

Press Contact: Jay Holden | Paul Mueller Company | Springfield, MO 65802 | (417) 575-9422
jholden@paulmueller.com | <http://paulmueller.com>

For Immediate Release

Paul Mueller Company Announces Its Fourth Quarter Earnings of 2017

Springfield, Missouri – March 16, 2018, Paul Mueller Company (OTC: MUEL) today announced earnings for the quarter ended December 31, 2017.

PAUL MUELLER COMPANY TWELVE-MONTH REPORT (In thousands)

CONSOLIDATED STATEMENTS OF INCOME					
	Three Months Ended December 31		Twelve Months Ended December 31		
	2017	2016	2017	2016	
Net Sales	\$ 42,445	\$ 37,220	\$ 167,957	\$ 168,021	
Cost of Sales	29,762	28,609	118,987	123,291	
Gross Profit	\$ 12,683	\$ 8,611	\$ 48,970	\$ 44,730	
Selling, General and Administrative Expense	11,568	9,122	43,110	47,888	
Operating Income (Loss)	\$ 1,115	\$ (511)	\$ 5,860	\$ (3,158)	
Interest Expense	(82)	(109)	(330)	(294)	
Other Income (Expense)	(1,620)	369	(2,183)	209	
Income (Loss) before Provision (Benefit) for Income Taxes	\$ (587)	\$ (251)	\$ 3,347	\$ (3,243)	
Provision (Benefit) for Income Taxes	4,055	504	5,673	(962)	
Net Income (Loss)	<u>\$ (4,642)</u>	<u>\$ (755)</u>	<u>\$ (2,326)</u>	<u>\$ (2,281)</u>	
Earnings (Loss) per Common Share — Basic	(\$3.88)	(\$0.63)	(\$1.94)	(\$1.88)	
Diluted	(\$3.88)	(\$0.63)	(\$1.94)	(\$1.88)	
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME					
			Twelve Months Ended December 31		
			2017	2016	
Net Income (Loss)			\$ (2,326)	\$ (2,281)	
Other Comprehensive Income (Loss), Net of Tax:					
Foreign Currency Translation Adjustment			4,061	(1,146)	
Change in Pension Liability			(4,121)	3,238	
Amortization of De-Designated Hedges			3	21	
Comprehensive Income (Loss)			<u>\$ (2,383)</u>	<u>\$ (168)</u>	
CONSOLIDATED BALANCE SHEETS					
			December 31 2017	December 31 2016	
Cash and Short-Term Investments			\$ 6,571	\$ 357	
Accounts Receivable			22,680	18,084	
Inventories			31,080	24,126	
Other Current Assets			2,519	2,156	
Current Assets			<u>\$ 62,850</u>	<u>\$ 44,723</u>	
Net Property, Plant, and Equipment			51,586	33,545	
Other Assets			25,458	26,397	
Total Assets			<u>\$ 139,894</u>	<u>\$ 104,665</u>	
Accounts Payable			\$ 14,242	\$ 8,165	
Current Maturities and Short-Term debt			4,021	8,243	
Other Current Liabilities			31,966	20,777	
Current Liabilities			<u>\$ 50,229</u>	<u>\$ 37,185</u>	
Long-Term Debt			23,562	4,558	
Long-Term Pension Liabilities			34,766	31,628	
Other Long-Term Liabilities			3,356	828	
Total Liabilities			<u>111,913</u>	<u>74,199</u>	
Shareholders' Investment			<u>27,981</u>	<u>30,466</u>	
Total Liabilities and Shareholders' Investment			<u>\$ 139,894</u>	<u>\$ 104,665</u>	

SELECTED FINANCIAL DATA

	December 31 2017	December 31 2016
Book Value per Common Share	\$23.39	\$25.39
Total Shares Outstanding	1,196,261	1,200,021
Backlog	\$ 94,043	\$ 44,241

CONSOLIDATED STATEMENT OF SHAREHOLDERS' INVESTMENT

	Common Stock	Paid-in Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2016	\$ 1,508	\$ 9,708	\$ 61,582	\$ (6,227)	\$ (36,105)	\$ 30,466
Add (Deduct):						
Net Income (Loss)			(2,326)			(2,326)
Other Comprehensive Income, Net of Tax					(57)	(57)
Treasury Stock Acquisition				(102)		(102)
Balance, December 31, 2017	\$ 1,508	\$ 9,708	\$ 59,256	\$ (6,329)	\$ (36,162)	\$ 27,981

CONSOLIDATED STATEMENT OF CASH FLOWS

	Twelve Months Ended December 31, 2017	Twelve Months Ended December 31, 2016
Operating Activities:		
Net Income (Loss)	\$ (2,326)	\$ (2,281)
Adjustment to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:		
Pension Contributions (Greater) Less than Expense	(984)	2,339
Bad Debt Expense (Recovery)	28	(330)
Depreciation & Amortization	5,747	6,179
Deferred Tax (Benefit) Expense	5,389	(1,256)
(Gain) Loss on Sales of Equipment	(46)	(22)
Other	(20)	(89)
Change in Assets and Liabilities		
(Inc) Dec in Accts and Notes Receivable	(4,405)	4,491
Dec (Inc) in Cost in Excess of Estimated Earnings and Billings	97	(121)
(Inc) Dec in Inventories	(6,953)	7,361
(Inc) Dec in Prepayments	(375)	285
(Inc) Dec Other Assets	23	1
(Inc) Dec in Deferred Taxes	(1,315)	1,893
Inc (Dec) in Accounts Payable	5,797	(1,937)
Inc (Dec) Other Accrued Expenses	5,119	(2,469)
Inc (Dec) Advanced Billings	5,444	(1,920)
Inc (Dec) in Billings in Excess of Costs and Estimated Earnings	674	(1,507)
Inc (Dec) In Long Term Liabilities	394	94
Net Cash Provided by Operating Activities	\$ 12,288	\$ 10,711
Investing Activities		
Proceeds from Sales of Equipment	172	65
Additions to Property, Plant, and Equipment	(23,750)	(4,284)
Acquisition of DEG Engineering GmbH	-	(2,606)
Net Cash (Required) for Investing Activities	\$ (23,578)	\$ (6,825)
Financing Activities		
(Repayment) of Short-Term Borrowings, Net	(4,747)	(2,448)
Proceeds (Repayment) of Long-Term Debt	19,004	(414)
Treasury Stock Acquisitions	(102)	(1,113)
Net Cash Provided (Required) for Financing Activities	\$ 14,155	\$ (3,975)
Effect of Exchange Rate Changes	3,349	(99)
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 6,214	\$ (188)
Cash and Cash Equivalents at Beginning of Year	357	545
Cash and Cash Equivalents at End of Year	\$ 6,571	\$ 357

PAUL MUELLER COMPANY
SUMMARIZED NOTES TO THE FINANCIAL STATEMENTS
(In thousands)

- A. The chart below depicts the net revenue on a consolidating basis for the three months ended December 31.

Three Months Ended December 31		
Revenue	2017	2016
Domestic	\$30,926	\$25,262
Mueller BV	\$11,607	\$12,160
Eliminations	(\$88)	(\$202)
Net Revenue	\$42,445	\$37,220

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

Twelve Months Ended December 31		
Revenue	2017	2016
Domestic	\$120,307	\$111,029
Mueller BV	\$48,162	\$58,101
Eliminations	(\$512)	(\$1,109)
Net Revenue	\$167,957	\$168,021

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

Three Months Ended December 31		
Net Income	2017	2016
Domestic	(\$2,994)	(\$722)
Mueller BV	(\$1,748)	(\$87)
Eliminations	\$100	\$54
Net Income	(\$4,642)	(\$755)

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

Twelve Months Ended December 31		
Net Income	2017	2016
Domestic	(\$143)	(\$3,955)
Mueller BV	(\$2,350)	\$1,555
Eliminations	\$167	\$119
Net Income	(\$2,326)	(\$2,281)

- B.** Revenue (\$168 million) and the net loss (\$2.3 million) were nearly unchanged for 2017 as compared to 2016. While the year-over-year results are similar, there were large changes in performance throughout the company, the backlog more than doubled, and a significant consolidation of operations is underway in the Netherlands.

Net income in 2017 was reduced by approximately \$4.2 million due to the recent tax reform in the United States and by \$2 million in non-recurring costs related to the consolidation in the Netherlands, such as severance, loss on sale of assets, and lease terminations. The 2016 result was similarly reduced by \$4.2 million due to the settlement of part of the company's pension plans in the United States.

Excluding these effects, earnings before tax in the United States would have been \$6.1 million, an increase of \$4.9 million over 2016. In the Netherlands, earnings before tax would have been a loss of \$0.9 million, a decrease of \$3.0 million compared to 2016.

- C.** Backlog increased during the fourth quarter from \$90 million to \$94 million. For 2017, the backlog increased 96% in the United States and 181% in The Netherlands for an overall increase of 113%. Backlog in the United States increased in nearly all the product lines led by increases in BioPharm, Dairy Farm Equipment, and PyroPure. Dairy Farm Equipment continues to experience strong market conditions in Canada. In response, we have further increased production in our new milk cooler production line in Springfield and have begun to ship coolers for Canada from our Lichtenvoorde facility.
- D.** The decrease in performance in The Netherlands was related to lower sales of dairy farm products and \$2 million in non-recurring costs. Regulation of the farms has moved from a milk quota system to a phosphate quota system regulating animal waste on the farms. After a period of regulatory uncertainty, farmers are beginning to understand how they can trade phosphate quotas when the size of their farms change. Milk cooler backlog at the beginning of 2018 is 40% higher than a year earlier. The remainder of the backlog increase came from heat transfer products sold by DEG Engineering, the German subsidiary acquired in 2016.

- E.** Tax expense of approximately \$4.2 million was recognized in December due to new United States federal tax legislation under the Tax Cuts and Jobs Act (TCJA) enacted in December 2017. This includes a \$0.9 million transition tax expense estimate and \$3.3 million tax expense due to the revaluation of the deferred tax asset due to a decrease in the tax rate. In certain cases, the Company has recorded for 2017 a reasonable estimate of the effects of the TCJA, and accordingly such amounts are provisional. Final adjustments, if necessary, will be determined in 2018 and recorded as a measurement period adjustment through 2018 tax expense.
- F.** On March 2, 2018, the final inspections were conducted on the new facility in Groenlo, The Netherlands, and management accepted possession from the construction company. For the past 9 months Mueller BV has been offering settlements to coworkers who have chosen not to move to the new location, replacing some of them with staff in the Groenlo area. The new facility is expected to start production on April 9th.
- G.** The pre-tax results for the three months ended December 31, 2017, were unfavorably affected by a \$221,000 increase in the LIFO reserve. The pre-tax results for the twelve months ended December 31, 2017, were unfavorably affected by a \$697,000 increase in the LIFO reserve. The pre-tax results for the three months ended December 31, 2016, were favorably affected by a \$500,000 decrease in the LIFO reserve. The pre-tax results for the twelve months ended December 31, 2016, were unfavorably affected by a \$500,000 increase in the LIFO reserve.
- H.** The Company completed the lump sum pension payments to participants who elected to take the settlement. These payments, paid from the assets of the plans, were available for participants who were no longer employed by the company as of May 6, 2016, but who had not yet begun receiving their benefit. The eligible participants represented about a quarter of the obligations of the plans and just over 50% of those eligible elected the settlement. The payments, totaling \$13.8 million to 218 participants, were made on or about September 26, 2016. The results for twelve months ended December 31, 2016 contained a negative noncash effect on the pre-tax earnings of the Company of \$6.7 million (\$4.2 million net of tax).
- I.** The consolidated financials are affected by the euro to dollar exchange rate when consolidating Mueller B.V., the Dutch subsidiary. The month-end euro to dollar exchange rate was 1.05 for December 2016 and 1.20 for December 2017 respectively.

This press release contains forward-looking statements that provide current expectations of future events based on certain assumptions. All statements regarding future performance growth, conditions, or developments are forward-looking statements. Actual future results may differ materially from those described in the forward-looking statements due to a variety of factors, including, but not limited to, the factors described on page 29 of the Company's 2017 Annual Report, which is available at paulmueller.com. The Company expressly disclaims any obligation or undertaking to update these forward-looking statements to reflect any future events or circumstances.

The accounting policies related to this report and additional management discussion and analysis are provided in the 2017 annual report, available at www.paulmueller.com.