 2009, we introduced the E-Series™ meter, a new type of water meter that uses ultrasonic sound waves to accurately measure the water flow. With no moving parts, this meter retains its accuracy longer than traditional mechanical water meters and provides improved flow solutions through advanced features.

Some of our newer products, introduced prior to last year, hit major milestones in 2009 as we won several large contracts. Our Badger® ORION® gas radio technology was selected by Duke Energy for installation on a portion of their gas meters. Two major water utilities in Shreveport, Louisiana, and Fresno, California, selected our Badger® GALAXY® fixed network system. These three contracts, potentially totaling \$60 million over a three-year period, give our newer products a strong foothold in the market. Meanwhile, our ORION radio frequency AMR system continues to be the leading drive-by technology in the water application market.

We have continued to improve our productivity by optimizing our facilities. Among other changes, our recent expansion in Nogales, Mexico, has enabled us to perform labor-intensive operations in a cost-effective manner.


looking ahead

The world economy continues to struggle with high unemployment and what could be a long, slow recovery. We expect to see improvement in our sales as we move through 2010, especially as some of our major projects begin. However, high copper prices and order delays are still providing headwinds. We intend to continue to focus on cost containment, productivity improvement and new technology development to manage through this period. In the long-term, we remain confident that our business will be driven by fundamental factors, including water conservation driving a demand for our meters and the need for operational

efficiencies driving a demand for our AMR and AMI technologies. With less than 30% of the water meters in the United States converted to advanced metering technologies, the market potential for our major products remains strong.

Badger Meter is also focused on markets outside of the U.S. water utility sector. Our water meters are used in irrigation and industrial processes. Our products for specialty applications include small precision valves, industrial meters and the ORION radio for the gas industry. We believe the global flow measurement markets represent a major opportunity for us in the future.

As I reflect on the successes of not only the past year but also the past century, I am sure that Václav, Prague's master mixologist, would appreciate our “measured” approach. I also believe that Badger Meter has all of the right ingredients, in the correct proportions, to provide our customers with the best flow measurement solutions, and to continue to grow our business, MEASURE by MEASURE.



Richard A. Meeusen
Chairman, President &
Chief Executive Officer



experience

MEASURING

PRODUCTS

leadership

quality

reliability

innovation

The measure of industry leadership is successful products and technologies. Backed by more than 100 years of experience, Badger Meter offers a complete line of flow measurement solutions for water and other specialty applications.

Our core product line is Recordall® disc meters. With an industry-wide reputation for accuracy and durability, Badger Meter disc meters provide valuable and timely measurement information for water utilities and businesses alike.

Meters used to measure water comprise more than 90% of our sales. Our water metering products—ranging from small disc meters to turbo and electromagnetic meters and impellers—are designed to meet a variety of utility, commercial and industrial applications.

Badger Meter products also measure natural gas, oil, grease, transmission fluids, and liquids used in petroleum, pharmaceutical, and food and beverage processes.

These products include small precision valves, automotive fluid meters and Badger ORION radio transmitters and receivers for natural gas meters.

While our flow measurement products meet the needs of customers in a variety of markets, they have much in common. All of our metering products are based on industry-leading technology developed through years of experience in flow measurement. That's the measure of accuracy and reliability for thousands of water utilities and manufacturers in the United States and around the world.

E-SERIES METER



New ultrasonic meter


Our newest water meter adds ultrasonic technology

to our portfolio. Designed for water utility applications, the new E-Series meter features ultrasonic technology, all-electronic, solid-state construction and a battery built for long life. With no moving parts, the E-Series meter virtually eliminates the mechanical wear that can shorten lifespan and reduce accuracy over time. This meter is ideal for long-term measurement accuracy, residential fire service applications and less than optimal water conditions. E-Series meters are compatible with both the Badger ORION and Badger GALAXY meter reading systems.

Our electromagnetic (mag) meters are a critical component in a large new water station providing water to residents and businesses in the Bekaa and Rashayya areas of Lebanon, the country's most important farming region.

MAG METERS AROUND THE WORLD





Two recently announced contracts give the Badger GALAXY fixed network AMI system a strong foundation in the market. In Shreveport, Louisiana, the GALAXY system was selected for its technology leadership and its ability to reduce the utility's carbon footprint and "go green" by reducing vehicle emissions. In Fresno, California, our GALAXY solution offered the best payback of the systems considered and the utility can use its existing data collectors as part of the system.

NEW GALAXY CONTRACTS

support

manage

network

MEASURING

EXPERTISE

information

system

The measure of metering expertise is the ability to give customers the data they need to manage their system for maximum performance and revenue generation.

For many years, the primary objective of metering was to get the usage information needed to send the customer a bill. Today, utilities are moving far beyond basic meter reading to obtain a wealth of information that helps them better manage their water systems.

We offer three meter reading technologies that give utilities a choice in how they receive information from their meters. The Badger ORION radio frequency automatic meter reading (AMR) system enables utilities to obtain meter readings as easily as driving down the street. We also offer the Itron® radio frequency AMR system.

The Badger GALAXY advanced metering infrastructure (AMI) system is designed for utilities who want to obtain meter readings through wireless networks, such as cellular, Wi-Fi or their own local area networks. Through its network of high-powered meter transmitters and receivers, the GALAXY system provides timely and accurate billing information.

Both the ORION and GALAXY systems flag accounts that may have a potential leak or a vandalized transmitter and obtain meter readings as needed.

It all starts with the water meter. But how we help customers obtain meter readings and use the data from the meters to better manage their system is the real measure of our expertise.

Meter reading and more

Badger Meter's data management software supports all of our meter reading systems for both water and gas utilities. Data from the meters is transmitted to our proprietary software platform, which offers easy-to-use programs for meter reading processing, account reporting and customer service functions, as well as multiple billing interfaces. Data management software from Badger Meter makes billing and water system management more accurate and easier than ever.

DATA MANAGEMENT SOFTWARE



turnkey

services

MEASURING

SOLUTIONS

flexibility

knowledge

custom

The measure of solutions is the breadth and depth of the innovative products, technology and services a company provides and its capacity to meet the specific needs of each customer.

From small metering programs to complete project implementation, customers choose flow measurement solutions from Badger Meter. Through our years of flow measurement experience and extensive industry knowledge, we have developed a portfolio of products and services that can be used separately or combined into a total program.

An example is water audits, which help utilities determine how they can reduce water consumption and recoup lost revenues. In addition to pinpointing leaks and unaccounted for water loss, we can also provide the expertise needed to resolve these problems. Another emerging service is turnkey projects, where we not only provide the meters and metering systems, but also assume responsibility for project implementation, including on-site project management and experienced meter installation. The benefits to customers include dedicated resources for the project, faster revenue gains and conservation of precious water resources.

Other support services include 24/7 technical assistance, maintenance service agreements and training programs—on-site at customer locations, at Badger Meter and live via the Web.

The successful combination of flow measurement products, technology and services are the measure of our industry leadership.

**BADGER
ORION GAS**

**Duke Energy selects
Badger Meter**

We have successfully expanded our Badger ORION automatic meter reading system into the natural gas market.

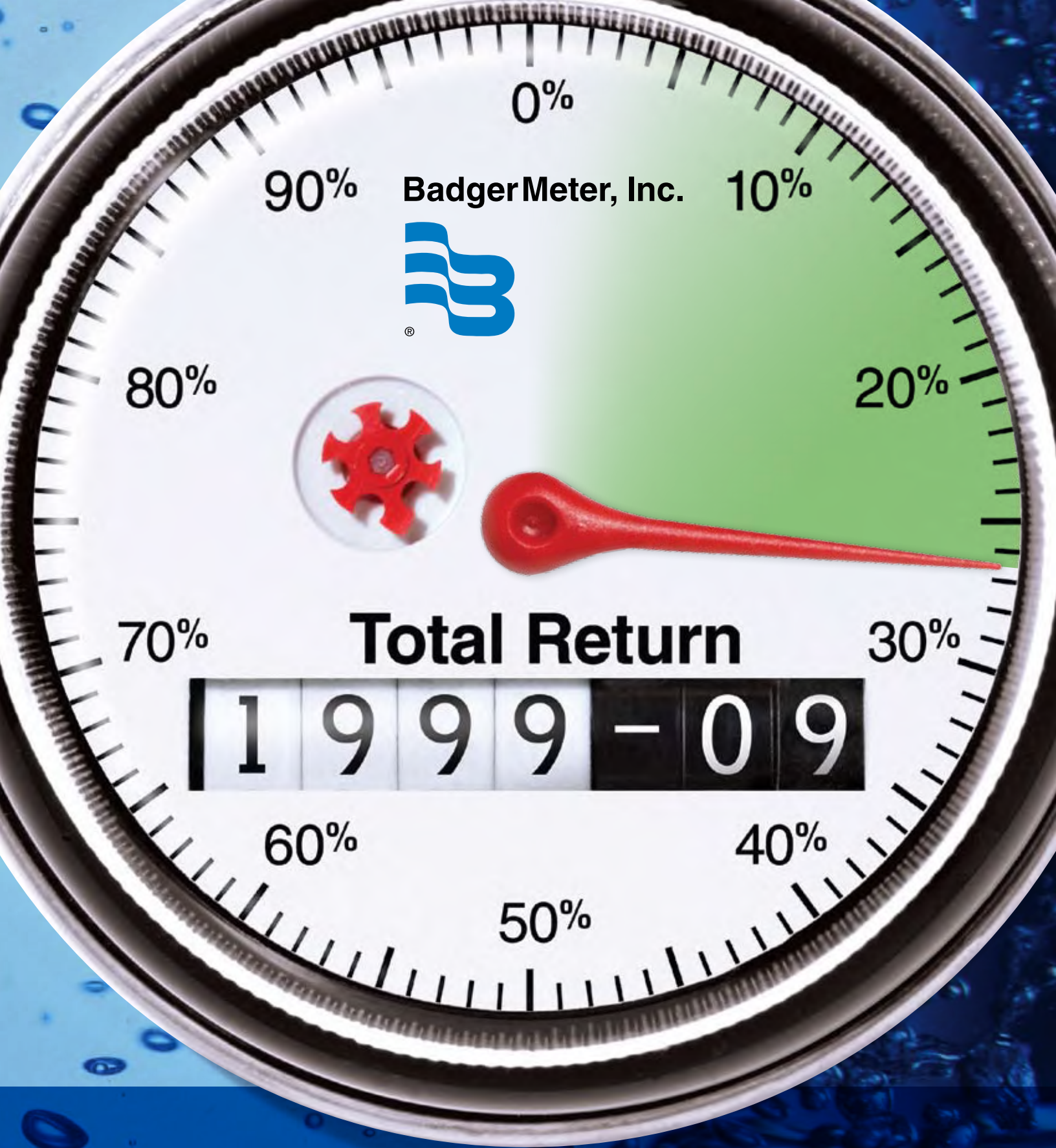
The success of the ORION AMR system in the water utility market and the interest of existing water customers in combined water and gas utilities drove our decision to adapt the product for the natural gas industry. In October 2009, Duke Energy, one of the largest energy companies in the United States, selected ORION radio frequency technology for their gas meters as part of a large three-year metering project. This project was Badger Meter's first major win in providing meter reading technology to the natural gas utility market.





The Badger ORION radio frequency automatic meter reading system is widely accepted as the leading mobile AMR system in the industry. Customers choose the ORION system for its accuracy, flexibility, dependability and seamless process, from meter readings to billing and information.

**ORION SYSTEM
CONTINUES TO GROW**



The average annual total return to Badger Meter shareholders over the past 10 years was 26.5%, based on price appreciation plus reinvestment of cash dividends. We achieved this strong measure of performance through our focus on flow measurement technology and managing for the long term.

**TOTAL
RETURN TO
SHAREHOLDERS
26.5%**

strong

performance

foundation

commitment

long-term

MEASURING

SUCCESS

The measure of success as a business is financial performance. Badger Meter has a solid track record for delivering results to shareholders and maintaining a strong financial position in both up and down economies.

The numbers tell the story of our commitment to long-term success. Our 10-year compounded annual growth rate (CAGR) for earnings from continuing operations is 14.5%. We have generated an annual average of \$18.1 million in cash flow from operations over the same 10-year period. Our CAGR for sales was 5.5%. Investments in developing new products and product enhancements have averaged \$5.9 million per year over the past 10 years. Capital expenditures for new plants, maintenance and equipment have averaged \$8.5 million annually over the 10-year period.

Our strong performance was once again recognized by *Forbes* magazine, which named us one of the “200 Best Small Companies” in 2009. Badger Meter was also added to the S&P SmallCap 600 Index in 2009—another achievement based on our financial results and future growth potential.

For our shareholders, the measure of success is dividends and price appreciation. We have increased our quarterly cash dividend to shareholders for 17 consecutive years. Our stock price appreciation plus reinvested cash dividends has averaged 26.5% over the past 10 years. We are proud of these achievements and our ongoing commitment to long-term growth. That’s how we measure success in financial performance.

Strong dividend performance

Badger Meter’s recognition as a Mergent, Inc. “Dividend Achiever” underscores our financial strength and strong performance.

Mergent Dividend Achievers are companies that have increased regular annual dividends for at least the past 10 consecutive years and have met specific liquidity screening criteria. Dividend Achievers are typically companies with strong cash reserves, strong balance sheets and a proven record of consistent earnings growth. Mergent, a leading provider of business and financial data on global publicly listed companies, has been identifying strong dividend-paying companies for 25 years.

DIVIDEND ACHIEVER



technology

solutions

customers

CORPORATE

PROFILE

Badger Meter's core competency is flow measurement solutions.

We are a leading manufacturer and marketer of products incorporating liquid flow measurement and control technologies developed both internally and with other technology companies. Our products are used in a wide variety of applications, including water, oil and chemicals.

TECHNOLOGY PORTFOLIO OVERVIEW

Water metering technology

Badger Meter water metering products—ranging from small disc meters to turbo, ultrasonic and electromagnetic meters and impellers—are designed to meet a variety of utility, commercial and industrial applications. Products include the Badger Meter Recordall disc, turbo, compound and fire service meters, as well as the ultrasonic E-Series and electromagnetic M-Series® meters.



AMR/AMI meter reading technologies

Badger Meter encoding technology, such as the Recordall Transmitter Register (RTR®) and Absolute Digital Encoder (ADE®), provides digital connectivity to both established and emerging network technologies. For the water sector, Badger Meter offers a variety of AMR and AMI systems including ORION, GALAXY and Itron. Our ORION AMR system extends this same functionality to the gas market. To complement our AMR/AMI products, we offer easy-to-use data management software, which allows utilities to better capture and use the data collected from our systems.

Other flow measurement technologies

Badger Meter technologies measure oil, grease, transmission fluids and liquids used in petroleum, pharmaceutical, food and beverage processes, and more. While many of these products are leveraged from our traditional water metering markets, we also count automotive fluid meters and small precision valves as part of our offering.



BOARD OF DIRECTORS

Richard A. Meeusen
Chairman, President and
Chief Executive Officer,
Badger Meter, Inc.

Ronald H. Dix (3)
Retired Senior Vice President,
Badger Meter, Inc.

Thomas J. Fischer (1, 3)
Consultant in Corporate Financial and
Accounting Matters; Retired Partner,
Arthur Andersen LLP

Gale E. Klappa (1)
Chairman, President and Chief
Executive Officer,
Wisconsin Energy Corporation

Ulice Payne, Jr. (1, 2)
President, Addison-Clifton LLC

Andrew J. Policano (2, 3)
Dean, Paul Merage
School of Business,
University of California - Irvine

Steven J. Smith (1, 2)
Chairman and Chief Executive Officer,
Journal Communications, Inc.

John J. Stollenwerk (2, 3)
Retired Chairman,
Allen-Edmonds Shoe Corporation

Todd J. Teske (1)
President and Chief Executive Officer,
Briggs & Stratton Corporation

Committees of the Board
1. Audit and Compliance
2. Compensation and Corporate Governance
3. Employee Benefit Plans

EXECUTIVE OFFICERS

Richard A. Meeusen
Chairman, President and
Chief Executive Officer

Richard E. Johnson
Senior Vice President –
Finance, Chief Financial Officer
and Treasurer

Fred J. Begale
Vice President –
Business Development

William R. Bergum
Vice President –
General Counsel and Secretary

Gregory M. Gomez
Vice President –
Engineering

Horst E. Gras
Vice President –
International Operations

Raymond G. Serdynski
Vice President –
Manufacturing

Beverly L. Smiley
Vice President –
Controller

Kimberly K. Stoll
Vice President –
Marketing

Dennis J. Webb
Vice President –
Sales

Kristie J. Zahn
Vice President –
Human Resources

CORPORATE INFORMATION

Badger Meter, Inc. Headquarters

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www.badgermeter.com

domestic facilities

Milwaukee, Wisconsin
Tulsa, Oklahoma

foreign facilities

Neuffen, Germany
Nogales, Mexico
Brno, Czech Republic

independent registered public accounting firm

Ernst & Young LLP, Milwaukee, Wisconsin

transfer agent

American Stock Transfer & Trust Company, LLC, New York, New York
(877) 248-6415
www.amstock.com

listing of common stock

New York Stock Exchange, Symbol—BMI



annual meeting

Shareholders are encouraged to attend the 2010 annual meeting at 8:30 a.m., local time, on Friday, April 30, 2010, at Badger Meter, Inc., 4545 W. Brown Deer Road, Milwaukee, Wisconsin.

form 10-K report/shareholder information

A copy of the company's fiscal 2009 Form 10-K annual report (without exhibits) as filed with the Securities and Exchange Commission is included in this report. Shareholder information, including news releases and Form 10-K, and corporate governance information, including the company's Corporate Governance Guidelines, Code of Business Conduct and charters for committees of the Board of Directors, are available on the company's Web site: www.badgermeter.com. Shareholders who hold their stock in nominee or "street" name can receive shareholder information directly from the company by being placed on our mailing list. Please direct inquiries to: Shareholder Relations, Badger Meter, Inc., P.O. Box 245036, Milwaukee, WI 53224-9536, or call (414) 371-5702.

automatic dividend reinvestment and stock purchase plan

Badger Meter's Dividend Reinvestment and Stock Purchase Plan is a convenient way to acquire shares of company stock. To receive a prospectus describing the plan and an enrollment card, please contact our plan administrator, American Stock Transfer at (877) 248-6415, or visit their Web site: www.amstock.com. If your stock certificate is lost, stolen or destroyed, or if you change your address or lose a dividend check, please call American Stock Transfer at (877) 248-6415.

direct registration system

Shareholders of Badger Meter common stock can hold their shares in uncertificated/book entry form at the Transfer Agent. Current shareholders who wish to transfer their existing shares to Direct Registration should mail their stock certificates to American Stock Transfer per the instructions on their Web site: www.amstock.com. For more information, please call American Stock Transfer at (877) 248-6415.

forward looking statements

Certain statements contained in this document, as well as other information provided from time to time by the company or its employees, may contain forward looking statements that involve risks and uncertainties that could cause actual results to differ materially from those in the forward looking statements. Please see page one of the enclosed Form 10-K for a list of words or expressions that identify such statements.

certifications

The company filed as exhibits to its fiscal 2009 Form 10-K the certifications of the Chief Executive Officer and Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act. The company also submitted to the New York Stock Exchange during 2009 the Annual CEO Certification required by Section 303A.12(a) of the New York Stock Exchange Listed Company Manual.

trademarks

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MEASURE
MEASURE

Badger Meter, Inc.



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