

For Immediate Release

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

Springfield, Missouri – March 17, 2017, Paul Mueller Company (OTC: MUEL) today announced earnings for the quarter ended December 31, 2016.

**PAUL MUELLER COMPANY  
 TWELVE-MONTH REPORT**

**CONSOLIDATED STATEMENTS OF INCOME**

(In thousands)	Three Months Ended December 31		Twelve Months Ended December 31	
	2016	2015	2016	2015
	Net Sales	\$ 37,220	\$ 44,140	\$ 168,021
Cost of Sales	28,609	32,096	123,291	126,362
Gross Profit	\$ 8,611	\$ 12,044	\$ 44,730	\$ 52,233
Selling, General and Administrative Expense	9,122	8,712	47,888	39,035
Operating Income (Loss)	\$ (511)	\$ 3,332	\$ (3,158)	\$ 13,198
Interest Expense	(109)	(60)	(294)	(362)
Other Income (Expense)	369	86	209	(223)
Income (Loss) before Provision (Benefit) for Income Taxes	\$ (251)	\$ 3,358	\$ (3,243)	\$ 12,613
Provision (Benefit) for Income Taxes	504	1,680	(962)	4,009
Net Income (Loss)	\$ (755)	\$ 1,678	\$ (2,281)	\$ 8,604
Earnings (Loss) per Common Share — Basic	(\$0.63)	\$1.36	(\$1.88)	\$6.97
Diluted	(\$0.63)	\$1.36	(\$1.88)	\$6.95

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Twelve Months Ended December 31	
	2016	2015
Net Income (Loss)	\$ (2,281)	\$ 8,604
Other Comprehensive Income (Loss), Net of Tax:		
Foreign Currency Translation Adjustment	(1,146)	(2,774)
Change in Pension Liability	3,238	1,744
Amortization of De-Designated Hedges	21	26
Comprehensive Income (Loss)	\$ (168)	\$ 7,600

**CONSOLIDATED BALANCE SHEETS**

	December 31 2016	December 31 2015
Accounts Receivable	\$ 18,083	\$ 22,587
Inventories	24,126	31,941
Other Current Assets	2,514	3,057
Current Assets	\$ 44,723	\$ 57,585
Net Property, Plant, and Equipment	33,545	35,718
Other Assets	26,397	25,293
Total Assets	\$ 104,665	\$ 118,596
Accounts Payable	\$ 8,165	\$ 11,672
Current Maturities and Short-Term debt	8,243	10,868
Other Current Liabilities	20,777	25,775
Current Liabilities	\$ 37,185	\$ 48,315
Long-Term Debt	4,558	5,003
Long-Term Pension Liabilities	31,628	32,527
Other Long-Term Liabilities	828	1,004
Total Liabilities	74,199	86,849
Shareholders' Investment	30,466	31,747
Total Liabilities and Shareholders' Investment	\$ 104,665	\$ 118,596

**SELECTED FINANCIAL DATA**

	December 31 2016	December 31 2015
Book Value per Common Share	\$25.39	\$25.66
Total Shares Outstanding	1,200,021	1,237,220
Backlog	\$ 44,241	\$ 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 (Loss)			(2,281)			(2,281)
Other Comprehensive Income, Net of Tax					2,113	2,113
Treasury Stock Acquisition				(1,113)		(1,113)
<b>Balance, December 31, 2016</b>	\$ 1,508	\$ 9,708	\$ 61,582	\$ (6,227)	\$ (36,105)	\$ 30,466

**CONSOLIDATED STATEMENT OF CASH FLOWS**

	Twelve Months Ended December 31, 2016	Twelve Months Ended December 31, 2015
<b>Operating Activities:</b>		
Net Income (Loss)	\$ (2,281)	\$ 8,604
Adjustment to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:		
Pension Contributions (Greater) Less than Expense	2,339	(1,734)
Bad Debt Expense (Recovery)	(469)	102
Depreciation & Amortization	6,179	5,665
Deferred Tax (Benefit) Expense	(1,256)	2,462
Deferred Tax Valuation Allowance - Change	-	(7)
(Gain) Loss on Sales of Equipment	(22)	22
Other	(89)	(83)
Change in Assets and Liabilities		
(Inc) Dec in Accts and Notes Receivable	4,630	(112)
(Inc) Dec in Cost in Excess of Estimated Earnings and Billings	(121)	(30)
(Inc) Dec in Inventories	7,361	(6,769)
(Inc) Dec in Prepayments	285	868
(Inc) Dec Other Assets	1	408
(Inc) Dec in Deferred Taxes	1,893	905
Inc (Dec) in Accounts Payable	(1,937)	3,466
Inc (Dec) Other Accrued Expenses	(2,469)	(5,326)
Inc (Dec) Advanced Billings	(1,920)	5,441
Inc (Dec) in Billings in Excess of Costs and Estimated Earnings	(1,507)	1,952
Inc (Dec) In Long Term Liabilities	94	(156)
<b>Net Cash Provided by Operating Activities</b>	\$ 10,711	\$ 15,678
<b>Investing Activities</b>		
Proceeds from Sales of Equipment	65	79
Additions to Property and Equipment	(4,284)	(8,767)
Acquisition of DEG Engineering GmbH	(2,606)	-
<b>Net Cash (Required) for Investing Activities</b>	\$ (6,825)	\$ (8,688)
<b>Financing Activities</b>		
(Repayment) of Short-Term Borrowings, Net	(2,448)	(8,624)
(Repayment) Proceeds of Long-Term Debt	(414)	379
Treasury Stock Acquisitions	(1,113)	(5)
<b>Net Cash (Required) for Financing Activities</b>	\$ (3,975)	\$ (8,250)
<b>Effect of Exchange Rate Changes</b>	(99)	403
<b>Net (Decrease) in Cash and Cash Equivalents</b>	\$ (188)	\$ (857)
<b>Cash and Cash Equivalents at Beginning of Year</b>	545	1,402
<b>Cash and Cash Equivalents at End of Year</b>	\$ 357	\$ 545

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 December 31.

Three Months Ended December 31		
Revenue	2016	2015
Domestic	\$25,263	\$26,597
Mueller BV	\$12,160	\$17,980
Eliminations	(\$203)	(\$437)
Net Revenue	\$37,220	\$44,140

The chart below depicts the net revenue on a consolidating basis for the twelve months ended December 31.

Twelve Months Ended December 31		
Revenue	2016	2015
Domestic	\$111,029	\$117,381
Mueller BV	\$58,101	\$63,577
Eliminations	(\$1,109)	(\$2,363)
Net Revenue	\$168,021	\$178,595

The chart below depicts the net income on a consolidating basis for the three months ended December 31.

Three Months Ended December 31		
Net Income	2016	2015
Domestic	(\$724)	\$1,346
Mueller BV	(\$84)	\$307
Eliminations	\$53	\$25
Net Income	(\$755)	\$1,678

The chart below depicts the net income on a consolidating basis for the twelve months ended December 31.

Twelve Months Ended December 31		
Net Income	2016	2015
Domestic	(\$3,955)	\$4,586
Mueller BV	\$1,555	\$4,071
Eliminations	\$119	(\$53)
Net Income	(\$2,281)	\$8,604

- B.** Our 2016 results were negatively affected by two events which we described in previous communications including our 2015 annual report.

First, we began significant roof repairs on our Springfield, Missouri facilities. The portion to be completed this year was estimated to cost approximately \$2.0 million. During the fourth quarter, we incurred \$729,000 of expense for a YTD total of \$1,661,000.

Second, we completed the lump sum pension payments to participants who elected to take the settlement. These payments, paid from the assets of the plans, were available for participants who were no longer employed by the company as of May 6, 2016, but who had not yet begun receiving their benefit. The eligible participants represented about a quarter of the obligations of the plans and just over 50% of those eligible elected the settlement. The payments, totaling \$13.8 million to 218 participants, were made on or about September 26, 2016. This settlement had a negative noncash effect on the pretax earnings of the Company of \$6.72 million caused by pension deficits, previously recorded in accumulated other comprehensive income, moving through net income.

- C.** The pre-tax results for the three months ended December 31, 2016, were favorably affected by a \$500,000 decrease in the LIFO reserve. The pre-tax results for the twelve months ended December 31, 2016, were unfavorably affected by a \$500,000 increase in the LIFO reserve. The pre-tax results for the three months ended December 31, 2015, were favorably affected by a \$550,000 decrease in the LIFO reserve. The pre-tax results for the twelve months ended December 31, 2015, were favorably affected by a \$1,050,000 decrease 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 December 31, 2016, the Company has repurchased 37,199 shares at a total cost of \$1,113,000.
- E.** On March 17, 2017, the Company announced plans to build a new facility in Groenlo, a town in the east-central portion of The Netherlands. The new facility will be located 10 kilometers (approximately 6 miles) from one of Paul Mueller Company's current Dutch manufacturing facilities in Lichtenvoorde.

Groenlo was chosen because of its close proximity to the current Lichtenvoorde location, easing the transition for the majority of the production employees. Working

together in one location, employees can better develop common goals and address customer needs.

The new facility will consolidate four locations the Company currently operates in The Netherlands, including the Lichtenvoorde location. The €20 million (\$21 million) project is expected to have a positive return based on reducing the costs of operating four separate facilities, the rent paid on three of the facilities, and the sale of the primary manufacturing location in Lichtenvoorde. It will also combine the companies acquired in 2008 into one location creating a stronger culture and improving collaboration and efficiencies.

Pending final approval of construction plans and loan documents, construction should start in the summer of 2017 with a completion date projected to be in the summer of 2018.

- F. During 2016, Mueller B.V. acquired the remaining 51% of DEG Engineering GmbH, a German engineering company, for \$263,000 in cash, the forgiveness of a \$2,152,000 payable owed to Mueller B.V. from DEG Engineering GmbH, and \$96,000 in other considerations. The DEG Engineering GmbH acquisition included brand assets and patents useful in growing Mueller B.V. industrial and heat transfer business segments in international markets.
- G. The Company was in violation of the fixed charge coverage covenant on its domestic bank borrowing facility at December 31, 2016. Subsequent to year end a waiver was obtained from the lender for the covenant violations as of December 31, 2016.
- H. 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 1.09 for December, 2015 and 1.05 for December, 2016, respectively.

## **(2) Summary of Accounting Policies:**

**Principles of Consolidation and Lines of Business**—The financial statements include the accounts of Paul Mueller Company and its wholly owned subsidiaries: Mueller Transportation, Inc.; Mueller Field Operations, Inc.; and Mueller B.V. and its subsidiaries (collectively “Company”). All significant intercompany balances and transactions have been eliminated in consolidation. The Company provides manufactured equipment and components for the food, dairy, beverage, transportation, chemical, pharmaceutical, and other industries, as well as the dairy farm market. The Company also provides field fabrication, service and repair, and construction services in these industries.

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 2016 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.

**For all other relevant accounting policies and management discussion and analysis,  
please see the 2016 annual report, which is available at  
[www.paulmueller.com](http://www.paulmueller.com).**