



DATE: October 31, 2014  
IMMEDIATE RELEASE

SYMBOL: MUEL (OTC)  
FOR FURTHER INFORMATION CONTACT:  
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SPRINGFIELD, MISSOURI – PAUL MUELLER COMPANY (OTC: MUEL) TODAY REPORTED ITS THIRD QUARTER REPORT  
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

**PAUL MUELLER COMPANY AND SUBSIDIARIES**  
**NINE-MONTH REPORT**

Unaudited

**CONSOLIDATED STATEMENTS OF INCOME**

	Three Months Ended September 30		Nine Months Ended September 30		Twelve Months Ended September 30	
	2014	2013	2014	2013	2014	2013
	Net Sales	\$ 51,320,000	\$44,384,000	\$ 150,158,000	\$ 131,504,000	\$ 199,911,000
Cost of Sales	39,525,000	31,301,000	109,904,000	92,486,000	143,928,000	131,667,000
Gross Profit	\$ 11,795,000	\$13,083,000	\$ 40,254,000	\$ 39,018,000	\$ 55,983,000	\$ 48,702,000
Selling, General and Administrative Expense	9,988,000	9,927,000	31,334,000	30,094,000	41,903,000	40,718,000
Operating Income	\$ 1,807,000	\$ 3,156,000	\$ 8,920,000	\$ 8,924,000	\$ 14,080,000	\$ 7,984,000
Other Income (Expense)	(173,000)	(228,000)	(535,000)	(665,000)	(752,000)	(965,000)
Income before Provision for Income Taxes	\$ 1,634,000	\$ 2,928,000	\$ 8,385,000	\$ 8,259,000	\$ 13,328,000	\$ 7,019,000
Provision (Benefit) for Income Taxes	333,000	446,000	2,494,000	1,205,000	(4,402,000)	1,526,000
Net Income	\$ 1,301,000	\$ 2,482,000	\$ 5,891,000	\$ 7,054,000	\$ 17,730,000	\$ 5,493,000
Earnings per Common Share —						
Basic	\$1.06	\$2.02	\$4.80	\$5.81	\$14.44	\$4.53
Diluted	\$1.05	\$2.01	\$4.77	\$5.77	\$14.34	\$4.49

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Nine Months Ended September 30	
	2014	2013
Net Income	\$ 5,891,000	\$ 7,054,000
Other Comprehensive Income, Net of Tax:		
Foreign Currency Translation Adjustment	(2,107,000)	496,000
Amortization of De-Designated Hedges	25,000	17,000
Comprehensive Income	\$ 3,809,000	\$ 7,567,000

**CONSOLIDATED BALANCE SHEETS**

	September 30 2014	December 31 2013
Current Assets	\$ 61,653,000	\$ 57,228,000
Net Property, Plant, and Equipment	33,444,000	35,730,000
Other Assets	18,907,000	21,313,000
Total Assets	\$114,004,000	\$ 114,271,000
Current Liabilities	\$ 55,334,000	\$ 51,613,000
Long-Term Debt	4,512,000	8,776,000
Other Long-Term Liabilities	18,581,000	22,141,000
Shareholders' Investment	35,577,000	31,741,000
Total Liabilities and Shareholders' Investment	\$114,004,000	\$ 114,271,000

**SELECTED FINANCIAL DATA**

	September 30 2014	December 31 2013
Book Value per Common Share	\$28.75	\$25.65
Total Shares Outstanding	1,237,379	1,237,591
Backlog	\$ 67,652,000	\$ 67,387,000

**MUELLER**  
**PAUL MUELLER COMPANY**  
1600 West Phelps Street • Springfield, Missouri 65802 U.S.A.

**CONSOLIDATED STATEMENT OF SHAREHOLDERS' INVESTMENT**

	Common Stock	Paid-in Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
<b>Balance, December 31, 2013</b>	\$ 1,508,000	\$ 9,650,000	\$ 48,382,000	\$ (5,102,000)	\$ (22,697,000)	\$ 31,741,000
<b>Add (Deduct):</b>						
Net Income			5,891,000			\$ 5,891,000
Other Comprehensive Income, Net of Tax					(2,082,000)	(2,082,000)
Treasury Stock Acquisition				(8,000)		(8,000)
Deferred Compensation		35,000				35,000
<b>Balance, September 30, 2014</b>	<u>\$ 1,508,000</u>	<u>\$ 9,685,000</u>	<u>\$ 54,273,000</u>	<u>\$ (5,110,000)</u>	<u>\$ (24,779,000)</u>	<u>\$ 35,577,000</u>

**CONSOLIDATED STATEMENT OF CASH FLOWS**

	Nine Months Ended September 30, 2014
<b>Cash Flows from Operating Activities:</b>	
Net Income	\$ 5,891,000
Adjustment to Reconcile Net Income to Net Cash (Required) Provided by Operating Activities:	
Pension Contributions (Greater) Less than Expense	(3,432,000)
Bad Debt Expense (Recovery)	(46,000)
Depreciation & Amortization	4,284,000
Deferred Tax Expense	16,000
(Gain) Loss on Sales of Equipment	(15,000)
Other	50,000
Change in Assets and Liabilities, Net of Effect of Acquisitions-	
(Inc) Dec in Accounts and Notes Receivable	(1,577,000)
(Inc) Dec in Cost in Excess of Estimated Earnings and Billings	(188,000)
(Inc) Dec in Inventories	(2,683,000)
(Inc) Dec in Prepayments	(2,101,000)
(Inc) Dec Other Assets	1,290,000
Inc (Dec) in Accounts Payable	4,983,000
Inc (Dec) Other Accrued Expenses	1,594,000
Inc (Dec) Advanced Billings	1,205,000
Inc (Dec) in Billings in Excess of Costs and Estimated Earnings	(1,957,000)
Inc (Dec) In Other Long-Term Liabilities	(11,000)
<b>Net Cash (Required) Provided by Operating Activities</b>	<u>\$ 7,303,000</u>
<b>Cash Flows (Requirements) from Investing Activities</b>	
Proceeds from Sales of Equipment	39,000
Additions to Property and Equipment	(3,459,000)
<b>Net Cash (Required) Provided by Investing Activities</b>	<u>\$ (3,420,000)</u>
<b>Cash Flows (Requirements) from Financing Activities</b>	
Proceeds (Repayment) of Short-Term Borrowings	147,000
Proceeds (Repayment) of Long-Term Debt	(3,829,000)
Treasury Stock Acquisitions	(8,000)
<b>Net Cash (Required) Provided by Financing Activities</b>	<u>\$ (3,690,000)</u>
<b>Effect of Exchange Rate Changes</b>	<u>(102,000)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	<u>\$ 91,000</u>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>179,000</u>
<b>Cash and Cash Equivalents at End of Quarter</b>	<u>\$ 270,000</u>

Paul Mueller Company is a manufacturer of high quality stainless steel equipment used worldwide on dairy farms and in wide varieties of industrial applications, including food, dairy, and beverage processing; transportation; pharmaceutical, biotechnological, and chemical processing; water distillation; heat transfer; heat recovery HVAC; and process cooling.

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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 35 of the Company's 2013 Annual Report. The Company expressly disclaims any obligation or undertaking to update these forward-looking statements to reflect any future events or circumstances.

## SUMMARIZED NOTES TO THE FINANCIAL STATEMENTS

### (1) Results of Operations:

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

Three Months Ended September 30		
<i>Sales</i>	2014	2013
Domestic	\$35,135,000	\$31,253,000
Mueller BV	\$16,861,000	\$14,161,000
Eliminations	(\$676,000)	(\$1,030,000)
Net Sales	\$51,320,000	\$44,384,000

The chart below depicts the net sales on a consolidating basis for the nine months ended September 30.

Nine Months Ended September 30		
<i>Sales</i>	2014	2013
Domestic	\$98,874,000	\$90,655,000
Mueller BV	\$53,268,000	\$42,949,000
Eliminations	(\$1,984,000)	(\$2,100,000)
Net Sales	\$150,158,000	\$131,504,000

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

Twelve Months Ended September 30		
<i>Sales</i>	2014	2013
Domestic	\$130,341,000	\$125,256,000
Mueller BV	\$71,920,000	\$57,213,000
Eliminations	(\$2,350,000)	(\$2,100,000)
Net Sales	\$199,911,000	\$180,369,000

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

Three Months Ended September 30		
<i>Net Income</i>	2014	2013
Domestic	\$268,000	\$2,107,000
Mueller BV	\$1,025,000	\$515,000
Eliminations	\$8,000	(\$140,000)
Net Income	\$1,301,000	\$2,482,000

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

Nine Months Ended September 30		
<i>Net Income</i>	2014	2013
Domestic	\$2,419,000	\$4,890,000
Mueller BV	\$3,366,000	\$2,215,000
Eliminations	\$106,000	(\$51,000)
Net Income	\$5,891,000	\$7,054,000

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

Twelve Months Ended September 30		
<i>Net Income</i>	2014	2013
Domestic	\$12,808,000	\$2,545,000
Mueller BV	\$4,731,000	\$3,076,000
Eliminations	\$191,000	(\$128,000)
Net Income	\$17,730,000	\$5,493,000

- B.** The domestic and consolidated results for the three, nine and twelve months ended September 30, 2014, include a \$2,900,000 reserve taken in connection with an accident involving a field fabricated tank. The plan to replace the tank, and various contractual and insurance issues, are still uncertain. Because the financial effect cannot yet be determined, the reserve was established for the full contract value of the original order and certain insurance deductibles.
- C.** The results for the three and nine months ended September 30, 2014, were unfavorably affected by a \$500,000 increase in the LIFO reserve. The results for the twelve months ended September 30, 2014, were favorably affected by a \$165,000 decrease in the LIFO reserve. The results for the twelve months

ended September 30, 2013, were unfavorably affected by a \$26,000 increase in the LIFO reserve.

- D. The results for the twelve months ended September 30, 2014, were favorably affected by a \$10,120,000 reduction in the valuation allowance against the net deferred tax assets. The change in the valuation allowance did not materially affect Net Income for the twelve months ended September 30, 2013.
- E. The results for the twelve months ended September 30, 2014, included a non-cash, pre-tax adjustment to Other Comprehensive Income of \$13,230,000 which increased shareholders' investment. The adjustment was caused by a decrease in the pensions' underfunded status due to market conditions and actuarial assumptions. The results for the twelve months ended September 30, 2013, included a \$12,221,000 non-cash, pre-tax adjustment to Other Comprehensive Income which reduced shareholders' investment. The adjustment was caused by an increase in the pensions' underfunded status due to market conditions and actuarial assumptions.
- F. The results for the twelve months ended September 30, 2013, were adversely affected by expenses of \$1,330,000 associated with an arbitration settled on December 19, 2012.

## (2) Summary of Accounting Policies:

**Principles of Consolidation and Lines of Business** – The financial statements include the accounts of Paul Mueller Company (“Company”) and its wholly owned subsidiaries: Mueller Transportation, Inc.; Mueller Field Operations, Inc.; and Mueller B.V., a Dutch holding company and parent to the companies acquired during 2008. 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.

**Joint Ventures** – As a part of the acquisitions made during 2008, Mueller B.V. acquired a 49% interest in DEG Engineering GmbH, a German engineering firm that designs and sells heat transfer equipment. The investment in DEG Engineering GmbH was originally accounted for using the equity method and was included in other assets on the Consolidated Balance Sheets, and the equity in the results was included in equity in income (loss) of joint ventures on the Consolidated Statement of Income. The Company routinely evaluates its equity-method investments for

impairment and in 2011, the investment in DEG Engineering GmbH was written down to zero.

**Use of Estimates** – The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

**Revenue Recognition and Retainages** – Revenue from sales of fabricated products is recognized upon passage of title to the customer. Passage of title may occur at the time of shipment from the Company's dock, at the time of delivery to the customer's location, or when projects are completed in the field and accepted by the customer. For large multi-unit projects that are fabricated in the plant, revenue is recognized under the units-of-delivery method, which is a modification of the percentage-of-completion method of accounting for contracts. The units-of-delivery method recognizes as revenue the contract price of units completed and shipped or delivered to the customer (as determined by the contract) or completed and accepted by the customer for field-fabrication projects. The applicable manufacturing cost of each unit is identified and charged to cost of sales as revenue is recognized.

Revenues from long-term, fixed-price contracts that involve only a few deliverables are generally recognized under the percentage-of-completion method of accounting. Under this method, revenues and profits for plant-fabricated projects are recorded by applying the ratio of total manufacturing hours incurred to date for each project to estimated total manufacturing hours for each project. For field-fabricated projects, revenues and profits are recorded by applying the ratio of costs incurred to date for each contract to the estimated total costs for each contract at completion.

Estimates of total manufacturing hours and total contract costs for relevant contracts are reviewed continually and, if necessary, are updated to properly state the estimates. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Costs and estimated earnings in excess of billings on uncompleted contracts arise when costs have been incurred and revenues have been recorded, but the amounts are not yet billable under the terms of the contracts. Such amounts are recoverable from customers upon various measures of performance, including achievement of certain milestones, completion of specified units, or completion of the contracts. Billings in excess of costs and estimated earnings on uncompleted contracts arise as a result of advance and progress billings on contracts.

Costs and estimated earnings in excess of billings and billings in excess of costs and estimated earnings relate to contracts in progress and are included in the accompanying Consolidated Balance Sheets as current assets and current liabilities, respectively, as they will be liquidated in the normal course of contract completion, although completion may require more than one year.

Contracts with some customers provide for a portion of the sales amount to be retained by the customer for a period of time after completion of the contract.

Shipping fees charged are included in revenue, whereas sales, use, and other taxes collected from customers are excluded from revenue.

**Trade Accounts Receivable** – Trade accounts receivable, reduced by a reserve for doubtful accounts, are reported at the resulting net realizable value on the Consolidated Balance Sheets. The Companies’ reserves for doubtful accounts are determined based on a variety of factors, including length of time receivables are past due, customer credit ratings, financial stability of customers, past customer history, historical trends, and market conditions. Accounts are evaluated on a regular basis and reserves are established as deemed appropriate, based on the above criteria. Increases to the reserves are charged to the provision for doubtful accounts, and reductions to the reserves are recorded when receivables are written off or subsequently collected.

In certain instances, the Companies invoice customers when a contract is signed in advance of work being performed (commonly referred to as “advanced billing” transactions). In such circumstances, once the contract is signed by the customer to perform the work, the Companies issue an invoice or advance billing. No revenue is recognized on these transactions. The effect on the financial statements is to record an accounts receivable and a liability (advanced billing). These amounts are netted together at each reporting period.

**Inventories** – Effective January 1, 2010, the Company changed the method of valuing its inventory from the single-pool, dollar value, last-in, first-out (“LIFO”) method to the inventory price index computation (“IPIC”) method of LIFO. The IPIC method bases inflation measurements on data published by the U.S. Bureau of Labor Statistics. Under the IPIC LIFO method, the Company will no longer be required to reconstruct base year (1973) cost for new parts. The reconstruction of base year costs for new parts results in a degree of variability as the costs are typically reconstructed through comparisons to similar parts. This variability will not be present in the new IPIC LIFO calculation method, which will also significantly reduce the administrative burden of calculating LIFO inventory. Management believes this will provide a more accurate calculation of the LIFO inventory.

**Property, Plant, and Equipment** – Maintenance and repairs are charged to expense as incurred. The cost and accumulated depreciation of assets retired are removed from the accounts, and any resulting gains or losses are recorded in the Consolidated Statements of Income.

**Research and Development** – Research and development costs are charged to expense as incurred.

**Impairment of Plant and Equipment** – Plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets is evaluated by comparing the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment is determined by measuring the amount by which the carrying amount of the asset exceeds the fair value of the asset as determined by the future net undiscounted cash flows.

**Statements of Cash Flows** – For purposes of the Consolidated Statements of Cash Flows, the Company considers investments with an original maturity of three months or less to be cash equivalents.

**Goodwill, Intangibles, and Other Assets** – The Company follows FASB ASC 350–“Intangibles – Goodwill and Other,” with regards to accounting for goodwill and other intangible assets. Amortizable intangible assets with definite lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets is evaluated by comparing the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment is determined by measuring the amount by which the carrying amount of the asset exceeds the fair value of the asset.

The FASB issued ASU 2011-08 – “Testing Goodwill for Impairment,” in September 2011 to amend and simplify the rules related to testing goodwill for impairment. The revised guidance allows an entity to make an initial qualitative evaluation, based on the entity’s events and circumstances, to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The results of this qualitative assessment determine whether it is necessary to perform a subsequent two-step impairment test. The amendment was effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, and an early adoption was permitted.



The Company tests goodwill for impairment as of November 30, or more frequently, if events or changes in circumstances indicate that impairment may be present. For reporting units in which this assessment concludes that it is more likely than not that the fair value is more than its carrying value, goodwill is not considered impaired and the Company is not required to perform the two-step quantitative goodwill impairment test. Qualitative factors considered in this assessment include relevant macroeconomic conditions, limitations on accessing capital, significant fluctuations in foreign exchange rates, industry and market considerations, overall financial performance, and other relevant events and factors affecting the reporting unit. For the years ended 2013, 2012, and 2011, the Company assessed qualitative factors in determining whether it is more likely than not that the fair value of the reporting unit is less than its carrying value. Based upon the qualitative assessment, no goodwill impairment charge was required for the years ended December 31, 2013, 2012, or 2011.

**Fair Value of Financial Instruments** – Financial instruments consist mainly of cash and cash equivalents, accounts receivable, notes receivable, accounts payable, and bank borrowings. These instruments are short-term in nature and their carrying amount approximates fair value. The Company estimated the fair value of interest rate swaps by using pricing models developed based on the Euribor swap rate and other observable market data.

**Income Taxes** – The Company accounts for income taxes in accordance with FASB ASC 740 – “Accounting for Income Taxes.” Deferred tax assets and liabilities are recognized for the future tax consequences attributable to the differences between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes, as measured by the enacted tax rates which will be in effect when these differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. In assessing the realizability of deferred income tax assets, the Company considers whether it is more likely than not, according to the criteria of FASB ASC 740, that some portion or all of the deferred income tax assets will be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. FASB ASC 740 requires that the Company recognize the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority.

**Recent Accounting Pronouncements** – In January 2013, the FASB issued ASU 2013-01 “Balance Sheet (Topic 210): Clarifying the Scope of Disclosures

about Offsetting Assets and Liabilities.” The update clarifies which instruments and transactions are subject to the offsetting disclosure requirements established by ASU 2011-11. The new ASU addresses preparer concerns that the scope of the disclosure requirements under ASU 2011-11 was overly broad and imposed unintended costs that were not commensurate with estimated benefits to financial statement users. Like ASU 2011-11, ASU 2013-01 is effective for all entities (public and nonpublic) for fiscal years beginning on or after January 1, 2013, and interim periods therein. Adoption of this update had no material impact on the Company’s Consolidated Balance Sheet.

In February 2013, the FASB issued ASU 2013-02 – “Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income.” This update adds new disclosure requirements for items reclassified out of accumulated other comprehensive income (AOCI). The ASU is intended to help entities improve the transparency of changes in other comprehensive income (OCI) and items reclassified out of AOCI in their financial statements. It does not amend any existing requirements for reporting net income or OCI in the financial statements. For public entities, the new disclosure requirements are effective for fiscal years, and interim periods within those years, beginning after December 15, 2012. Adoption of this update had no material impact on the Company’s financial statements.