

MUELLER

News Release

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FOR RELEASE: Immediate

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SPRINGFIELD, MO., 28 FEBRUARY 2007. PAUL MUELLER COMPANY TODAY REPORTED ITS EARNINGS FOR THE YEAR 2006.

PAUL MUELLER COMPANY AND SUBSIDIARIES CONSOLIDATED SUMMARIES OF OPERATIONS (UNAUDITED)

	Three Months Ended December 31		Twelve Months Ended December 31	
	2006	2005	2006	2005
Net Sales	\$ 56,598,000	\$ 39,512,000	\$ 152,887,000	\$ 138,133,000
Cost of Sales	<u>45,719,000</u>	<u>31,006,000</u>	<u>125,442,000</u>	<u>109,983,000</u>
Gross Profit	\$ 10,879,000	\$ 8,506,000	\$ 27,445,000	\$ 28,150,000
Selling, General & Administrative Expenses	<u>6,490,000</u>	<u>5,343,000</u>	<u>22,146,000</u>	<u>21,304,000</u>
Operating Income.....	\$ 4,389,000	\$ 3,163,000	\$ 5,299,000	\$ 6,846,000
Other Income (Expense)	<u>(173,000)</u>	<u>(11,000)</u>	<u>494,000</u>	<u>291,000</u>
Income before Provision (Benefit) for Income Taxes.....	\$ 4,216,000	\$ 3,152,000	\$ 5,793,000	\$ 7,137,000
Provision (Benefit) for Income Taxes	<u>(1,779,000)</u>	<u>(677,000)</u>	<u>(1,229,000)</u>	<u>520,000</u>
Net Income	<u>\$ 5,995,000</u>	<u>\$ 3,829,000</u>	<u>\$ 7,022,000</u>	<u>\$ 6,617,000</u>
Earnings per Common Share:				
Basic.....	\$ 5.21	\$ 3.33	\$ 6.10	\$ 5.68
Diluted	\$ 5.12	\$ 3.31	\$ 6.04	\$ 5.64

NOTES: 1) A non-cash credit of \$3,157,000 was recorded during the fourth quarter of 2006 to reduce the balance of a valuation allowance established during 2004 for all of the Company's net deferred tax assets. The reduction in the valuation allowance is directly related to the improved financial performance of the Company during the past two years, and its backlog of \$116,913,000 as of December 31, 2006. The Company's recent performance and the December 31, 2006, backlog provide positive evidence that it is more likely than not that the Company can realize its net deferred tax assets. The non-cash credit increased net income for 2006 by \$3,157,000, and it has been included in the tax provisions on the above Consolidated Summaries of Operations for the three months and twelve months ended December 31, 2006.

2) Fourth quarter 2006 results were unfavorably affected by an adjustment to the LIFO reserve, which decreased net income by \$285,400, or \$0.25 per share (\$0.24 diluted). The high year-end inventory level contributed to the adjustment.

3) For the year ended December 31, 2006, net income was adversely affected by an increase to the LIFO reserve, which reduced net income by \$2,202,400, or \$1.91 per share (\$1.89 diluted). For the year ended December 31, 2005, net income was favorably affected by a reduction to the LIFO reserve, which increased net income by \$427,400, or \$0.37 per share (\$0.36 diluted).

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- 4) A non-cash credit of \$1,200,000 was recorded during the fourth quarter of 2005 to reduce a portion of the valuation allowance established during 2004 for all of the Company's net deferred tax assets. The valuation allowance was reduced due to the improved performance of the Company during 2005, particularly during the fourth quarter when net income was \$3,829,000. The non-cash credit increased net income for 2005 by \$1,200,000 and has been included in the tax provisions on the above Consolidated Summaries of Operations for the three months and twelve months ended December 31, 2005. The effective tax rate for the year 2005 was also favorably affected by the utilization of a net operating loss carryforward and tax credits.
- 5) Fourth quarter 2005 results were favorably affected by an adjustment to the LIFO reserve, which increased net income by \$1,085,000, or \$0.94 per share on a basic and diluted basis. The favorable adjustment was due to a significant reduction in inventory during the fourth quarter of 2005.