



CLEARLY BETTER



DATA



Water utilities and industries worldwide need timely, accurate data to operate and manage their systems and processes.

Badger Meter is continually developing innovative flow measurement and control products that meet these needs and offer added benefits that provide **Clearly Better** solutions for our customers.



BETTER DATA. BETTER MANAGEMENT.

Badger Meter is a leading innovator in flow measurement and control instrumentation, serving water and gas utilities, municipalities and industries worldwide.

## MUNICIPAL WATER

MARKETS SERVED:  
Water utilities



## FLOW INSTRUMENTATION

MARKETS SERVED:  
Industrial process  
Building automation / HVAC  
Chemical and petrochemical  
Oil and gas  
Water and wastewater  
Test and measurement  
Aerospace  
Research and development  
Pharmaceutical  
Food and beverage  
Power generation  
Mining  
Semiconductor



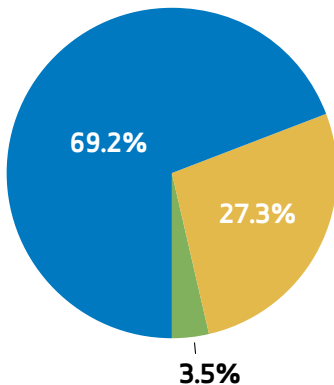
**MEASURE** Our products accurately and reliably measure whatever moves through a pipe or pipeline — including water, air, steam, oil, and other liquids and gases.

**MONITOR** Our products and solutions give customers the tools to improve visibility and understanding of what is happening within their systems.

**CONTROL** Optimized operational management starts with the highest quality measurement and monitoring solutions from Badger Meter.

**BADGER METER SALES MIX 2013**

■ Municipal Water  
■ Industrial Flow Products  
■ Specialty Products



## SPECIALTY PRODUCTS

MARKETS SERVED:  
Gas utilities  
Construction



**D****EAR SHAREHOLDERS,**

Very few things in life are *clearly better*. During the Olympics, I watched my son adjusting the video mode of his 60-inch television to “sports viewing,” after which he proudly proclaimed it was *clearly better*. I couldn’t tell the difference, but it was certainly an improvement over the 12-inch television of my childhood where we had replaced the broken antenna with a wire coat hanger and had to change the channels with needle-nosed pliers. Improving the picture usually consisted of a well-placed smack on the side of the set.

On the other hand, when we look at Badger Meter’s financial position, competitive strength and new technologies, I believe we can see they are *clearly better* in many ways.

**CLEARLY BETTER FINANCIAL POSITION.**

Our 2013 sales reached a record \$334 million, a 4.5% increase over 2012. We are particularly pleased that these record sales were achieved after a very weak first quarter of 2013, which was negatively impacted by unusual winter weather conditions. In fact, we saw record sales in each of the three quarters of 2013 after that weaker first quarter.

Our earnings were down 12.2% for the year compared to 2012, again attributable to that weaker first quarter. Following that quarter, we not only had record sales but also record earnings in the last two quarters of 2013, showing the continued strength of both our markets and our competitive position.

We generated over \$34 million in cash from operations in 2013. This enabled us to reinvest in our business, acquire Aquacue, Inc. for \$13.8 million, increase our dividend for the 21st consecutive year, and pay down our debt to achieve a debt to capitalization ratio of 26.3% at the end of the year. Our financial position continues to provide a strong platform for the future growth of our business.

**CLEARLY BETTER MARKET OPPORTUNITIES.**

We believe that 2013 also moved us into a *clearly better* competitive position in the North American water meter market. One of our major competitors, Elster AMCO,

made a decision to close its U.S. production facility in mid-2013 and exit the mechanical water meter business in North America. This represented a major opportunity for Badger Meter, since we were selected by Elster as the recommended supplier for its former customers. We were able to capture many of those accounts, generating increased sales and profits in the second half of the year. We expect to continue to benefit from this opportunity in 2014 and beyond.

We also believe we will see strong demand for our line of flow instrumentation products. We are benefitting from the addition of the Racine Federated products in 2012, as well as new products developed during the past year. Our technologies are used in applications where flow measurement and control are critical, in markets such as industrial process, manufacturing, commercial fluid, building automation and precision engineering. We continue to expand our global distribution channels with these world-class flow technologies.

**CLEARLY BETTER TECHNOLOGY.**

For almost 10 years, we have marketed our best-selling ORION® water utility technologies for either drive-by or fixed network systems. However, many utilities did not want to commit to one technology or the other. Therefore, in early 2013 we introduced the first truly simultaneous drive-by fixed network product in the water utility market, ORION SE. This system allows utilities to switch from drive-by to fixed network and back without changing or reprogramming the radio transceiver. We have been very pleased with the market acceptance of the ORION SE technology.



Richard A. Meeusen  
Chairman, President & Chief  
Executive Officer

We also recently addressed another issue for our utility customers: excessive infrastructure required by some network systems, as well as meters located in “hard to read” areas of a utility’s service territory where traditional fixed network radio signals cannot effectively transmit.

In January 2014, we introduced a new, cutting-edge water meter technology, the ORION Cellular Endpoint. This radio was developed using proprietary technology obtained when we purchased Aquacue, Inc. in April 2013. With this product, we are the first major water meter manufacturer to introduce a cost-effective cellular radio for use in both residential and commercial water metering applications. This radio eliminates the need for any network infrastructure, since it uses existing cellular

# CLEARLY BETTER

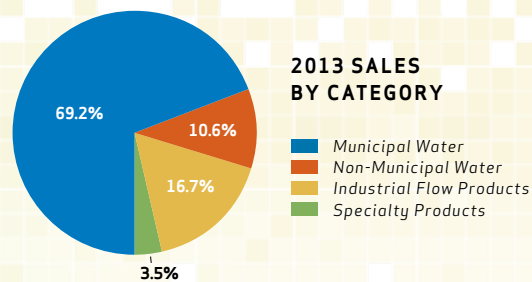
networks. It also addresses hard-to-read meters since the cellular coverage extends over a larger territory than most fixed network systems.

We bundled this radio with a managed offering that we call BEACON Advanced Metering Analytics (AMA). BEACON AMA goes beyond simple radio frequency meter reading to a managed system that includes any combination of ORION SE fixed network and ORION Cellular endpoints, as well as a powerful cloud-based software platform that offers industry-leading analytics. With this system, the utility is not only able to analyze its metering data, but can also allow end customers to view and manage their own water usage activity through home computer and mobile devices. We believe our utility customers will find this capability a key benefit in their water conservation efforts.

## CLEARLY STRONG FUTURE.

We believe that the ORION SE and ORION Cellular technology, along with BEACON AMA, position our water utility products for strong growth in our North American markets. In addition, we expect to see continued opportunities for both our meters and our meter reading technologies in the global markets. For example, our E-Series® ultrasonic water meters were recently selected by a water utility in the Middle East, with orders totaling over \$6 million to be shipped during 2014 and into 2015.

We continue to invest in our research and development efforts to assure a strong flow of new products in the future. During 2013, our spending on research and development hit a record \$10.5 million, driving the new



products that help us maintain our technology leadership in our markets.

Like that 12-inch television from my childhood compared to today’s large-screen HD TV technology, Badger Meter has transitioned from manual meter reading to cloud-based cellular technology with solid-state meters. We offer *clearly better* meters and a *clearly better* way to read them and analyze the data — without the need for a coat hanger or needle-nosed pliers!

We believe we are positioned to provide our customers with a *clearly better* value proposition, while also driving *clearly better* shareholder value in the coming years.

Thank you for your continued confidence and support.

Richard A. Meeusen  
Chairman, President & Chief Executive Officer



# BETTER VISIBILITY

The great philosopher Sir Francis Bacon once said, "Knowledge is power." Municipal water utility managers across North America know that fast, easy access to information about their water supply system can produce powerful results.

The ability to generate revenue, identify and fix problems, respond to customer inquiries, address billing disputes and meet regulatory requirements places many demands on utility managers. Meter reading data holds the key to better understanding and management of their water systems. And with the increasing global focus on water conservation, more and more utilities want their customers to be able to view and better understand their personal water usage activity.

Badger Meter has been "making water visible" for more than 100 years. We offer a complete line of accurate and reliable residential and commercial water metering products. Recent innovations include a sophisticated, first-in-the-market meter reading system utilizing cellular technology and an expanded line of ultrasonic flow meters.



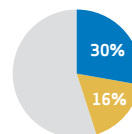
Smart meters are the fastest growing segment of the water meter replacement market in North America



Software as a service is the largest and fastest-growing category in cloud computing



Approximately 40% of the U.S. water metering market has been converted to automated meter reading



In the U.S. water metering market, Badger Meter has a 30% share of meters and a 16% share of AMR/AMI technologies

**40%**

By 2030, it is projected that demand for water will exceed supply by 40% and close to half of the world's population will be living in water-stressed areas

**61%**

Approximately 61% of cell phone users own a smartphone which they could use to access their water usage if offered by the utility

BEACON AMA is a **Clearly Better** system that makes water visible for utilities of all sizes.



### BEACON ADVANCED METERING ANALYTICS

We were the first in the industry to introduce a combination drive-by and fixed network meter reading system, ORION® SE. Building on that success, in early 2014 we launched BEACON Advanced Metering Analytics (AMA), which includes the first cost-effective cellular-based water meter reading product that can be deployed system wide.

BEACON AMA responds to key water utility needs. The foundation of the system is its cloud-based software analytics platform featuring a customizable dashboard that provides actionable information utility managers need to understand and monitor their water operations and improve customer service. Integrated consumer engagement tools enable end customers to view and manage their water usage activity via computer, smartphone or tablet, helping utilities with their water conservation efforts.

Using existing cellular networks reduces the need for costly infrastructure, and as a managed system, Badger Meter handles the network, software and maintenance, freeing up utility managers to focus on operating their utility.

With its many features and benefits, BEACON AMA is a **Clearly Better** system that makes water visible for utilities of all sizes.

*BEACON Advanced Metering Analytics enables end-water customers to view and manage their water usage activity via computer, smartphone or tablet.*

### E-SERIES® ULTRASONIC METER

While there are many ways to measure flow, they all have one thing in common: obtaining accurate data. Our E-Series® ultrasonic meters use solid-state, high frequency sound waves to measure flows. With no mechanical moving parts, the ultrasonic technology virtually eliminates wear and tear, resulting in improved accuracy and long-term reliability. E-Series meters are ideal for less-than-optimal water conditions, for example, where there is a presence of sand, suspended particles or pressure fluctuations.

We expanded the E-Series line in 2013 with a new, engineered polymer version that is a lower-cost alternative to the original stainless steel product. And because E-Series meters can be used outside North America, they provide growth opportunities in water metering for Badger Meter around the globe.







Chemical production is just one of the markets for our flow instrumentation products.

#5

Ranked number 5 in market share for flow meter sales into the processing industry in the Americas

TOP 10

Among the top 10 market share in the electromagnetic, positive displacement, turbine, ultrasonic and variable area flow meter technology categories

# BETTER TECHNOLOGY

You can't manage what you don't measure. This simple concept drives the need for our flow instrumentation products. Accurate information about their processes and systems helps customers improve efficiency, save energy and reduce costs.

Our flow instrumentation products measure and control whatever moves through a pipeline – water, air, steam, oil, and other liquids and gases. We offer both mechanical and electronic metering technologies — a competitive advantage for us in the market.

Built through organic growth and acquisitions, our flow instrumentation portfolio includes some of the most recognized brand names in the industry, including Hedland®, Dynasonics®, Cox® and Research Control®. Customers rely on Badger Meter for application-specific solutions that deliver accurate, timely and dependable flow data and control essential for product quality, cost control, safer operations and regulatory compliance. The Research Control valve, Oval Gear meter and Vision Turbine flow meter are three examples of how we are continually working to develop products that provide **Clearly Better** solutions for our customers.

## FLOW INSTRUMENTATION PRODUCTS



Participate in fast-growing end markets including oil and gas, power and energy, refining and petrochemicals, and chemical



Portfolio includes both high-volume and high-growth applications



Provide customers with essential data for controlling, managing and optimizing their applications



*In the automotive industry, Oval Gear meters are used to measure fluids including engine oil, engine coolant, transmission fluid and wiper fluid.*

*Vision Turbine meters have a role in the trend toward "smarter" appliances.*



### VISION TURBINE METER

The Vision Turbine meter, developed by Remag AG, which was acquired by Badger Meter in 2011, has a role in the trend toward "smarter" appliances. It measures the exact amount of water used in products such as commercial steam cookers and coffee and bakery machines, as well as washing machines, dishwashers, cooling plants and solar applications. Originally sold only in Europe, we are now expanding sales of the Vision Turbine meter into North America.

### OVAL GEAR METER

Customers who need to accurately measure denser liquids in critical processes frequently choose our industrial Oval Gear meters. Designed for rugged environments, our Oval Gear meters are used in markets including chemicals, petrochemicals, water and wastewater, oils and diesel fuel, pulp and paper, paints and coatings, and printing. Positive displacement meters like industrial Oval Gear meters are the only meters that directly measure *actual* volume — other technologies calculate volume by using the flow rate.

We recently added a new electronic display monitor to the product line, enabling users to connect the meters to a control system network for remote monitoring and process automation. The monitor design and technology came from the Racine Federated product line we acquired in 2012. This is an excellent example of how we are taking advantage of the synergies from acquisitions to expand our capabilities and provide more and better information for our customers.

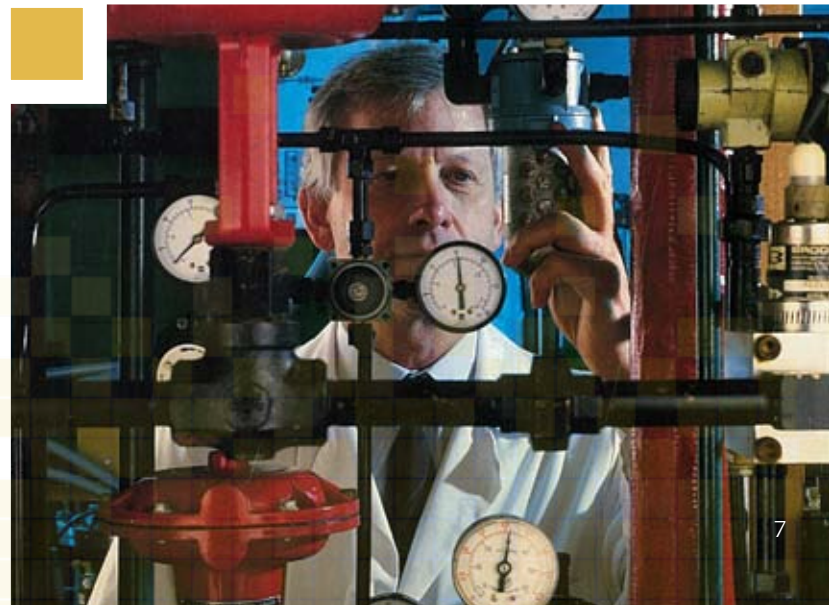
*Our Research Control® valves are known for their ability to control low flows and fit into small spaces.*

Badger Meter flow instrumentation products provide customers with essential data for controlling, managing and optimizing their applications.

### RESEARCH CONTROL® VALVE

While the Research Control valve has been one of our core flow instrumentation products for decades, its role in industrial processes is continually changing. Our valves control the flow of liquids, gas and steam in process industries such as chemical, petrochemical, bio-tech, food and beverage, and pharmaceutical, as well as general industrial applications and research. They are custom engineered using a combination of size, configuration, pressure, temperature and materials tailored to provide the information needed in each specific application.

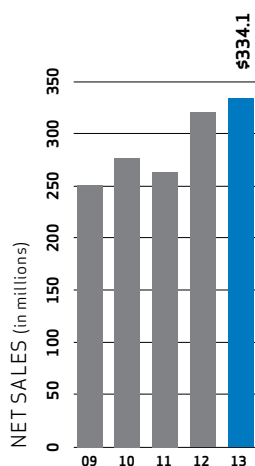
Our valves are especially known for their ability to control low flows and to fit into small spaces. We expanded the product line in 2013 with a new digital valve positioner that monitors control variables as well as fugitive emissions. With a proven reputation for precise performance and durability, our Research Control valves are used in producing many of the consumer products we enjoy today.



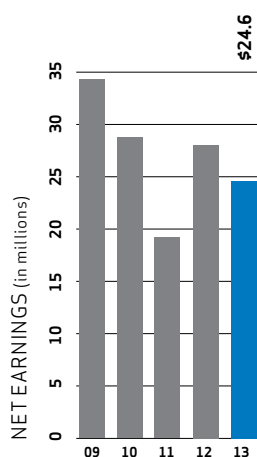
DECEMBER 31,	2013	2012	% CHANGE
<b>OPERATIONS</b> (DOLLARS IN THOUSANDS)			
Net sales	\$334,122	\$319,660	4.5
Net earnings	\$ 24,617	\$ 28,032	(12.2)
<b>DILUTED PER COMMON SHARE AMOUNTS</b>			
Diluted earnings	\$ 1.70	\$ 1.95	(12.8)
Cash dividends	\$ 0.70	\$ 0.66	6.1
Net book value	\$ 13.64	\$ 11.96	14.0
<b>YEAR-END FINANCIAL POSITION</b> (DOLLARS IN THOUSANDS)			
Total assets	\$316,058	\$290,453	8.8
Total debt	\$ 70,045	\$ 66,730	5.0
Shareholders' equity	\$196,563	\$171,247	14.8
Debt as a percent of total debt and equity	26.3%	28.0%	(6.1)
Net earnings as a percent of ending equity	12.5%	16.4%	(23.8)
<b>OTHER</b>			
Number of employees	1,360	1,366	(0.4)
Number of shareholders:			
in employee plans	518	563	(8.0)
of record	969	981	(1.2)
Shares outstanding at December 31	14,411,876	14,314,029	0.7

# PERFORMANCE DATA

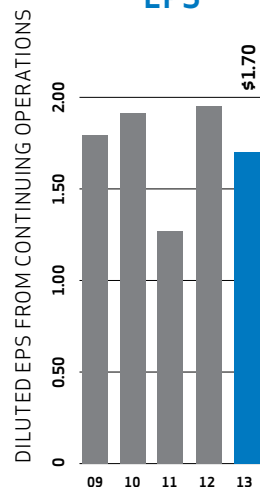
**SALES**



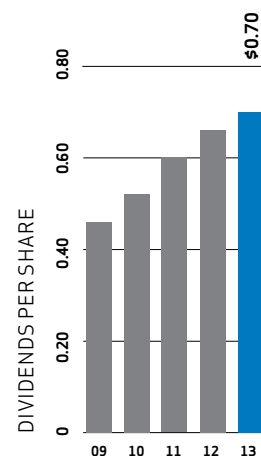
**EARNINGS**



**EPS**



**DIVIDENDS**



## BOARD OF DIRECTORS

### **Richard A. Meeusen**

Chairman, President and Chief Executive Officer, Badger Meter, Inc.

### **Ronald H. Dix (3)**

Retired Senior Vice President - Administration, Badger Meter, Inc.

### **Thomas J. Fischer (1, 3)**

Consultant in Corporate Financial and Accounting Matters; Retired Partner, Arthur Andersen LLP

### **Gale E. Klappa (1, 2)**

Chairman and Chief Executive Officer, Wisconsin Energy Corporation

### **Gail A. Lione (2, 3)**

Adjunct Professor, Marquette University School of Law; Retired President, The Harley-Davidson Foundation; and former Executive Vice President, General Counsel and Secretary, Harley-Davidson, Inc.

### **Andrew J. Policano (3)**

Chaired Professor and Center Director, Paul Merage School of Business, University of California - Irvine

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

Chairman and Chief Executive Officer, Journal Communications, Inc.

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

Chairman, President and Chief Executive Officer, Briggs & Stratton Corporation

Committees of the Board

1. Audit and Compliance
2. Compensation
3. Corporate Governance

## EXECUTIVE OFFICERS

### **Richard A. Meeusen**

Chairman, President and Chief Executive Officer

### **Richard E. Johnson**

Sr. 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 Gras**

Vice President - International Operations

### **Raymond G. Serdynski**

Vice President - Manufacturing

### **Beverly L. Smiley**

Vice President - Corporate Controller

### **Kimberly K. Stoll**

Vice President - Sales and Marketing

## 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

### **Domestic Facilities**

Milwaukee, Wisconsin  
Racine, Wisconsin  
Tulsa, Oklahoma  
Scottsdale, Arizona  
Los Gatos, California

### **Foreign Facilities**

Stuttgart, Germany  
Nogales, Sonora, Mexico  
Brno, Czech Republic  
Bern, 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

### **Listing of Common Stock**

New York Stock Exchange  
Symbol—BMI

**BMI**  
**LISTED**  
**NYSE**

### **Form 10-K Report/Shareholder Information**

A copy of the company's fiscal 2013 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, are available on the company's website: 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) 355-0400.

### **Annual Meeting**

Shareholders are encouraged to attend the 2014 annual meeting at 8:30 a.m. on Friday, April 25, 2014, at the Global Water Center, 247 W. Freshwater Way, Milwaukee, Wisconsin 53204.

### **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.

### **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 at: www.amstock.com.

### **Direct Registration System**

Shareholders of Badger Meter common stock can now 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 website at www.amstock.com. For more information, please call American Stock Transfer, (877) 248-6415.

### **Certifications**

The company filed as exhibits to its fiscal 2013 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 2013 the Annual CEO Certification required by Section 303A.12(a) of the New York Stock Exchange Listed Company Manual.

### **Trademarks**

Trademarks appearing in this document are the property of their respective entities.

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