

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

For Immediate Release

## Paul Mueller Company Announces Its Second Quarter Earnings of 2018

Springfield, Missouri – July 27, 2018, Paul Mueller Company (OTC: MUEL) today announced earnings for the quarter ended June 30, 2018.

### PAUL MUELLER COMPANY SIX-MONTH REPORT

Unaudited

#### CONSOLIDATED STATEMENTS OF INCOME

(In thousands)	Three Months Ended June 30		Six Months Ended June 30		Twelve Months Ended June 30	
	2018	2017	2018	2017	2018	2017
Net Sales	\$ 62,705	\$ 39,630	\$ 108,783	\$ 77,241	\$ 199,499	\$ 158,577
Cost of Sales	48,240	27,934	82,042	54,951	146,078	116,677
Gross Profit	\$ 14,465	\$ 11,696	\$ 26,741	\$ 22,290	\$ 53,421	\$ 41,900
Selling, General and Administrative Expense	11,895	10,532	23,317	21,015	45,412	46,182
Operating Income (Loss)	\$ 2,570	\$ 1,164	\$ 3,424	\$ 1,275	\$ 8,009	\$ (4,282)
Interest Expense	(205)	(61)	(551)	(111)	(770)	(306)
Other Income (Expense)	(643)	(117)	(595)	(207)	(2,571)	113
Income (Loss) before Provision (Benefit) for Income Taxes	\$ 1,722	\$ 986	\$ 2,278	\$ 957	\$ 4,668	\$ (4,475)
Provision (Benefit) for Income Taxes	149	333	323	447	5,549	(1,031)
Net Income (Loss)	\$ 1,573	\$ 653	\$ 1,955	\$ 510	\$ (881)	\$ (3,444)
Earnings per Common Share — Basic	\$1.31	\$0.55	\$1.63	\$0.43	(\$0.74)	(\$2.87)
Diluted	\$1.31	\$0.55	\$1.63	\$0.43	(\$0.74)	(\$2.87)

#### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Six Months Ended June 30	
	2018	2017
Net Income	\$ 1,955	\$ 510
Other Comprehensive Income, Net of Tax:		
Foreign Currency Translation Adjustment	(814)	2,477
Change in Pension Liability	-	-
Amortization of De-Designated Hedges	-	3
Comprehensive Income	\$ 1,141	\$ 2,990

#### CONSOLIDATED BALANCE SHEETS

	June 30 2018	December 31 2017
Cash and Short-Term Investments	\$ 788	\$ 6,571
Accounts Receivable	33,261	22,680
Inventories	31,500	31,080
Other Current Assets	4,387	2,519
Current Assets	\$ 69,936	\$ 62,850
Net Property, Plant, and Equipment	52,539	51,586
Other Assets	25,030	25,458
Total Assets	\$ 147,505	\$ 139,894
Accounts Payable	\$ 18,925	\$ 14,242
Current Maturities and Short-Term Debt	13,891	4,021
Other Current Liabilities	26,803	31,966
Current Liabilities	\$ 59,619	\$ 50,229
Long-Term Debt	24,674	23,562
Long-Term Pension Liabilities	30,925	34,766
Other Long-Term Liabilities	3,167	3,356
Total Liabilities	\$ 118,385	\$ 111,913
Shareholders' Investment	29,120	27,981
Total Liabilities and Shareholders' Investment	\$ 147,505	\$ 139,894

**SELECTED FINANCIAL DATA**

	June 30 2018	December 31 2017
Book Value per Common Share	\$24.34	\$23.39
Total Shares Outstanding	1,196,216	1,196,261
Backlog	\$ 81,465	\$ 94,043

**CONSOLIDATED STATEMENT OF SHAREHOLDERS' INVESTMENT**

	Common Stock	Paid-in Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
<b>Balance, December 31, 2017</b>	\$ 1,508	\$ 9,708	\$ 59,256	\$ (6,329)	\$ (36,162)	\$ 27,981
<b>Add (Deduct):</b>						
Net Income			1,955			1,955
Other Comprehensive Income, Net of Tax					(814)	(814)
Treasury Stock Acquisition				(2)		(2)
<b>Balance, June 30, 2018</b>	\$ 1,508	\$ 9,708	\$ 61,211	\$ (6,331)	\$ (36,976)	\$ 29,120

**CONSOLIDATED STATEMENT OF CASH FLOWS**

	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
<b>Operating Activities:</b>		
Net Income	\$ 1,955	\$ 510
Adjustment to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Pension Contributions (Greater) Less than Expense	(3,841)	(969)
Bad Debt Expense (Recovery)	(20)	73
Depreciation & Amortization	2,928	2,878
(Gain) Loss on Sales of Equipment	(156)	(59)
Other	-	(19)
Change in Assets and Liabilities		
(Inc) Dec in Accts and Notes Receivable	(10,503)	(3,491)
(Inc) Dec in Cost in Excess of Estimated Earnings and Billings	(54)	126
(Inc) Dec in Inventories	(422)	(3,261)
(Inc) Dec in Prepayments	(1,814)	(619)
(Inc) Dec Other Assets	(3)	(314)
Inc (Dec) in Accounts Payable	6,220	2,124
Inc (Dec) Other Accrued Expenses	(1,363)	2,368
Inc (Dec) Advanced Billings	(4,687)	3,545
Inc (Dec) in Billings in Excess of Costs and Estimated Earnings	(648)	(66)
Inc (Dec) in Other Long-Term Liabilities	(190)	19
<b>Net Cash (Required) Provided by Operating Activities</b>	\$ (12,598)	\$ 2,845
<b>Investing Activities</b>		
Proceeds from Sales of Equipment	161	139
Additions to Property and Equipment	(3,840)	(7,168)
<b>Net Cash (Required) for Investing Activities</b>	\$ (3,679)	\$ (7,029)
<b>Financing Activities</b>		
Proceeds (Repayment) of Short-Term Borrowings, Net	9,869	(1,456)
Proceeds of Long-Term Debt	1,768	6,097
Treasury Stock Acquisitions	(2)	(102)
<b>Net Cash Provided for Financing Activities</b>	\$ 11,635	\$ 4,539
<b>Effect of Exchange Rate Changes</b>	(1,141)	(137)
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	\$ (5,783)	\$ 218
<b>Cash and Cash Equivalents at Beginning of Year</b>	6,571	357
<b>Cash and Cash Equivalents at End of Quarter</b>	\$ 788	\$ 575

PAUL MUELLER COMPANY  
SUMMARIZED NOTES TO THE FINANCIAL STATEMENTS

(1) Results of Operations: (In thousands)

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

Three Months Ended June 30		
<i>Revenue</i>	2018	2017
Domestic	\$40,073	\$27,065
Mueller BV	\$22,896	\$12,761
Eliminations	(\$264)	(\$196)
Net Revenue	\$62,705	\$39,630

The chart below depicts the net revenue on a consolidating basis for the six months ended June 30.

Six Months Ended June 30		
<i>Revenue</i>	2018	2017
Domestic	\$72,705	\$54,484
Mueller BV	\$36,504	\$23,014
Eliminations	(\$426)	(\$257)
Net Revenue	\$108,783	\$77,241

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

Twelve Months Ended June 30		
<i>Revenue</i>	2018	2017
Domestic	\$138,528	\$110,841
Mueller BV	\$61,651	\$48,526
Eliminations	(\$680)	(\$790)
Net Revenue	\$199,499	\$158,577

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

Three Months Ended June 30		
<i>Net Income</i>	2018	2017
Domestic	\$1,261	\$325
Mueller BV	\$309	\$313
Eliminations	\$3	\$15
Net Income	\$1,573	\$653

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

Six Months Ended June 30		
<i>Net Income</i>	2018	2017
Domestic	\$2,115	\$851
Mueller BV	(\$191)	(\$411)
Eliminations	\$31	\$70
Net Income	\$1,955	\$510

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

Twelve Months Ended June 30		
<i>Net Income</i>	2018	2017
Domestic	\$1,121	(\$3,115)
Mueller BV	(\$2,131)	(\$436)
Eliminations	\$129	\$107
Net Income	(\$881)	(\$3,444)

- B. Revenue for the 2<sup>nd</sup> quarter of \$62.7 million was up \$23.1 million (58.2%) over the 2<sup>nd</sup> quarter of 2017. Revenue for the trailing six months of \$108.8 million was up \$31.5 million (40.8%) over the six months ending June 30, 2017. Revenue for the trailing 12 months of \$199.5 million was up \$40.9 million (25.8%) over the 12 months ending June 30, 2017.

Domestically, the year-to-date revenue increase was led by the pharmaceutical group with an increase of \$13.4 million as many orders shipped including the large pharmaceutical order that was being worked on for most of 2017. Other contributors to the year-to-date revenue increase were PyroPure (\$3.2 million) and Components (\$2.6 million).

Mueller BV year-to-date revenue increased \$13.5 million (58.6%) primarily from stronger dairy farm equipment orders and completion of a large heat transfer order to India.

- C. In the US, year-to-date earnings were diminished by the increase in the LIFO reserve as discussed on the next page. Increased inventories from the increased production and higher steel prices caused the LIFO increase. Net income at Mueller BV was impacted by less than planned efficiencies as production ramped up in the new facility.

Net income for the 2<sup>nd</sup> quarter was \$1.6 million compared to \$0.7 million for the 2<sup>nd</sup> quarter of 2017. When excluding the LIFO reserve, 2<sup>nd</sup> quarter earnings in 2018 would have been \$2.3 million. Net income for the trailing six months was \$2.0 million compared to \$0.5 million for the six months ending June 30, 2017. Net loss for the trailing twelve months was \$0.9 million. These twelve-month results were impacted by a pre-tax increase in the LIFO reserve of \$2.2 million; one-time tax expense from the new tax legislation of \$4.2 million; and approximately \$2.0 million in non-reoccurring costs related to the consolidation in The Netherlands.

The net loss of \$3.4 million for the twelve months ending June 30, 2017, was affected by the \$5.7 million in settlement charges from the lump sum pension payments that were recorded in the second half of 2016.

- D. As of June 30, 2018, Mueller BV was out of compliance of the minimum EBITDA covenant on its Note Payable secured by the new building, fixed assets, accounts receivable, inventory, and insurance proceeds. On July 24, 2018, a waiver was obtained from the lender for the violation of the June 30, 2018, covenant test. In the process of requesting this waiver, the Company made a new loan of €1.7 million to Mueller BV. Mueller BV has made the lender aware that recent financial performance will make it difficult for Mueller BV to comply with the September 30, 2018, test of the same covenant. Mueller BV expects to be in compliance with this covenant on December 31, 2018.
- E. Even with the strong revenue for the first half of the year, backlog is still at \$81.5 million; down from the \$94 million at the end of 2017. Domestic backlog has decreased by \$7.3 million to \$62.9 million. Backlog in The Netherlands is at \$20.3; down \$4.6 million.
- F. 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.
- G. The pre-tax results for the three months ended June 30, 2018, were unfavorably affected by a \$1.4 million increase in the LIFO reserve. The pre-tax results for the six months ended June 30, 2018, were unfavorably affected by a \$1.9 million increase in the LIFO reserve. The pre-tax results for the twelve months ended June 30, 2018, were unfavorably affected by a \$2.2 million increase in the LIFO reserve. The pre-tax results for the three and six months ended June 30, 2017, were unfavorably affected by a \$0.5 million increase in the LIFO reserve. The pre-tax results for the twelve months ended June 30, 2017, were favorably affected by a \$24,000 decrease 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 of which \$5.7 million is in the trailing twelve-month results ended June 30, 2017.
- 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 1.14 for June, 2017; 1.20 for December, 2017; and 1.17 for June, 2018, 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](http://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](http://www.paulmueller.com).**