

For Immediate Release

**Paul Mueller Company Announces Its First Quarter Earnings of 2017**

Springfield, Missouri – April 28, 2017, Paul Mueller Company (OTC: MUEL) today announced earnings for the quarter ended March 31, 2017.

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

**CONSOLIDATED STATEMENTS OF INCOME**

(In thousands)

	Three Months Ended March 31		Twelve Months Ended March 31	
	2017	2016	2017	2016
Net Sales	\$ 37,611	\$ 41,161	\$ 164,471	\$ 175,113
Cost of Sales	27,017	28,845	121,463	122,766
Gross Profit	\$ 10,594	\$ 12,316	\$ 43,008	\$ 52,347
Selling, General and Administrative Expense	10,483	10,865	47,506	40,085
Operating Income (Loss)	\$ 111	\$ 1,451	\$ (4,498)	\$ 12,262
Interest Expense	(50)	(36)	(308)	(277)
Other Income (Expense)	(90)	(48)	167	(262)
Income (Loss) before Provision (Benefit) for Income Taxes	\$ (29)	\$ 1,367	\$ (4,639)	\$ 11,723
Provision (Benefit) for Income Taxes	114	456	(1,304)	3,814
Net Income (Loss)	\$ (143)	\$ 911	\$ (3,335)	\$ 7,909
Earnings (Loss) per Common Share — Basic	(\$0.12)	\$0.74	(\$2.78)	\$6.40
Diluted	(\$0.12)	\$0.74	(\$2.78)	\$6.40

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Three Months Ended March 31	
	2017	2016
Net Income (Loss)	\$ (143)	\$ 911
Other Comprehensive Income, Net of Tax:		
Foreign Currency Translation Adjustment	556	1,315
Amortization of De-Designated Hedges	3	4
Comprehensive Income	\$ 416	\$ 2,230

**CONSOLIDATED BALANCE SHEETS**

	March 31 2017	December 31 2016
Accounts Receivable	\$ 19,904	\$ 18,083
Inventories	25,474	24,126
Other Current Assets	3,831	2,514
Current Assets	\$ 49,209	\$ 44,723
Net Property, Plant, and Equipment	33,352	33,545
Other Assets	28,432	26,397
Total Assets	\$ 110,993	\$ 104,665
Accounts Payable	\$ 9,449	\$ 8,165
Current Maturities and Short-Term debt	6,496	8,243
Other Current Liabilities	25,510	20,777
Current Liabilities	\$ 41,455	\$ 37,185
Long-Term Debt	4,489	4,558
Long-Term Pension Liabilities	31,656	31,628
Other Long-Term Liabilities	2,613	828
Total Liabilities	\$ 80,213	\$ 74,199
Shareholders' Investment	30,780	30,466
Total Liabilities and Shareholders' Investment	\$ 110,993	\$ 104,665

**SELECTED FINANCIAL DATA**

	March 31 2017	December 31 2016
Book Value per Common Share	\$25.73	\$25.39
Total Shares Outstanding	1,196,261	1,200,021
Backlog	\$ 77,683	\$ 44,241

**CONSOLIDATED STATEMENT OF SHAREHOLDERS' INVESTMENT**

	Common Stock	Paid-in Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
<b>Balance, December 31, 2016</b>	\$ 1,508	\$ 9,708	\$ 61,582	\$ (6,227)	\$ (36,105)	\$ 30,466
<b>Add (Deduct):</b>						
Net Income (Loss)			(143)			(143)
Other Comprehensive Income, Net of Tax					559	559
Treasury Stock Acquisition				(102)		(102)
<b>Balance, March 31, 2017</b>	\$ 1,508	\$ 9,708	\$ 61,439	\$ (6,329)	\$ (35,546)	\$ 30,780

**CONSOLIDATED STATEMENT OF CASH FLOWS**

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
<b>Operating Activities:</b>		
Net Income (Loss)	\$ (143)	\$ 911
Adjustment to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Pension Contributions (Greater) Less than Expense	27	58
Bad Debt Expense (Recovery)	-	12
Depreciation & Amortization	1,432	1,429
(Gain) Loss on Sales of Equipment	(12)	(7)
Other	(20)	(20)
Change in Assets and Liabilities		
(Inc) Dec in Accts and Notes Receivable	(2,115)	(576)
(Inc) Dec in Cost in Excess of Estimated Earnings and Billings	(597)	(15)
(Inc) Dec in Inventories	(1,104)	(806)
(Inc) Dec in Prepayments	(566)	565
(Inc) Dec Deferred Tax Asset	-	(483)
Inc (Dec) in Accounts Payable	1,084	891
Inc (Dec) Other Accrued Expenses	2,067	(121)
Inc (Dec) Advanced Billings	1,425	918
Inc (Dec) in Billings in Excess of Costs and Estimated Earnings	1,483	757
Inc (Dec) In Other Liabilities	17	3
<b>Net Cash Provided by Operating Activities</b>	\$ 2,978	\$ 3,516
<b>Investing Activities</b>		
Proceeds from Sales of Equipment	80	21
Additions to Property and Equipment	(857)	(1,315)
<b>Net Cash (Required) for Investing Activities</b>	\$ (777)	\$ (1,294)
<b>Financing Activities</b>		
(Repayment) of Short-Term Borrowings, Net	(1,828)	(2,228)
(Repayment) of Long-Term Debt	(101)	(110)
Treasury Stock Acquisitions	(102)	(107)
<b>Net Cash (Required) for Financing Activities</b>	\$ (2,031)	\$ (2,445)
<b>Effect of Exchange Rate Changes</b>	(31)	(115)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	\$ 139	\$ (338)
<b>Cash and Cash Equivalents at Beginning of Year</b>	357	545
<b>Cash and Cash Equivalents at End of Quarter</b>	\$ 496	\$ 207

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 March 31.

Three Months Ended March 31		
Revenue	2017	2016
Domestic	\$ 27,419	\$ 26,857
Mueller BV	\$ 10,253	\$ 14,568
Eliminations	\$ (61)	\$ (264)
Net Revenue	\$ 37,611	\$ 41,161

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

Twelve Months Ended March 31		
Revenue	2017	2016
Domestic	\$ 111,591	\$ 114,267
Mueller BV	\$ 53,786	\$ 62,642
Eliminations	\$ (906)	\$ (1,796)
Net Revenue	\$ 164,471	\$ 175,113

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

Three Months Ended March 31		
Net Income	2017	2016
Domestic	\$ 528	\$ 649
Mueller BV	\$ (727)	\$ 230
Eliminations	\$ 56	\$ 32
Net Income	\$ (143)	\$ 911

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

Twelve Months Ended March 31		
Net Income	2017	2016
Domestic	\$ (4,076)	\$ 4,765
Mueller BV	\$ 598	\$ 3,109
Eliminations	\$ 143	\$ 35
Net Income	\$ (3,335)	\$ 7,909

- B.** Our trailing twelve month results were negatively affected by two events which we described in previous communications including our 2015 and 2016 annual reports.

First, we began significant roof repairs on our Springfield, Missouri facilities. The pre-tax results for the twelve months ended March 31, 2017 were reduced by roof repair expense 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. As of March 31, 2017, this settlement had a negative noncash effect on the pre-tax earnings of the Company of \$6.72 million for the trailing twelve months caused by pension deficits, previously recorded in accumulated other comprehensive income, moving through net income.

- C.** The pre-tax results for the twelve months ended March 31, 2017, were unfavorably affected by a \$500,000 increase in the LIFO reserve. The pre-tax results for the twelve months ended March 31, 2016, 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 March 31, 2017, the Company has repurchased 3,760 shares at a total cost of \$102,000 for the quarter and 37,416 shares at a total cost of \$1,108,000 for the trailing twelve months. As of March 31, 2016, the Company has repurchased 3,543 shares at a total cost of \$107,000.
  
- 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.

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 violation as of December 31, 2016. On March 29, 2017, the company obtained an amendment to the domestic bank borrowing facility to modify the fixed charge coverage covenant and was in compliance at March 31, 2017.
- H. The consolidated financials are affected by the euro to dollar exchange rate when consolidating Mueller B.V., the Dutch subsidiary. The monthly average euro to dollar exchange rate was 1.11 for March, 2016; 1.05 for December, 2016 and 1.07 for March, 2017, 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. 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).**