

For Immediate Release

**Paul Mueller Company Announces Its Second Quarter Earnings of 2016**

Springfield, Missouri – July 29, 2016, Paul Mueller Company (OTC: MUEL) today announced earnings for the quarter ended June 30, 2016.

**PAUL MUELLER COMPANY**  
**SIX-MONTH REPORT**  
Unaudited

**CONSOLIDATED STATEMENTS OF INCOME**

(In thousands)	Three Months Ended June 30		Six Months Ended June 30		Twelve Months Ended June 30	
	2016	2015	2016	2015	2016	2015
	Net Sales	\$ 45,524	\$ 49,710	\$ 86,685	\$ 94,353	\$ 170,927
Cost of Sales	32,720	34,692	61,565	67,133	120,794	143,943
Gross Profit	\$ 12,804	\$ 15,018	\$ 25,120	\$ 27,220	\$ 50,133	\$ 52,285
Selling, General and Administrative Expense	11,856	10,214	22,721	20,028	41,728	41,298
Operating Income	\$ 948	\$ 4,804	\$ 2,399	\$ 7,192	\$ 8,405	\$ 10,987
Interest Expense	(63)	(100)	(99)	(221)	(240)	(629)
Other Income (Expense)	(63)	(317)	(111)	(326)	(8)	(450)
Income before Provision for Income Taxes	\$ 822	\$ 4,387	\$ 2,189	\$ 6,645	\$ 8,157	\$ 9,908
Provision (Benefit) for Income Taxes	60	1,360	516	2,012	2,513	2,988
Net Income	\$ 762	\$ 3,027	\$ 1,673	\$ 4,633	\$ 5,644	\$ 6,920
Earnings per Common Share — Basic	\$0.63	\$2.45	\$1.37	\$3.76	\$4.59	\$5.62
Diluted	\$0.63	\$2.45	\$1.37	\$3.74	\$4.59	\$5.60

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Six Months Ended June 30	
	2016	2015
Net Income	\$ 1,673	\$ 4,633
Other Comprehensive Income, Net of Tax:		
Foreign Currency Translation Adjustment	554	(2,510)
Change in Pension Liability	1,000	-
Amortization of De-Designated Hedges	10	(6)
Comprehensive Income	\$ 3,237	\$ 2,117

**CONSOLIDATED BALANCE SHEETS**

	June 30 2016	December 31 2015
Accounts Receivable	\$ 24,654	\$ 22,587
Inventories	30,372	31,941
Other Current Assets	2,035	8,312
Current Assets	\$ 57,061	\$ 62,840
Net Property, Plant, and Equipment	35,931	35,718
Other Assets	25,804	20,038
Total Assets	\$ 118,796	\$ 118,596
Accounts Payable	\$ 11,621	\$ 11,672
Current Maturities and Short-Term debt	14,152	10,868
Other Current Liabilities	22,285	25,775
Current Liabilities	\$ 48,058	\$ 48,315
Long-Term Debt	4,837	5,003
Long-Term Pension Liabilities	30,815	32,527
Other Long-Term Liabilities	969	1,004
Total Liabilities	84,679	86,849
Shareholders' Investment	34,117	31,747
Total Liabilities and Shareholders' Investment	\$ 118,796	\$ 118,596

**SELECTED FINANCIAL DATA**

	June 30 2016	December 31 2015
Book Value per Common Share	\$28.23	\$25.66
Total Shares Outstanding	1,208,460	1,237,220
Backlog	\$ 56,869	\$ 58,385

**CONSOLIDATED STATEMENT OF SHAREHOLDERS' INVESTMENT**

	Common Stock	Paid-in Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
<b>Balance, December 31, 2015</b>	\$ 1,508	\$ 9,708	\$ 63,863	\$ (5,114)	\$ (38,218)	\$ 31,747
<b>Add (Deduct):</b>						
Net Income			1,673			1,673
Other Comprehensive Income, Net of Tax					1,564	1,564
Treasury Stock Acquisition				(867)		(867)
Deferred Compensation						
<b>Balance, June 30, 2016</b>	\$ 1,508	\$ 9,708	\$ 65,536	\$ (5,981)	\$ (36,654)	\$ 34,117

**CONSOLIDATED STATEMENT OF CASH FLOWS**

	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
<b>Operating Activities:</b>		
Net Income	\$ 1,673	\$ 4,633
Adjustment to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Pension Contributions (Greater) Less than Expense	(713)	(71)
Bad Debt Expense (Recovery)	12	36
Depreciation & Amortization	3,008	2,782
(Gain) Loss on Sales of Equipment	(12)	(27)
Other	(43)	(44)
Change in Assets and Liabilities		
(Inc) Dec in Accts and Notes Receivable	(1,861)	(602)
(Inc) Dec in Cost in Excess of Estimated Earnings and Billings	(38)	115
(Inc) Dec in Inventories	1,831	(7,799)
(Inc) Dec in Prepayments	811	530
(Inc) Dec Other Assets	-	405
Inc (Dec) in Accounts Payable	(339)	6,283
Inc (Dec) Other Accrued Expenses	(759)	628
Inc (Dec) Advanced Billings	(2,440)	2,658
Inc (Dec) in Billings in Excess of Costs and Estimated Earnings	(367)	(177)
Inc (Dec) In Other Long-Term Liabilities	(485)	(182)
<b>Net Cash Provided by Operating Activities</b>	\$ 278	\$ 9,168
<b>Investing Activities</b>		
Proceeds from Sales of Equipment	27	45
Additions to Property and Equipment	(2,708)	(7,179)
<b>Net Cash Required for Investing Activities</b>	\$ (2,681)	\$ (7,134)
<b>Financing Activities</b>		
Proceeds (Repayment) of Short-Term Borrowings, Net	3,182	(5,911)
(Repayment) Proceeds of Long-Term Debt	(208)	2,902
Treasury Stock Acquisitions	(867)	(5)
<b>Net Cash Provided (Required) for Financing Activities</b>	\$ 2,107	\$ (3,014)
<b>Effect of Exchange Rate Changes</b>	16	(119)
<b>Net (Decrease) in Cash and Cash Equivalents</b>	\$ (280)	\$ (1,099)
<b>Cash and Cash Equivalents at Beginning of Year</b>	545	1,402
<b>Cash and Cash Equivalents at End of Quarter</b>	\$ 265	\$ 303

PAUL MUELLER COMPANY  
SUMMARIZED NOTES TO THE FINANCIAL STATEMENTS

(1) Results of Operations (in thousands):

- A. The chart below depicts the net revenue on a consolidating basis for the three months ended June 30.

Three Months Ended June 30		
<i>Revenue</i>	2016	2015
Domestic	\$27,815	\$32,506
Mueller BV	\$18,021	\$17,892
Eliminations	(\$312)	(\$688)
Net Revenue	\$45,524	\$49,710

The chart below depicts the net revenue on a consolidating basis for the six months ended June 30.

Six Months Ended June 30		
<i>Revenue</i>	2016	2015
Domestic	\$54,672	\$62,476
Mueller BV	\$32,589	\$33,396
Eliminations	(\$576)	(\$1,519)
Net Revenue	\$86,685	\$94,353

The chart below depicts the net revenue on a consolidating basis for the twelve months ended June 30.

Twelve Months Ended June 30		
<i>Revenue</i>	2016	2015
Domestic	\$109,576	\$131,584
Mueller BV	\$62,771	\$67,904
Eliminations	(\$1,420)	(\$3,260)
Net Revenue	\$170,927	\$196,228

The chart below depicts the net income on a consolidating basis for the three months ended June 30.

Three Months Ended June 30		
<i>Net Income</i>	2016	2015
Domestic	(\$637)	\$1,298
Mueller BV	\$1,351	\$1,747
Eliminations	\$48	(\$18)
Net Income	\$762	\$3,027

The chart below depicts the net income on a consolidating basis for the six months ended June 30.

Six Months Ended June 30		
<i>Net Income</i>	2016	2015
Domestic	\$11	\$1,768
Mueller BV	\$1,580	\$2,939
Eliminations	\$82	(\$74)
Net Income	\$1,673	\$4,633

The chart below depicts the net income on a consolidating basis for the twelve months ended June 30.

Twelve Months Ended June 30		
<i>Net Income</i>	2016	2015
Domestic	\$2,829	\$1,962
Mueller BV	\$2,712	\$5,132
Eliminations	\$103	(\$174)
Net Income	\$5,644	\$6,920

- B.** Second quarter results were negatively affected by two events which we described in our 2015 annual report.

First, we plan on spending approximately \$2 million this year repairing the roof over the main building in Springfield. During the second quarter we incurred \$312,000 of expense due to this project.

Second, we are currently offering lump sum pension settlements, paid from the assets of the plans, to participants who are no longer employed by the company as of May 6, 2016, but who have not yet begun receiving their benefit. These eligible participants have until August 5<sup>th</sup> to make an election. The payments will be made late in the third quarter. The eligible participants represent about a quarter of the obligations of the plans and we expect about 50% of those to elect the settlement. There will be a non-cash effect on the earnings of the Company caused by pension deficits now recorded in accumulated other comprehensive income moving through net income. If 50% participation is achieved, pretax income will be reduced \$5.5 million.

As of June 30<sup>th</sup>, 49 participants representing lump sum payments of \$2.7 million have already elected to participate. The effect of these elections reduced pretax income by \$1.0 million for the second quarter. Elections made after June 30<sup>th</sup> will affect the third quarter results.

- C. The pretax results for the three and six months ended June 30, 2016, were unfavorably affected by a \$1,000,000 increase in the LIFO reserve. The pre-tax results for the twelve months ended June 30, 2016, were favorably affected by a \$50,000 decrease in the LIFO reserve. The pre-tax results for the twelve months ended June 30, 2015, were unfavorably affected by a \$1,016,000 increase in the LIFO reserve.
- D. On March 18, 2016, the Company announced a repurchase program of up to \$3 million of the Company's common stock. The stock repurchases may be made from time to time in the open market, in compliance with a Rule 10b5-1 share repurchase plan adopted by the Company, or in privately negotiated transactions in compliance with applicable state and federal securities laws. The timing and amounts of any repurchases will be based on market conditions and other factors including price, regulatory requirements, and capital availability. The program does not require the repurchase of any minimum number of shares and may be suspended, modified, or discontinued at any time, without prior notice. As of June 30, 2016, the Company has repurchased 28,760 shares at a total cost of \$867,000.
- E. The Company's subsidiary, Mueller Field Operations, Inc. was involved in an accident involving a field fabricated tank on September 14, 2014. A \$2.9 million pre-tax reserve was established for the full contract value of the original order and certain insurance deductibles. The Company completed the fabrication of the new tank which is now in operation with \$0.5 million recognized into pretax income in the fourth quarter in 2015. All efforts to recover insurance related to this claim have been resolved except for ongoing litigation with the manufacturer's error and omissions carrier.
- F. The consolidated financials are affected by the euro to dollar exchange rate when consolidating Mueller B.V., the Dutch subsidiary. The month end euro to dollar exchange rate was 1.11 for June, 2015; 1.09 for December, 2015 and 1.11 for June, 2016, respectively.

This press release contains forward-looking statements that provide current expectations of future events based on certain assumptions. All statements regarding future performance growth, conditions, or developments are forward-looking statements. Actual future results may differ materially from those described in the forward-looking statements due to a variety of factors, including, but not limited to, the factors described on page 30 of the Company's 2015 Annual Report, which is available at [paulmueller.com](http://paulmueller.com). The Company expressly disclaims any obligation or undertaking to update these forward-looking statements to reflect any future events or circumstances.

**The accounting policies related to this report and additional management discussion and analysis are provided in the 2015 annual report, available at [www.paulmueller.com](http://www.paulmueller.com).**