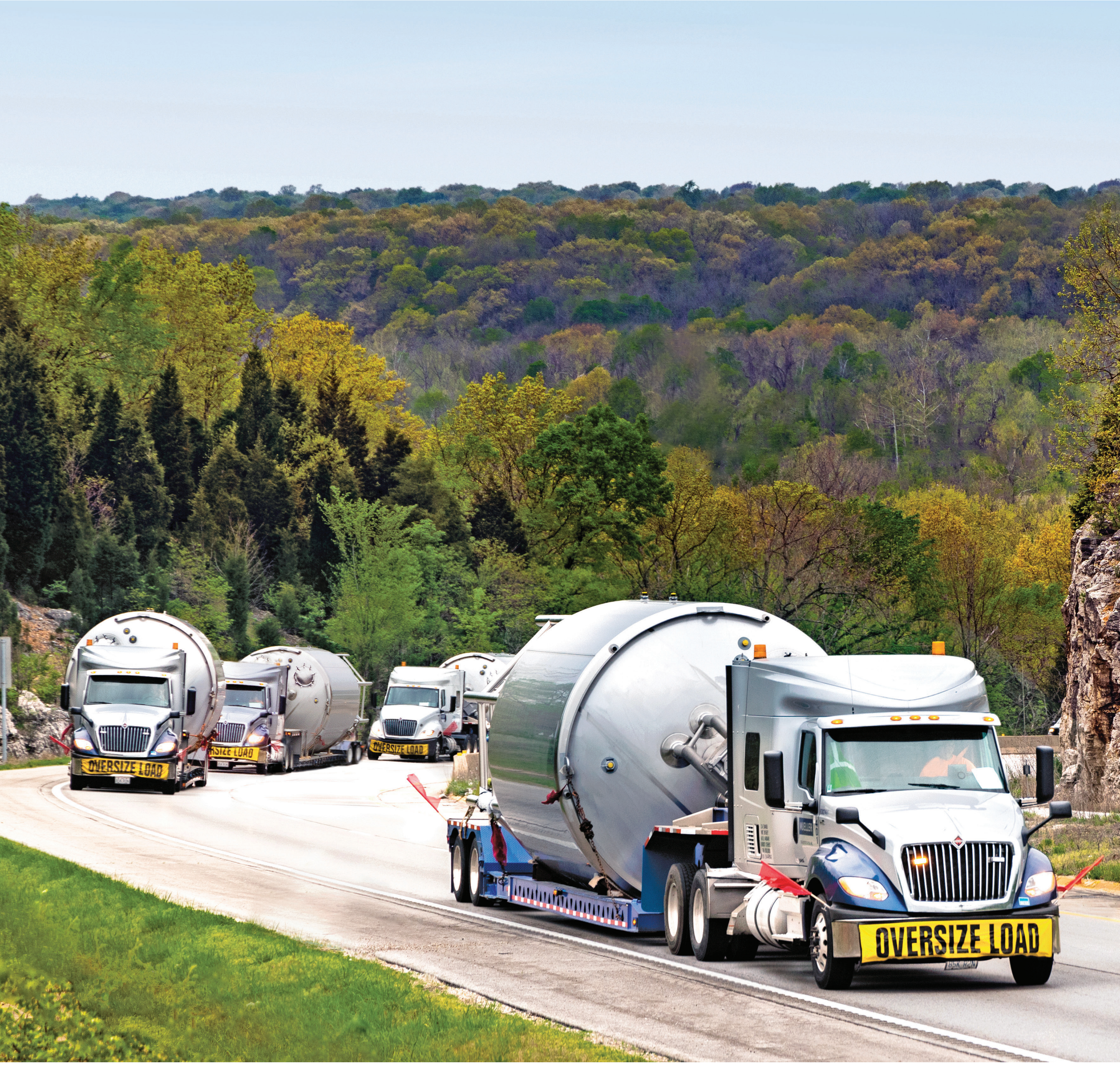
End-to-End Service



2024 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, and wine.

Business Segments

Refrigeration and Heat Transfer – Milk cooling and storage, refrigeration products, heat recovery equipment, and heat transfer products.

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

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

European Operations – Geographically separate from domestic operations. Primarily milk cooling and storage. Also includes process tanks and heat transfer products.

About Us

At Paul Mueller Company, we are driven by purpose. 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.	2024	2023	2022
Net Sales	$ 248,585	$ 229,156	$ 191,520
Income (Loss) Before Taxes	38,289	(15,422)	4,641
Provision (Benefit) for Income Taxes	8,617	(5,532)	1,032
Net Income (Loss)	$ 29,672	$ (9,890)	$ 3,609
Earnings (Loss) Per Common Share:			
Basic	$ 30.46	$ (9.11)	$ 3.32
Diluted	$ 30.46	$ (9.11)	$ 3.32

Year-End Position

	2024	2023	2022
Total Assets	$ 158,674	$ 134,269	$ 137,928
Working Capital	$ 31,208	$ 27,694	$ 2,974
Current Ratio	1.44	1.47	1.03
Shareholders' Investment	$ 78,949	$ 63,516	$ 40,058
Book Value Per Share	$ 84.27	$ 58.50	$ 36.90
Common Shares Outstanding	936,837	1,085,711	1,085,711
Backlog – United States (Unaudited)	$ 149,420	$ 89,166	$ 125,231
Backlog – The Netherlands (Unaudited)	$ 4,265	$ 8,184	$ 7,598

To the Shareholders of Paul Mueller Company:

Paul Mueller Company had a very strong 2024. Revenue increased by 8.5% to $248.6 million, and net income increased by a larger percentage. In 2023, we reported a loss of $9.9 million; however, without the pension settlement charge, net income would have been $21.0 million, a record at that time. In 2024, net income increased 41% from this adjusted number to $29.7 million, a second consecutive record. Mueller B.V. achieved its second consecutive year of profitability in 2024.

This year, we refined our segment data reporting. The Refrigeration and Heat Transfer segment (Refrigeration) includes milk cooling and storage equipment for dairy farmers, heat exchanger products like Accu-Therm® and Temp-Plate®, and various industrial refrigeration solutions, such as chillers. While the Industrial Equipment segment (Industrial) made the largest contribution to our increase in performance over the last two years, the Refrigeration segment increased performance proportionally and made a significant contribution. The story is the same inside the Industrial segment. While much of the performance was driven by large projects in the pharmaceutical, food, and beverage industries, other activities within the segment, such as our water purification business, PyroPure®, and our components group, performed well. The strong performance of the past two years was characterized by more consistent profitability across all our business activities.

This more consistent performance results from the hard work of an increasingly skilled team. As our success increases, so does our ability to recruit, develop, and retain the talent that produces success. We continue to increase the investment required to support this team. Over the last two years, we have described in this letter our increased investment in production equipment at all three of our manufacturing locations. This year, we increased investment in our internal training programs by increasing management and supervision training. We constructed a skills lab for manufacturing training. We converted warehouse space in Springfield into production space for new models of chillers, a calibration lab to support the calibration of customer equipment, and a panel shop to produce control panels for the equipment we produce. Most visibly, work continues on the construction of the new building on our Springfield campus, which is designed to assemble large modules. The modular assembly of processing equipment allows us to set the vessels, heat exchangers, piping, and controls into structural frames shipped to the customer and installed as one module, reducing the time and risk required to assemble this equipment at the customer's site. This method is popular in the pharmaceutical industry, where the largest modules are known as superskids, but this practice has applications in other industries we serve.

Before discussing how we are positioned for 2025, we would like to comment on two aspects of our reporting to you, our shareholders, and other readers of our financial statements.

First, we have changed the information provided with our proxy statement to follow the guidance of OTC Markets Group, as described in their document, "Alternative Reporting Standard: Disclosure Guidelines for the Pink Market." In 2005, to avoid the rising cost of compliance with the requirements for SEC registrants, we deregistered with the SEC. We continued reporting to our shareholders in the format used before 2005. This left us reporting to our shareholders without the guidance of any disclosure standard. Sometime later, we began producing a second set of quarterly and annual disclosures and filing them with OTC Markets Group to qualify for their Pink Current Market. This year, we are changing our proxy statement to follow these disclosure guidelines.

Second, we received a qualified audit opinion based on the structure of our segment data. To understand why, it is useful to understand our current structure and its history. In 2012, we arranged the company into a series of small product lines and implemented a management system known as The Great Game of Business in order to teach financial literacy and make decisions more quickly in a more decentralized manner. We have been successful with this system, and it has become a distinctive part of our company culture. These product lines report to our four general managers in the structure used for the segment data we present in this report. The ten product lines have scorecards resembling income statements, providing high-quality information to educate our coworkers and make certain tactical decisions, but we make no effort to make these scorecards appropriate for external reporting. For example, when a product line has a sudden increase in work or encounters a problem we will move resources to that product line more quickly than we change the accounting to reflect these costs; when a product line is very busy, we sometimes enter an order from their market as a job for a related product line, making the revenue confusing to an external reader; we freely create and combine product lines as we test new products; and we make other non-GAAP choices for internal educational purposes, such as applying a capital charge to make our product line EBT more like economic profit. In making business decisions our general managers review the product line scorecards but they consider them together in segments, allowing them to understand our performance without the distortions described above. It is no coincidence that these segments resemble our historical segment data. It is at the level of the general managers where we make strategic decisions and where we are able to eliminate the effects of our management system that would make external reporting difficult. Topic 280, "Segment Reporting," requires the Company to report segment data to you in a structure consistent with how we make management decisions. We received a qualified audit opinion for structuring our segment data as our general managers are structured rather than a more detailed product line structure. Reporting segment data at the product line level would be difficult to implement, would not improve the usefulness of our financial statements, would make them more difficult to understand, and would make them less consistent over time. We have decided to accept a qualified opinion from our auditor and produce for you the financial statements that we would want to receive if we were shareholders who did not work inside the Company.

The Company remains in a strong position as 2025 begins. The manufacturing backlog on December 31, 2024, was $153.7 million, down from the June 30, 2024, backlog of $187.3 million. This is still a record backlog for the start of a year. Strong order entry has continued into the first quarter of 2025. This month, we received approximately $120 million of pharmaceutical market orders, part of which we will execute in the new Springfield building. The current backlog, combined with investments in equipment and talent, puts the Company in a strong operational and financial position. Simultaneously with this report's release, we will announce another tender offer for up to $15 million worth of the Company's shares.

The front cover of this report features a shipment of large tanks to a food processing customer, transported by Mueller Transportation, and photographed by Kellie Jayne Vaughn and Max Boivin of our marketing team. This image underscores the unique value Paul Mueller Company offers. By producing components like tank heads, manways, heat exchangers, and machined parts in-house, fabricating a wide range of vessels, and performing modular construction in our factory, we significantly reduce the number of vendors, risks, and costs for our customers. Our facilities allow customers to inspect and test their equipment while construction progresses at their site. We handle the transportation, delivery, installation, reassembly, and service directly through our personnel, our former subsidiary Adaptive Stainless, or our dealer network. This integrated approach sets us apart in the many markets we serve. The back cover is an outline used by our salespeople to discuss with potential customers how we can simplify their projects. I encourage you to review it and consider any opportunities where we might assist.

Sincerely,

David Moore

David Moore
President and CEO

March 31, 2025

Consolidated Statements of Operations
Years Ended December 31, 2024, 2023, and 2022

Amounts in thousands, except for share data.	2024	2023	2022
Net Sales	$ 248,585	$ 229,156	$ 191,520
Cost of Sales	166,124	158,625	152,286
Gross profit	82,461	70,531	39,234
Selling, General, and Administrative Expenses	46,248	88,269	35,011
Operating income (loss)	36,213	(17,738)	4,223
Other Income (Expense):			
Interest income	1,856	2,535	907
Interest expense	(301)	(350)	(697)
Other, net	521	131	208
Total Other	2,076	2,316	418
Income (loss) before provision (benefit) for income taxes	38,289	(15,422)	4,641
Provision (Benefit) for Income Taxes	8,617	(5,532)	1,032
Net Income (Loss)	$ 29,672	$ (9,890)	$ 3,609
Earnings (Loss) Per Common Share:			
Basic	$ 30.46	$ (9.11)	$ 3.32
Diluted	$ 30.46	$ (9.11)	$ 3.32

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

Consolidated Statements of Comprehensive Income (Loss)
Years Ended December 31, 2024, 2023, and 2022

Amounts in thousands.	2024	2023	2022
Net Income (Loss)	$ 29,672	$ (9,890)	$ 3,609
Other Comprehensive Income, Net of Tax:			
Foreign currency translation adjustment	$ (1,577)	$ 677	$ (1,416)
Change in pension liability	64	33,322	1,262
Comprehensive Income	$ 28,159	$ 24,109	$ 3,455

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

Consolidated Balance Sheets
December 31, 2024, 2023, and 2022

Amounts in thousands, except for share data.	2024	2023	2022
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 21,169	$ 7,147	$ 3,468
Marketable securities	24,446	26,778	34,708
Accounts receivable, net	31,266	25,166	20,580
Current net investment in sales-type leases	39	27	24
Inventories: Raw materials and components	18,434	20,351	21,786
Work-in-process	12,403	15,923	17,910
Finished goods	10,068	9,636	8,819
	40,905	45,910	48,515
LIFO reserve	(20,146)	(21,774)	(21,691)
	20,759	24,136	26,824
Prepayments	4,933	3,537	3,156
Total current assets	102,612	86,791	88,760
Property, Plant, and Equipment:			
Land and land improvements	7,934	8,126	8,005
Buildings	29,518	28,279	27,392
Fabrication equipment	85,604	87,112	80,587
Transportation, office, and other equipment	19,095	19,218	18,572
Construction-in-progress	14,513	3,025	5,272
	156,664	145,760	139,828
Less: Accumulated depreciation	(105,910)	(103,749)	(98,317)
	50,754	42,011	41,511
Right of Use for Operating Lease	1,493	1,215	1,361
Right of Use for Financing Lease	742	1,206	943
Deferred Taxes	8	227	2,235
Other Assets	1,854	2,363	2,806
Long-Term Net Investment in Sales-Type Leases	1,211	456	312
Total Assets	$ 158,674	$ 134,269	$ 137,928
LIABILITIES AND SHAREHOLDERS' INVESTMENT			
Current Liabilities:			
Short-term borrowings	$ 3,050	$ –	$ –
Current maturities of long-term debt	416	640	628
Accounts payable	17,588	11,041	11,802
Current lease liability for operating	251	221	263
Current lease liability for financing	85	181	185
Income taxes payable	1,673	1,536	–
Accrued expenses: Payroll and benefits	10,063	8,122	4,521
Vacations	995	918	969
Other	2,860	5,131	3,635
Advance billings	26,788	27,383	41,288
Billings in excess of costs and estimated earnings	7,635	3,924	10,937
Pension Liabilities	–	–	11,558
Total current liabilities	71,404	59,097	85,786
Long-Term Pension Liabilities	–	–	236
Long-Term Debt, Less Current Maturities	5,096	8,880	9,349
Other Long-Term Liabilities	2,329	2,001	1,737
Operating Lease Liability, Less Current Portion	671	493	515
Financing Lease Liability, Less Current Portion	225	282	247
Total Liabilities	79,725	70,753	97,870
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	96,037	67,181	75,721
	107,253	78,397	86,937
Less: Treasury stock – 570,644 shares for 2024, and 421,770 shares for 2023 and 2022, at cost	(22,697)	(10,787)	(10,787)
Accumulated other comprehensive (loss)	(5,607)	(4,094)	(36,092)
Total Shareholders' Investment	78,949	63,516	40,058
Total Liabilities and Shareholders' Investment	$ 158,674	$ 134,269	$ 137,928

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

Consolidated Statements of Shareholders' Investment
Years Ended December 31, 2024, 2023, and 2022

Amounts in thousands.	Common Stock	Paid-in Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive (Loss)	Total
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 (loss), 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
Add (Deduct):						
Net (loss)	–	–	(9,890)	–	–	(9,890)
Other comprehensive income, net of tax	–	–	2,001	–	31,998	33,999
Dividends, $.60 per common share	–	–	(651)	–	–	(651)
Balance – December 31, 2023	1,508	$ 9,708	67,181	(10,787)	(4,094)	63,516
Add (Deduct):						
Net income	–	–	29,672	–	–	29,672
Other comprehensive (loss), net of tax	–	–	(7)	–	(1,513)	(1,520)
Dividends, $.15 per common share in Q1	–	–	(163)	–	–	(163)
Dividends, $.23 per common share in Q2, Q3, and Q4	–	–	(646)	–	–	(646)
Treasury stock acquisition	–	–	–	(11,910)	–	(11,910)
Balance – December 31, 2024	$ 1,508	$ 9,708	$ 96,037	$ (22,697)	$ (5,607)	$ 78,949

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

Consolidated Statements of Cash Flows
Years Ended December 31, 2024, 2023, and 2022

Amounts in thousands.	2024	2023	2022
Cash Flow Provisions from Operating Activities:			
Net income (loss)	$ 29,672	$ (9,890)	$ 3,609
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Pension contributions less (greater) than expense	–	21,592	(4,980)
Bad debt expense	35	275	81
Depreciation and amortization	6,992	6,641	6,156
Loss (gain) on disposal of equipment	(9)	796	(1)
Deferred tax (benefit) expense	(1,001)	(9,230)	831
Changes in assets and liabilities:			
(Increase) decrease in accounts and notes receivable	(6,135)	(4,861)	5,113
Decrease (increase) in inventories	4,316	2,688	(370)
(Increase) decrease in prepayments	(1,684)	394	(1,052)
Decrease in other assets	1,273	380	347
(Increase) in net investment is sales-type leases	(768)	(147)	(149)
Decrease in deferred taxes	295	11,550	437
Increase (decrease) in accounts payable	6,546	(761)	(2,668)
Increase in accrued income tax payable	137	1,536	–
(Decrease) increase in accrued expenses	(294)	5,278	415
(Decrease) increase in advance billings	(595)	(13,905)	22,693
Increase (decrease) in billings in excess of costs and estimated earnings	3,711	(7,013)	10,552
Increase in lease liability for operating	–	–	421
Increase in lease liability for finance	–	133	33
Principal payments on lease liability for operating	(233)	(85)	(350)
Increase (decrease) in long-term liabilities	1,637	(1,121)	(111)
Net cash provided by operating activities	43,895	4,250	41,007
Cash Flows (Requirements) from Investing Activities:			
Proceeds from sales of equipment	132	171	26
Purchases of marketable securities	(28,419)	(27,128)	(46,678)
Proceeds from marketable securities	30,751	35,059	20,000
Additions to property, plant, and equipment	(17,299)	(7,704)	(9,067)
Net cash (required) provided by investing activities	(14,835)	398	(35,719)
Cash Flow (Requirements) from Financing Activities:			
Principal payments on lease liability for financing	(175)	(116)	(201)
(Repayment) of short-term borrowings	(2,922)	(2,190)	(6,522)
Proceeds of short-term borrowings	2,922	2,190	5,880
Principal payments on long-term debt	(1,130)	(634)	(4,045)
Dividends paid	(809)	(651)	(652)
Treasury stock acquisitions	(11,910)	–	(38)
Net cash (required) by financing activities	(14,024)	(1,401)	(5,578)
Effect of Exchange Rate Changes	(1,014)	432	508
Net Increase in Cash	14,022	3,679	218
Cash and Cash Equivalents at Beginning of Year	7,147	3,468	3,250
Cash and Cash Equivalents at End of Year	$ 21,169	$ 7,147	$ 3,468

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 Nature of Business – The financial statements include the accounts of Paul Mueller Company and its wholly owned subsidiaries: Mueller Transportation, Inc. and Mueller B.V. and its subsidiaries (collectively "Company"). All significant intercompany balances and transactions have been eliminated in consolidation. The Company provides manufactured equipment and components for the food, dairy, beverage, chemical, pharmaceutical, and other industries, as well as the dairy farm market. The Company also provides service, repair, installation, 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 8 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, 2024, there was $30,883,000 of revenue recognized that was included on the December 31, 2023, Consolidated Balance Sheets as advance billings and billings in excess of costs and estimated earnings (contract liabilities). During the year ended December 31, 2023, there was $45,016,000 of revenue recognized that was included on the December 31, 2022, Consolidated Balance Sheets as advance billings and billings in excess of costs and estimated earnings (contract liabilities). 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). .

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 performed 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, 2024, 2023, and 2022 (in thousands):

	2024	2023	2022
Revenue recognized at a point-in-time	$ 185,088	$ 192,900	$ 174,556
Revenue recognized over-time	$ 63,497	$ 36,256	$ 16,964
Net sales	$ 248,585	$ 229,156	$ 191,520

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 onsite services. 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 onsite services 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 onsite services 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 Footnote 5 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, 2024, 2023, and 2022, 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, 2024, 2023, and 2022, were as follows (in thousands):

	2024	2023	2022
Costs incurred on uncompleted contracts	$ 25,349	$ 29,037	$ 11,198
Estimated earnings	25,335	16,800	4,086
	50,684	45,837	15,284
Less: Billings to date	57,262	46,633	26,167
	$ 6,578	$ (796)	$ (10,883)

Amounts included in the accompanying Consolidated Balance Sheets as of December 31, 2024, 2023, and 2022, under the following captions were (in thousands):

	2024	2023	2022
Costs and estimated earnings in excess of billings on uncompleted contracts (contract assets)	$ –	$ –	$ –
Income earned not invoiced included in accounts receivable	1,057	3,128	54
Billings in excess of costs and estimated earnings on uncompleted contracts (contract liabilities)	(7,635)	(3,924)	(10,937)
	$ (6,578)	$ (796)	$ (10,883)

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.

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, 2024, 2023, and 2022.

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, 2024, 2023, and 2022, there were no bill-and-hold transactions.

Marketable Securities – Marketable securities consist of short-term investments (less than two years) that have a minimum amount of risk. These include U.S. treasuries, investment grade corporate debt (defined as BBB– or better), bank certificate of deposits, or debt of U.S. government agencies. These investments are held-to-maturity securities that are reported at amortized cost. As of December 31, 2024, the fair value of the marketable securities was $23,841,000. The unrealized gain on marketable securities was $62,000, and the unrealized loss on marketable securities was $43,000, for a net unrealized gain of 19,000.

Trade Accounts Receivable and Allowances for Credit Losses – In June 2016, the FASB issued guidance (FASB ASC 326), which changed how entities measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard was a shift from the incurred loss model to the expected loss model.

The Company adopted the standard effective January 1, 2023, using a modified retrospective approach. The impact of the adoption was not material to the financial statements and primarily resulted in additional disclosures.

Trade accounts receivable, reduced by an allowance for expected credit loss, are reported on the Consolidated Balance Sheets. The Company's allowance for credit loss is determined based on the length of time receivables are past due and historical credit loss rates. Accounts are evaluated on a regular basis and reserves are established as deemed appropriate, based on the above criteria. Increases to the reserve are charged to the provision for credit losses, and reductions to the reserve are recorded when receivables are written off or subsequently collected. Accounts and notes receivables from non-customer entities are evaluated for collectability individually.

The allowance for credit losses for accounts receivable and the related activity are as follows (in thousands):

	2024	2023
Beginning balance	$ 515	$ 539
Provision for credit losses	243	275
Write-offs	(195)	(127)
Recoveries	(13)	(172)
Ending balance	$ 550	$ 515

Prior to 2023, the Company evaluated for reserves of doubtful accounts against accounts receivable and the balance of these reserves at December 31, 2022, was $539,000.

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, 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 onsite services. 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, 2024, 2023, and 2022, the amounts in advanced billings were $26,751,000, $27,383,000, and $41,288,000, 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 2024, 2023, and 2022, inventories are adjusted using the internal index method for calculating last-in, first-out ("LIFO").

Inventories of Mueller B.V. were $9,560,000, $10,899,000, and $10,997,000 as of December 31, 2024, 2023, and 2022, 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, 2024, 2023, and 2022.

The pretax results for the twelve months ended December 31, 2024, were favorably affected by a $1,628,000 decrease in the LIFO reserve. The pretax results for the twelve months ended December 31, 2023, were unfavorably affected by a $83,000 increase in the LIFO reserve. The pretax results for the twelve months ended December 31, 2022, were unfavorably affected by a $4,836,000 increase in the LIFO reserve.

Property, Plant, and Equipment – Property, plant, and equipment are carried at cost less accumulated depreciation. 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 $6,940,000, $6,575,000, and $6,103,000 for the years ended December 31, 2024, 2023, and 2022, 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 $823,000 during 2024, $818,000 during 2023, and $725,000 during 2022.

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, 2024, 2023, and 2022.

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):

	2024	2023	2022
Net income (loss)	$ 29,672	$ (9,890)	$ 3,609
Shares for basic earnings per common share:			
Weighted-average shares outstanding	974,056	1,085,711	1,085,711
Shares for diluted earnings per common share:			
Adjusted weighted-average shares outstanding	974,056	1,085,711	1,085,711
Earnings (loss) per common share:			
Basic	$ 30.46	$ (9.11)	$ 3.32
Diluted	$ 30.46	$ (9.11)	$ 3.32

Comprehensive Income (Loss) – The components of other comprehensive income (loss) for the years ended December 31, 2024, 2023, and 2022, were as follows (in thousands):

	2024	2023	2022
Foreign currency translation adjustment	$ (1,577)	$ 677	$ (1,416)
Tax	–	–	–
Foreign currency translation adjustment, net of tax	(1,577)	677	(1,416)
Change in pension liability	–	44,872	1,699
Tax	–	(11,550)	(437)
Reclassification of stranded OCI	64	(2,001)	–
Change in pension liability, net of tax	64	31,321	1,262
Other comprehensive income (loss)	$ (1,513)	$ 31,998	$ (154)

Statements of Cash Flows – Interest and income tax payments made during the years ended December 31, 2024, 2023, and 2022, were as follows (in thousands):

	2024	2023	2022
Interest payments	$ 301	$ 355	$ 630
Income tax payments	$ 6,872	$ 1,300	$ 67

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

	Shares	
	Common	Treasury
Balance – December 31, 2021	1,507,481	420,820
Treasury stock acquisition	–	950
Balance – December 31, 2022	1,507,481	421,770
Treasury stock acquisition	–	–
Balance – December 31, 2023	1,507,481	421,770
Treasury stock acquisition	–	148,874
Balance – December 31, 2024	1,507,481	570,644

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, 2024, 2023, and 2022, no provision has been made for U.S. federal deferred income taxes on $9,227,000, $7,893,000, and $6,416,000, 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.

Reclassifications – The Company reclassified certain amounts previously classified as marketable securities to cash and cash equivalents. The reclassification does not affect the Company's total assets or total liabilities. The change merely reallocates the amounts from marketable securities to cash and cash equivalents on the balance sheet, ensuring that the financial statements more accurately reflect the Company's short-term liquidity position. The reclassification increased cash and decreased marketable securities by $5,264,000 for the year ended December 31, 2023, and $2,789,000 for the year ended December 31, 2022.

Recent Accounting Pronouncements – In November 2023, the FASB issued guidance (ASU 2023-07), which outlined improvements to the reportable segment disclosures. The Company adopted the standard effective January 1, 2024, and prior years were recast to conform to the current year presentation.

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

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

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. The Vietnam building lease is the only lease that includes an option to renew. The lease will go to a year-over-year renewal after the initial term, unless either party terminates in accordance with the notice provisions of the 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, 2024, the financial statements include finance lease costs of $181,000 in amortization of the ROU assets, $14,000 in interest on the lease liabilities, and operating lease costs of $267,000. For the year ended December 31, 2023, the financial statements include finance lease costs of $200,000 in amortization of the ROU assets, $11,000 in interest on the lease liabilities, and operating lease costs of $298,000. For the year ended December 31, 2022, the financial statements include finance lease costs of $201,000 in amortization of the ROU assets, $10,000 in interest on the lease liabilities, and operating lease costs of $280,000.

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

	2024	2023	2022
Weighted average remaining lease term, finance lease	4.6 years	3.9 years	2.7 years
Weighted average remaining lease term, operating lease	4.3 years	3.9 years	3.8 years
Weighted average discount rate, finance lease	3.88%	3.14%	2.17%
Weighted average discount rate, operating lease	3.76%	3.25%	2.61%

At December 31, 2024, 2023, and 2022, there are net non-cash financing activities related to the Company's operating lease agreements for vehicles recognized as both right of use assets and corresponding lease liabilities of $481,000, $192,000, and $344,000, respectively, in the consolidated balance sheet. At December 31, 2024, 2023, and 2022, there are net non-cash financing activities related to the Company's finance lease agreements for vehicles, plant equipment, and office equipment recognized as both right of use assets and corresponding lease liabilities of $48,000, $109,000, and $33,000, respectively, in the consolidated balance sheet. These non-cash financing activities are not reflected in the consolidated statements of cash flows.

<u>As Lessor:</u> For the year ended December 31, 2024, total income from operating leases was $2,221,000, which is included in the consolidated income statement in net sales. For the year ended December 31, 2024, for sales-type leases, total revenue recorded was $775,000, and total costs of goods sold recorded was $698,000, which are included in the consolidated income statement in net sales and cost of sales, respectively. For the year ended December 31, 2023, total income from operating leases was $2,605,000, which is included in the consolidated income statement in net sales. For the year ended December 31, 2023, for sales-type leases, total revenue recorded was $126,000, and total costs of goods sold recorded was $118,000, which are included in the consolidated income statement in net sales and cost of sales, respectively. 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.

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 181-month average lease term for leases starting in 2024 and a 141-month average lease term for leases starting in 2023 and 2022. 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 $401,000 for 2024, $415,000 for 2023, and $249,000 for 2022.

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

	2024	2023	2022
Machinery and equipment, at cost	$ 9,260	$ 10,369	$ 10,223
Accumulated depreciation	(5,510)	(5,769)	(5,973)
Net investments in operating leases	$ 3,780	$ 4,600	$ 4,250

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):

2025	$ 1,757
2026	1,483
2027	1,383
2028	823
2029	393
Thereafter	1,434
	$ 7,273

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

	2024	2023	2022
Total minimum lease receivables	$ 1,045	$ 305	$ 243
Less: Allowance for credit loss	–	–	–
Net minimum lease payments receivable	1,045	305	243
Estimated residual values of leased property	205	178	93
Net investments in sales-type leases	$ 1,250	$ 483	$ 336
Current portion	$ 39	$ 27	$ 24
Long-term portion	$ 1,211	$ 456	$ 312

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):

2025	$ 204
2026	204
2027	204
2028	204
2029	201
Thereafter	1,586
	$ 2,603
Less discounted cash flow adjustment	(1,558)
Total minimum lease receivable	$ 1,045

(2) 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 $1,710,000 for 2024, $1,436,000 for 2023, and $1,044,000 for 2022. In addition, Mueller B.V. sponsors retirement 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 the Company contributions included in the accompanying Consolidated Statements of Operations were $1,416,000 for 2024, $1,445,000 for 2023, and $1,290,000 for 2022.

Historically, the Company has also sponsored defined benefit pension plans covering domestic employees who are represented by a bargaining unit and employees who are not represented by a bargaining unit, the contract plan and noncontract plan. The contract and non-contract benefit pension plans for domestic employees were terminated on December 18, 2023.

Benefits under the pension plans were 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, are not covered under the applicable pension plan. Also, after December 31, 2010, there are 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, are not covered under the applicable pension plan. Also, after June 30, 2011, there are no further accrual of benefits for participants under the pension plan for employees represented by the bargaining unit.

In November 2022 and December 2022, the Company announced that it had initiated standard plan terminations of the contract plan and noncontract plan, respectively. The Company applied to the Internal Revenue Service for its approval of the terminations, which it received on September 28, 2023.

As part of the plan termination, the Company purchased a Single Premium Group Annuity Contract (GAC) covering all remaining contract and noncontract annuitants. Premiums for the GAC were paid to an insurance company on December 15, 2023, based on the best available participant data.

The Company contributed $11,100,000 in 2023 to fund the plans and complete the terminations with the affected participants receiving either a lump sum payment or a monthly annuity payment provided by an insurance company. For 2023, the Company recognized a non-cash settlement charge of $41,773,000 ($30,900,000, net of tax). Total domestic pension expense under the plans, after recognizing the settlement charge, was $44,492,000 for 2023 and $45,000 for 2022.

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

	2023	2022
Change in projected benefit obligation:		
Benefit obligation as of beginning of year	$ 81,078	$ 99,866
Interest cost	4,122	2,637
Annuity purchase	(62,592)	–
Actuarial (gain) loss	(1,569)	(16,023)
Benefits paid and expenses	(5,404)	(5,402)
Lump sum paid at plan termination	(15,297)	–
Benefit obligation as of end of year	$ 338*	$ 81,078
Change in plan assets:		
Fair value of plan assets as of beginning of year	69,284	81,831
Actual return on plan assets	2,934	(11,731)
Employer contributions	11,148	4,588
Annuity purchase	(62,592)	–
Benefits paid and expenses	(5,404)	(5,402)
Lump sum paid at plan termination	(15,297)	–
Fair value of plan assets as of end of year	$ 73*	$ 69,284
Funded status	$ (265)	$ (11,794)
Funded status as of end of year	$ (265)	$ (11,794)

**The decrease in the long-term pension liabilities during 2023 is primarily a result of settling the U.S. contract and noncontract plans. The plan asset balance of $73,000 at December 31, 2023, was primarily from interest earned and recorded subsequent to the plan termination payout. These funds were used to pay final termination expenses invoiced in 2024. The $73,000 is included in the long-term pension liabilities as of end of year.*

The Company provided a Supplementary Executive Retirement Plan (SERP) for one individual executive. In 2023 and 2024, the current portion of the underfunded status was reclassed to other accrued expenses and the long-term portion was reclassed to other long-term liabilities.

The primary driver of the decrease in accumulated other comprehensive loss between December 31, 2022, and December 31, 2023, is related to the recognition of the $41,773,000 settlement charge related to the plan terminations. The settlement charge reflects the accelerated recognition of the accumulated other comprehensive loss into pension expense for both the noncontract and contract plan at the time of settlement.

Components of pension expense for the two years prior to termination of the plan were (in thousands):

	2023	2022
Interest cost	$ 4,122	$ 2,637
Expected return on plan assets	(3,195)	(4,365)
Amortization of prior service cost	1,792	1,773
Net periodic pension expense	2,719	45
Settlement charge (income)	41,773	–
Total pension expense	$ 44,492	$ 45

Pension expense and other amounts recognized in other comprehensive income for the years ends December 31, 2023 and 2022, are as follows (in thousands):

	2023	2022
Total pension expense	$ 44,492	$ 45
Other changes in plan assets and benefit obligations recognized in other comprehensive income:		
Net loss (gain)	(1,307)	74
Amortization of prior service (cost) credit	(1,792)	(1,773)
Settlement charge (income)	(41,773)	–
Total recognized in other comprehensive income	(44,872)	(1,699)
Total recognized in pension expense and other comprehensive income	$ (380)	$ (1,654)

The components of pension expense are included in the line item, “selling, general, and administrative expenses” in the Consolidated Statements of Operations..

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

	2023	2022
Projected benefit obligations	$ 338	$ 81,078
Accumulated benefit obligations	$ 338	$ 81,078
Fair value of plan assets	$ 73	$ 69,284

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

	2023	2022
Discount rate	4.83%	5.24%
Rate of compensation increase	N/A	N/A

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

	2023	2022
Discount rate	5.24%	2.72%
Expected long-term return on plan assets	4.65%	5.38%
Rate of compensation increase	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 and the expected long-term rate of return on plan assets. 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. 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.

Prior to the plan termination, the Company had 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 used the services of outside consultants in setting appropriate asset allocation targets and monitoring investment performance. Plan assets were invested in equity securities, fixed income securities, and cash. 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.

Within the equities asset class, the investment policy provided 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 provided 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.

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 cash equivalents and fixed income with fixed durations. The investment objective was 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.

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

	2023	2022
Asset category:		
Cash and cash equivalents	99%	43%
Equity securities	0%	0%
Fixed income securities	1%	57%
	100%	100%

Assets were 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, 2023 and 2022 (in thousands):

Asset Category	Fair Value at 12-31-23	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	$ 392	$ 392[a]	$ –	$ –	$ –
Equity securities	–	–[b]	–	–	–
Fixed income securities	1	–[c]	–	–	1[d]
Total plan assets	$ 393	$ 392	$ –	$ –	$ 1

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

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

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

(c) The assets consisted 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.

(3) Income Taxes

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

	2024	2023	2022
Current tax expense	$ 9,618	$ 3,698	$ 201
Deferred, net	(1,001)	(9,230)	831
	$ 8,617	$ (5,532)	$ 1,032

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, 2024, 2023, and 2022, is shown below (in thousands):

	2024	2023	2022
Deferred tax assets:			
Worker's compensation	$ 184	$ 70	$ 92
Vacation	184	183	267
Warranty	391	529	200
Doubtful accounts	149	68	98
Pensions	62	68	2,377
Tax attribute carryforward	422	772	1,973
Other	3,156	2,693	1,167
Net deferred tax assets	$ 4,548	$ 4,383	$ 6,174
Deferred tax liabilities:			
Intangibles	$ –	$ (11)	$ (13)
Property, plant, and equipment	(3,274)	(4,049)	(3,396)
Inventories	(779)	(863)	(890)
Other liabilities	(58)	(18)	(107)
Net deferred tax liabilities	$ (4,111)	$ (4,941)	$ (4,406)
Net deferred tax assets (liabilities)	$ 437	$ (558)	$ 1,768

On the accompanying Consolidated Balance Sheets, foreign net deferred tax assets are included as non-current assets, and domestic deferred tax assets are included in other non-current assets as of December 2024. On the accompanying Consolidated Balance Sheets, foreign net deferred tax assets are included as non-current assets, and domestic deferred tax liabilities are included in other long-term liabilities as of December 2023. 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 of December 2022, as appropriate. Income taxes receivable (payable) at December 31, 2024, 2023, and 2022, were $(1,673,000), $(1,536,000) and $1,403,000, respectively, and are included in accounts receivable or income taxes payable on the accompanying Consolidated Balance Sheets. The detail of the deferred tax assets and liabilities as of December 31, 2024, 2023, and 2022, is shown below (in thousands):

	2024	2023	2022
Deferred tax assets, United States	$ 3,085	$ 2,574	$ 5,164
Deferred tax liability, United States	(2,656)	(3,359)	(2,929)
Net deferred tax assets (liabilities), United States	$ 429	$ (785)	$ 2,235
Net deferred tax assets (liabilities), the Netherlands	$ 8	$ 227	$ (467)

The Company's deferred income tax assets include certain future tax benefits. As of December 31, 2024, the tax effected deferred tax assets related to state net operating losses and federal net operating losses were eliminated. In addition, the Company has tax effected foreign net operating losses of $422,000.

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, 2024, 2023, and 2022, follows (in thousands):

	2024	Rates	2023	Rates	2022	Rates
Statutory federal income tax expense (benefit)	$ 8,040	21.00%	$ (3,238)	21.00%	$ 950	21.00%
Increase (decrease) in taxes resulting from:						
Tax credits	(218)	(.57%)	(151)	.98%	(212)	(4.69%)
State tax, net of federal benefit	1,022	2.67%	(1,211)	7.85%	101	2.23%
Net unrecognized tax positions	(41)	(.13%)	40	(.26%)	60	1.33%
International taxes	86	.22%	(923)	5.99%	(40)	(.88%)
Permanent differences	(134)	(.35%)	(26)	.17%	(48)	(1.06%)
Other, net	(138)	(.34%)	(23)	.15%	221	4.91%
	$ 8,617	22.50%	$ (5,532)	35.88%	$ 1,032	22.84%

A reconciliation of the beginning and ending amounts of unrecognized tax benefits follows. The balances as of December 31, 2024, 2023, and 2022, 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, 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
Additions based on tax positions related to the current year		40
Reductions for tax positions of prior years		(252)
Balance as of December 31, 2023	$	157
Additions based on tax positions related to the current year		–
Reductions for tax positions of prior years		(41)
Balance as of December 31, 2024	$	116

Federal tax returns are generally subject to examination for tax years 2021 and forward. State statutes vary, but state income tax returns are generally subject to examination from 2020 and forward. The unrecognized benefits of $116,000 as of December 31, 2024, 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, 2024, 2023, and 2022.

(4) Borrowings

In 2014, the Company entered into a domestic bank borrowing facility of $15,000,000. On March 12, 2024, the Company amended the domestic bank borrowing facility agreement to extend the agreement until March 31, 2025. The capacity was reduced to $10,000,000 and the only financial covenant remaining is fixed charge coverage which is tested quarterly.

Balances under the facility incur interest at the SOFR plus a spread of 1.45%, as defined, and are secured by domestic accounts receivable and inventory. As of December 31, 2024, 2023, and 2022, the total balance under the facility was zero.

On August 31, 2022, Mueller B.V.'s bank borrowing facility was increased to $4,400,000. Balance under the facility are at the variable rate of one-month Euribor plus 1.40%. As of December 31, 2024, 2023, and 2021, the total balance under the facility was zero. Mueller B.V. has a financial leverage covenant of total debt to EBITDA.

As of December 31, 2024, the Company had notes payable with an outstanding long-term balance of $5,096,000. 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		
	2024	2023	2022
Mueller B.V. note payable related to intercompany loan. Note matures in 2027 with a variable rate of 30-day SOFR plus 1.60%. The rate at year-end was 6.19%. Payments are made quarterly	$ 14,675	$ 15,366	$ 15,118
Mueller B.V. note payable related to mortgage loan secured by real estate, fixed assets, accounts receivable, inventory, and insurance proceeds. Note matures in 2038 with a fixed rate of 2.60%. Payments are made quarterly	5,512	6,270	6,527
Notes payable related to Mueller B.V. and subsidiaries	$ 20,187	$ 21,636	$ 21,645
Domestic note payable secured by land, buildings, and equipment. Note matures in 2025 with a fixed rate of 2.5%. Payments are made monthly	$ –	$ 3,250	$ 3,450
Current maturities	(416)	(640)	(628)
Elimination of intercompany loans	(14,675)	(15,366)	(15,118)
Total notes payable	$ 5,096	$ 8,880	$ 9,349

As of the end of the fiscal year, the domestic note payable of $3,050,000, which is due to mature in March 2025, has been reclassified as a current liability. Accordingly, this amount is now presented under short-term borrowings on the balance sheet, reflecting its classification as a liability that is expected to be settled within the next twelve months.

The principal payments of the notes payable as of December 31, 2024, and for future years are listed below (in thousands):

2025	$ 416
2026	416
2027	416
2028	416
2029	416
Thereafter	3,432
	$ 5,512

(5) Guarantees

The Company has a standby letter-of-credit facility of $5,000,000. As of December 31, 2024, there was a standby letter of credit totaling $871,000, issued under this facility, which will expire within one year.

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, 2024, 2023, and 2022 (in thousands):

	2024	2023	2022
Beginning balance	$ 2,532	$ 1,297	$ 1,326
Costs incurred to satisfy warranty claims	(2,312)	(1,860)	(86)
Aggregate warranty reserves made	2,328	2,960	674
Aggregate changes to warranty reserves	(444)	135	(617)
Ending balance	$ 2,104	$ 2,532	$ 1,297

(6) Contingencies

The Company has operating leases with total aggregate future minimum payments of $1,071,000, and financing leases with total aggregate future minimum payments of $355,000, with terms exceeding one year. As of December 31, 2024, 2023, and 2022, the lease expense amounts were $462,000, $509,000, and $491,000, respectively.

The future minimum lease payments for each of the years subsequent to December 31, 2024, will be (in thousands):

	Operating	Finance
2025	$ 298	$ 100
2026	249	69
2027	208	62
2028	156	52
2029	96	49
2030 and after	64	23
	$ 1,071	$ 355
Less discounted cash flow adjustment	(149)	–
Less interest	–	(45)
Lease liability	$ 922	$ 310

On June 12, 2020, the Company was granted a loan in the amount of $1,883,700, pursuant to the Paycheck Protection Program. The Company filed for forgiveness of the loan on November 17, 2020, and was granted forgiveness on June 10, 2021. The U.S. government has up to six years to audit the loan for compliance.

On August 26, 2024, the Company broke ground on a new building construction at its headquarters, investing $22,000,000 and creating 133 new jobs. This first phase of the company's expansion includes the establishment of a new facility that will increase its capacity for the assembly of large production modules.

The curtailment of nitrogen emissions has been a much-discussed topic in the European Union for many years. On January 22, 2025, a Dutch court ordered the government to cut nitrogen emissions in the Netherlands by 2030, a ruling that could hurt construction, transportation, and may pressure farmers to reduce livestock.

The case was brought by Greenpeace, which said the government was not doing enough to lower high levels of nitrogen emissions caused by farming and the use of fertilizers, as well as traffic and construction in the densely populated Netherlands. The court in The Hague said the government must reduce the emissions to legally allowed levels in 50% of all affected nature reserves by 2030. The Netherlands so far has reduced emissions to the required levels in 28% of the reserves.

Management is closely monitoring the situation and realizes that the mandate to reduce emissions could be a financial burden to dairy farmers and may reduce the number of cows milked in the Netherlands.

(7) 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 Company financed much of the purchase price for five years and as of December 31, 2024, Adaptive is current on all payments.

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 was fixed for the first year and then adjusts every six months, thereafter. The rate was 4.23% for 2022 and has been 6.00% since January 1, 2023. In addition, the Company will receive a variable payment of 30% of EBITDA in excess of $475,000 annually. The Company received $70,800 in 2023 as variable payment for 2022 results. The Company received $189,987 in 2024 as variable payment for 2023 results. Adaptive is current on all loan payments as of December 31, 2024.

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, 2024, 2023 and 2022, the balance due from Adaptive on the line of credit is zero.

Prior to closing, Adaptive was nearing completion of a large juice facility project that had 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 would receive any remaining profit or loss and cash from the completion of the project. In 2023, the Company reserved $152,500 in expense, and in 2022, the Company recognized $135,000 in profit due to adjusting the reserves on this project. The project officially completed in November 2024 and the Company recognized $125,000 in profit due to closing out the project and reversing remaining reserves.

On December 31, 2023, Mueller B.V. liquidated DEG Engineering GmbH (DEG), its German subsidiary, with Mueller B.V. incurring a pretax loss of $4,071,000, which was previously reserved prior in 2023. The liquidation created a tax benefit in 2023 of $1,050,000.

(8) Segment Data and Departure from Accounting Principles Generally Accepted

In November 2023, the FASB issued guidance, Accounting Standards Update (ASU) 2023-07, which outlined improvements to the reportable segment disclosures. The Company adopted the standard effective January 1, 2024, and prior years were recast to conform to current year presentation. The Company's presentation does not disclose all segments meeting the criteria of Accounting Standards Codification (ASC) 280, "Segment Reporting," and certain significant expenses required by ASU 2023-07, which is a departure from accounting principles generally accepted in the United States of America.

The Company has four segments for disclosure. The U.S. segments are Refrigeration and Heat Transfer, Industrial Equipment, and Transportation. The final segment is our European operations. The Chief Operating Decision Maker (CODM) is the senior staff consisting of the CEO, COO, CFO, HR Director, and the General Managers of the operating businesses. The Company defines its segments on the basis of the way in which internally reported financial information is regularly reviewed by the CODM to analyze the financial performance, make decisions, and allocate resources. Of the four reportable segments, Refrigeration and Heat Transfer and Industrial Equipment segments are aggregated from underlying operating segments that have similar products, customer base, and distribution methods as further described below.

In the U.S., the Refrigeration and Heat Transfer segment was formerly called Dairy Farm Equipment because the segment is primarily made up of sales to independent dairy farm dealers for resale. However, as new products have and will be developed outside the dairy farm industry, the new name is more appropriate.

Products in this segment are thermal in nature and are used primarily to cool, heat, or recover heat. The products are built to stock and are available for sale from inventory. Accordingly, the heat transfer business units of Temp-Plate and Accu-Therm have been moved from Industrial Equipment to Refrigeration and Heat Transfer and the previous years have been adjusted. The products include milk cooling and storage equipment and accessories, refrigeration units, heat recovery equipment, and heat transfer equipment primarily for use on dairy farms but may be sold to other industries.

The Industrial Equipment segment primarily consists of standardized and customized stainless steel and alloy processing and storage tanks, tank components, and pure water equipment. This segment sells mainly custom engineered-to-order products directly to industrial customers, but may have the involvement of an EPC firm, in the food, beverage, chemical, and pharmaceutical industries. The products are manufactured using similar processes and use and share similar manufacturing equipment.

The Transportation segment is a trucking operation and includes the delivery of products to customers and back hauls of materials and components.

The European subsidiary is shown as its own segment for geographical reasons. Although its results are reviewed by the CODM, its General Manager is independent because of the distance and time difference. Approximately 80% of this segment services European dairy farms. In the Netherlands, the subsidiary acts as a dealer because it services and sells or leases milk coolers directly to the farmers. Outside of the Netherlands, the subsidiary sells through dealers. The remaining 20% of the segment revenue is from process tanks and a small fraction from heat transfer products.

In accordance with ASC 280, expanded profit and loss information and asset detail is provided by disclosure segment similar to what the CODM regularly reviews. In prior reports, the results of the European segment were included in the other reportable segments based on product type. Also, in prior reports, a corporate column was shown which included primarily net interest income, land and buildings in the U.S., and any uncommon transactions. All expenses and assets are now allocated to the three U.S. segments. These uncommon transactions will be disclosed in a footnote as is done with the pension settlements in 2023. Corporate costs are allocated utilizing various cost drivers to the segments. Any residual U.S. costs incurred are allocated based on revenue or total assets. For the U.S. segments, corporate interest income and expense is allocated based on earnings before interest and taxes. The prior years have been recast to incorporate these changes. The CODM uses earnings before tax to evaluate income generated from segment assets (return on assets) in deciding whether to reinvest profits into each segment or into other parts of the entity, such as for acquisitions or to pay dividends. Earnings before tax is used to monitor budget versus actual results. The monitoring of budgeted versus actual results are used in assessing performance of the segments and in establishing management's compensation. Intersegment revenues between segments are recorded at breakeven costs.

Segment data for the years ended December 31, 2024, 2023, and 2022 (in thousands) follows:

	2024				
	Refrigeration and Heat Transfer	Industrial Equipment	Transportation	European Operations	Total
Net sales for external customers	$ 61,351	$ 135,095	$ 4,181	$ 47,958	$ 248,585
Intersegment revenues	1,664	43	–	543	2,250
	$ 63,015	$ 135,138	$ 4,181	$ 48,501	$ 250,835
Elimination of intersegment revenues					(2,250)
Cost of sales	43,913	88,772	3,123	32,566	168,374
Elimination of intersegment cost of sales					(2,250)
Gross profit	$ 19,102	$ 46,366	$ 1,058	$ 15,935	$ 82,461
Selling	7,822	8,792	–	4,297	20,911
General and administrative	5,571	11,203	342	8,221	25,337
Total net interest income and other income (expense)	276	1,889	130	(219)	2,076
Earnings before tax	$ 5,985	$ 28,260	$ 846	$ 3,198	$ 38,289
Total assets	$ 30,821	$ 86,577	$ 812	$ 40,464	$ 158,674
Capital expenditure additions	$ 870	$ 14,824	$ 334	$ 1,271	$ 17,299
Depreciation and amortization	$ 1,327	$ 2,608	$ 415	$ 2,642	$ 6,992
Interest income	$ 230	$ 1,588	$ 37	$ 1	$ 1,856
Interest (expense)	$ (10)	$ (69)	$ (2)	$ (220)	$ (301)

	2023				
	Refrigeration and Heat Transfer	Industrial Equipment	Transportation	European Operations	Total
Net sales for external customers	$ 60,980	$ 117,277	$ 3,189	$ 47,710	$ 229,156
Intersegment revenues	1,790	87	–	339	2,216
	$ 62,770	$ 117,364	$ 3,189	$ 48,049	$ 231,372
Elimination of intersegment revenues					(2,216)
Cost of sales	45,038	81,147	2,659	31,997	160,841
Elimination of intersegment cost of sales					(2,216)
Gross profit	$ 17,732	$ 36,217	$ 530	$ 16,052	$ 70,531
Selling	6,723	5,849	–	5,141	17,713
General and administrative	6,924	12,548	306	9,005	28,783
Total net interest income and other income (expense)	385	2,114	16	(199)	2,316
Earnings before tax	$ 4,470	$ 19,934	$ 240	$ 1,707	$ 26,351
Total assets	$ 30,214	$ 56,556	$ 985	$ 46,514	$ 134,269
Capital expenditure additions	$ 1,270	$ 3,830	$ 160	$ 2,444	$ 7,704
Depreciation and amortization	$ 1,030	$ 2,184	$ 467	$ 2,960	$ 6,641
Interest income	$ 388	$ 2,135	$ 11	$ 1	$ 2,535
Interest (expense)	$ (13)	$ (72)	$ –	$ (265)	$ (350)

General and administrative expenses and earnings before tax exclude pension settlement charges of $41,773.

	2022				
	Refrigeration and Heat Transfer	Industrial Equipment	Transportation	European Operations	Total
Net sales for external customers	$ 52,502	$ 88,791	$ 2,871	$ 47,356	$ 191,520
Intersegment revenues	1,132	115	–	965	2,212
	$ 53,634	$ 88,906	$ 2,871	$ 48,321	$ 193,732
Elimination of intersegment revenues					(2,212)
Cost of sales	41,518	75,735	2,460	34,785	154,498
Elimination of intersegment cost of sales					(2,212)
Gross profit	$ 12,116	$ 13,171	$ 411	$ 13,536	$ 39,234
Selling	6,360	5,134	–	4,861	16,355
General and administrative	3,285	6,065	193	9,113	18,656
Total net interest income and other income (expense)	353	698	22	(655)	418
Earnings before tax	$ 2,824	$ 2,670	$ 240	$ (1,093)	$ 4,641
Total assets	$ 31,822	$ 59,097	$ 1,184	$ 45,825	$ 137,928
Capital expenditure additions	$ 1,788	$ 3,708	$ 970	$ 2,601	$ 9,067
Depreciation and amortization	$ 564	$ 2,069	$ 428	$ 3,095	$ 6,156
Interest income	$ 296	$ 599	$ 12	$ –	$ 907
Interest (expense)	$ (30)	$ (61)	$ (1)	$ (605)	$ (697)

Revenues from external customers by product category for the three years ended December 31, 2024, were (in thousands):

	2024	2023	2022
Milk cooling and storage equipment	$ 100,093	$ 87,412	$ 76,510
Process vessels and tanks	130,024	118,776	101,308
Other industrial equipment and services	18,468	22,968	13,702
	$ 248,585	$ 229,156	$ 191,520

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, 2024, were (in thousands):

	2024	2023	2022
United States	$ 182,104	$ 164,660	$ 125,273
North America (excluding the U.S.)	14,037	11,998	13,360
The Netherlands	27,235	29,034	25,314
Europe (excluding the Netherlands)	19,910	17,071	18,731
Other areas	5,299	6,393	8,842
	$ 248,585	$ 229,156	$ 191,520

During 2024, 2023, and 2022, export sales to any single country were not in excess of 10% of consolidated sales.

During 2024, sales to any single customer were in excess of 10% of consolidated sales with net sales from two domestic customers representing $54,433,751 in the industrial segment. During 2023, sales to any single customer were in excess of 10% of consolidated sales with net sales from one domestic customer representing $40,232,000 in the industrial segment. During 2022, there were no single customers that exceeded 10% of consolidated sales.

Long-lived assets owned by the Company for the three years ended December 31, 2024, were (in thousands):

	2024	2023	2022
North America	$ 30,220	$ 18,550	$ 16,959
Asia and the Far East	18	335	364
The Netherlands	22,886	25,713	26,657
EU	–	–	3
	$ 53,124	$ 44,598	$ 43,983

(9) Subsequent Events

In March 2025, the Company accepted purchase orders totaling approximately $120,000,000 from the pharmaceutical market to be completed from now until late 2026.

On March 26, 2025, the Company extended its domestic bank borrowing facility until March 31, 2026.

On March 28, 2025, the Company paid off the amortizing note secured by domestic land, building, and equipment in the amount of $3,019,000.

On March 31, 2025, the Board of Directors authorized a tender offer effective from March 31, 2025, through May 7, 2025, for up to $15,000,000 of the Company's common stock at a price of $250 per share.

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.

RSM US LLP

Independent Auditor's Report

Board of Directors
Paul Mueller Company and Subsidiaries

Qualified 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, 2024, 2023 and 2022, 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, except for the omission of the information described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024, 2023 and 2022, 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 Qualified Opinion

As described in Note 8, the Company's financial statements do not disclose all segments meeting the criteria of Accounting Standards Codification (ASC) 280, Segment Reporting, and certain significant expenses required by Accounting Standards Update (ASU) 2023-07. In our opinion, disclosure of this information is required by accounting principles generally accepted in the United States of America.

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 qualified audit opinion.

Other Matter

In our reports dated March 15, 2024 and March 16, 2023, we expressed an opinion that the 2023 and 2022 financial statements, respectively, fairly presented the financial position, results of operations and cash flows of the Company in accordance with accounting principles generally accepted in the United States of America. As described in Note 8, the Company has not disclosed all segments meeting the criteria of ASC 280 which is a departure from accounting principles generally accepted in the United States of America. Accordingly, our present qualified opinion on the 2023 and 2022 financial statements, as presented herein, is different from that expressed in our previous reports.

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 31, 2025

Selected Financial Data – Five-Year Summary for the Years 2024, 2023, 2022, 2021, and 2020; and Financial Highlights (Unaudited) and Market Information by Quarter for the Years 2024 and 2023

Selected Financial Data – Five-Year Summary

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

	2024	2023	2022	2021	2020
Net sales	$ 248,585	$ 229,156	$ 191,520	$ 184,613	$ 201,116
Net income (loss)	$ 29,672	$ (9,890)	$ 3,609	$ 7,001	$ (2,557)
Earnings (loss) per common share:					
Basic	$ 30.46	$ (9.11)	$ 3.32	$ 6.44	$ (2.14)
Diluted	$ 30.46	$ (9.11)	$ 3.32	$ 6.44	$ (2.14)
Common shares outstanding	936,837	1,085,711	1,085,711	1,086,661	1,195,747
Total assets	$ 158,674	$ 134,269	$ 137,928	$ 116,289	$ 120,938
Long-term debt	$ 5,096	$ 8,880	$ 9,349	$ 14,241	$ 18,440
Shareholders' investment	$ 78,949	$ 63,516	$ 40,058	$ 37,293	$ 30,544
Working capital	$ 31,208	$ 27,694	$ 2,974	$ 21,372	$ 24,499
Book value per common share	$ 84.27	$ 58.50	$ 36.90	$ 34.32	$ 25.54
Average number of employees	907	880	848	878	785
Historical exchange rates (Euro to U.S. Dollar):					
Year-end	$ 1.04	$ 1.10	$ 1.07	$ 1.13	$ 1.23
Year-end average	$ 1.08	$ 1.08	$ 1.05	$ 1.18	$ 1.14

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	
	2024	2023	2024	2023	2024	2023	2024	2023
United States:								
Net sales	$ 38,877	$ 45,585	$ 52,830	$ 48,295	$ 52,560	$ 46,044	$ 57,915	$ 43,082
Gross profit	$ 11,565	$ 13,122	$ 15,441	$ 14,628	$ 17,546	$ 14,092	$ 21,971	$ 12,677
Net income (loss)	$ 4,048	$ 4,450	$ 6,027	$ 4,705	$ 7,365	$ 5,078	$ 10,894	$ (25,561)
The Netherlands:								
Net sales	$ 11,825	$ 11,304	$ 13,164	$ 12,073	$ 10,087	$ 11,366	$ 12,882	$ 12,967
Gross profit	$ 4,203	$ 3,688	$ 4,357	$ 3,926	$ 3,515	$ 4,047	$ 3,860	$ 4,390
Net income (loss)	$ 374	$ (770)	$ 775	$ 110	$ (84)	$ 426	$ 272	$ 1,711
Consolidated:								
Net sales	$ 50,356	$ 56,351	$ 65,670	$ 59,931	$ 62,085	$ 57,088	$ 70,474	$ 55,786
Gross profit	$ 15,794	$ 16,797	$ 19,800	$ 18,552	$ 21,058	$ 18,140	$ 25,807	$ 17,042
Net income (loss)	$ 4,449	$ 3,667	$ 6,804	$ 4,813	$ 7,279	$ 5,504	$ 11,140	$ (23,874)
Earnings (loss) per common share:								
Basic	$ 4.10	$ 3.38	$ 7.26	$ 4.43	$ 7.77	$ 5.07	$ 11.89	$ (21.99)
Diluted	$ 4.10	$ 3.38	$ 7.26	$ 4.43	$ 7.77	$ 5.07	$ 11.89	$ (21.99)

Market Information by Quarter

	2024 Quarter Ended				2023 Quarter Ended			
	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31
Market price of stock:								
High	$ 80.01	$ 79.00	$ 174.25	$ 218.00	$ 48.00	$ 46.00	$ 53.00	$ 58.00
Low	$ 57.50	$ 76.95	$ 79.10	$ 150.00	$ 40.88	$ 43.20	$ 42.10	$ 47.03

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 2024 and 2023.

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

JOHN J. GHIRARDELLI
Chairman of the Board

DAVID T. MOORE
President and CEO

KENNETH E. JEFFRIES
Chief Financial Officer

JEFFREY T. PHILLIPS
Chief Operating Officer

KATHERINE M. PAYNE
Secretary

Subsidiaries

MUELLER TRANSPORTATION, INC.

Officers

JESSICA L. PRESLEY
President

KENNETH E. JEFFRIES
Secretary

MUELLER B.V.

Managing Director

PAUL MUELLER COMPANY

Transfer Agent

Computershare, Inc.
250 Royall Street
Canton, MA 02021

PAUL
MUELLER
COMPANY

Who We Are

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.

Creating Quality for *Life*

Our Products and Services

Skids and Integrated Systems

- Small Scale to Custom Automated Systems
- Modular Process Systems
- Water-for-Injection Distribution Skids

Custom Tanks and Vessels

- Mixing, Storage, and Process
- Design and Fabrication
- Routine to Extreme Specialty Process

Refrigeration Solutions

- Falling Film Chillers
- Batch Chillers
- Packaged Chillers
- Air-Cooled Condensing Units
- Heat Recovery
- Controls

Clean Utilities

- Pure Steam Generators
- Multiple-Effect Stills
- Water-for-Injection Distribution Systems

Heat Transfer Solutions

- Heat Transfer Surfaces
- Preformed Heat Transfer Panels
- Plate Heat Exchangers
- Replacement Parts
- Service and Repair

Component Products

- Tank Heads
- Tank Shells
- Manways
- Agitators

Cleaning Systems

- Clean-in-Place (CIP) Systems
- Chemical Dosing Systems

Specialty Hauling with Mueller Transportation, Inc.

- Door-to-Door Specialty Handling
- Oversized Hauling Capabilities

Industries We Serve

- Animal Health
- Battery Production and Recycling
- Beverage
- Brewing
- Chemical
- Dairy Farm
- Dairy Processing
- Food
- Heat Transfer
- HVAC
- Mining
- Oil and Gas
- Personal Care
- Pharmaceutical
- Refrigeration
- Tank Fabrication
- Wine
- And More

Facilities and Resources

- Domestic Facilities With Nearly One Million Square Feet Under Roof
- Comprehensive Test Facilities for Factory Acceptance Testing
- Expert Fabricators and Manufacturing Staff
- Onsite, Experienced Engineering Department

Project Support Services

- Comprehensive, Customizable Documentation Packages
- IQ/OQ Protocols and Execution
- Seamless Shipping with Mueller Transportation, Inc.
- Expanded Scope Facility Construction and Expansion
- Installation Supervision and Site Acceptance Testing

Quality and Process Certification

- ASME (American Society of Mechanical Engineers)
- ASME BPE (American Society of Mechanical Engineers Bioprocessing Equipment Standard)
- API (American Petroleum Institute)
- UL (Underwriters Laboratories)
- CSA (Canadian Standards Association)
- PED CE (Pressure Equipment Directive Certification)
- UKCA (United Kingdom Conformity Assessed)
- CRN (Canadian Registration Number)
- TSSA (Technical Standards and Safety)

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