Creating Quality for *Life*

2022 PAUL MUELLER COMPANY ANNUAL REPORT

MUELLER

CORPORATE PROFILE

Headquarters

Paul Mueller Company, Inc.
1600 West Phelps Street
Springfield, Missouri 65802, U.S.A.

General Information

Paul Mueller Company was founded in 1940 and incorporated in 1946 in Missouri. Mueller® products and services are used in a wide variety of industries, including animal health, beverage, brewing, chemical, dairy farm, dairy processing, food, heat transfer, HVAC, industrial construction, oil and gas, personal care, pharmaceutical, pure water, tank fabrication, and wine.

Business Segments

Dairy Farm Equipment – Milk cooling and storage, refrigeration products, and heat recovery equipment.

Industrial Equipment – Standard and customized stainless steel and alloy processing and storage tanks, pure water equipment, and heat transfer products.

Transportation – Delivery of products and components to customers and field fabrication sites, backhauls of material, and contract carriage.

About Us

At Paul Mueller Company, *Quality for Life* means tailored solutions with unparalleled results. For over 80 years, we have been united by the belief that the only quality that matters is Quality for Life: Quality in the lives of our coworkers, customers, and communities. We create a lasting impact with every product and relationship we build. Whether you are drinking a cold glass of milk, enjoying a fresh beer on tap, or filling a prescription at your local pharmacy, we are there with you… fueling your day, filling your glass, and helping you feel better.

FINANCIAL HIGHLIGHTS

Operating Results for the Year

Amounts in thousands, except for share data and ratios.	2022	2021	2020
Net Sales	$ 191,520	$ 184,613	$ 201,116
Income Before Taxes	4,641	8,548	1,467
Provision for Income Taxes	1,032	1,547	4,024
Net Income (Loss)	$ 3,609	$ 7,001	$ (2,557)
Earnings (Loss) Per Common Share:			
Basic	$ 3.32	$ 6.44	$ (2.14)
Diluted	$ 3.32	$ 6.44	$ (2.14)

Year-End Position

	2022	2021	2020
Total Assets	$ 137,928	$ 116,289	$ 120,938
Working Capital	$ 2,974	$ 21,372	$ 24,499
Current Ratio	1:03	1:49	1:63
Shareholders' Investment	$ 40,058	$ 37,293	$ 30,544
Book Value Per Share	$ 36.90	$ 34.32	$ 25.54
Common Shares Outstanding	1,085,711	1,086,661	1,195,747
Backlog – United States (Unaudited)	$ 125,231	$ 67,578	$ 53,887
Backlog – The Netherlands (Unaudited)	$ 7,598	$ 10,779	$ 7,676

To the Shareholders of Paul Mueller Company:

In 2022, Paul Mueller Company had lower earnings on higher revenue than in 2021. Our performance was significantly affected by increasing input costs due to higher prices for materials and parts, higher compensation to our coworkers, and increased time spent managing shortages of required parts and materials. Despite this disappointing result, 2022 was a positive year in several ways, leaving us better positioned to perform in 2023. Adjusting for non-recurring items, our performance in the United States did improve; however, it was weaker in The Netherlands. We increased our cash position significantly and began a project to fund and terminate the two major defined-benefit pension plans. We significantly increased the backlog in the U.S. We have made significant improvements to the resources available to the company in terms of equipment and talent.

It is useful to compare our 2022 result to 2021 using "Income before provision for income taxes" (EBT) from page 5 of this report. EBT in 2022 was $4.641 million, and in 2021 was $8.548 million. To make the comparison more useful, we can remove the effects of LIFO, and adjust for other items that are not likely to recur. We make the following adjustments: subtract the $1.884 million benefit of the COVID-related PPP program from 2022; add the LIFO effect of $4.836 million in 2022, and $3.999 million in 2021; and subtract the contribution of Mueller Field Operations (MFO) of $0.135 million in 2022, and $1.432 in 2021. The Company sold MFO in 2021, but retained a small performance obligation related to an ongoing project, which produced a small benefit in 2022. With these adjustments, 2022 EBT would have been $9.342 million compared to 2021 EBT of $9.231 million. This comparison shows that EBT, on this non-GAAP adjusted basis, increased by 1.2% while revenue increased by 3.7%. It is worth noting that we performed better in the U.S. than in The Netherlands. On this adjusted basis, 2022 EBT in the U.S. was $10.541 million, a 9.3% increase over 2021. In The Netherlands, 2022 EBT was a loss of $1.092 million, which was $0.827 million worse than in 2021.

The cash balances of the Company have grown to over $38 million. The Company will use this cash to fulfill performance obligations on current projects, fund and terminate the pension plans, and for capital expenditures. The balance sheet categories "Advance billings" and "Billings in excess of costs and estimated earnings" are related to our performance obligations and have grown to over $52 million. These obligations will require cash, but are partially covered by work-in-process inventory for which we have already paid.

The Company has pension plans covering domestic employees represented by a bargaining unit (Contract Plan) and employees not represented by a bargaining unit (Noncontract Plan). The participants discontinued accruing benefits in these plans in 2011. On November 1, 2022, and December 1, 2022, the Company announced that it had initiated a standard plan termination of the Contract Plan and Noncontract Plan, respectively. The Company has applied to the Internal Revenue Service for its approval of the terminations. This process takes approximately a year to complete, culminating in the affected participants receiving either a lump sum payment or a monthly annuity payment provided by an insurance company. The underfunded status of the two plans combined as of December 31, 2022, was $11.8 million. These terminations will require approximately this amount of cash from the Company, adjusted for any further changes to the plans' funded status. The terminations will end future requirements for Company contributions to the plans, which have averaged $4.2 million per year in the previous three years. We expect to complete the terminations in late 2023 or early 2024, at which time we will fully recognize the accumulated actuarial losses as a non-cash reduction of pretax earnings. The accumulated actuarial loss related to these plans is $44,874,302 as of December 31, 2022.

On December 31, 2022, we had a large backlog of sold projects of $133 million. The backlog has grown 70% from December 31, 2021, and 183% from December 31, 2020, excluding the backlog of MFO. This growth has come in every product line in the U.S. except Temp-Plate. During 2022, the backlog in The Netherlands did drop from $10 million to $7 million. During 2021 and 2022, we saw significant inflation and increased costs related to obtaining parts and materials for which there were shortages and delays. These disruptions contributed to our lower reported Gross Profit. We expect to manage this better in 2023 with higher estimated margins in our current backlog and increased awareness of how to react. We have also improved the resources available to perform this backlog, adding new equipment and talent.

We significantly upgraded our production equipment from late 2021 through early 2023, a process we expect to continue in the coming years. In Osceola, we installed equipment to laser weld and level the Temp-Plate® heat transfer surface in many of our products. In The Netherlands, we completed a similar production line by installing leveling equipment to complement the welding equipment installed when we moved to the new building. These new production lines will reduce costs and allow the production of new types of Temp-Plate. In Springfield, we installed equipment to automate dimple-jacket welding, another common type of heat transfer surface. We installed a second set of equipment to automate the assembly of tank shell sections, adding capacity to and improving the equipment installed in 2020. We installed laser cutting equipment for flat sheet metal and water jet cutting for tank heads. We improved various welding processes with a new seam welder and a manway welding robot. We added section rolls and various machining tools. We added four new trailers for Mueller Transportation. Finally, we began a project to replace the primary seam welding and rolling line, which provides most shell sections used in tank production. These investments are associated with the addition of new talent in manufacturing. We have been joined by valuable coworkers related to manufacturing engineering and production control, six in the U.S. and one in The Netherlands.

We are beginning to see the results of these efforts in our financial results. Our fourth quarter results reflect this. In the fourth quarter of 2022, net income was $3.9 million compared to $2.0 million in the fourth quarter of 2021 and compared to a $300K loss through the first three quarters of 2022. We look forward to continuing this progress in 2023. If you would like to see this progress in person, please notice our new process for obtaining an invitation to the annual meeting described in our Annual Meeting Notice.

Sincerely,

David Moore
President and CEO

March 16, 2023

Consolidated Statements of Operations
Years Ended December 31, 2022, 2021, and 2020

Amounts in thousands, except for share data.	2022	2021	2020
Net Sales	$ 191,520	$ 184,613	$ 201,116
Cost of Sales	152,286	141,558	145,754
Gross profit	39,234	43,055	55,362
Selling, General, and Administrative Expenses	35,011	38,493	38,714
Goodwill Impairment Expense	–	–	15,397
Operating income	4,223	4,562	1,251
Other Income (Expense):			
Interest income	907	376	573
Interest expense	(697)	(742)	(992)
PPP loan forgiveness	–	1,884	–
Other, net	208	2,468	635
Total Other	418	3,986	216
Income before provision for income taxes	4,641	8,548	1,467
Provision for Income Taxes	1,032	1,547	4,024
Net Income (Loss)	$ 3,609	$ 7,001	$ (2,557)
Earnings (Loss) Per Common Share:			
Basic	$ 3.32	$ 6.44	$ (2.14)
Diluted	$ 3.32	$ 6.44	$ (2.14)

The accompanying notes are an integral part of these consolidated statements.

Consolidated Statements of Comprehensive Income (Loss)
Years Ended December 31, 2022, 2021, and 2020

Amounts in thousands.	2022	2021	2020
Net Income (Loss)	$ 3,609	$ 7,001	$ (2,557)
Other Comprehensive Income (Loss), Net of Tax:			
Foreign currency translation adjustment	$ (1,416)	$ (1,889)	$ 3,419
Change in pension liability	1,262	6,206	(2,730)
Comprehensive Income (Loss)	$ 3,455	$ 11,318	$ (1,868)

The accompanying notes are an integral part of these consolidated statements.

Consolidated Balance Sheets
December 31, 2022, 2021, and 2020

Amounts in thousands, except for share data.	2022	2021	2020
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 38,176	$ 11,281	$ 22,943
Accounts receivable, less reserve for doubtful accounts of $539 for 2022, $931 for 2021, and $912 for 2020	20,580	25,774	20,462
Current net investment in sales-type leases	24	23	3
Costs and estimated earnings in excess of billings	–	–	45
Inventories: Raw materials and components	21,786	20,082	18,711
Work-in-process	17,910	12,788	7,076
Finished goods	8,819	10,439	4,995
	48,515	43,309	30,782
LIFO reserve	(21,691)	(16,855)	(12,856)
	26,824	26,454	17,926
Prepayments	3,156	1,814	1,726
Total current assets	88,760	65,346	63,105
Property, Plant, and Equipment:			
Land and land improvements	8,005	8,225	8,577
Buildings	27,392	28,003	28,926
Fabrication equipment	80,587	81,351	86,095
Transportation, office, and other equipment	18,572	17,933	19,073
Construction-in-progress	5,272	1,575	1,277
	139,828	137,087	143,948
Less: Accumulated depreciation	(98,317)	(95,837)	(97,378)
	41,511	41,250	46,570
Right of Use for Operating Lease	1,361	1,347	1,217
Right of Use for Financing Lease	943	1,179	1,231
Deferred Taxes	2,235	3,794	7,643
Other Assets	2,806	3,209	1,089
Long-Term Net Investment in Sales-Type Leases	312	164	83
Total Assets	$ 137,928	$ 116,289	$ 120,938
LIABILITIES AND SHAREHOLDERS' INVESTMENT			
Current Liabilities:			
Current maturities of long-term debt	$ 628	$ 1,330	$ 2,115
Accounts payable	11,802	14,470	11,316
Current lease liability for operating	263	269	264
Current lease liability for financing	185	214	255
Income taxes payable	–	–	591
Accrued expenses: Payroll and benefits	4,521	4,643	10,916
Vacations	969	988	1,061
Other	3,635	3,080	2,320
Advance billings	41,288	18,595	7,611
Billings in excess of costs and estimated earnings	10,937	385	2,157
Pension Liabilities	11,558	–	–
Total current liabilities	85,786	43,974	38,606
Long-Term Pension Liabilities	236	18,036	30,047
Long-Term Debt, Less Current Maturities	9,349	14,241	18,440
Other Long-Term Liabilities	1,737	1,848	2,226
Operating Lease Liability	515	476	524
Financing Lease Liability	247	421	551
Total Liabilities	97,870	78,996	90,394
COMMITMENTS AND CONTINGENCIES			
Shareholders' Investment:			
Common stock, par value $1 per share – Authorized 20,000,000 shares – Issued 1,507,481 shares	1,508	1,508	1,508
Paid-in surplus	9,708	9,708	9,708
Retained earnings	75,721	72,764	65,927
	86,937	83,980	77,143
Less: Treasury stock – 421,770 shares for 2022, 420,820 shares for 2021, and 311,734 shares for 2020, at cost	(10,787)	(10,749)	(6,344)
Accumulated other comprehensive (loss)	(36,092)	(35,938)	(40,255)
Total Shareholders' Investment	40,058	37,293	30,544
Total Liabilities and Shareholders' Investment	$ 137,928	$ 116,289	$ 120,938

The accompanying notes are an integral part of these consolidated statements.

Consolidated Statements of Shareholders' Investment
Years Ended December 31, 2022, 2021, and 2020

Amounts in thousands.	Common Stock	Paid-in Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive (Loss)	Total
Balance – December 31, 2019	$ 1,508	$ 9,708	$ 68,484	$ (6,341)	$ (40,944)	$ 32,415
Add (Deduct):						
Net (loss)	–	–	(2,557)	–	–	(2,557)
Other comprehensive income, net of tax	–	–	–	–	689	689
Treasury stock acquisition	–	–	–	(3)	–	(3)
Balance – December 31, 2020	1,508	9,708	65,927	(6,344)	(40,255)	30,544
Add (Deduct):						
Net income	–	–	7,001	–	–	7,001
Other comprehensive income, net of tax	–	–	–	–	4,317	4,317
Dividends, $.15 per common share	–	–	(164)	–	–	(164)
Treasury stock acquisition	–	–	–	(4,405)	–	(4,405)
Balance – December 31, 2021	1,508	9,708	72,764	(10,749)	(35,938)	37,293
Add (Deduct):						
Net income	–	–	3,609	–	–	3,609
Other comprehensive income, net of tax	–	–	–	–	(154)	(154)
Dividends, $.60 per common share	–	–	(652)	–	–	(652)
Treasury stock acquisition	–	–	–	(38)	–	(38)
Balance – December 31, 2022	$ 1,508	$ 9,708	$ 75,721	$ (10,787)	$ (36,092)	$ 40,058

The accompanying notes are an integral part of these consolidated statements.

Consolidated Statements of Cash Flows
Years Ended December 31, 2022, 2021, and 2020

Amounts in thousands.	2022	2021	2020
Cash Flow Provisions from Operating Activities:			
Net income (loss)	$ 3,609	$ 7,001	$ (2,557)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Pension contributions (greater) than expense	(4,980)	(5,805)	(3,078)
Bad debt expense (recovery)	81	(528)	168
Depreciation and amortization	6,156	6,547	7,083
(Gain) loss on sales of equipment	(1)	(57)	5
(Gain) recognized on sale of subsidiary	–	(3,208)	–
Interest on lease liability for financing	–	(15)	(18)
Deferred tax expense	831	1,792	533
Goodwill impairment expense	–	–	15,397
PPP loan forgiveness	–	(1,884)	–
Changes in assets and liabilities:			
Decrease (increase) in accounts and notes receivable	5,113	(1,116)	7,879
(Increase) decrease in costs and estimated earnings in excess of billings	–	(2,380)	1,198
(Increase) decrease in inventories	(370)	(8,578)	2,626
(Increase) decrease in prepayments	(1,052)	3	165
Decrease (increase) in other assets	347	(1,801)	(450)
(Increase) decrease in net investment is sales-type leases	(149)	(101)	730
Decrease (increase) in deferred taxes	437	1,968	(866)
(Decrease) increase in accounts payable	(2,668)	3,748	782
(Decrease) in accrued income tax	–	(591)	–
Increase (decrease) in accrued expenses	414	(5,487)	5,138
Increase (decrease) in advance billings	22,693	11,498	(1,241)
Increase (decrease) in billings in excess of costs and estimated earnings	10,552	(672)	(6,262)
Increase in lease liability for operating	421	255	296
Increase in lease liability for financing	33	103	487
Principal payments on lease liability for operating	(350)	(298)	(323)
(Decrease) increase in long-term liabilities	(111)	(378)	660
Net cash provided by operating activities	41,006	16	28,352
Cash Flows (Requirements) from Investing Activities:			
Intangibles	–	(105)	–
Proceeds from sales of equipment	26	81	14
Additions to property, plant, and equipment	(9,067)	(5,262)	(7,253)
Net cash (required) by investing activities	(9,041)	(5,286)	(7,239)
Cash Flow (Requirements) from Financing Activities:			
Principal payments on lease liability for financing	(201)	(259)	(269)
(Repayment) of short-term borrowings	(642)	(590)	(4,150)
Long-term debt proceeds	–	–	3,335
Principal payments on long-term debt	(4,045)	(1,653)	(1,105)
Dividends paid	(652)	(164)	–
Treasury stock acquisitions	(38)	(4,405)	(3)
Net cash (required) by financing activities	(5,578)	(7,071)	(2,192)
Effect of Exchange Rate Changes	508	679	2,950
Net Increase (Decrease) in Cash and Cash Equivalents	26,895	(11,662)	21,871
Cash and Cash Equivalents at Beginning of Year	11,281	22,943	1,072
Cash and Cash Equivalents at End of Year	$ 38,176	$ 11,281	$ 22,943

The accompanying notes are an integral part of these consolidated statements.

Notes to Consolidated Financial Statements

(1) 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. (MFO); and Mueller B.V. and its subsidiaries (collectively "Company"). On December 31, 2021, the Company sold its entire equity interest in its wholly owned subsidiary, MFO, to the MFO management as outlined in Footnote (8). All significant intercompany balances and transactions have been eliminated in consolidation. The Company provides manufactured equipment and components for the food, dairy, beverage, chemical, pharmaceutical, and other industries, as well as the dairy farm market. The Company also provides field fabrication, service, repair, construction, and transportation services in these industries.

Use of Estimates – The preparation of the consolidated 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 – Net Sales reported on the statement of operations solely consists of revenue from customer contracts. Management has concluded that the Segment Data disaggregation of revenue provided in Footnote 9 also satisfies the revenue disaggregation disclosure requirement under Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." During the year ended December 31, 2022, there was $16,305,000 of revenue recognized that was included on the December 31, 2021, Consolidated Balance Sheets as advance billings and billings in excess of costs and estimated earnings (contract liabilities). During the year ended December 31, 2021, there was $8,656,000 of revenue recognized that was included on the December 31, 2020, Consolidated Balance Sheets as advance billings and billings in excess of costs and estimated earnings (contract liabilities). During the year ended December 31, 2020, there was $17,140,000 of revenue recognized that was included on the December 31, 2019, Consolidated Balance Sheets as advance billings and billings in excess of costs and estimated earnings (contract liabilities).

Revenue from sales of fabricated products or services is recognized based upon the transfer of promised products or services to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those products or services. Transfer of the products or services may occur at the time of shipment from the Company's dock, at the time of delivery to the customer's location, when projects are completed in the field and accepted by the customer, or throughout the progress of the project dependent upon contract terms and exclusivity of the products or services. For each project, distinct products or services are identified as performance obligations and revenue is recognized appropriately for each performance obligation independently. The revenue allocated to each performance obligation will align with the determination of stand-alone selling price. The Company determines its stand-alone selling price using the cost plus margin method. In situations where the contract dictates that control transfers to the customer upon delivery, then freight is to be a fulfillment activity for the performance obligation and the freight cost allocable to that performance obligation will be added to the performance obligation revenue. In situations where the contract dictates that control transfers to the customer upon shipment, but the Company is responsible for the shipping and handling activities after transfer of control, the Company has elected the accounting policy to treat those shipping and handling activities as fulfillment activities and not promised services that have to be further evaluated under Topic 606. If the products or services of a performance obligation have an alternative use, then the performance obligation will be recognized at a point-in-time. If the products or services do not have an alternative use or are field-fabricated at the customer's location, then the performance obligation will be recognized over-time.

The point-in-time method recognizes revenue of each performance obligation as it is shipped or delivered to the customer (as determined by the contract) or completed and accepted by the customer for services. The applicable manufacturing cost of each performance obligation is identified and charged to cost of sales as revenue is recognized.

Total revenue recognized at a point-in-time and over-time was as follows for the years ended December 31, 2022, 2021, and 2020:

	2022	2021	2020
Revenue recognized at a point-in-time	$ 174,556	$ 153,879	$ 139,415
Revenue recognized over-time	$ 16,964	$ 30,734	$ 61,701
Net sales	$ 191,520	$ 184,613	$ 201,116

The over-time method recognizes revenue using certain methods to measure progress toward the complete satisfaction of performance obligations. The Company uses the input method of cost incurred for plant-fabricated tanks and field-fabricated equipment. The Company uses the input method of hours performed for plant-fabricated skidded-systems. Under the hours performed method, revenues and profits for plant-fabricated skidded 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. This method provides an accurate depiction of progress on the project because manufacturing labor hours are level (loaded across the duration of the project) as opposed to material costs, which are heavily expended in the beginning of the project and drop off at the end. For field-fabricated projects and plant-fabricated tanks, 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. This method provides an accurate depiction of progress on the project because of the various types of cost on the field-fabrication projects and plant-fabricated tanks (e.g., material, labor, rental, and subcontractor, etc.). As these costs occur in the project it is an accurate picture of the progress of the work in total versus looking at one specific component. Other considerations evaluated in the over-time method are significant financing components and variable consideration. A significant financing component does not exist for the Company's projects because a vast majority complete within one year and if a project extends beyond one year there will be progress billings. Variable consideration is accounted for if it is likely to exist on a project (an example would be liquidated damages for delay in the contract and the project is projecting to be late).

The Company generally provides limited-assurance-type warranties for standard products and work performed under its contracts. The warranty periods typically extend for a limited duration following transfer of control of the product. See note 6 for further information on warranty costs incurred. The Company does not consider these warranties to be performance obligations. Occasionally, the Company offers extended warranties to customers, which are purchased separately. Extended warranties are considered to be separate performance obligations.

Sales commissions paid to sales personnel, as well as associated payroll taxes and retirement plan contributions (together, sales commissions and associated costs) that are incremental to the acquisition of customer contracts, are capitalized as deferred contract costs on the balance sheet when the period of benefit is determined to be greater than one year. The Company has elected to apply the practical expedient to expense sales commissions and associated costs as incurred when the expected amortization period is one year or less. The Company determines the period of benefit for sales commissions paid and associated costs for the acquisition of an initial contract by taking into consideration the initial estimated customer life, as well as future expectations about whether the renewal commission will be commensurate with the initial commission. Amortization is recognized on a straight-line basis commensurate with the pattern of revenue recognition.

At December 31, 2022, 2021, and 2020, there are customer contracts of which some, but not all, performance obligations have been satisfied. The Company is electing the optional exemption to not disclose the total amount of the transaction price allocated to these performance obligations, or explain when the Company expects to recognize the transaction price allocated to these performance obligations, because the Company believes the performance obligations will be satisfied in one year or less.

Costs and estimated earnings on uncompleted contracts and related amounts billed as of December 31, 2022, 2021, and 2020, were as follows (in thousands):

	2022	2021	2020
Costs incurred on uncompleted contracts	$ 11,198	$ 16,002	$ 52,100
Estimated earnings	4,086	11,081	17,546
	15,284	27,083	69,646
Less: Billings to date	26,167	26,214	68,059
	$ (10,883)	$ 869	$ 1,587

Amounts included in the accompanying Consolidated Balance Sheets as of December 31, 2022, 2021, and 2020, under the following captions were (in thousands):

	2022	2021	2020
Costs and estimated earnings in excess of billings on uncompleted contracts (contract assets)	$ –	$ –	$ 45
Income earned not invoiced included in accounts receivable	54	1,254	3,699
Billings in excess of costs and estimated earnings on uncompleted contracts (contract liabilities)	(10,937)	(385)	(2,157)
	$ (10,883)	$ 869	$ 1,587

Costs and estimated earnings in excess of billings (contract assets) and billings in excess of costs and estimated earnings (contract liabilities) relate to contracts in progress and are included in the accompanying Consolidated Balance Sheets as current assets and current liabilities. The change in these accounts from year to year reflects the timing of these large projects.

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. There were no retainages included in accounts receivable as of December 31, 2022 and 2021. Retainages included in accounts receivable as of December 31, 2020, were $781,000.

The Company has elected the practical expedient to not adjust the promised consideration for the effects of a significant financing component, because at contract inception the Company believes that the time between when the Company transfers its products or services to a customer and when the Company will receive payment for such goods or services will be less than one-year. Most of the Company's projects have a less-than-one-year duration, and for those that extend longer, the Company negotiates progress payments that reduce or eliminate the financing component along the length of the project.

When evaluating variable consideration of the Company's projects, there are limited areas in which variable consideration would arise. The most prominent of these would be concessions provided in the event of a delivery delay. These concessions could take the form of liquidated damages agreed to in the contract or expected back-charges for a customer's direct impact of delay. The Company has significant experience with both standard and custom products, and has appropriate expense mitigation language included in its contracts of sale related to its products. For variable consideration arising from liquidated damages, the schedule of damages will be outlined in the contract and the Company would be able to calculate the exact reduction in transaction price arising from a delay in delivery, if the customer were to pursue the liquidated damages. Whether or not the customer would pursue the liquidated damages would be estimated using the expected value method and treated as a direct reduction to the total transaction price. For contracts without a liquidated damages provision, the Company has protection from highly variable costs because of contractual language limiting the costs that its customers can expect to have reimbursed by the Company. More so, it is a minority of projects where the Company is late delivering its obligations and even less that result in concessions being given. For this reason, the application of the variable consideration constraint does not result in the amount of variable consideration included in the contract price being constrained. The Company utilizes the expected value method to estimate and account for variable consideration of its projects.

Shipping fees charged are included in revenue, whereas sales, use, and other taxes collected from customers are excluded from revenue. The Company has elected an accounting policy that excludes, from the transaction price, all taxes assessed by a government authority that are both imposed on and concurrent with a specific revenue transaction and are collected by the Company from a customer. Outbound shipping and handling costs are included in cost of sales.

For the years ended December 31, 2022, 2021, and 2020, there were no bill-and-hold transactions.

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 Company's 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.

For standard products and services, the Company's standard payment terms provide for payment in full within thirty (30) days of shipment of the products or completion of the services. For products that are designed and built to customer specifications or are field-fabricated, the Company may have a payment schedule agreement with the customer that provides for advances and progress billings prior to transfer of control of the products or completion of the field-fabrication. In such circumstances, an invoice is issued by the Company based upon the terms of the contract, and the effect on the consolidated financial statements is to record an account receivable and a liability in advance billings. No revenue is recognized on these transactions. The open accounts receivable related to these invoices are netted with advanced billings at each reporting period. As of December 31, 2022, 2021, and 2020, the amounts in advanced billings were $41,288,000, $18,595,000, and $7,611,000, respectively.

For most customer orders, there is no right of return provided to the customer. The exception to this would be for standard parts orders in which the Company would allow for return and refund of the purchase price, less an applicable restocking fee. For the orders where returns would be allowed, the Company evaluates the likelihood of return on those orders and treats the probable returns as a direct reduction to the transaction price.

Inventories – Inventories are valued at the lower of cost or market. For 2022, 2021, and 2020, inventories are adjusted using the internal index method for calculating last-in, first-out ("LIFO"). Under the first-in, first-out ("FIFO") method of accounting, which approximates the current cost, Company inventories would have been $21,691,000, $16,855,000, and $12,856,000 higher than those reported as of December 31, 2022, 2021, and 2020, respectively.

Inventories of Mueller B.V. were $10,997,000, $11,168,000, and $10,925,000 as of December 31, 2022, 2021, and 2020, respectively, and are recorded at the lower of cost on a FIFO basis, or market.

Intercompany profits in inventory have been eliminated in the preparation of the consolidated financial statements for the years ended December 31, 2022, 2021, and 2020.

The pretax results for the twelve months ended December 31, 2022, were unfavorably affected by a $4,836,000 increase in the LIFO reserve. The pretax results for the twelve months ended December 31, 2021, were unfavorably affected by a $3,999,000 increase in the LIFO reserve. The pretax results for the twelve months ended December 31, 2020, were favorably affected by a $336,000 decrease in the LIFO reserve.

Property, Plant, and Equipment – The Company provides for depreciation expense using principally the double-declining-balance method for new items and the straight-line method for used items. Depreciation expense was $6,103,000, $6,505,000, and $7,035,000 for the years ended December 31, 2022, 2021, and 2020, respectively. The economic useful lives within each property classification are recorded at cost and as follows:

	Years
Buildings	33 – 40
Land improvements	10 – 20
Fabrication equipment	5 – 10
Transportation, office, and other equipment	3 – 10

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 Operations.

Research and Development – Research and development costs are charged to expense as incurred and were $725,000 during 2022, $760,000 during 2021, and $558,000 during 2020.

Impairment of Long-Lived Assets – Long-lived assets 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 discounted cash flows. There were no impairments as of December 31, 2022, 2021, and 2020.

Earnings Per Common Share – The following table sets forth the computation of basic and diluted earnings per common share (in thousands, except for share data):

	2022	2021	2020
Net income (loss)	$ 3,609	$ 7,001	$ (2,557)
Shares for basic earnings per common share:			
Weighted-average shares outstanding	1,085,711	1,091,202	1,195,747
Shares for diluted earnings per common share:			
Adjusted weighted-average shares outstanding	1,085,711	1,091,202	1,195,747
Earnings (loss) per common share:			
Basic	$ 3.32	$ 6.42	$ (2.14)
Diluted	$ 3.32	$ 6.42	$ (2.14)

Comprehensive Income (Loss) – The components of other comprehensive income (loss) for the years ended December 31, 2022, 2021 and 2020, were as follows (in thousands):

	2022	2021	2020
Foreign currency translation adjustment	$ (1,416)	$ (1,889)	$ 3,419
Tax	–	–	–
Foreign currency translation adjustment, net of tax	(1,416)	(1,889)	3,419
Change in pension liability	1,699	8,174	(3,596)
Tax	(437)	(1,968)	866
Change in pension liability, net of tax	1,262	6,206	(2,730)
Other comprehensive (loss)	$ (154)	$ 4,317	$ 689

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.

Interest and income tax payments made during the years ended December 31, 2022, 2021, and 2020, were as follows (in thousands):

	2022	2021	2020
Interest payments	$ 630	$ 662	$ 887
Income tax payments	$ 67	$ 1,931	$ 2,870

Shareholders' Investment – The following table sets forth the analysis of common stock issued and held as treasury stock:

	Shares	
	Common	Treasury
Balance – December 31, 2019	1,507,481	311,615
Treasury stock acquisition	–	119
Balance – December 31, 2020	1,507,481	311,734
Treasury stock acquisition	–	109,086
Balance – December 31, 2021	1,507,481	420,820
Treasury stock acquisition	–	950
Balance – December 31, 2022	1,507,481	421,770

Goodwill and Other Intangible Assets – The Company's goodwill was recorded as a result of the Company's business combinations using the acquisition method of accounting. The Company does not amortize goodwill, but tests it at least annually at November 30 for recoverability. Other intangible assets include patents and brand names. Such intangible assets are amortized on a straight-line basis over their estimated useful lives.

Impairment: Finite-lived intangible assets, other than goodwill, are tested for impairment based on undiscounted cash flows at an asset group level when circumstances indicate impairment may exist and, if impaired, written down by the amount by which the carrying value of the asset group exceeded its fair value, based on either discounted cash flows or market values. However, the carrying amount of a finite lived intangible asset can never be written down below its fair value.

Goodwill is tested annually for impairment, or sooner when circumstances indicate an impairment may exist, using a fair-value approach at the reporting unit level. A reporting unit is the operating segment, or a business which is one level below that operating segment (the "component" level) if discrete financial information is prepared and regularly reviewed by segment management at the component level. Components are aggregated as a single reporting unit if they have similar economic characteristics. The Company may elect to first perform a qualitative assessment, based on relevant events and circumstances, to determine whether it is more likely than not that the fair value of the reporting unit was less than its carrying amount. If the carrying amount exceeded the fair value of the reporting unit, the impairment charge would be measured as the amount by which the carrying value exceeded the fair value.

Income Taxes – The Company accounts for income taxes in accordance with FASB Accounting Standards Codification ("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.

As of December 31, 2022, 2021, and 2020, no provision has been made for U.S. federal deferred income taxes on $6,416,000, $7,320,000, and $7,685,000, respectively, of accumulated and undistributed earnings of foreign subsidiaries, since it is the intention of management to indefinitely reinvest the undistributed earnings in those foreign subsidiaries at the U.S. level.

Reclassification – The Company classified certain expenses related to revenue generating activities for Mueller B.V. as selling expense rather than cost of goods sold. These expenses were incurred by the service technicians maintaining the cooling equipment on the farm as part of the annual service contracts purchased by the farmers. Prior periods have been reclassified to conform to the current period presentation. The reclassification increased cost of goods sold and decreased selling expenses by $5,391,000 and $5,441,000 for the twelve months ended December 31, 2021 and 2020, respectively.

Recent Accounting Pronouncements – In June 2016, the FASB issued ASU 2016-13, "Credit Losses (Topic 362): Measurement of Credit Losses on Financial Instruments," which amends the impairment model by requiring entities to use a forward-looking approach based on expected losses rather an incurred losses to estimate credit losses on certain types of financial instruments, including trade receivables. This standard may change the timing of the recognition of allowances for losses. This ASU is effective for the Company for fiscal year beginning after December 15, 2022. The Company is currently evaluating the impact of this new standard on its consolidated financial statements.

Leases – The Company follows ASU 2016-02, "Leases (Topic 842)."

As Lessee: The Company has operating leases for office equipment, buildings, plant equipment, and company vehicles related to its operations in The Netherlands. The Company has finance leases for company vehicles and plant equipment related to its operations in The Netherlands.

The lease of office space in a building in Germany, as well as the leases of office equipment, have variable lease payments that are determined by the local pricing index, but all other leases have fixed lease payments. There are only two leases that include options to renew: the Vietnam building lease and the Germany building lease. Both leases go to year-over-year renewals after the initial term, unless either party terminates in accordance with the notice provisions of each lease. None of the leases provide a residual value guarantee to the lessor.

In applying ASU Topic 842, the Company was unable to determine the implicit rates for each lease, so lending rates from the Company's lending institutions were used.

For the year ended December 31, 2022, the financial statements include finance lease costs of $201,000 in amortization of the ROU assets and $10,000 in interest on the lease liabilities and the operating lease costs of $280,000. For the year ended December 31, 2021, the financial statements include finance lease costs of $261,000 in amortization of the ROU assets and $15,000 in interest on the lease liabilities and the operating lease costs of $298,000. For the year ended December 31, 2020, the financial statements include finance lease costs of $277,000 in amortization of the ROU assets and $18,000 in interest on the lease liabilities and the operating lease costs of $326,000.

The following weighted averages apply to the Company's operating and finance leases:

	2022	2021	2020
Weighted average remaining lease term, finance lease	2.7 years	3.3 years	3.7 years
Weighted average remaining lease term, operating lease	3.8 years	3.2 years	3.6 years
Weighted average discount rate, finance lease	2.17%	2.02%	2.08%
Weighted average discount rate, operating lease	2.61%	1.89%	1.99%

As Lessor: For the year ended December 31, 2022, total income from operating leases was $2,896,000, which is included in the consolidated income statement in net sales. For the year ended December 31, 2022, for sales-type leases, total revenue recorded was $145,000, and total costs of goods sold recorded was $124,000, which are included in the consolidated income statement in net sales and cost of sales, respectively. For the year ended December 31, 2021, total income from operating leases was $3,772,000, which is included in the consolidated income statement in net sales. For the year ended December 31, 2021, for sales-type leases, total revenue recorded was $106,000, and total costs of goods sold recorded was $85,000, which are included in the consolidated income statement in net sales and cost of sales, respectively. For the year ended December 31, 2020, total income from operating leases was $4,458,000, which is included in the consolidated income statement in net sales. For the year ended December 31, 2020, for sales-type leases, total revenue recorded was $32,000, and total costs of goods sold recorded was $37,000, which are included in the consolidated income statement in net sales and cost of sales, respectively.

The Company has a fleet of rental milk coolers and related equipment that are leased out to farmers from the operations in The Netherlands. The lease payments are fixed for the duration of the lease and do not have a variable component. These leases are operated on a month-to-month basis using an assumed 141-month average lease term for leases starting 2022, an assumed 141-month average lease term for leases starting 2021, and an assumed 113-month average lease term used for leases starting in 2020, as well as the adoption of ASU Topic 842 in 2019. These leases do allow the farmers to purchase the equipment, but in practice this option is not typically taken (less than 10% of leases end in purchase).

Depreciation expense for assets subject to operating leases is provided primarily on the straight-line method over the term of the lease in amounts necessary to reduce the carrying amount of the asset to its estimated residual value. Estimated and actual residual values are reviewed on a regular basis to determine that depreciation amounts are appropriate. Depreciation expense relating to machinery and equipment held as investments in operating leases was $249,000 for 2022, $454,000 for 2021, and $572,000 for 2020.

Investments in operating leases at December 31 are as follows (in thousands):

	2022	2021	2020
Machinery and equipment, at cost	$ 10,223	$ 11,571	$ 13,472
Accumulated depreciation	(5,973)	(7,300)	(8,264)
Net investments in operating leases	$ 4,250	$ 4,271	$ 5,208

A maturity analysis of the annual undiscounted cash flows of the operating lease payments to be received as of December 31 are as follows (in thousands):

2023	$ 2,672
2024	2,477
2025	2,129
2026	1,790
2027	1,670
Thereafter	1,893
	$ 12,631

The components of lease receivables for the net investment in sales-type leases at December 31 are as follows (in thousands):

	2022	2021	2020
Total minimum lease receivables	$ 243	$ 149	$ 75
Less: Allowance for credit loss	–	–	–
Net minimum lease payments receivable	243	149	75
Estimated residual values of leased property	93	38	11
Net investments in sales-type leases	$ 336	$ 187	$ 86
Current portion	$ 24	$ 23	$ 3
Long-term portion	$ 312	$ 164	$ 83

A maturity analysis of the annual undiscounted cash flows of the sales-type lease payments to be received as of December 31 are as follows (in thousands):

2023	$ 60
2024	60
2025	60
2026	60
2027	60
Thereafter	324
	$ 624
Less discounted cash flow adjustment	(381)
Total minimum lease receivable	$ 243

(2) Goodwill and Intangible Assets

The Company's goodwill was recorded from the acquisition of Mueller B.V. and its subsidiaries. Prior to 2016, Mueller B.V. was profitable. However, from 2017 to 2020, Mueller B.V. generated a cumulative loss of $4.6 million. This loss was from a combination of the soft dairy market in the Benelux, the cost of consolidating operations in The Netherlands to one location, and, in 2020, the difficulties caused by the outbreak of the coronavirus (COVID-19). The outbreak had a negative impact on Mueller B.V.'s business, especially in the export sales outside the Benelux. The beer processing and serving equipment segment was negatively affected, as bars and restaurants were closed or had reduced capacity throughout Europe. All of these factors, coupled with the continued uncertainty of the coronavirus impact, caused management to reduce the outlook for Mueller B.V.'s profitability in the short term.

In performing the quantitative impairment test as of November 30, 2020, and consistent with its prior practice, the Company determined the fair value of the Mueller B.V. reporting unit using a combination of the income approach and the market approach. The indicated values of each approach were weighted based upon the availability and quality of the information underlying each method.

Under the income approach, the fair value of the Mueller B.V. reporting unit was determined based on the present value of estimated future cash flows, discounted at an appropriate risk-adjusted rate. The Company used its internal forecasts, updated for recent events, to estimate future cash flows with cash flows beyond the specific operating plans estimated using a terminal value calculation. Due to the inherent uncertainties involved in making estimates and assumptions, actual results may differ from those assumed in the Company's forecasts. The discount rate was determined using a capital asset pricing model with published rates for elements of the cost of equity.

The market approach utilized metrics of publicly traded companies or historically completed transactions of comparable businesses. The selection of comparable businesses was based on the market in which the reporting unit operates, giving consideration to risk profiles, size, geography, and diversity of products and services.

Based upon the result of the Company's quantitative impairment test performed as of November 30, 2020, the Company concluded that the carrying value of the Mueller B.V. reporting unit exceeded its estimated fair value as of the testing date. This resulted in goodwill impairment charges of $15,397,000. The goodwill impairment was calculated as the amount that the carrying value of the reporting unit, including any goodwill, exceeded its fair value.

Intangible assets as of December 31, 2022, 2021, and 2020, consisted of the following and are included in other assets on the Consolidated Balance Sheets (in thousands):

	Brand Names	Patents	Total
Balance as of December 31, 2019	$ 47	$ 52	$ 99
Amortization 2020	(3)	(21)	(24)
Foreign currency fluctuation	5	4	9
Balance as of December 31, 2020	$ 49	$ 35	$ 84
Amortization 2021	(3)	(6)	(9)
Foreign currency fluctuation	(4)	(3)	(7)
Balance as of December 31, 2021	$ 42	$ 26	$ 68
Amortization 2022	(3)	(6)	(9)
Foreign currency fluctuation	(2)	(1)	(3)
Balance as of December 31, 2022	$ 37	$ 19	$ 56

Average amortization periods for brand names and patents are eighteen and nine years, respectively. Aggregate amortization of intangible assets were $9,000, $9,000, and $24,000 for the years ended December 31, 2022, 2021, and 2020, respectively. Estimated aggregate amortization for the next five years and thereafter are as follows (in thousands):

2023	$ 9
2024	9
2025	8
2026	3
2027	3
Thereafter	24
	$ 56

The changes in the carrying amount of goodwill for the years ended December 31, 2022, 2021, and 2020, were as follows (in thousands):

Balance as of December 31, 2019	$ 14,320
Impairment	(15,397)
Foreign currency fluctuation	1,077
Balance as of December 31, 2020	$ –
Foreign currency fluctuation	–
Balance as of December 31, 2021	$ –
Foreign currency fluctuation	–
Balance as of December 31, 2022	$ –

Total amortization amount charged to expense were $44,000, $33,000, and $24,000 as of December 31, 2022, 2021, and 2020, respectively.

(3) Retirement Plans

The Company has a Profit Sharing and Retirement Savings Plan [401(k) plan] in which substantially all domestic employees are eligible to participate. The 401(k) plan provides for a match of employees' contributions up to a specified limit. The assets of the 401(k) plan are deposited with a trustee and are invested at the employee's option in one or more investment funds. Total Company contributions to the 401(k) plan were $1,044,000 for 2022, $1,190,000 for 2021, and $1,000,000 for 2020.

The Company has pension plans covering domestic employees who are represented by a bargaining unit and employees who are not represented by a bargaining unit. Benefits under the pension plans are based on a flat benefit formula and final average pay, respectively. Employees not represented by the bargaining unit that are first hired after December 31, 2006, will not be covered under the applicable pension plan. Also, after December 31, 2010, there will be no further accrual of benefits for participants under the pension plan for employees not represented by the bargaining unit. Employees represented by the bargaining unit that are first hired after June 30, 2007, will not be covered under the applicable pension plan. Also, after June 30, 2011, there will be no further accrual of benefits for participants under the pension plan for employees represented by the bargaining unit. On November 1, 2022, and on December 1, 2022, the Company announced that it had initiated a standard plan termination of the contract plan and noncontract plan, respectively. The Company has applied to the Internal Revenue Service for its approval of the terminations. This process takes approximately a year to complete, culminating in the affected participants receiving either a lump sum payment or a monthly annuity payment provided by an insurance company. The expected plan termination during fiscal year 2023 will result in the full recognition of accumulated actuarial losses for the Company's qualified domestic defined benefit pension plans upon its expected termination. The accumulated actuarial loss as of December 31, 2022, is $44,874,302 related to the qualified plans.

The Company's subsidiary, Mueller Field Operations, Inc. (MFO) contributes to a union sponsored multi-employer benefit plan for certain domestic employees. Benefits under this multi-employer plan are generally based on compensation levels and years of service. For MFO, the financial risks of participating in a multi-employer plan are different from single-employer plans in the following respects:

- Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.

- If a participating employer discontinues contributions to a plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

- If a participating employer chooses to stop participating in a plan, a withdrawal liability may be created based on the unfunded vested benefits for all employees in the plan.

Under federal legislation regarding multi-employer pension plans, in the event of a withdrawal from a plan or plan termination, companies are required to continue funding their proportionate share of such plan's unfunded vested benefits. MFO is a participant in a union sponsored multi-employer plan, and, as a plan participant, MFO's potential obligation could be significant. The amount of the potential obligation is not currently ascertainable because the information required to determine such amount is not identifiable or readily available.

MFO's participation in the plan for the year ended December 31, 2021, is outlined in the following table. The "EIN/Pension Plan Number" column provides the Employer Identification Number ("EIN") and the three digit plan number. The zone status is based on the latest information that MFO received from the plan and is certified by the plan's actuary. Plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are generally less than 80 percent funded, and plans in the green zone are generally at least 80 percent funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan ("FIP") or a rehabilitation plan ("RP") is either pending or has been implemented. The "Surcharge Imposed" column includes plans in a red zone status that require a payment of a surcharge in excess of regular contributions. The last column lists the expiration date of the collective-bargaining agreement to which the plan is subject. The Company's participation in this plan terminated with the sale of its subsidiary, MFO, on December 31, 2021.

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status			FIP/RP Status Pending/ Consolidated	Company Contributions			Surcharge Imposed	Expiration Date of Collective-Bargaining Agreement
		2022	2021	2020		2022	2021	2020		
Boilermaker-Blacksmith National Pension Trust	48-6168020/001	N/A	Yellow	Yellow	Yes	–	$510,111	$962,638	No	Described Below [(a)]

(a) MFO's collective bargaining agreement with the Boilermaker-Blacksmith National Pension Trust is under a National Maintenance Agreement, which is evergreen in terms of expiration. However, the agreement allows for termination of the collective bargaining agreement by either party with a predetermined written notice.

Mueller B.V. has pension plans covering employees who are represented by a union and employees who are not represented by a union. The plans are defined contribution plans, and contributions included in the accompanying Consolidated Statements of Operations were $1,290,000 for 2022, $1,456,000 for 2021, and $1,356,000 for 2020.

Paul Mueller Company has frozen defined benefit plans covering certain employees who are represented by a union and certain employees who are not represented by a union.

Total domestic pension expense under the plans was $45,000 for 2022, $395,000 for 2021, and $514,000 for 2020. Because of the passage of the American Rescue Plan Act of 2021, the required minimum contributions to be made in 2022 are estimated to be zero. The Company uses a January 1 measurement date for the determination of minimum required contributions.

The following table sets forth the required disclosures for the domestic pension plans as of December 31 (in thousands):

	2022	2021	2020
Change in projected benefit obligation:			
Benefit obligation as of beginning of year	$ 99,866	$ 106,600	$ 100,614
Interest cost	2,637	2,436	3,079
Actuarial (gain) loss	(16,023)	(3,792)	8,270
Benefits paid and expenses	(5,402)	(5,378)	(5,363)
Benefit obligation as of end of year	$ 81,078	$ 99,866	$ 106,600
Change in plan assets:			
Fair value of plan assets as of beginning of year	81,831	76,553	70,219
Actual return on plan assets	(11,731)	6,423	7,239
Employer contributions	4,588	4,232	4,458
Benefits paid and expenses	(5,402)	(5,378)	(5,363)
Fair value of plan assets as of end of year	$ 69,284	$ 81,830	$ 76,553
Funded status	$ (11,794)	$ (18,036)	$ (30,047)
Funded status as of end of year	$ (11,794)	$ (18,036)	$ (30,047)

The funded status as of December 31, 2022, for the contract, noncontract, and SERP plans were underfunded by $2,646,000, $8,870,000, and $278,000, respectively. The funded status as of December 31, 2021, for the contract, noncontract, and SERP plans were underfunded by $5,090,000, $12,585,000, and $361,000, respectively. The funded status as of December 31, 2020, for the contract, noncontract, and SERP plans were underfunded by $7,450,000, $22,209,000, and $388,000, respectively.

Components of pension expense for the three years were (in thousands):

	2022	2021	2020
Interest cost	$ 2,637	$ 2,436	$ 3,079
Expected return on plan assets	(4,365)	(4,123)	(4,440)
Amortization of prior service cost	1,773	2,082	1,875
Net periodic pension expense	$ 45	$ 395	$ 514

Projected benefit obligations, accumulated benefit obligations, and fair value of plan assets were as follows as of December 31 (in thousands):

	2022	2021	2020
Projected benefit obligations	$ 81,078	$ 99,866	$ 106,600
Accumulated benefit obligations	$ 81,078	$ 99,866	$ 106,600
Fair value of plan assets	$ 69,284	$ 81,830	$ 76,553

Weighted average assumptions used to determine benefit obligations as of December 31 were as follows:

	2022	2021	2020
Discount rate	5.24%	2.72%	2.35%
Rate of compensation increase	N/A	N/A	N/A

Weighted average assumptions used to determine net periodic pension expense for the three years ended December 31 were as follows:

	2022	2021	2020
Discount rate	2.72%	2.35%	3.15%
Expected long-term return on plan assets	5.38%	5.44%	6.43%
Rate of compensation increase	N/A	N/A	N/A

Pension expense is calculated based upon a number of actuarial assumptions established on January 1 of the applicable year (detailed in the table above), including the weighted average discount rate, the expected long-term rate of return on plan assets, and the rate of increase in future compensation levels for the applicable plan. Discount rates were determined by creating hypothetical portfolios of high-quality bonds available without call features and in U.S. dollars as of the measurement date. These portfolios were constructed in such a way that all expected benefit payments from the plans could be provided by the coupon and maturity payments of the bonds as they become payable. Although the match could not be exact, the portfolios were constructed so that the excess bond payments were held to a minimum and were paid out as soon as possible. In 2022, the discount rates were derived from spot rates along a yield curve developed from a portfolio of corporate bonds from issuers rated AA or higher by established rating agencies as of each measurement date, applied to our expected benefit cash flows. The discount rate used to determine pension expense decreased from 3.15% for 2020 to 2.35% for 2021, and increased to 2.72% for 2022. The effect of the rate increase was to increase pension expense by $61,900 for 2022. In developing the expected long-term rate of return assumption for plan assets (which consist mainly of U.S. equity and fixed income securities), input was considered from the actuaries and the investment advisors. The rate is intended to reflect the average rate of return expected to be earned on the funds invested or to be invested to provide plan benefits. In determining the rate, appropriate consideration was given to historical performance of the major asset classes held or anticipated to be held by the plans and the forecast for future rates of return for those asset classes. The long-term rate of return assumption was 5.38% for 2022, 5.44% for 2021, and 6.43% for 2020.

The decrease in projected benefit obligation is primarily driven by increases in discount rates offset by the impact of reflecting plan termination assumptions.

The Company has adopted a pension investment policy designed to achieve an adequate funding status based on expected benefit payouts and to establish an asset allocation that will meet or exceed the long-term rates of return assumptions, while maintaining a prudent level of risk. The Company uses the services of outside consultants in setting appropriate asset allocation targets and monitoring investment performance. Plan assets are invested in equity securities, fixed income securities, and cash.

Within the equities asset class, the investment policy provides for investments in a broad range of publicly traded securities, including both domestic and American depositary receipts ("ADRs") diversified by value, growth, and capitalization. An ADR is a negotiable security that represents the underlying securities of a non-United States company that trades in the U.S. financial markets. Within the fixed income class, the investment policy provides for investments in a broad range of high-quality corporate debt securities and U.S. government securities, in addition to pooled separate accounts maintained by an insurance carrier.

The weighted average asset allocations of the pension plans as of December 31 were as follows:

	2022	2021	2020
Asset category:			
Cash and cash equivalents	43%	1%	1%
Equity securities	0%	68%	64%
Fixed income securities	57%	31%	35%
	100%	100%	100%

Given the communication of the termination of both of the Company's qualified defined benefit plans, the investment policy allocation was changed for 2023 to 100% of assets in fixed income with fixed durations. The investment objective is to minimize the volatility of the value of the Company's plan assets relative to pension liabilities as the Company finalizes the plan termination process and settles plan benefits, including the transfer of any remaining liabilities to an insurer through the purchase of an annuity contract by a third-party administrator.

Prior to 2023, the objective on a long-term basis was to achieve an excess return over the actuarial assumptions for the expected long-term rates of return on plan assets. The investment strategy employed was a long-term risk-control approach using diversified investment options of 60% in equities and 40% in fixed income with no exposure to volatile investment options, such as financial futures, derivatives, etc. The plans used a diversified allocation of equity and fixed income securities that are customized to each plan's cash flow benefit needs.

Assets are categorized into fair value, based upon the assumptions (inputs) used to value the assets in accordance with the fair value hierarchy established in FASB ASC 820, "Fair Value Measurements and Disclosures." The following table summarizes the fair value of the Company's plans' assets as of December 31, 2022, 2021, and 2020 (in thousands):

Asset Category	Fair Value at 12-31-22	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments at Net Asset Value
Cash and cash equivalents	$ 30,064	$ 30,064[a]	$ –	$ –	$ –
Equity securities	–	–[b]	–	–	–
Fixed income securities	39,220	32,947[c]	–	–	6,273[d]
Total plan assets	$ 69,284	$ 63,011	$ –	$ –	$ 6,273

Asset Category	Fair Value at 12-31-21	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments at Net Asset Value
Cash and cash equivalents	$ 410	$ 410[a]	$ –	$ –	$ –
Equity securities	55,482	55,482[b]	–	–	–
Fixed income securities	25,938	17,894[c]	–	–	8,044[d]
Total plan assets	$ 81,830	$ 73,786	$ –	$ –	$ 8,044

Asset Category	Fair Value at 12-31-20	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments at Net Asset Value
Cash and cash equivalents	$ 432	$ 432[a]	$ –	$ –	$ –
Equity securities	49,469	49,469[b]	–	–	–
Fixed income securities	26,652	17,942[c]	–	–	8,710[d]
Total plan assets	$ 76,553	$ 67,843	$ –	$ –	$ 8,710

(a) The assets consist primarily of institutional money market mutual funds.

(b) The assets consist primarily of exchange traded funds and institutional mutual funds which hold domestic and international equities.

(c) The assets consist primarily of fixed income investments in pooled separate accounts and institutional mutual funds that include issues of the U.S. government and its agencies and high quality corporate issues.

(d) In accordance with ASC 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

Pension benefits expected to be paid over the next ten years are as follows (in thousands):

2023	$	84,744
2024		31
2025		30
2026		29
2027		28
2028 through 2032		118
	$	84,980

The contract plan and noncontract plan are both in the process of being terminated. Management expects to fully settle both plans in November or December of 2023. The benefit payments shown reflect the best estimate of the cost to terminate and settle the plan, plus expected benefit payments to retirees during the year ($803,396 contract and $3,931,634 noncontract). The expected contributions shown are the amounts expected to be made throughout the year and were used in the expected return on asset for 2023. A final contribution will be required for each plan to fully settle the plan, but that amount is dependent on final participant elections, annuity purchase rates, and investment return during the year, and is not included above.

Included in accumulated other comprehensive loss as of December 31, 2022, are the following amounts that have not yet been recognized in net periodic pension expense: unrecognized actuarial losses of $44,958,000 ($34,797,000, net of tax). Included in accumulated other comprehensive loss as of December 31, 2021, are the following amounts that have not yet been recognized in net periodic pension expense: unrecognized actuarial losses of $46,657,000 ($38,063,000, net of tax). Included in accumulated other comprehensive loss as of December 31, 2020, are the following amounts that have not yet been recognized in net periodic pension expense: unrecognized actuarial losses of $54,832,000 ($42,560,000, net of tax).

Given the plan termination, all of the qualified plans' benefit payments are expected to be made during the fiscal year ending 2023.

(4) Income Taxes

The provision (benefit) for taxes on income before income taxes included (in thousands):

		2022		2021		2020
Current tax expense	$	201	$	(245)	$	3,491
Deferred, net		831		1,792		533
	$	1,032	$	1,547	$	4,024

Deferred tax assets and liabilities arise from the differences between financial reporting and tax reporting of assets and liabilities that most often result from differences in timing of income and expense recognition. The detail of the deferred tax assets and liabilities as of December 31, 2022, 2021, and 2020, is shown below (in thousands):

		2022		2021		2020
Deferred tax assets:						
Worker's compensation	$	92	$	217	$	150
Vacation		267		253		165
Warranty		200		244		131
Doubtful accounts		98		180		29
Pensions		2,377		3,972		7,077
Inventories		–		–		406
Tax attribute carryforward		1,973		1,958		597
Other		1,167		480		1,439
Net deferred tax assets	$	6,174	$	7,304	$	9,994
Deferred tax liabilities:						
Intangibles	$	(13)	$	(16)	$	(20)
Property, plant, and equipment		(3,396)		(3,151)		(3,119)
Inventories		(890)		(1,096)		–
Other liabilities		(107)		(73)		(209)
Net deferred tax liabilities	$	(4,406)	$	(4,336)	$	(3,348)
Net deferred tax assets	$	1,768	$	2,968	$	6,646

As of December 31, 2022, net deferred tax assets were $6,174,000; and net deferred tax liabilities were $4,406,000. As of December 31, 2021, net deferred tax assets were $7,304,000; and net deferred tax liabilities were $4,336,000. As of December 31, 2020, net deferred tax assets were $9,994,000; and net deferred tax liabilities were $3,348,000. On the accompanying Consolidated Balance Sheets, domestic net deferred tax assets are included as non-current assets, and foreign deferred tax liabilities are included in other long-term liabilities as appropriate. Income taxes receivable (payable) at December 31, 2022, 2021, and 2020, were $1,043,000, $1,414,000 receivable and ($591,000) payable, respectively, and are included in accounts receivable or income tax payable on the accompanying Consolidated Balance Sheets. The detail of the deferred tax assets and liabilities as of December 31, 2022, 2021, and 2020, is shown below (in thousands):

	2022	2021	2020
Deferred tax assets, United States	$ 5,164	$ 5,565	$ 9,475
Deferred tax liability, United States	(2,929)	(1,771)	(1,832)
Net deferred tax assets, United States	$ 2,235	$ 3,794	$ 7,643
Net deferred tax liabilities, The Netherlands	$ (467)	$ (826)	$ (997)

The Company's deferred income tax assets include certain future tax benefits. As of December 31, 2022, the tax effected deferred tax assets included $61,000 related to state net operating losses, which expire between the years 2024 and 2034. It also included federal net operating losses of $626,000, which do not expire. In addition, the Company has tax effected foreign net operating losses of $1,010,000.

A reconciliation between the expected income tax expense at the statutory federal income tax rate (21%) and the reported income tax expense for each of the three years ended December 31, 2022, 2021, and 2020, follows (in thousands):

	2022	Rates	2021	Rates	2020	Rates
Statutory federal income tax expense (benefit)	$ 950	21.00%	$ 1,795	21.00%	$ 308	21.00%
Increase (decrease) in taxes resulting from:						
Tax credits	(212)	(4.69%)	(113)	(1.32%)	(191)	(13.17%)
State tax, net of federal benefit	101	2.23%	254	2.97%	509	35.09%
Net unrecognized tax positions	60	1.33%	(119)	(1.39%)	50	3.45%
Non-deductible goodwill	–	–	–	–	2,804	193.30%
International taxes	(40)	(.88%)	6	.07%	701	48.33%
Permanent differences	(48)	(1.06%)	(116)	(1.36%)	(75)	(5.17%)
Other, net	221	4.91%	(160)	(1.87%)	(82)	(5.65%)
	$ 1,032	22.84%	$ 1,547	18.10%	$ 4,024	277.18%

A reconciliation of the beginning and ending amounts of unrecognized tax benefits follows. The balances as of December 31, 2022, 2021, and 2020, are included in other long-term liabilities and in the deferred tax liabilities on the accompanying Consolidated Balance Sheets (in thousands):

Balance as of December 31, 2019	$ 459
Additions based on tax positions related to the prior year	50
Balance as of December 31, 2020	$ 509
Additions based on tax positions related to the current year	35
Reductions for tax positions of prior years	(154)
Balance as of December 31, 2021	$ 390
Additions based on tax positions related to the current year	59
Reductions for tax positions of prior years	(80)
Balance as of December 31, 2022	$ 369

Federal tax returns are generally subject to examination for tax years 2019 and forward. State statutes vary, but state income tax returns are generally subject to examination from 2018 and forward. The unrecognized benefits of $369,000 as of December 31, 2022, would affect the Company's effective tax rate, if recognized. The Company records potential interest and penalties related to uncertain tax positions as a component of income tax expense. Interest and penalty expense was not significant for the years ended December 31, 2022, 2021, and 2020.

(5) Borrowings

In 2014, the Company entered into a domestic bank borrowing facility of $15,000,000. On August 17, 2022, the Company amended the domestic bank borrowing facility agreement to extend the agreement until August 31, 2023. The Company has a financial leverage covenant of total debt to EBITDA and a minimum fixed charge coverage at each quarter for the trailing twelve months.

Borrowings under the facility incur interest at the SOFR plus 10 basis points, plus a spread of 1.15%, as defined, and are secured by domestic accounts receivable and inventory. As of December 31, 2022, the balance outstanding was zero under the facility. As of December 31, 2021, the balance outstanding was zero under the facility. As of December 31, 2020, the balance outstanding was zero under the facility.

On August 31, 2022, Mueller B.V.'s bank borrowing facility was increased to $4,280,000. Borrowings under the facility are at the variable rate of one-month Euribor plus 1.40%. Total borrowings under the facility was zero as of December 31, 2022, zero as of December 31, 2021, and zero as of December 31, 2020. Mueller B.V. has a financial leverage covenant of total debt to EBITDA. Mueller B.V. was in compliance with all financial covenants at December 31, 2022.

The Company was granted a loan in the amount of $1,883,700, pursuant to the Paycheck Protection Program under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The loan, which was in the form of a note dated June 12, 2020, issued to the Company, matures on June 11, 2025, and bears interest at a rate of 1% per annum, with a deferral of payments for the first six months. The note may be prepaid by the Company at any time prior to maturity with no prepayment penalties. The loans and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent, utilities, and maintains its payroll levels. The Company filed for forgiveness of the loan on November 17, 2020, and was granted forgiveness on June 10, 2021. Proceeds from the loan are recorded as a gain on extinguishment of debt on the Consolidated Statements of Operations. The loan is subject to an audit by the SBA for up to six years following the date of loan forgiveness, at which time a refund of all or a portion of the PPP loan may be required.

As of December 31, 2022, the Company had long-term notes payable with an outstanding balance of $9,349,000. Listed below is a summary of amounts outstanding for notes payable. The current portion is included in current maturities of long-term debt, and the long-term portion is included in long-term debt on the accompanying Consolidated Balance Sheets (in thousands).

	Outstanding Balance		
	2022	2021	2020
Mueller B.V. note payable related to intercompany loan. Note matures in 2027 with a variable rate of 30-day SOFR plus 10 basis points plus 1.5%. The rate at year-end was 5.42%. Payments are made annually	$ 15,118	$ 12,395	$ 13,492
Mueller B.V. note payable related to mortgage loan secured by real estate, fixed assets, accounts receivable, inventory, and insurance proceeds. Note matures in 2026 with a fixed rate of 2.60%. Payments are made quarterly	6,527	7,345	8,733
Mueller B.V. note payable related to mortgage loan secured by real estate, fixed assets, accounts receivable, inventory, and insurance proceeds. Note matures in 2029 with a current variable rate of 1.55%. Payments are made quarterly	–	4,576	6,088
Notes payable related to Mueller B.V. and subsidiaries	$ 21,645	$ 24,316	$ 28,313
Domestic note payable secured by land, buildings, and equipment. Note matures in 2025 with a fixed rate of 2.5%. Payments are made monthly	$ 3,450	$ 3,650	$ 3,850
Domestic note payable pursuant to the Paycheck Protection Program. Note matures in 2022 with a fixed rate of 1.0%.	–	–	1,884
Current maturities	(628)	(1,330)	(2,115)
Elimination of intercompany loans	(15,118)	(12,395)	(13,492)
Total notes payable	$ 9,349	$ 14,241	$ 18,440

The principal payments of the notes payable as of December 31, 2022, and for future years are listed below (in thousands):

2023	$	628
2024		628
2025		3,478
2026		5,243
	$	9,977

(6) Guarantees

The Company has two standby letter-of-credit facilities of $5,000,000 and $48,000. As of December 31, 2022, there were standby letters of credit totaling $982,000 and $48,000, respectively, issued under these facilities, which will expire within one to two years.

The standard warranty provided by the Company is against defects in materials and workmanship and a compliance to specifications for a period of twelve (12) months after shipment of the equipment or completion of the services as applicable in each case.

The Company's provisions for warranty expense have historically been a relatively consistent percentage of sales. Warranty claims tend to occur shortly after product delivery, as a significant portion of the Company's sales are engineered-to-order products built to customer specifications. A warranty provision is recorded when notification is received of a potential claim based on an estimate of the cost to repair or replace, in addition to a general reserve provision based on a multi-year lag analysis. Warranty claims are reviewed monthly and reserves are adjusted to properly reflect the remaining estimated cost to complete the repair or to provide a replacement. The following is a reconciliation of changes in the warranty reserve, which is included with other accrued expenses on the Consolidated Balance Sheets for the years ended December 31, 2022, 2021, and 2020 (in thousands):

	2022	2021	2020
Beginning balance	$ 1,326	$ 859	$ 1,158
Costs incurred to satisfy warranty claims	(86)	(381)	(1,144)
Aggregate warranty reserves made	674	1,307	1,008
Aggregate changes to warranty reserves	(617)	(459)	(163)
Ending balance	$ 1,297	$ 1,326	$ 859

(7) Contingencies

The Company has operating leases with total aggregate future minimum payments of $803,000 and financing leases with total aggregate future minimum payments of $438,000, with terms exceeding one year. As of December 31, 2022, 2021, and 2020, the lease expense amounts were $491,000, $574,000, and $621,000, respectively.

The future minimum lease payments for each of the years subsequent to December 31, 2022, will be (in thousands):

	Operating	Finance
2023	$ 278	$ 189
2024	190	150
2025	140	61
2026	100	23
2027	66	15
2028 and after	29	–
	$ 803	$ 438
Less discounted cash flow adjustment	(25)	–
Less interest	–	(6)
Lease liability	$ 778	$ 432

(8) Divestitures

On December 31, 2021, the Company sold its entire equity interest in its wholly owned subsidiary, Mueller Field Operations, Inc. (MFO), to the MFO management. In 2022, MFO was renamed Adaptive Stainless (Adaptive) by the new owners.

The sale price was $3,500,000, less working capital adjustments of $240,000 ($150,000 of which was paid on December 31, 2021, and $90,000, which was payable at December 31, 2021), for a net price of $3,260,000, before closing costs of $192,000. Assets of $2,599,000 and liabilities of $2,396,000 were sold. The Company recorded a gain on sale on this transaction of $2,865,000.

The Company provided $3,150,000 in financing for five years. Quarterly payments are $106,250 (principal and interest) until the balance is paid in full. The interest rate is based on a 30-day average of five-year treasuries plus 3.00% with a ceiling of 6.00%. The rate is fixed for the first year and then adjusts every six months, thereafter. The rate was 4.23% for 2022 and is 6.00% as of January 1, 2023. In addition, the Company will receive a variable payment of 30% of EBITDA in excess of $475,000 annually. As of December 31, 2022, Adaptive management is current on all loan payments.

The Company may also receive an earnout equal to 30% of EBITDA for two years commencing on the two years after the note is paid in full, or years six and seven after December 31, 2021, whichever comes first. The transaction allowed a maximum for the earnout of a cumulative $800,000, but this maximum was reduced to $725,000 based on savings Adaptive realized on a warranty issue that the Company was financially responsible for completing.

The Company will provide a four-year line of credit set initially at $800,000 in the first year at an interest rate equal to that of the financing note. The line of credit is reduced to $600,000 in year two, $500,000 in year three, and $400,000 in year four. As of December 31, 2022, the balance due from Adaptive on the line of credit is zero.

As part of the transaction, the Company and Adaptive owners entered into a non-compete agreement and a supply arrangement outlining how the companies will continue to support one another as they have during their history together.

Prior to closing, Adaptive was nearing completion of a large juice facility project that has a warranty issue. The buyer assumed the warranty issue, but the Company agreed to financially support the completion of the warranty work and the project. In return, the Company will receive any remaining profit or loss and cash from the completion of the project. In 2022, the Company recognized $135,000 profit due to adjusting the reserves on this project. Adaptive is still working with the owner to complete some punch list items on the project so the Company has maintained some reserves to cover additional expenses.

(9) Segment Data

The Company has four reportable segments: Dairy Farm Equipment, Industrial Equipment, Field Fabrication, and Transportation. Dairy Farm Equipment segment sales are made by the Company to independent dealers for resale. Mueller B.V. also sells directly to farmers and provides service for farmers and milk coolers for rent to farmers. Products include milk cooling and storage equipment and accessories, refrigeration units, and heat recovery equipment for use on dairy farms. The Industrial Equipment segment includes sales of the following products directly to industrial customers: food, beverage, chemical, and industrial processing equipment; biopharmaceutical equipment; and pure water equipment. The Field Fabrication segment includes sales of very large, field-fabricated tanks and vessels that cannot be built and shipped from the plant. Typical projects are large stainless steel storage tanks for sanitary and industrial process applications. The Transportation segment includes the delivery of products to customers and backhauls of materials and components. The segment also includes the transportation of components for the Field Fabrication segment and contract carriage for third parties.

Management evaluates performance and allocates resources based on income or loss before income taxes for the segments. The accounting policies of the reportable segments are the same as those described in the Summary of Accounting Policies (Note 1) to these consolidated financial statements.

Reportable segments are managed separately because they offer different products and serve different markets. Industrial Equipment products have been aggregated because they are designed and built to a customer's specifications, and they use common processes and resources. Similar economic conditions affect the long-term financial performance of the product lines included in the Industrial Equipment segment. The Dairy Farm Equipment segment includes standard products that are built to stock and are available for sale from inventory. The demand for Dairy Farm Equipment products is affected by the economic factors that influence the profitability of dairy farmers. The Field Fabrication segment uses different skills and fabrication methods and requires different technology and expertise than other segments. The Transportation segment is a trucking operation.

The subsidiary, Mueller Field Operations, Inc., making up the Field Fabrication segment, was sold on December 31, 2021.

Net sales include revenues from sales to unaffiliated and affiliated customers and include intersegment eliminations (in thousands). The Other/Corporate classification includes other revenues, unallocated corporate assets and expenses, and corporate other income (expense).

	2022					
	Dairy Farm Equipment	Industrial Equipment	Field Fabrication	Transportation	Other/ Corporate	Consolidated
Net sales	$ 76,658	$ 111,991	$ –	$ 2,871	$ –	$ 191,520
Depreciation and amortization expense	$ 2,979	$ 2,574	$ –	$ 428	$ 175	$ 6,156
Income (loss) before income tax	$ (125)	$ 7,835	$ –	$ 119	$ (3,188)	$ 4,641
Assets	$ 51,866	$ 35,192	$ –	$ 1,184	$ 49,686	$ 137,928
Additions to property, plant, and equipment	$ 3,728	$ 3,963	$ –	$ 970	$ 406	$ 9,067

	2021					
	Dairy Farm Equipment	Industrial Equipment	Field Fabrication	Transportation	Other/ Corporate	Consolidated
Net sales	$ 75,239	$ 89,308	$ 17,335	$ 2,731	$ –	$ 184,613
Depreciation and amortization expense	$ 3,504	$ 2,375	$ 139	$ 326	$ 203	$ 6,547
Income (loss) before income tax	$ 1,612	$ 7,100	$ (1,433)	$ 142	$ 1,127	$ 8,548
Assets	$ 56,802	$ 36,089	$ –	$ 631	$ 22,767	$ 116,289
Additions to property, plant, and equipment	$ 1,549	$ 3,587	$ –	$ –	$ 126	$ 5,262

The Other/Corporate classification included other revenues, unallocated corporate assets and expenses, corporate other income (expense), and impairment of goodwill for 2020. The Company elected to present goodwill impairment expense of $15,397,000 for the year ended December 31, 2020, in the Other/Corporate classification in the 2020 table below, rather than presenting the goodwill impairment expense within the respective applicable segment. Had the Company presented the goodwill impairment expense within the respective applicable segment:

- The income (loss) before income tax for the Dairy Farm Equipment segment would have been reduced by $12,317,000 to report a (loss) of $(10,688,000) in the 2020 table below.

- The income (loss) before income tax for the Industrial Equipment segment would have been reduced by $3,080,000 to report income of $10,285,000 in the 2020 table below.

- The income (loss) before income tax for the Other/Corporate segment would have been increased by $15,397,000 to report a (loss) of $(1,637,000).

	2020					
	Dairy Farm Equipment	Industrial Equipment	Field Fabrication	Transportation	Other/ Corporate	Consolidated
Net sales	$ 66,155	$ 101,261	$ 31,476	$ 2,224	$ –	$ 201,116
Depreciation and amortization expense	$ 3,964	$ 2,290	$ 75	$ 523	$ 231	$ 7,083
Income (loss) before income tax	$ 1,629	$ 13,365	$ 3,689	$ (182)	$ (17,034)	$ 1,467
Assets	$ 59,142	$ 29,257	$ 1,140	$ 974	$ 30,425	$ 120,938
Additions to property, plant, and equipment	$ 1,496	$ 4,578	$ 200	$ 195	$ 784	$ 7,253

Revenues from external customers by product category for the three years ended December 31, 2022, were (in thousands):

	2022	2021	2020
Milk cooling and storage equipment	$ 76,510	$ 77,636	$ 65,954
Process vessels and tanks	101,308	90,137	119,654
Other industrial equipment	13,702	16,840	15,508
	$ 191,520	$ 184,613	$ 201,116

Revenues from external customers by geographic location are attributed to countries based on the final destination of the goods and for the three years ended December 31, 2022, were (in thousands):

	2022	2021	2020
United States	$ 125,273	$ 121,294	$ 137,168
North America (excluding the U.S.)	13,360	10,118	11,434
Asia and the Far East	6,899	5,481	5,898
The Netherlands	25,314	27,833	25,482
EU countries	15,076	16,548	17,921
Europe (non-EU countries)	3,653	2,763	2,725
Other areas	1,943	576	488
	$ 191,520	$ 184,613	$ 201,116

During 2022, 2021, and 2020, export sales to any one country were not in excess of 10% of consolidated sales.

During 2022 and 2021, there were no customers that exceeded 10% of consolidated sales. During 2020, sales to any one customer were in excess of 10% of consolidated sales. Net sales from one domestic customer represented $31,174,000 in 2020.

Long-lived assets owned by the Company for the three years ended December 31, 2022, were (in thousands):

	2022	2021	2020
North America	$ 16,959	$ 13,580	$ 13,127
Asia and the Far East	364	637	958
The Netherlands	26,657	29,777	35,079
EU countries	3	7	21
	$ 43,983	$ 44,001	$ 49,185

(10) Subsequent Events

On March 6, 2023, Mueller B.V. discussed with the works council about the shutdown of DEG Engineering GmbH (DEG), its German subsidiary. A works council is a group of employees who looks after the interest of employees and is required by the Dutch government for any Dutch company with 50 or more employees. After addressing any concerns of the works council, B.V. management intends to terminate the operations of DEG sometime in 2023. DEG had revenues of $2,400,000 and earnings before tax of $14,000 in 2022.

On March 10, 2023, the Company amended its domestic bank borrowing facility to extend the agreement until March 31, 2024. All pricing and terms remain the same, except for the changes below.

The following will be excluded from the Fixed Charge Coverage calculation:

1. All non-cash settlement charges related to the termination of the pension plans, and
2. Cash pension payments that exceed pension expenses and that are related to the termination of the pension plans, not to exceed $25,000,000.

Safe Harbor for Forward-Looking Statements

The President's message on pages 3 and 4 of this Annual Report contains certain statements that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to any historical or current fact. All statements regarding future performance, growth, sales and earnings projections, conditions, or developments are forward-looking statements. Words such as "anticipates," "believes," "intends," "expects," "may," "will," "should," "could," "plans," "forecasts," "estimates," "predicts," "projects," "potential," "continue," "outlook," and similar expressions may be intended to identify forward-looking statements.

Actual future results may differ materially from those described in the forward-looking statements due to a variety of factors, including the fact that the worldwide economy generally, and the dairy farm equipment and the industrial equipment markets, and factors affecting the trucking industry specifically, are all currently subject to uncertainty, making it difficult to determine if past experience is a good guide to the future. A downturn in the Company's business segments could adversely affect the Company's revenues and results of operations. Other factors affecting forward-looking statements, some of which are identified in the discussion relating to such forward-looking statements, include, but are not limited to, the following: specific economic conditions in the food, dairy, beverage, chemical, pharmaceutical, biotechnological and other process industries, and the international dairy farm equipment market and the impact of such conditions on the Company's customers in such markets; the cyclical nature of some of the Company's markets; milk prices, feed costs, weather conditions, dairy farm consolidation, and other factors affecting the profitability of dairy farmers; the price of stainless steel; the highly competitive nature of the markets for the Company's products, as well as pricing pressures that may result from such competitive conditions; business relationships with major customers and suppliers; the continued operation and viability of the Company's major customers; the Company's execution of internal performance plans; difficulties or delays in manufacturing; cost-reduction and productivity efforts; competing technologies and difficulties in entering new markets, both domestic and foreign; changes in product mix; future levels of indebtedness and capital spending; claims, including, without limitation, warranty claims, product liability claims, charges or dispute resolutions; ability of suppliers to provide materials as needed and the Company's ability to recover any price increases for materials and product pricing; the Company's ability to attract and retain key technical and other personnel; labor relations; the failure of customers to make timely payment; the Company's ability, both domestically and in Europe, to maintain adequate financing for operations; any inadequacy of the Company's intellectual property protection or the potential for third-party claims of infringement; global economic factors, including currency exchange rates; general economic conditions, including interest rates, the rate of inflation, and commercial and consumer confidence; energy prices; governmental laws and regulations affecting domestic and foreign operations, including tax obligations; changes in accounting standards; worldwide political stability; the effects of terrorist activities and resulting political or economic instability, including U.S. military action overseas; and the effect of acquisitions, divestitures, restructurings, product withdrawals, and other unusual events.

The Company cautions the reader that these lists of cautionary statements and risk factors may not be exhaustive. The Company expressly disclaims any obligation or undertaking to release publicly any updates or changes to these forward-looking statements that may be made to reflect any future events or circumstances.

Independent Auditor's Report

Board of Directors
Paul Mueller Company and Subsidiaries

Opinion

We have audited the consolidated financial statements of Paul Mueller Company and its subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2022, 2021 and 2020, the related consolidated statements of operations, comprehensive income (loss), changes in shareholders' investment, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

RSM US LLP

Kansas City, Missouri
March 16, 2023

Selected Financial Data – Five-Year Summary for the Years 2022, 2021, 2020, 2019, and 2018; and Financial Highlights (Unaudited) and Market Information by Quarter for the Years 2022 and 2021

Selected Financial Data – Five-Year Summary

Amounts in thousands, except for share data, historical exchange rates, and number of employees.

	2022	2021	2020	2019	2018
Net sales	$ 191,520	$ 184,613	$ 201,116	$ 197,177	$ 201,210
Net income (loss)	$ 3,609	$ 7,001	$ (2,557)	$ 6,589	$ 2,639
Earnings (loss) per common share:					
Basic	$ 3.32	$ 6.44	$ (2.14)	$ 5.51	$ 2.21
Diluted	$ 3.32	$ 6.44	$ (2.14)	$ 5.51	$ 2.21
Common shares outstanding	1,085,711	1,086,661	1,195,747	1,195,866	1,196,187
Total assets	$ 137,928	$ 116,289	$ 120,938	$ 124,894	$ 130,188
Long-term debt	$ 9,349	$ 14,241	$ 18,440	$ 15,334	$ 21,478
Shareholders' investment	$ 40,058	$ 37,293	$ 30,544	$ 32,415	$ 27,628
Working capital	$ 2,974	$ 21,372	$ 24,499	$ 9,695	$ 9,352
Book value per common share	$ 36.90	$ 34.32	$ 25.54	$ 27.11	$ 23.10
Average number of employees	848	878	785	958	967
Historical exchange rates (Euro to U.S. Dollar):					
Year-end	$ 1.07	$ 1.13	$ 1.23	$ 1.12	$ 1.14
Year-end average	$ 1.05	$ 1.18	$ 1.14	$ 1.12	$ 1.18

Financial Highlights by Quarter, Unaudited

Amounts in thousands, except share data.

	Quarter Ended March 31		Quarter Ended June 30		Quarter Ended September 30		Quarter Ended December 31	
	2022	2021	2022	2021	2022	2021	2022	2021
United States:								
Net sales	$ 28,116	$ 33,497	$ 34,315	$ 37,494	$ 35,464	$ 33,192	$ 47,298	$ 32,896
Gross profit	$ 3,857	$ 7,952	$ 5,663	$ 9,966	$ 6,823	$ 5,984	$ 9,358	$ 3,456
Net income (loss)	$ (885)	$ 1,682	$ 232	$ 4,766	$ 1,311	$ (79)	$ 3,859	$ 959
The Netherlands:								
Net sales	$ 12,980	$ 12,027	$ 12,058	$ 12,194	$ 10,316	$ 10,148	$ 12,002	$ 14,451
Gross profit	$ 5,056	$ 5,478	$ 4,770	$ 5,398	$ 4,140	$ 4,139	$ (429)	$ 595
Net income (loss)	$ (236)	$ (394)	$ (386)	$ 11	$ (334)	$ (942)	$ 52	$ 960
Consolidated:								
Net sales	$ 40,775	$ 45,279	$ 45,977	$ 49,278	$ 45,766	$ 43,063	$ 59,002	$ 46,993
Gross profit	$ 8,914	$ 13,441	$ 10,435	$ 15,369	$ 10,965	$ 10,104	$ 8,920	$ 4,091
Net income (loss)	$ (1,121)	$ 1,301	$ (150)	$ 4,780	$ 980	$ (1,042)	$ 3,900	$ 1,962
Earnings (loss) per common share:								
Basic	$ (1.03)	$ 1.19	$ (0.14)	$ 4.38	$ 0.90	$ (0.96)	$ 3.59	$ 1.81
Diluted	$ (1.03)	$ 1.19	$ (0.14)	$ 4.38	$ 0.90	$ (0.96)	$ 3.59	$ 1.81

Market Information by Quarter

	2022 Quarter Ended				2021 Quarter Ended			
	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31
Market price of stock:								
High	$ 43.21	$ 46.13	$ 48.00	$ 48.00	$ 53.00	$ 52.50	$ 52.00	$ 44.00
Low	$ 38.85	$ 39.65	$ 45.00	$ 42.53	$ 33.20	$ 38.20	$ 41.27	$ 36.37

The Company's common stock is traded over-the-counter based on quotes obtained by market makers from OTC Markets Group. The market price data was obtained from NASDAQ for 2022 and 2021.

SHAREHOLDER INFORMATION

Board of Directors

** **CURTIS L. DINAN**
Senior Vice President and
Chief Operating Officer –
ONE Gas, Inc.

* ** *** **JOHN J. GHIRARDELLI**
Chairman of the Board,
President, and CEO –
Keystone Digital
Managing Partner –
Qdoba Franchisee,
MO, AR, and OK

* **DAVID T. MOORE**
President and CEO

*** **JEAN L. MORRIS**
Marketing and Design Coordinator –
Big Cedar Lodge

*** **JOHN P. (JACK) STACK**
Chairman, President, and CEO –
SRC Holdings Corporation

* ** **LEE J. VIOREL, III**
Member –
Lowther Johnson Attorneys at Law, L.L.C.

* Executive Committee Member
** Audit Committee Member
*** Nominating and Compensation Committee Member

Officers

DAVID T. MOORE
President and CEO

KENNETH E. JEFFRIES
Chief Financial Officer

JOE C. MEISSERT
Chief Operating Officer

DENISE M. SILVEY
Secretary

Subsidiaries

MUELLER TRANSPORTATION, INC.

Officers

JOE C. MEISSERT – President

KENNETH E. JEFFRIES – Controller

MICHAEL R. PAYNE – Secretary

PATRICIA K. WEBSTER – Treasurer

MUELLER B.V.

Managing Director

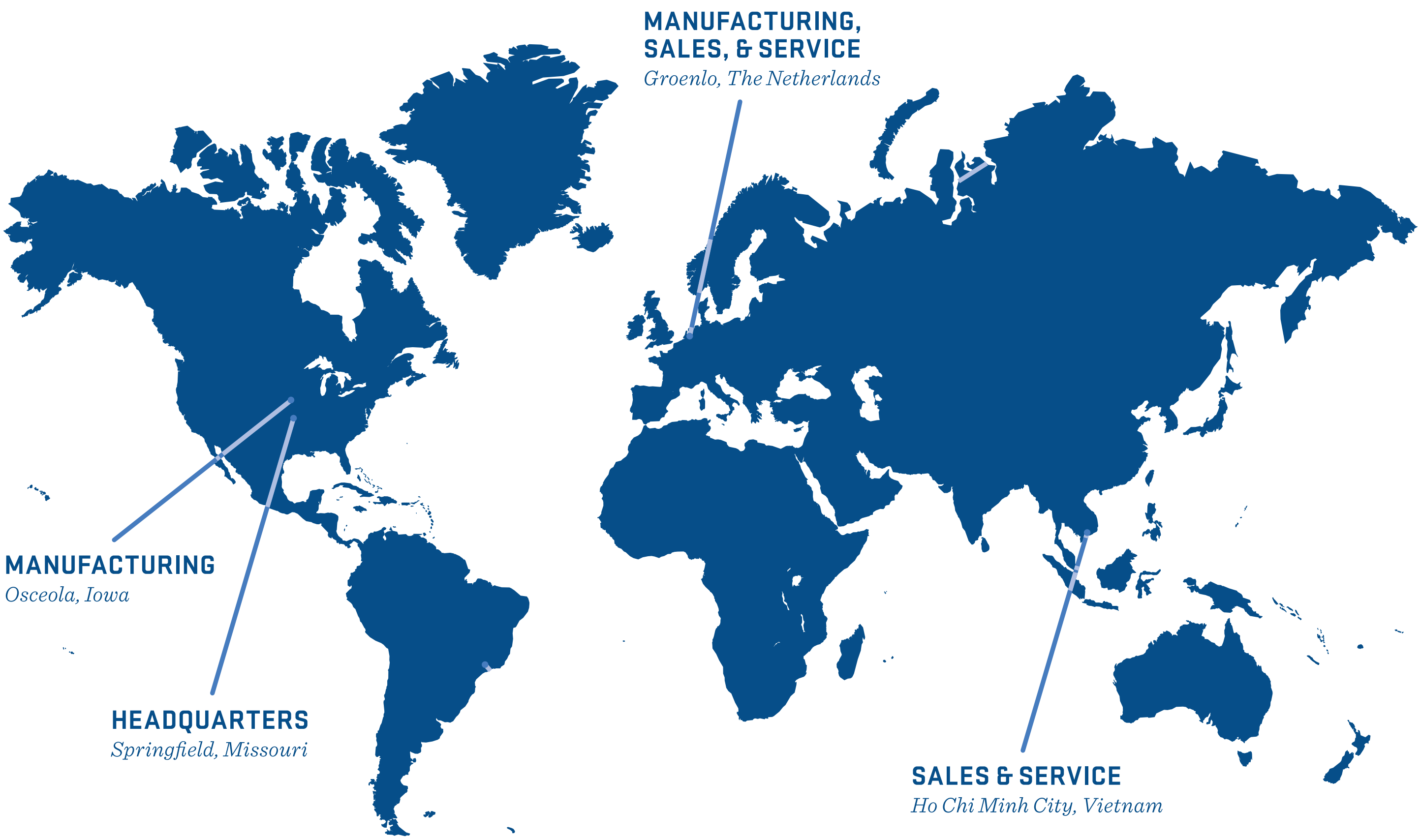
PAUL MUELLER COMPANY

Transfer Agent

Computershare, Inc.
250 Royall Street
Canton, MA 02021

PAUL MUELLER COMPANY

At Paul Mueller Company, we are united by a belief that the only quality that matters is quality that works for life. With every piece of processing equipment we build, our goal is to have lasting impact. This collective vision has led us from a small sheet metal shop to a global supplier of heating, cooling, processing, and storage solutions. Our equipment allows farmers, brewers, and engineers to keep their products fresh and their inventory strong. Whether our equipment preserves milk in rural areas or helps manufacture medicine with broad health benefits, we are making an impact across the globe.



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