



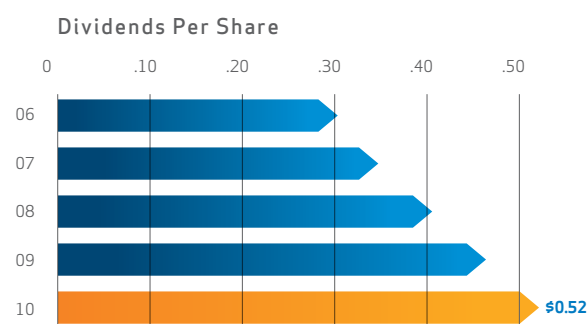
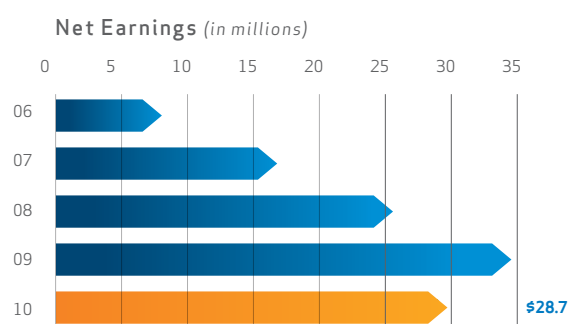
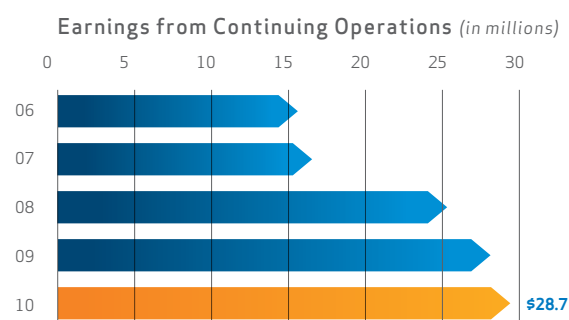
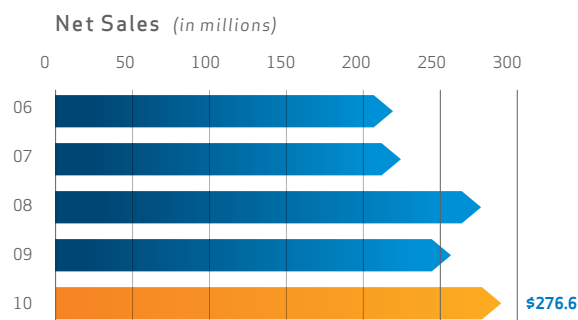
2010 Annual Report

# information runs through it.

*Badger Meter's ability to measure flow, collect data and organize it into meaningful information is the key to providing long-term value to our customers and shareholders.*

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## financial highlights

December 31	2010	2009	% CHANGE
<b>OPERATIONS</b>			
(dollars in thousands)			
Net sales	\$ 276,634	\$ 250,337	10.5
Earnings from continuing operations	\$ 28,662	\$ 26,780	7.0
Earnings from discontinued operations	—	\$ 7,390	n/a
Net earnings	\$ 28,662	\$ 34,170	(16.1)
<b>DILUTED PER COMMON SHARE AMOUNTS</b>			
Earnings from continuing operations	\$ 1.91	\$ 1.79	6.7
Earnings from discontinued operations	—	\$ 0.49	n/a
Total diluted earnings	\$ 1.91	\$ 2.28	(16.2)
Cash dividends	\$ 0.52	\$ 0.46	13.0
Net book value	\$ 11.19	\$ 9.65	16.0
<b>YEAR-END FINANCIAL POSITION</b>			
(dollars in thousands)			
Total assets	\$ 215,864	\$ 191,016	13.0
Total debt (long-term and short-term)	\$ 12,878	\$ 8,003	60.9
Shareholders' equity	\$ 168,383	\$ 144,461	16.6
Debt as a percent of total debt and equity	7.1%	5.2%	36.5
Earnings from continuing operations as a percent of ending equity	17.0%	18.5%	(8.1)
<b>OTHER</b>			
Number of employees	1,293	1,157	11.8
Number of shareholders:			
in employee plans	514	517	(0.6)
of record	634	874	(27.5)
Shares outstanding at December 31	15,048,489	14,972,565	0.5

# Dear shareholders,

**In the first century AD, the philosopher Seneca wrote “distringit librorum multitudo” (the abundance of books is a distraction). This was history’s first recorded complaint about information overload, although I am certain that thousands of years earlier, some caveman must have complained to his cavemate about the excessive drawings on the walls of the cave. Today, information overload has reached epic proportions, threatening to inundate us with so much trivial data that the information we really need gets buried in the noise.**

Our theme of “information runs through it” describes our 106-year history of providing valuable data to customers through a wide range of flow measurement products. Today, we have the technology to collect more data at a faster rate than ever before. And like poor Seneca, many of our customers feel the burden of information overload.

Consider a medium-sized water utility with 15,000 customers. Our systems can provide hourly meter readings, which amount to over 10 million readings per month. The average utility would find it difficult to manage this volume of data. But the problem is really not the quantity — it is the lack of effective filters to organize the raw data into meaningful information customers can use.

In this annual report, you will read about our new Advanced Metering Analytics system, which can filter the flow of a vast amount of data and help our customers more efficiently manage their daily operations. Separating decision-making information from the seemingly-endless stream of numbers is the key to providing value to our customers and increased sales and profits for our company.

Also in this report, you will find information about our company, our products and our future. As you filter through this data and analyze its importance, you will begin to understand the value that Badger Meter brings to our markets and to our shareholders. Let me begin that process by highlighting some of our major accomplishments during the past year.

## Financial Results

Badger Meter achieved another excellent year in 2010. Sales increased 10.5% and our 7.0% increase in earnings from continuing operations set a new record. In fact, 2010 represents the ninth consecutive year of record earnings from continuing operations for our company, an accomplishment that continued throughout the very difficult economic recession of the past few years. This was not an easy achievement by any measure, and it required a strong commitment to long-term management and a continuing focus on creating shareholder value.

We have also maintained a strong balance sheet, with a debt-to-capitalization ratio of 7.1% and a debt-to-EBITDA ratio of 24% as of December 31, 2010. Because of our strong financial performance, we were also able to increase our dividend for the eighteenth consecutive year in 2010.



## Acquisitions and Investments

In April 2010, we acquired Cox Instruments, LLC (now called Cox Flow Measurement), a Scottsdale, Arizona-based manufacturer of flow measurement devices and test equipment. Not only has Cox Flow Measurement proven to be accretive to our 2010 earnings, but it also gives Badger Meter an entry into new flow measurement markets and leading-edge flow and test technologies.

We made several investments during 2010 that position us well for the years ahead. This included a contribution of \$4.7 million to our pension plan, which is 100% funded under current regulations. We also acquired a license for the manufacture and sale of a key component of our turbine meters for \$8.0 million from a company that formerly supplied the technology to us. Both of these investments will reduce our costs in future years.

In early 2011, we completed the acquisition of Remag AG, located in Berne, Switzerland. Remag is a highly respected manufacturer and distributor of precision flow measurement products for global industrial markets including HVAC and household appliances. The company's line of small turbine meters complements a similar line of meters produced by Cox Flow Measurement and provides new markets for many of Badger Meter's specialty products. Our specialty products typically have higher margins than our water meters and sales have been recovering over the past year as the economy improves.

In addition to these strategic activities, we continued to invest significant amounts in new technology development, with our expenditures for research and development totaling \$7.2 million in 2010. This investment enabled us, among other things, to introduce the new ORION® SE fixed-network radio system and the related Advanced Metering Analytics software system. We expect these new products will further strengthen Badger Meter's leadership position in the North American water meter market.

## Other Actions

Copper is a significant input cost for Badger Meter, with over 85% of our meters made from brass alloy. Although all of our meters are manufactured from recycled scrap copper, the cost of the scrap is directly linked to the cost of raw copper ore. Copper prices at the beginning of 2010 were around \$3.00 per pound, and by year end were approximately \$4.50 per pound, a 50% increase.

Throughout the year, we took aggressive actions to address this significant increase in costs for our company. A combination of price increases, product redesigns and cost controls enabled us to finish 2010 with record earnings in spite of the higher copper prices. We intend to continue to focus on actions that will protect our margins and offset these cost increases as we move into 2011.

For customers concerned about the cost of metals and other factors, we offer two alternative residential water meter products — our Lo-Profile disc meters that contain about one-third less metal than our traditional meters, and our engineered polymer meters.

In 2010, we also continued our plan to shift more production into our manufacturing facility in Nogales, Mexico. By year end, the majority of our residential water meter production had been moved to this facility, and we expect to see cost benefits from these actions throughout 2011 and beyond.

## Looking Ahead

Although we face some near-term headwinds from higher copper prices and a slow economic recovery, we believe the long-term outlook for Badger Meter continues to be very positive. Fundamental forces continuing to drive our largest market include the global focus on water conservation and the fact that less than 30% of U.S. water meters have been converted to advanced meter reading technologies. In addition, we believe that recent acquisitions and new technologies will continue to generate shareholder value from our water meters, meter reading systems and specialty products.

As we focus on the business of providing leading-edge flow measurement technologies, we continue to help our customers manage the flow of information and optimize their operations. Which brings me to another quote from Seneca: "It is the quality of information, not quantity, which matters." I don't know how to say that in Latin, but I am sure you will find the information that "runs through" this annual report demonstrates both the quality of our company as well as the quality of the products we provide to our customers.



Richard A. Meeusen  
*Chairman, President & Chief Executive Officer*



We are an information-driven society. When we want to learn about something, the first place we turn is the Internet. Some of the largest and most successful companies in the world don't produce a product — their sole business is obtaining and managing information for others.

# information runs through it

Leading futurist John Naisbitt explains it this way:

“We have for the first time an economy based on a key resource (information) that is not only renewable, but self generating. Running out of it is not a problem, but drowning in it is.”


**For today's water and gas utilities, there is no shortage of data.** Vast amounts of information flow through every meter, every day. Much of this data is collected through mobile radio-frequency or fixed network automatic meter reading systems. However, many utilities do not have the capability to review and react to this huge volume of data. At the same time, this information is the key to helping them:

- *Provide superior customer service*
- *Conserve water and energy*
- *Efficiently manage operations and assets*
- *Comply with government regulations*
- *Maximize revenues*

**Through our work with thousands of utilities across the country, we saw an industry ready for the next chapter in meter reading.** The question has moved from, "How can we get the information from the meter easily and cost effectively?" to "Now that we have all this data, how can we get the maximum value from it?"

Utilities want to move beyond simply reading meters and billing customers to systematically organizing the raw meter reading data into meaningful, actionable information that enables them to proactively manage their entire operation.

Once again, Badger Meter is at the forefront of the industry, with a new solution that combines mobile and fixed network meter reading technology with sophisticated analytics-based software. We call this new concept Advanced Metering Analytics.



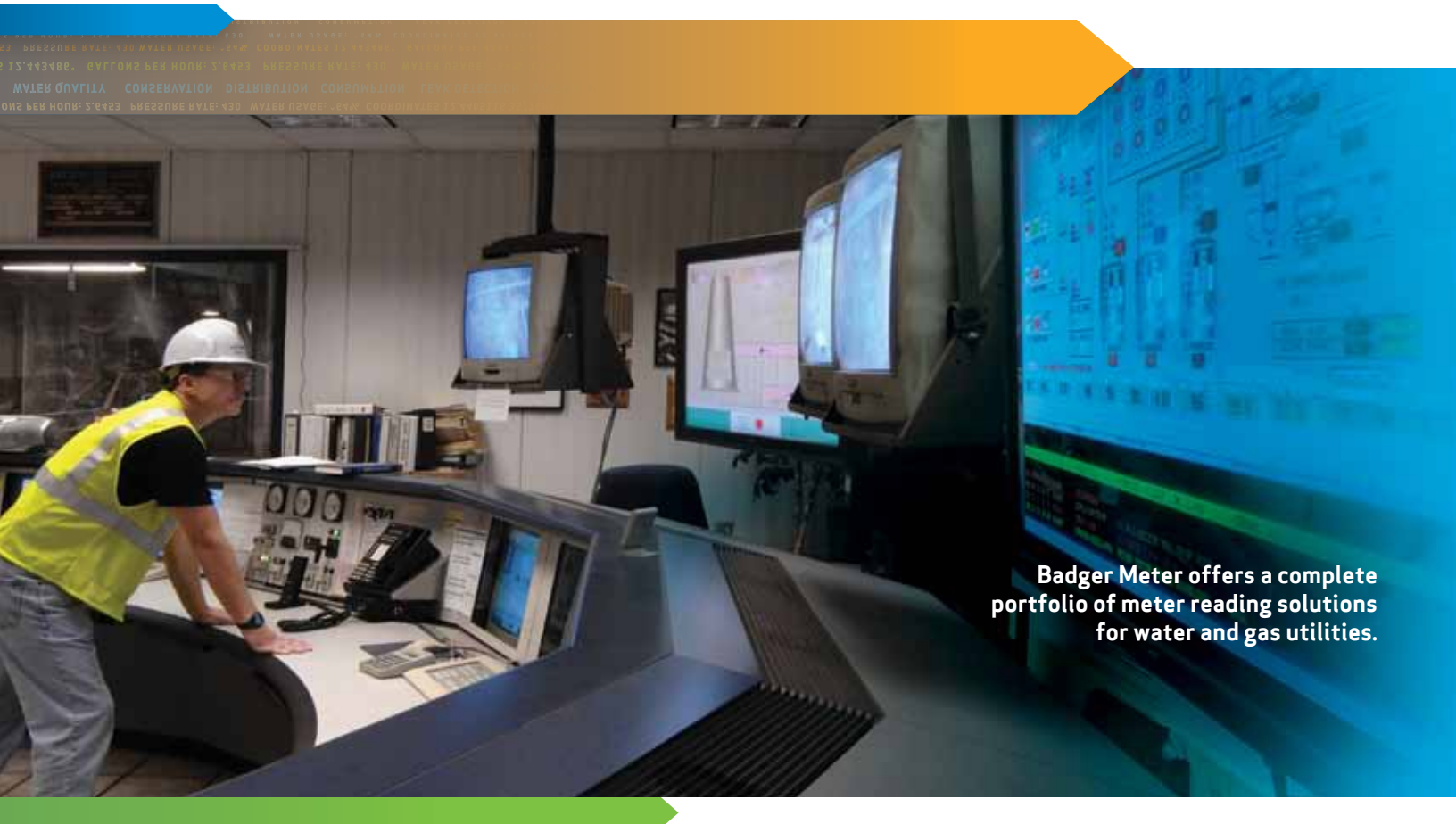
**Automatic meter reading systems collect vast amounts of data.** The challenge for our customers is organizing this data into meaningful information that can generate revenues and help them manage their operations.



## information monitors operations

**Advanced Metering Analytics is the next generation of water and gas metering technology that incorporates mobile and fixed network reading capabilities, along with a host of automated utility management tools to further increase utility productivity and revenue.**

For water and gas utilities, automatic meter reading (AMR) was the first step, giving utilities the ability to read meters through mobile systems. Next came advanced metering infrastructure (AMI) one-way fixed-network systems. Advanced Metering Analytics (AMA) takes the industry to the next level. The premier example of AMA is Badger Meter's proprietary ReadCenter® Analytics software coupled with new ORION® SE two-way fixed network



**Badger Meter offers a complete portfolio of meter reading solutions for water and gas utilities.**



technology, which is complemented by a family of highly accurate and reliable meters and encoders. AMA is an easy-to-use, comprehensive web-based solution that meets the information needs of small and large utilities alike.

**With AMA, utilities can effectively and efficiently:**

- Analyze customer consumption over selected periods
- Track consumption of large customers and receive alerts when irregularities are detected
- Schedule and track maintenance
- Create customized reports
- Detect leaks
- Monitor water conservation programs

**The system continually monitors incoming data for exception conditions established by the utility.**

When an exception occurs, the software notifies the appropriate personnel via e-mail, SMS text or system dashboard. For example, to aid in a water conservation program such as a water sprinkling restriction, a utility could monitor water usage on odd/even sprinkling days.

AMA benefits to utilities are as vast as the data flowing through their meters. For Badger Meter, AMA is the next step in our 106-year tradition of technology leadership and a growth opportunity for the future.



**ORION®**



**GALAXY®**

# information facilitates decision making

The philosophy behind AMA — providing our customers with accurate, timely decision-making information — extends to other Badger Meter offerings as well. We provide flow measurement technologies that measure or control a variety of other fluids for customers in numerous non-utility markets. These specialty applications often require well-defined metrics because of the critical processes involved.

For example, the information provided by our automotive fluid meters helps oil change outlets and car dealerships measure the correct amount of oil and transmission fluid dispensed into each vehicle and also monitors inventory supply. In the pharmaceutical, food and beverage and other related industries, our precision control valves regulate the flow of ingredients, providing accurate batching which enables manufacturers to manage and monitor their production process and reduce waste. Additionally, HVAC process managers rely on the data transmitted from Badger Meter Btu meters, sensors and impeller meters to facilitate decisions driving energy savings, while ensuring buildings remain comfortable and operate at optimal efficiency.

We expanded our flow meter information capabilities with the 2010 acquisition of a new Badger Meter operating division, Cox Flow Measurement. The acquisition expands our product line with high-end turbine meters used in demanding applications in markets including aerospace, custody transfer, oil and gas. The company also offers world-class flow meter calibration services.

In January 2011, we acquired Remag AG, located in Berne, Switzerland. Remag's small turbine meters complement our Cox Flow Measurement products in the industrial market.

Regardless of the market, the strategy is the same — work closely with our customers to help them determine the best possible flow measurement solution to drive their success. Of course, the foundation of every system is the meter, and it is here where Badger Meter's leading-edge products ensure the accuracy and reliability of data. Whether it's a single process or an entire system, our products are a trusted information source for customers around the globe.

*Our specialty products provide  
actionable information.*

**For customers in the pharmaceutical and food and beverage industries,** our precision control valves regulate the flow of ingredients and enable manufacturers to manage their production process and reduce waste.



**In 2010, Badger Meter purchased Cox Instruments and its subsidiary, Flow Dynamics.** The Cox Flow Measurement-designed semi-automated cell produces small precision turbine meters that are incorporated into farming equipment produced by a leading global manufacturer to control the amount of herbicides, pesticides and fertilizers applied to fields.

**Our automotive fluid meters** help oil change outlets and car dealerships measure the correct amount of oil and transmission fluid dispensed into each vehicle and also monitor inventory supply.





\$9.2 MILLION -  
CAPITAL  
EXPENDITURES

\$7.2 MILLION -  
RESEARCH AND  
DEVELOPMENT

**2010 was another record year for Badger Meter.**

\$18.4 MILLION -  
CASH PROVIDED  
BY OPERATIONS

## information drives performance

**While our customers want to leverage information from their meters to help them streamline their business operations, our shareholders use a different type of information to measure our performance — financial results.**

For generations, we have delivered strong performance that builds value for shareholders, employees and customers alike. Our total return to shareholders (stock price appreciation plus reinvested dividends) has averaged 28% over the past 10 years.

Here is some additional information that illustrates the point. Since 2000, sales have grown at a compounded annual growth rate of 7.2%. Earnings and earnings per share from continuing operations have grown at an average of 23.9% each year over that same period. Our balance sheet is solid, with a debt to total capitalization ratio below 10%. And in 2010, we generated \$18.4 million in cash from operations.





## company profile

## technology portfolio overview

### Water and gas metering technology solutions

Badger Meter enables customers to “leap ahead” with water and gas metering solutions designed for a variety of applications in the utility, commercial and industrial marketplace.

Our **Advanced Metering Analytics (AMA)** solution combines the power of the customer-friendly **ReadCenter® Analytics** software package with the proven effectiveness of the **ORION® (AMR/AMI)** and **GALAXY® (AMI)** hardware lines. At the very heart of all AMA solutions is the full array of Badger Meter water meters: **Recordall® disc, E-Series® ultrasonic, M-Series® electromagnetic, turbo, compound and fire service meters**. Additionally, we extend our reputation for metering superiority to the gas market by leveraging our AMA offering to gas utilities.

### Flow measurement technologies

Badger Meter **specialty application products** serve niche flow measurement and control applications across a broad industrial spectrum. Industry-specific technologies developed by Badger Meter deliver both customized and standard precision flow measurement solutions for customers worldwide. Products for industrial applications include **Research Control® valves, actuators, sensors and monitors, and a full range of electromagnetic, oscillating piston, oval gear, automotive fluid, Cox turbine and Data Industrial® impeller meters**.

Badger Meter has earned an international reputation as a leader in the development and manufacture of flow management solutions. It serves the global flow measurement market with products for water utilities and industrial and commercial markets including energy and petroleum, food and beverage, pharmaceutical, chemical, HVAC, process, wastewater and automotive.

### Continual pursuit of excellence

The **James O. Wright Innovation Center** located in Milwaukee, Wisconsin, provides Badger Meter research and development teams with state-of-the-art resources needed to keep our products and services at the forefront of flow measurement, management and control. Located within the Innovation Center are a **Pilot Plant, Model Shop and Electronics Lab**.

The focal point is the fully-automated **Hydro Lab**, the largest metering flow lab of its kind in North America. The lab routinely conducts tests for accuracy, environmental, life cycle and process cycling to ensure the precision and quality our customers have come to expect.

Cox Flow Measurement has established a world class facility in Scottsdale, Arizona, to ensure primary standard flow calibrator traceability. **Flow Dynamics** is a fully accredited **NVLAP (Lab Code 200668)** lab and is in full conformance with the standards of the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC), including, ISO/IEC 17025, as well as, ANSI/NCSL Z-540 and MIL-STD-45662A.



## 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

### Andrew J. Policano (2, 3)

Dean, Paul Merage School of Business, University of California, Irvine

### Steven J. Smith (1, 2)

Chairman, President and Chief Executive Officer, Journal Communications, Inc.

### John J. Stollenwerk (2, 3)

Retired Chairman, Allen-Edmonds Shoe Corporation

### Todd J. Teske (1, 2)

Chairman, 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 – Engineering

### William R. Bergum

Vice President – General Counsel and Secretary

### Gregory M. Gomez

Vice President – Business Development

### 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

4545 W. Brown Deer Road  
P.O. Box 245036  
Milwaukee, Wisconsin 53224-9536  
(414) 355-0400  
[www.badgermeter.com](http://www.badgermeter.com)

### Domestic Facilities

Milwaukee, Wisconsin  
Tulsa, Oklahoma  
Scottsdale, Arizona

### Foreign Facilities

Neuffen, Germany  
Nogales, Mexico  
Brno, Czech Republic  
Berne, Switzerland

### 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](http://www.amstock.com)

### Listing of Common Stock

New York Stock Exchange, Symbol—BMI



### Annual Meeting

Shareholders are encouraged to attend the 2011 annual meeting at 8:30 a.m., local time, on Friday, April 29, 2011, at the Milwaukee Club, 706 N. Jefferson Street, Milwaukee, Wisconsin.

### Form 10-K Report/Shareholder Information

A copy of the company's fiscal 2010 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](http://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](http://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](http://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 2010 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 2010 the Annual CEO Certification required by Section 303A.12(a) of the New York Stock Exchange Listed Company Manual.

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