

MUELLER INDUSTRIES INC
Form 10-Q
July 25, 2014

Index

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C.

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 28, 2014 Commission file number 1-6770

MUELLER INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

25-0790410
(I.R.S. Employer
Identification No.)

8285 Tournament Drive, Suite 150
Memphis, Tennessee
(Address of principal executive offices)

38125
(Zip Code)

(901) 753-3200
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of shares of the Registrant's common stock outstanding as of July 22, 2014, was 56,712,056.

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MUELLER INDUSTRIES, INC.

FORM 10-Q

For the Quarterly Period Ended June 28, 2014

As used in this report, the terms “Company,” “Mueller,” and “Registrant” mean Mueller Industries, Inc. and its consolidated subsidiaries taken as a whole, unless the context indicates otherwise.

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IndexPART I. FINANCIAL INFORMATION
Item 1. Financial StatementsMUELLER INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(In thousands, except per share data)	For the Quarter Ended		For the Six Months Ended	
	June 28, 2014	June 29, 2013	June 28, 2014	June 29, 2013
Net sales	\$ 649,691	\$ 582,282	\$ 1,224,065	\$ 1,141,972
Cost of goods sold	557,775	501,125	1,053,552	983,975
Depreciation and amortization	8,592	8,328	16,699	16,482
Selling, general, and administrative expense	35,120	34,814	67,303	66,157
Insurance settlement	—	(106,332)	—	(106,332)
Operating income	48,204	144,347	86,511	181,690
Interest expense	(1,457)	(1,101)	(2,483)	(1,697)
Other income, net	127	319	215	3,482
Income before income taxes	46,874	143,565	84,243	183,475
Income tax expense	(11,665)	(51,723)	(24,080)	(65,199)
Consolidated net income	35,209	91,842	60,163	118,276
Net income attributable to noncontrolling interest) (164)) (692)) (412)) (924)
Net income attributable to Mueller Industries, Inc.	\$ 35,045	\$ 91,150	\$ 59,751	\$ 117,352
Weighted average shares for basic earnings per share (1)	55,973	55,681	55,946	55,663
Effect of dilutive stock-based awards (1)	747	740	800	744
Adjusted weighted average shares for diluted earnings per share (1)	56,720	56,421	56,746	56,407
Basic earnings per share (1)	\$ 0.63	\$ 1.64	\$ 1.07	\$ 2.11
Diluted earnings per share (1)	\$ 0.62	\$ 1.62	\$ 1.05	\$ 2.08

Dividends per share (1)	\$	0.0750	\$	0.0625	\$	0.1500	\$	0.1250
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See accompanying notes to condensed consolidated financial statements.

(1) Adjusted retroactively to reflect the two-for-one stock split that occurred on March 14, 2014.

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MUELLER INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(In thousands)	For the Quarter Ended				For the Six Months Ended			
	June 28, 2014		June 29, 2013		June 28, 2014		June 29, 2013	
Consolidated net income	\$	35,209	\$	91,842	\$	60,163	\$	118,276
Other comprehensive income (loss), net of tax:								
Foreign currency translation		1,795		(644)		2,962		(5,968)
Net change with respect to derivative instruments and hedging activities		(360)	(2)	2,198	(3)	(1,476)	(4)	474(5)
Net actuarial (gain) loss on pension and postretirement obligations		(159)	(6)	622	(7)	(156)	(8)	2,161(9)
Other, net		24		42		9		83
Total other comprehensive income (loss)		1,300		2,218		1,339		(3,250)
Consolidated comprehensive income		36,509		94,060		61,502		115,026
Comprehensive income (loss) attributable to noncontrolling interest		594		(1,228)		341		(1,427)
Comprehensive income attributable to Mueller Industries, Inc.	\$	37,103	\$	92,832	\$	61,843	\$	113,599

See accompanying notes to condensed consolidated financial statements.

(2) Net of tax of \$275

(3) Net of tax of \$(1,308)

(4) Net of tax of \$865

(5) Net of tax of \$(328)

(6) Net of tax of \$94

(7) Net of tax of \$(308)

(8) Net of tax of \$123

(9) Net of tax of \$(960)

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MUELLER INDUSTRIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In thousands, except share data)	June 28, 2014	December 28, 2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 242,199	\$ 311,800
Accounts receivable, less allowance for doubtful accounts of \$854 in 2014 and \$2,391 in 2013	367,299	271,847
Inventories	291,138	251,716
Current deferred income taxes	9,089	8,106
Other current assets	36,321	31,248
Total current assets	946,046	874,717
Property, plant, and equipment, net	245,441	244,457
Goodwill	108,418	94,357
Other assets	49,953	34,236
Total assets	\$ 1,349,858	\$ 1,247,767
Liabilities		
Current liabilities:		
Current portion of debt	\$ 60,328	\$ 29,083
Accounts payable	101,671	80,897
Accrued wages and other employee costs	34,158	37,109
Other current liabilities	71,996	72,167
Total current liabilities	268,153	219,256
Long-term debt, less current portion	205,750	206,250
Pension liabilities	10,166	10,645
Postretirement benefits other than pensions	16,652	16,781
Environmental reserves	21,661	22,144
Deferred income taxes	33,226	35,975
Other noncurrent liabilities	1,306	849
Total liabilities	556,914	511,900
Equity		
Mueller Industries, Inc. stockholders' equity:		
Preferred stock - \$1.00 par value; shares authorized 5,000,000; none outstanding	—	—
Common stock - \$.01 par value; shares authorized 100,000,000; issued 80,183,004; outstanding 56,712,056 in 2014 and 56,604,674(10) in 2013	802	401
Additional paid-in capital	269,427	267,142
Retained earnings	959,522	908,274

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Accumulated other comprehensive loss	(8,729)	(10,819)
Treasury common stock, at cost	(460,199)	(461,593)
Total Mueller Industries, Inc. stockholders' equity		
	760,823	703,405
Noncontrolling interest	32,121	32,462
Total equity	792,944	735,867
Commitments and contingencies	—	—
Total liabilities and equity	\$ 1,349,858	\$ 1,247,767

See accompanying notes to condensed consolidated financial statements.

(10) Adjusted retroactively to reflect the two-for-one stock split that occurred on March 14, 2014.

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MUELLER INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In thousands)	For the Six Months Ended	
	June 28, 2014	June 29, 2013
Cash flows from operating activities		
Consolidated net income	\$ 60,163	\$ 118,276
Reconciliation of consolidated net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	16,840	16,649
Stock-based compensation expense	3,526	3,326
Insurance settlement	—	(106,332)
Insurance proceeds – noncapital related	—	32,395
Gain on disposal of properties	(1,225)	(2,984)
Deferred income taxes	(6,523)	12,468
Income tax benefit from exercise of stock options	(316)	(95)
Changes in assets and liabilities, net of business acquired:		
Receivables	(100,413)	(35,095)
Inventories	(20,619)	4,705
Other assets	(8,886)	(306)
Current liabilities	7,373	6,150
Other liabilities	(893)	(423)
Other, net	92	420
Net cash (used in) provided by operating activities	(50,881)	49,154
Cash flows from investing activities		
Capital expenditures	(18,833)	(21,687)
Acquisition of business	(30,137)	—
Insurance proceeds for property and equipment	—	29,910
Net withdrawals from (deposits into) restricted cash balances	1,815	(4,721)
Proceeds from the sales of properties	4,874	3,016
Net cash (used in) provided by investing activities	(42,281)	6,518
Cash flows from financing activities		
Repayments of long-term debt	(500)	(500)
Dividends paid to stockholders of Mueller Industries, Inc.	(8,394)	(6,960)
Debt issuance cost	—	(50)
Issuance of debt by joint venture, net	8,903	15,544
Issuance of debt	22,635	—
Net cash received to settle stock-based awards	296	260
Repurchase of common stock	(58)	—

Income tax benefit from exercise of stock options	316	95
Net cash provided by financing activities	23,198	8,389
Effect of exchange rate changes on cash	363	(1,328)
(Decrease) increase in cash and cash equivalents	(69,601)	62,733
Cash and cash equivalents at the beginning of the period	311,800	198,934
Cash and cash equivalents at the end of the period	\$ 242,199	\$ 261,667

See accompanying notes to condensed consolidated financial statements.

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MUELLER INDUSTRIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

General

Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted. Results of operations for the interim periods presented are not necessarily indicative of results which may be expected for any other interim period or for the year as a whole. This Quarterly Report on Form 10-Q should be read in conjunction with the Company's Annual Report on Form 10-K, including the annual financial statements incorporated therein.

The accompanying unaudited interim financial statements include all normal recurring adjustments which are, in the opinion of management, necessary to a fair statement of the results for the interim periods presented.

Note 1 – Earnings per Common Share

Basic per share amounts have been computed based on the average number of common shares outstanding. Diluted per share amounts reflect the increase in average common shares outstanding that would result from the assumed exercise of outstanding stock options and vesting of restricted stock awards, computed using the treasury stock method. Approximately 20 thousand stock options were excluded from the computation of diluted earnings per share for the quarter ended June 28, 2014 because they were antidilutive.

On February 21, 2014, the Company's Board of Directors announced a two-for-one stock split of its common stock effected in the form of a stock dividend of one share for each outstanding share. The record date for the stock split was March 14, 2014, and the additional shares were distributed on March 28, 2014. Accordingly, all references to share and per share amounts presented in the Condensed Consolidated Financial Statements and this Quarterly Report on Form 10-Q have been adjusted retroactively to reflect the stock split.

Note 2 – Commitments and Contingencies

The Company is involved in certain litigation as a result of claims that arose in the ordinary course of business, which management believes will not have a material adverse effect on the Company's financial position, results of operations, or cash flows. The Company may also realize the benefit of certain legal claims and litigation in the future; these gain contingencies are not recognized in the Condensed Consolidated Financial Statements.

United States Department of Commerce Antidumping Review

On December 24, 2008, the United States Department of Commerce (DOC) initiated an antidumping administrative review of the antidumping duty order covering circular welded non-alloy steel pipe and tube from Mexico to determine the final antidumping duties owed on U.S. imports during the period November 1, 2007 through October 31, 2008, by certain subsidiaries of the Company. On April 19, 2010, the DOC published the final results of this review and assigned Mueller Comercial de Mexico, S. de R.L. de C.V. (Mueller Comercial) an antidumping duty rate of 48.3 percent. The Company appealed the final determination to the U.S. Court of International Trade (CIT). The Company and the United States have reached an agreement to settle the appeal. As a result, the DOC published on March 22, 2013 the amended final results of the review and assigned Mueller Comercial an antidumping duty rate of 40.5 percent. U.S. Customs and Border Protection has assessed antidumping duties on subject imports during the

period of review. As of June 28, 2014, Mueller Comercial has complied with all requests for payment of duties related to this review period.

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On December 23, 2009, the DOC initiated an antidumping administrative review of the antidumping duty order covering circular welded non-alloy steel pipe and tube from Mexico for the November 1, 2008 through October 31, 2009 period of review. The DOC selected Mueller Comercial as a respondent in the review. On June 21, 2011, the DOC published the final results of the review and assigned Mueller Comercial an antidumping duty rate of 19.8 percent. On August 22, 2011, the Company appealed the final results to the CIT. On December 21, 2012, the CIT issued a decision upholding the Department's final results in part. The CIT issued its final judgment on May 2, 2013.

On May 6, 2013, the Company appealed the CIT decision to the U.S. Court of Appeals for the Federal Circuit (Federal Circuit). On May 29, 2014, the Federal Circuit issued its decision vacating the CIT's decision and remanding the case back to DOC to reconsider the Company's rate. The Company anticipates that certain of its subsidiaries will incur antidumping duties on subject imports made during the period of review and, as such, established a reserve of approximately \$1.1 million for this matter.

Subsequent to October 31, 2009, Mueller Comercial did not ship subject merchandise to the United States. Therefore, there is zero antidumping duty liability for periods of review after October 31, 2009.

U.K. Actions Relating to the European Commission's 2004 Copper Tube Decision and 2006 Copper Fittings Decision

In the Competition Appeal Tribunal (the CAT) in the United Kingdom, IMI plc and IMI Kynoch Limited (IMI) and Boliden AB (Boliden) were served with claims by 21 claimants, all companies within the Travis Perkins Group (TP and the TP Claimants) regarding copper tube. The TP Claimants sought follow-on damages arising out of conduct described in the European Commission's September 3, 2004, decision regarding copper tube. The claims purported to arise from the findings of the European Commission as set forth in that decision (Copper Tube Decision). IMI and Boliden commenced legal proceedings against Mueller Industries, Inc., WTC Holding Company, Inc., DENO Holding Company, Inc., Mueller Europe, Limited, and DENO Acquisition EURL (the five Mueller entities), and in those proceedings claimed a contribution for any follow-on damages.

In the High Court in the United Kingdom, IMI has also been served with claims by 21 TP Claimants regarding copper fittings. The TP Claimants are seeking follow-on damages arising out of conduct described in the European Commission's September 20, 2006, decision regarding copper fittings. The claims similarly purport to arise from the findings of the European Commission as set forth in that decision. IMI has commenced legal proceedings against Mueller Industries, Inc., Mueller Europe Limited, and WTC Holding Company, Inc. (the three Mueller entities), and in those proceedings are claiming a contribution for any follow-on damages.

As to the claims arising from the Copper Tube Decision brought in the CAT, following the CAT's grant of approval, the case was transferred to the High Court. Mueller's defense in response to the contribution claims brought by IMI and Boliden was served on March 15, 2013. During the second quarter of 2014, a settlement was reached in respect of the claims against Mueller and the High Court has been asked to dismiss the claims against Mueller. The total payment made by Mueller pursuant to the settlement did not have a material impact on the Company's financial position, results of operations, or cash flows.

As to the claims arising from the Copper Fittings Decision, Mueller's defense in response to the contribution claims brought by IMI was served on May 30, 2014. A case management conference is anticipated to take place in late July 2014. At this time, the Company does not believe that the outstanding claims against Mueller relating to copper fittings will have a material impact on its financial position, results of operations, or cash flows.

Other

Guarantees, in the form of letters of credit, are issued by the Company generally to assure the payment of insurance deductibles and certain retiree health benefits. The terms of the Company's guarantees are generally one year but are renewable annually as required. These letters are primarily backed by the Company's revolving credit facility. The maximum payments that the Company could be required to make under its guarantees at June 28, 2014 were \$10.3 million.

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Note 3 – Insurance Claims

In September 2011, a portion of the Company's Wynne, Arkansas manufacturing operation was damaged by fire. Certain inventories, production equipment, and building structures were extensively damaged. During the second quarter of 2013, the Company settled the claim with its insurer for total proceeds of \$127.3 million, net of the deductible of \$0.5 million. As a result of the settlement with its insurer, all proceeds received and all costs previously deferred (which were recorded as other current liabilities in prior periods) were recognized, resulting in a pre-tax gain of \$106.3 million in the second quarter of 2013, or \$1.17 per diluted share after tax.

Note 4 – Inventories

(In thousands)	June 28, 2014	December 28, 2013
Raw materials and supplies	\$ 53,948	\$ 54,613
Work-in-process	60,893	43,796
Finished goods	181,407	159,422
Valuation reserves	(5,110)	(6,115)
Inventories	\$ 291,138	\$ 251,716

Note 5 – Industry Segments

The Company's reportable segments are Plumbing & Refrigeration and Original Equipment Manufacturers (OEM). For disclosure purposes, as permitted under Accounting Standards Codification (ASC) 280, Segment Reporting, certain operating segments are aggregated into reportable segments. The Plumbing & Refrigeration segment is composed of Standard Products (SPD), European Operations, and Mexican Operations. The OEM segment is composed of Industrial Products (IPD), Engineered Products (EPD), and Jiangsu Mueller-Xingrong Copper Industries Limited (Mueller-Xingrong). These segments are classified primarily by the markets for their products. Performance of segments is generally evaluated by their operating income. Intersegment transactions are generally conducted on an arms-length basis.

SPD manufactures copper tube and fittings, plastic fittings, plastic pipe, and line sets. These products are manufactured in the U.S. Outside the U.S., the Company's European Operations manufacture copper tube, which is sold primarily in Europe. SPD also imports and resells brass and plastic plumbing valves, malleable iron fittings, faucets, and plumbing specialty products. Mexican Operations consist of pipe nipple manufacturing and import distribution businesses including product lines of malleable iron fittings and other plumbing specialties. The European Operations also includes the import distribution of fittings, valves, and plumbing specialties primarily in the U.K. and Ireland. The Plumbing & Refrigeration segment's products are sold primarily to plumbing, refrigeration, and air-conditioning wholesalers, hardware wholesalers and co-ops, and building product retailers. For the six months ended June 28, 2014, cost of goods sold included a decrease in accruals related to import duties of \$3.1 million.

IPD manufactures brass rod, impact extrusions, and forgings which are used in a wide variety of end products including plumbing brass, automotive components, valves, and fittings. EPD manufactures and fabricates valves and assemblies primarily for the refrigeration, air-conditioning, and gas appliance markets and specialty copper,

copper-alloy, and aluminum tubing. Mueller-Xingrong manufactures engineered copper tube primarily for air-conditioning applications. These products are sold primarily to original equipment manufacturers.

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(In thousands)	For the Quarter Ended June 28, 2014			
	Plumbing & Refrigeration Segment	OEM Segment	Corporate and Eliminations	Total
Net sales	\$ 397,190	\$ 255,409	\$ (2,908)	\$ 649,691
Cost of goods sold	336,256	224,392	(2,873)	557,775
Depreciation and amortization	5,096	2,892	604	8,592
Selling, general, and administrative expense	23,508	4,909	6,703	35,120
Operating income	32,330	23,216	(7,342)	48,204
Interest expense				(1,457)
Other income, net				127
Income before income taxes				\$ 46,874

(In thousands)	For the Quarter Ended June 29, 2013			
	Plumbing & Refrigeration Segment	OEM Segment	Corporate and Eliminations	Total
Net sales	\$ 328,673	\$ 257,044	\$ (3,435)	\$ 582,282
Cost of goods sold	277,933	226,596	(3,404)	501,125
Depreciation and amortization	4,443	3,342	543	8,328
Selling, general, and administrative expense	20,382	6,167	8,265	34,814
Insurance settlement	(103,895)	—	(2,437)	(106,332)
Operating income	129,810	20,939	(6,402)	144,347
Interest expense				(1,101)
Other income, net				319
Income before income taxes				\$ 143,565

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For the Six Months Ended June 28, 2014

(In thousands)	Plumbing & Refrigeration Segment	OEM Segment	Corporate and Eliminations	Total
Net sales	\$ 735,217	\$ 495,439	\$ (6,591)	\$ 1,224,065
Cost of goods sold	625,281	434,795	(6,524)	1,053,552
Depreciation and amortization	9,516	5,975	1,208	16,699
Selling, general, and administrative expense	44,205	10,167	12,931	67,303
Operating income	56,215	44,502	(14,206)	86,511
Interest expense				(2,483)
Other income, net				215
Income before income taxes				\$ 84,243

For the Six Months Ended June 29, 2013

(In thousands)	Plumbing & Refrigeration Segment	OEM Segment	Corporate and Eliminations	Total
Net sales	\$ 640,487	\$ 510,831	\$ (9,346)	\$ 1,141,972
Cost of goods sold	542,747	450,476	(9,248)	983,975
Depreciation and amortization	8,689	6,704	1,089	16,482
Selling, general, and administrative expense	40,509	12,389	13,259	66,157
Insurance settlement	(103,895)	—	(2,437)	(106,332)
Operating income	152,437	41,262	(12,009)	181,690
Interest expense				(1,697)
Other income, net				3,482
Income before income taxes				\$ 183,475

Note 6 – Debt

Effective May 29, 2014, the Company amended its credit agreement (the Credit Agreement) entered into on March 7, 2011 to reduce the unsecured \$350.0 million revolving credit facility to \$200.0 million. The Credit Agreement also provides for a \$200.0 million Term Loan Facility, which, together with the Revolving Loan Facility, both mature on December 11, 2017.

On March 21, 2014, Mueller Europe, Limited (MEL) entered into a credit agreement (the Invoice Facility) establishing a total borrowing capacity of £40.0 million, or approximately \$65.9 million. The Invoice Facility has an initial term of two years. Borrowings outstanding under the Invoice Facility are secured by MEL's trade account receivables denominated in British pounds. Borrowings were approximately \$23.1 million at June 28, 2014, and bear interest at the latest base-lending rate published by HSBC plus 155 basis points, which was approximately 2.05 percent at the end of the second quarter of 2014.

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Note 7 – Employee Benefits

The Company sponsors several qualified and nonqualified pension plans and other postretirement benefit plans for certain of its employees. The components of net periodic benefit cost are as follows:

(In thousands)	For the Quarter Ended		For the Six Months Ended	
	June 28, 2014	June 29, 2013	June 28, 2014	June 29, 2013
Pension benefits:				
Service cost	\$ 175	\$ 326	\$ 397	\$ 701
Interest cost	2,059	2,017	4,127	4,047
Expected return on plan assets	(3,201)	(2,892)	(6,402)	(5,690)
Amortization of net loss	189	978	377	1,970
Net periodic benefit (income) cost	\$ (778)	\$ 429	\$ (1,501)	\$ 1,028
Other benefits:				
Service cost	\$ 87	\$ 70	\$ 176	\$ 138
Interest cost	186	32	363	312
Amortization of prior service (credit) cost	(1)	1	(1)	3
Amortization of net gain	(45)	(58)	(109)	(84)
Net periodic benefit cost	\$ 227	\$ 45	\$ 429	\$ 369

Note 8 – Income Taxes

The Company's effective tax rate for the second quarter of 2014 was 25 percent compared with 36 percent for the same period last year. The difference between the effective tax rate and the amount that would be computed using the U.S. federal statutory tax rate for the second quarter of 2014 were reductions related to the U.S. production activities deduction of \$1.4 million and decreases in valuation allowances of \$4.8 million. These items were partially offset by the provision for state income taxes, net of the federal benefit, of \$1.2 million.

The Company's effective tax rate for the first half of 2014 was 29 percent compared with 36 percent for the same period last year. The difference between the effective tax rate and the amount that would be computed using the U.S. federal statutory tax rate was attributable to reductions for: (i) the U.S. production activities deduction of \$2.6 million; (ii) decreases in valuation allowances of \$5.7 million; and (iii) the effect of foreign tax rates lower than statutory tax rates and other foreign adjustments of \$0.3 million. These items were partially offset by the provision for state income taxes, net of the federal benefit, of \$2.5 million.

The Company released a valuation allowance of \$4.8 million, or eight cents per diluted share, in the second quarter of 2014 related to certain state income tax credits. As a result of legislative changes enacted in the second quarter, the Company now expects to be able to use such credits within the foreseeable future.

Total unrecognized tax benefits, including derecognized deferred tax assets, as of June 28, 2014 were \$2.8 million. It is reasonably possible that this amount may decrease by the full amount over the next twelve months, none of which

will impact the effective tax rate.

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The Company files a consolidated U.S. federal income tax return and numerous consolidated and separate-company income tax returns in many state, local, and foreign jurisdictions. The statute of limitations is open for the Company's federal tax return and most state income tax returns for 2010 and all subsequent years and is open for certain state and foreign returns for earlier tax years due to ongoing audits and differing statute periods. The Internal Revenue Service has audited the 2010 and 2012 federal income tax returns, the results of which were immaterial to the Company's financial position, results of operations, or cash flows. While the Company believes that it is adequately reserved for possible future audit adjustments, the final resolution of these examinations cannot be determined with certainty and could result in final settlements that differ from current estimates.

Note 9 – Derivative Instruments and Hedging Activities

Earnings and cash flows are subject to fluctuations due to changes in commodity prices, foreign currency exchange rates, and interest rates. The Company uses derivative instruments such as commodity futures contracts, foreign currency forward contracts, and interest rate swaps to manage these exposures.

All derivatives are recognized on the Condensed Consolidated Balance Sheets at their fair value. On the date the derivative contract is entered into, it is designated as (i) a hedge of a forecasted transaction or the variability of cash flow to be paid (cash flow hedge), or (ii) a hedge of the fair value of a recognized asset or liability (fair value hedge). Changes in the fair value of a derivative that is qualified, designated and highly effective as a cash flow hedge are recorded in accumulated other comprehensive income (AOCI), to the extent effective, until they are reclassified to earnings in the same period or periods during which the hedged transaction affects earnings. Changes in the fair value of a derivative that is qualified, designated and highly effective as a fair value hedge, along with the gain or loss on the hedged recognized asset or liability that is attributable to the hedged risk, are recorded in current earnings. Changes in the fair value of undesignated derivative instruments and the ineffective portion of designated derivative instruments are reported in current earnings.

The Company documents all relationships between hedging instruments and hedged items, as well as the risk-management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as fair value hedges to specific assets and liabilities on the Condensed Consolidated Balance Sheets and linking cash flow hedges to specific forecasted transactions or variability of cash flow.

The Company also assesses, both at the hedge's inception and on an ongoing basis, whether the designated derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flow or fair values of hedged items. When a derivative is determined not to be highly effective as a hedge or the underlying hedged transaction is no longer probable, hedge accounting is discontinued prospectively, in accordance with the derecognition criteria for hedge accounting.

Commodity Futures Contracts

Copper and brass represent the largest component of the Company's variable costs of production. The cost of these materials is subject to global market fluctuations caused by factors beyond the Company's control. The Company occasionally enters into forward fixed-price arrangements with certain customers; the risk of these arrangements is generally managed with commodity futures contracts. These futures contracts have been designated as cash flow hedges.

At June 28, 2014, the Company held open futures contracts to purchase approximately \$19.6 million of copper over the next 13 months related to fixed price sales orders. The fair value of those futures contracts was a \$438 thousand

gain position, which was determined by obtaining quoted market prices (Level 1 hierarchy as defined by ASC 820, Fair Value Measurements and Disclosures (ASC 820)). In the next twelve months, the Company will reclassify into earnings realized gains or losses of cash flow hedges. At June 28, 2014, this amount was approximately \$303 thousand of deferred net gains, net of tax.

The Company may also enter into futures contracts to protect the value of inventory against market fluctuations. These futures contracts have been designated as fair value hedges.

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At June 28, 2014, the Company held open futures contracts to sell approximately \$18.7 million of copper over the next six months related to copper inventory. The fair value of those futures contracts was a \$24 thousand loss position, which was determined by obtaining quoted market prices (Level 1 hierarchy as defined by ASC 820). During the fourth quarter of 2013, the Company dedesignated previous hedges on its inventory because the hedging relationship was no longer deemed to be highly effective. These contracts no longer qualified as hedging instruments as of December 28, 2013.

Foreign Currency Forward Contracts

During 2012 and 2013, the Company entered into certain contracts to purchase heavy machinery and equipment denominated in euros. In anticipation of entering into these contracts, the Company has entered into forward contracts to purchase euros to protect itself against adverse foreign exchange rate fluctuations.

At June 28, 2014, the Company held open forward contracts to purchase approximately 4.6 million euros over the next nine months. The fair value of these contracts, which was determined by obtaining quoted market prices (Level 1 hierarchy as defined by ASC 820), was a \$319 thousand gain position recorded in other current assets at June 28, 2014, and an \$836 thousand gain position recorded in other current assets at December 28, 2013. At June 28, 2014, there was \$242 thousand of deferred net gains, net of tax, included in AOCI that is expected to be reclassified into property, plant, and equipment, net, when the hedged transactions occur.

Interest Rate Swap

On February 20, 2013, the Company entered into a two-year forward-starting interest rate swap agreement with an effective date of January 12, 2015, and an underlying notional amount of \$200.0 million, pursuant to which the Company receives variable interest payments based on one-month LIBOR and pays fixed interest at a rate of 1.4 percent. Based on the Company's current variable premium pricing on its Term Loan Facility, the all-in fixed rate on the effective date is 2.7 percent. The interest rate swap will mature on December 11, 2017, and is structured to offset the interest rate risk associated with the Company's floating-rate, LIBOR-based Term Loan Facility Agreement. The swap was designated and accounted for as a cash flow hedge from inception.

The fair value of the interest rate swap is estimated based on the present value of the difference between expected cash flows calculated at the contracted interest rate and the expected cash flows at the current market interest rate using observable benchmarks for LIBOR forward rates at the end of the period (Level 2 hierarchy as defined by ASC 820). Interest payable and receivable under the swap agreement will be accrued and recorded as an adjustment to interest expense. The fair value of the interest rate swap was a \$664 thousand loss position and was recorded in other liabilities at June 28, 2014. At June 28, 2014, there was \$425 thousand of deferred net losses, net of tax, included in AOCI that is expected to be reclassified into interest expense over the term of the hedged item.

We present our derivative assets and liabilities in our Condensed Consolidated Balance Sheets on a net basis by counterparty. The following table summarizes the location and fair value of the derivative instruments and disaggregates our net derivative assets and liabilities into gross components on a contract-by-contract basis:

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(In thousands)	Balance Sheet Location	Asset Derivatives Fair Value		Liability Derivatives Fair Value	
		June 28, 2014	Dec. 28, 2013	June 28, 2014	Dec. 28, 2013
Hedging instrument:					
Commodity contracts - gains	Other current assets	\$ 513	\$ 448	Other current liabilities	\$ — \$ 340
Commodity contracts - losses	Other current assets	(52)	(10)	Other current liabilities	(47) (2,107)
Foreign currency contracts	Other current assets	319	836	Other current liabilities	— —
Interest rate swap	Other assets	—	1,324	Other liabilities) (664 —
Total derivatives (1)		\$ 780	\$ 2,598		\$ (711) \$ (1,767)

(1) Does not include the impact of cash collateral received from or provided to counterparties.

The following tables summarize the effects of derivative instruments on our Condensed Consolidated Statements of Income:

(In thousands)	Location	Three Months Ended		Six Months Ended	
		June 28, 2014	June 29, 2013	June 28, 2014	June 29, 2013
Fair value hedges:					
(Loss) gain on commodity contracts (qualifying)	Cost of goods sold	\$ (20)	\$ 1,857	\$ 6,271	\$ 5,190
Gain (loss) on hedged item - Inventory	Cost of goods sold	20	(1,928)	(5,780)	(4,813)

(In thousands)	Location	Three Months Ended		Six Months Ended	
		June 28, 2014	June 29, 2013	June 28, 2014	June 29, 2013
Undesignated derivatives:					
(Loss) gain on commodity contracts (nonqualifying)	Cost of goods sold	(72)	—	1,466	—

The following tables summarize amounts recognized in and reclassified from AOCI during the period:

Three Months Ended June 28, 2014

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(In thousands)	Gain (Loss) Recognized in AOCI (Effective Portion), Net of Tax	Classification Gains (Losses)	Loss (Gain) Reclassified from AOCI (Effective Portion), Net of Tax
Cash flow hedges:			
Commodity contracts	\$ 578	Cost of goods sold	\$ 168
Foreign currency contracts	(25)	Property, plant, and equipment, net	(63)
Interest rate swap	(1,022)	Interest expense	—

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(In thousands)	Three Months Ended June 29, 2013		Classification Gains (Losses)	Loss (Gain) Reclassified from AOCI (Effective Portion), Net of Tax
	Gain (Loss) Recognized in AOCI (Effective Portion), Net of Tax			
Cash flow hedges:				
Commodity contracts	\$	(2,876)	Cost of goods sold	\$ 2,596
Foreign currency contracts		(20)	Property, plant, and equipment, net	—
Interest rate swap		2,395	Interest expense	—

(In thousands)	Six Months Ended June 28, 2014		Classification Gains (Losses)	Loss (Gain) Reclassified from AOCI (Effective Portion), Net of Tax
	Gain (Loss) Recognized in AOCI (Effective Portion), Net of Tax			
Cash flow hedges:				
Commodity contracts	\$	(432)	Cost of goods sold	\$ 459
Foreign currency contracts		(3)	Property, plant, and equipment, net	(237)
Interest rate swap		(1,267)	Interest expense	—

(In thousands)	Six Months Ended June 29, 2013		Classification Gains (Losses)	Loss (Gain) Reclassified from AOCI (Effective Portion), Net of Tax
	Gain (Loss) Recognized in AOCI (Effective Portion), Net of Tax			
Cash flow hedges:				
Commodity contracts	\$	(3,530)	Cost of goods sold	\$ 2,521
Foreign currency contracts		(20)	Property, plant, and equipment, net	—
Interest rate swap		1,396	Interest expense	—

The Company enters into futures and forward contracts that closely match the terms of the underlying transactions. As a result, the ineffective portion of the open hedge contracts through June 28, 2014 was not material to the Condensed Consolidated Statements of Income.

The Company primarily enters into International Swaps and Derivatives Association (ISDA) master netting agreements with major financial institutions that permit the net settlement of amounts owed under their respective derivative contracts. Under these master netting agreements, net settlement generally permits the Company or the counterparty to determine the net amount payable for contracts due on the same date and in the same currency for similar types of derivative transactions. The master netting agreements generally also provide for net settlement of all outstanding contracts with a counterparty in the case of an event of default or a termination event. The Company does not offset fair value amounts for derivative instruments and fair value amounts recognized for the right to reclaim cash collateral. At June 28, 2014 and December 28, 2013, the Company had recorded restricted cash of \$1.0 million and \$2.1 million as collateral related to open derivative contracts under the master netting arrangements.

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The effect of the net settlement provisions of the master netting agreements on our derivative balances upon an event of default or termination event is as follows:

(In thousands)	June 28, 2014						Net Amounts of Assets
	Gross Amounts Recognized in Assets	Gross Amounts Offset in the Condensed Consolidating Balance Sheet	Net Amounts of Assets Presented in the Condensed Consolidating Balance Sheet	Financial Instruments	Cash Collateral Provided	Gross Amounts Not Offset in the Condensed Consolidating Balance Sheet	
Assets:							
Commodity contracts	\$ 513	\$ (52)	\$ 461	\$ —	\$ 972	\$ 1,433	
Foreign currency contracts	319	—	319	—	—	319	
Interest rate swap	—	—	—	—	—	—	
Total	\$ 832	\$ (52)	\$ 780	\$ —	\$ 972	\$ 1,752	

(In thousands)	June 28, 2014						Net Amounts of Liabilities
	Gross Amounts Recognized in Liabilities	Gross Amounts Offset in the Condensed Consolidating Balance Sheet	Net Amounts of Liabilities Presented in the Condensed Consolidating Balance Sheet	Financial Instruments	Cash Collateral Provided	Gross Amounts Not Offset in the Condensed Consolidating Balance Sheet	
Liabilities:							
Commodity contracts	\$ (47)	\$ —	\$ (47)	\$ —	\$ —	\$ (47)	
Foreign currency contracts	—	—	—	—	—	—	
Interest rate swap	(664)	—	(664)	—	—	(664)	

Total	\$	(711)	\$	—	\$	(711)	\$	—	\$	—	\$	(711)
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December 28, 2013

Gross Amounts Not Offset
in the Condensed
Consolidating Balance
Sheet

(In thousands)	Gross Amounts Recognized in Assets	Gross Amounts Offset in the Condensed Consolidating Balance Sheet	Net Amounts of Assets Presented in the Condensed Consolidating Balance Sheet	Financial Instruments	Cash Collateral Provided	Net Amounts of Assets
Assets:						
Commodity contracts	\$ 448	\$ (10)	\$ 438	\$ —	\$ 2,051	\$ 2,489
Foreign currency contracts	836	—	836	—	—	836
Interest rate swap	1,324	—	1,324	—	—	1,324
Total	\$ 2,608	\$ (10)	\$ 2,598	\$ —	\$ 2,051	\$ 4,649

December 28, 2013

Gross Amounts Not
Offset in the Condensed
Consolidating Balance
Sheet

(In thousands)	Gross Amounts Recognized in Liabilities	Gross Amounts Offset in the Condensed Consolidating Balance Sheet	Net Amounts of Liabilities Presented in the Condensed Consolidating Balance Sheet	Financial Instruments	Cash Collateral Provided	Net Amounts of Liabilities
Liabilities:						
Commodity contracts	\$ (2,107)	\$ 340	\$ (1,767)	\$ —	\$ —	\$ (1,767)
Foreign currency contracts	—	—	—	—	—	—
Interest rate swap	—	—	—	—	—	—
Total	\$ (2,107)	\$ 340	\$ (1,767)	\$ —	\$ —	\$ (1,767)

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Note 10 – Accumulated Other Comprehensive Income

Changes in AOCI by component, net of taxes and noncontrolling interest, were as follows:

(In thousands)	Cumulative Translation Adjustment	For the Six Months Ended June 28, 2014			Total
		Unrealized (Losses)/Gains on Derivatives	Minimum Pension/OPEB Liability Adjustment	Unrealized Gains on Equity Investments	
Beginning balance	\$ (462)	\$ 1,546	\$ (12,158)	\$ 255	\$ (10,819)
Other comprehensive income (loss) before reclassifications	3,711	(1,698)	(388)	9	1,636
Amounts reclassified from AOCI	—	222	232	—	454
Net current-period other comprehensive income	3,711	(1,476)	(156)	9	2,090
Ending balance	\$ 3,249	\$ 70	\$ (12,314)	\$ 264	\$ (8,729)

(In thousands)	Cumulative Translation Adjustment	For the Six Months Ended June 29, 2013			Total
		Unrealized (Losses)/Gains on Derivatives	Minimum Pension/OPEB Liability Adjustment	Unrealized Gains on Equity Investments	
Beginning balance	\$ (3,033)	\$ (166)	\$ (39,527)	\$ 103	\$ (42,623)
Other comprehensive income (loss) before reclassifications	(6,470)	2,995	893	83	(2,499)
Amounts reclassified from AOCI	—	(2,521)	1,268	—	(1,253)
Net current-period other comprehensive income	(6,470)	474	2,161	83	(3,752)
Ending balance	\$ (9,503)	\$ 308	\$ (37,366)	\$ 186	\$ (46,375)

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Reclassification adjustments out of AOCI were as follows:

(In thousands)	Amount reclassified from AOCI For the Quarter Ended		Affected line item
	June 28, 2014	June 29, 2013	
Unrealized losses/(gains) on derivatives:			
Commodity contracts	\$ 208	\$ 3,967	Cost of goods sold
Foreign currency contracts	(99)	—	Property, plant, and equipment, net
	(4)	(1,371)	Income tax expense
	105	2,596	Net of tax
	—	—	Noncontrolling interest
			Net of tax and noncontrolling interest
	\$ 105	\$ 2,596	

Amortization of employee benefit items:

Amortization of net loss and prior service cost	\$ 143	\$ 921	Selling, general, and administrative expense
	(22)	(302)	Income tax expense
	121	619	Net of tax
	—	—	Noncontrolling interest
			Net of tax and noncontrolling interest
	\$ 121	\$ 619	

(In thousands)	Amount reclassified from AOCI For the Six Months Ended		Affected line item
	June 28, 2014	June 29, 2013	
Unrealized losses/(gains) on derivatives:			
Commodity contracts	\$ 565	\$ 3,876	Cost of goods sold
Foreign currency contracts	(375)	—	Property, plant, and equipment, net
	32	(1,355)	Income tax benefit
	222	2,521	Net of tax
	—	—	Noncontrolling interest

	\$	222	\$	2,521	Net of tax and noncontrolling interest
Amortization of employee benefit items:					
Amortization of net loss and prior service cost	\$	267	\$	1,889	Selling, general, and administrative expense
		(35)		(621)	Income tax expense
		232		1,268	Net of tax
		—		—	Noncontrolling interest
	\$	232	\$	1,268	Net of tax and noncontrolling interest

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Note 11 – Acquisitions

On October 18, 2013, the Company entered into a definitive agreement with KME Yorkshire Limited (Yorkshire) to acquire certain assets and assume certain liabilities of Yorkshire for purposes of acquiring its copper tube business. Yorkshire produces European standard copper distribution tubes. This transaction received regulatory approval in the United Kingdom on February 11, 2014 and closed on February 28, 2014. The purchase price was approximately \$30.1 million, paid in cash. The acquisition of Yorkshire complements the Company's existing copper tube businesses in the Plumbing and Refrigeration segment. In 2012, Yorkshire had annual revenue of approximately \$196.1 million. The fair value of the assets acquired totaled \$20.7 million, consisting primarily of inventories of \$17.6 million, property, plant, and equipment of \$2.1 million, and other current assets of \$1.0 million. The fair value of the liabilities assumed totaled \$15.6 million, consisting primarily of accounts payable and accrued expenses of \$15.2 million and other current liabilities of \$0.4 million. Of the remaining purchase price, \$12.8 million was allocated to tax-deductible goodwill and \$12.2 million was allocated to other intangible assets such as customer lists, non-compete agreements, and trade names and licenses. The allocation of the purchase price to long-lived assets is provisional as of June 28, 2014 and subject to change upon completion of the final valuation of these assets. The results of operations for Yorkshire have been included in the accompanying Condensed Consolidated Financial Statements from the acquisition date.

On October 17, 2013, the Company entered into a Stock Purchase Agreement with Commercial Metals Company and Howell Metal Company (Howell) providing for the purchase of all of the outstanding capital stock of Howell for approximately \$55.3 million in cash, net of working capital adjustments. Howell manufactures copper tube and line sets for U.S. distribution. The acquisition of Howell complements the Company's copper tube and line sets businesses, both components of the Plumbing and Refrigeration segment. For the twelve months ended August 31, 2013, Howell's net sales for copper tube and line sets totaled \$156.3 million. During the first quarter of 2014, the purchase price allocation, including all fair value measurements, was finalized. The fair value of the assets acquired totaled \$63.0 million, consisting primarily of receivables of \$14.6 million, inventories of \$27.6 million, property, plant, and equipment of \$20.3 million, and other current assets of \$0.5 million. The fair value of the liabilities assumed totaled \$11.4 million, consisting primarily of accounts payable and accrued expenses of \$9.9 million and other current liabilities of \$1.5 million. Of the remaining purchase price, \$2.3 million was allocated to other intangible assets and \$1.4 million to tax-deductible goodwill. The results of operations for Howell have been included in the accompanying Condensed Consolidated Financial Statements from the acquisition date of October 17, 2013.

Note 12 – Recently Issued Accounting Standards

In December 2011, the FASB issued ASU No. 2011-11, Balance Sheet (Topic 210) (ASU 2011-11). The amendments in this ASU require improved disclosure information about financial instruments and derivative instruments that are either offset or subject to an enforceable master netting arrangement or similar agreement. Subsequently in January 2013, the FASB issued ASU 2013-01, Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities (ASU 2013-01), which clarifies the types of instruments and transactions that are subject to the offsetting disclosure requirements established by ASU 2011-11. These ASUs should be applied retrospectively for all comparative periods presented for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods. The requirements of these ASUs were adopted during the first quarter of 2014 and did not have a significant impact on our disclosures.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) (ASU 2014-09). The ASU will supersede virtually all existing revenue recognition guidance under U.S. GAAP and will be

effective for annual reporting periods beginning after December 15, 2016. The fundamental principles of the new guidance are that companies should recognize revenue in a manner that reflects the timing of the transfer of services to customers and the amount of revenue recognized reflects the consideration that a company expects to receive for the goods and services provided. The new guidance establishes a five-step approach for the recognition of revenue. Based on our preliminary assessment, we do not anticipate that the new guidance will fundamentally change our revenue recognition policies, practices, or systems.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General Overview

The Company is a leading manufacturer of copper, brass, plastic, and aluminum products. The range of these products is broad: copper tube and fittings; brass and copper alloy rod, bar, and shapes; aluminum and brass forgings; aluminum and copper impact extrusions; plastic pipe, fittings and valves; refrigeration valves and fittings; fabricated tubular products; and steel nipples. The Company also resells imported brass and plastic plumbing valves, malleable iron fittings, faucets and plumbing specialty products. Mueller's operations are located throughout the United States and in Canada, Mexico, Great Britain, and China.

The Company's businesses are aggregated into two reportable segments: the Plumbing & Refrigeration segment and the Original Equipment Manufacturers (OEM) segment. For disclosure purposes, as permitted under Accounting Standards Codification (ASC) 280, Segment Reporting, certain operating segments are aggregated into reportable segments. The Plumbing & Refrigeration segment is composed of Standard Products (SPD), European Operations, and Mexican Operations. The OEM segment is composed of Industrial Products (IPD), Engineered Products (EPD), and Mueller-Xingrong. Certain administrative expenses and expenses related primarily to retiree benefits at inactive operations are combined into the Corporate and Eliminations classification. These reportable segments are described in more detail below.

SPD manufactures and sells copper tube, copper and plastic fittings, line sets, plastic pipe, and valves in North America and sources products for import distribution in North America. European Operations manufacture copper tube, which is sold primarily in Europe; activities also include import distribution in the U.K. and Ireland. Mexican Operations consist of pipe nipple manufacturing and import distribution businesses including product lines of malleable iron fittings and other plumbing specialties. The Plumbing & Refrigeration segment sells products to wholesalers in the heating, ventilation, and air-conditioning (HVAC), plumbing, and refrigeration markets, to distributors to the manufactured housing and recreational vehicle industries, and to building material retailers.

The OEM segment manufactures and sells brass and copper alloy rod, bar, and shapes; aluminum and brass forgings; aluminum and copper impact extrusions; refrigeration valves and fittings; fabricated tubular products; and gas valves and assemblies. Mueller-Xingrong manufactures engineered copper tube primarily for air-conditioning applications; these products are sold primarily to OEMs located in China. The OEM segment sells its products primarily to original equipment manufacturers, many of which are in the HVAC, plumbing, and refrigeration markets.

New housing starts and commercial construction are important determinants of the Company's sales to the HVAC, refrigeration, and plumbing markets because the principal end use of a significant portion of the Company's products is in the construction of single and multi-family housing and commercial buildings. Repairs and remodeling projects are also important drivers of underlying demand for these products.

The majority of the Company's manufacturing facilities operated below capacity during 2013 and the first half of 2014 due to reduced demand for the Company's products arising from the general economic conditions in the U.S. and foreign markets that the Company serves. These conditions have significantly affected the demand for virtually all of the Company's core products in recent years.

Residential construction activity in 2013 and into the first half of 2014 is at levels below historical averages. Improvement in the near-term is expected, but may be tempered by continuing low labor participation rates, the pace

of household formations, tighter lending standards, and rising mortgage rates. Per the U.S. Census Bureau, the June 2014 seasonally adjusted annual rate of new housing starts was 893 thousand compared with the June 2013 rate of 831 thousand. While mortgage rates have risen in 2013 and 2014, they remain at historically low levels, as the average 30-year fixed mortgage rate was 4.29 percent for the first six months of 2014 and 3.98 percent for the twelve months ended December 2013.

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The private non-residential construction sector, which includes offices, industrial, health care and retail projects, began showing modest improvement in 2012 and 2013 from declines in previous years. According to the U.S. Census Bureau, the actual (not seasonally adjusted) value of private nonresidential construction put in place was \$301.4 billion in 2012 compared to \$304.9 billion in 2013. The seasonally adjusted annual value of private non-residential value of construction put in place was \$328.0 billion in May 2014 compared to the May 2013 rate of \$296.4 billion and the December 2013 rate of \$331.4 billion. The Company expects that most of these conditions will gradually improve, but at an irregular pace.

Profitability of certain of the Company's product lines depends upon the "spreads" between the cost of raw material and the selling prices of its products. The open market prices for copper cathode and scrap, for example, influence the selling price of copper tube, a principal product manufactured by the Company. The Company attempts to minimize the effects on profitability from fluctuations in material costs by passing through these costs to its customers. The Company's earnings and cash flow are dependent upon these spreads that fluctuate based upon market conditions.

Earnings and profitability are also impacted by unit volumes that are subject to market trends, such as substitute products, imports, technologies, and market share. In core product lines, the Company intensively manages its pricing structure while attempting to maximize its profitability. From time-to-time, this practice results in lost sales opportunities and lower volume. For plumbing systems, plastics are the primary substitute product; these products represent an increasing share of consumption. U.S. consumption of copper tube is still predominantly supplied by U.S. manufacturers. For certain air-conditioning and refrigeration applications, aluminum based systems are the primary substitution threat. The Company cannot predict the acceptance or the rate of switching that may occur. In recent years, brass rod consumption in the U.S. has declined due to the outsourcing of many manufactured products from offshore regions.

Results of Operations

Second Quarter 2014 compared with Second Quarter 2013

During the second quarter of 2014, the Company's net sales were \$649.7 million, which compares with net sales of \$582.3 million over the same period of 2013. The \$67.4 million increase was primarily attributable to higher unit sales volume in the Company's core product lines of \$77.2 million, of which approximately \$67.1 million was attributable to sales recorded by Howell Metal Company (Howell), acquired in October 2013, and Yorkshire Copper Tube (Yorkshire), acquired in February 2014. The increase was partially offset by lower net selling prices of \$14.6 million in the Company's core product lines. Net selling prices generally fluctuate with changes in raw material costs. Changes in raw material costs are generally passed through to customers by adjustments to selling prices. The Comex average copper price in the second quarter of 2014 was approximately \$3.10 per pound, or five percent less than the second quarter of 2013 average of \$3.25 per pound.

Cost of goods sold was \$557.8 million in the second quarter of 2014 compared with \$501.1 million in the same period of 2013. Consistent with the factors noted above regarding net sales, the year-over-year increase was due primarily to increased sales volume, offset by a decrease in the price of copper, the Company's principal raw material.

Depreciation and amortization increased from \$8.3 million in the second quarter of 2013 to \$8.6 million in the second quarter of 2014. This is due to increased capital spending and depreciation and amortization related to businesses acquired. Selling, general, and administrative expense increased slightly from \$34.8 million in the second quarter of 2013 to \$35.1 million in the second quarter of 2014; this increase was primarily due to severance costs of \$1.8 million at Yorkshire, offset by decreased employment costs of \$0.6 million and a reduction in accruals related to legal matters

of \$0.9 million.

During the second quarter of 2013, the Company settled the insurance claim related to the September 2011 fire at its Wynne, Arkansas manufacturing operation and recognized a one-time \$106.3 million pre-tax gain, or \$65.6 million after tax, equal to \$1.17 per diluted share.

Interest expense increased to \$1.5 million in the second quarter of 2014 from \$1.1 million for the same period in 2013. This was primarily related to increased borrowings by MEL and Mueller-Xingrong to fund working capital.

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The Company's effective tax rate for the second quarter of 2014 was 25 percent compared with 36 percent for the same period last year. Factors that explain the difference between the effective tax rate and what would be computed using the U.S. federal statutory tax rate for the second quarter of 2014 were reductions related to the U.S. production activities deduction of \$1.4 million and decreases in valuation allowances of \$4.8 million related to certain state income tax credits which resulted from legislative changes enacted during the second quarter. These items were partially offset by the provision for state income taxes, net of the federal benefit, of \$1.2 million.

Based on the items described above, consolidated net income decreased to \$35.2 million in the second quarter of 2014 from \$91.8 million in the second quarter of 2013.

Plumbing & Refrigeration Segment

Second quarter net sales by the Plumbing & Refrigeration segment increased 21 percent to \$397.2 million in 2014 from \$328.7 million for the second quarter of 2013. Of the \$68.5 million increase, approximately \$67.1 million was attributable to sales recorded by Howell, acquired in October 2013, and Yorkshire, acquired in February 2014. In addition, there was an increase in sales of \$7.3 million for the segment's import distribution businesses. The increase was offset by lower net selling prices of \$4.6 million in the segment's core product lines of copper tube, line sets, and fittings.

Cost of goods sold increased from \$277.9 million in the second quarter of 2013 to \$336.3 million in the same period of 2014, which was due to higher volumes. Depreciation and amortization increased from \$4.4 million in the second quarter of 2013 to \$5.1 million in the second quarter of 2014. This is due to increased capital spending and depreciation and amortization related to businesses acquired. Selling, general, and administrative expense increased from \$20.4 million in 2013 to \$23.5 million in 2014 primarily due to increased compensation expense, including incentive compensation, of \$1.3 million, severance costs of \$1.8 million at Yorkshire, and increased selling, general, and administrative expenses associated with Howell and Yorkshire.

Operating income for the segment decreased to \$32.3 million in the second quarter of 2014 from \$129.8 million in the second quarter of 2013. This decrease was primarily due to the recognition of a \$103.9 million gain related to the settlement of the insurance claim for the September 2011 fire at the Wynne, Arkansas manufacturing operation during the second quarter of 2013.

OEM Segment

The OEM segment's second quarter net sales were \$255.4 million in 2014 compared with \$257.0 million in 2013. The decrease in net sales was attributable to lower net selling prices of \$10.0 million in the segment's core product lines and lower sales of \$2.5 million in the segment's other products, which was partially offset by an increase of \$10.8 million attributable to higher unit sales volume in the segment's core products. Cost of goods sold decreased to \$224.4 million in the second quarter of 2014 from \$226.6 million in the same period of 2013, which was also due to factors consistent with those noted regarding net sales. Depreciation and amortization decreased slightly from \$3.3 million to \$2.9 million. Selling, general, and administrative expense for the second quarter of 2014 was \$4.9 million compared to \$6.2 million in the second quarter of 2013. The decrease is primarily related to lower net periodic benefit costs. Operating income increased from \$20.9 million in the second quarter of 2013 to \$23.2 million in the same period of 2014 due to a better mix of higher margin business.

Six Months Ended June 28, 2014, compared with Six Months Ended June 29, 2013

During the six months ended June 28, 2014, the Company's net sales were \$1.22 billion, which compares with net sales of \$1.14 billion over the same period of 2013. The \$82.1 million increase in net sales was primarily due to higher unit sales volume in the Company's core product lines of \$112.9 million, of which approximately \$106.9 million was attributable to sales recorded by Howell, acquired in October 2013, and Yorkshire, acquired in February 2014. This was partially offset by a \$41.2 million decrease related to lower net selling prices in the Company's core product lines. Net selling prices generally fluctuate with changes in raw material costs. Changes in raw material costs are generally passed through to customers by adjustments to selling prices. The Comex average copper price in the first half of 2014 was approximately \$3.17 per pound, or eight percent less than the first half of 2013 average of \$3.43 per pound.

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Cost of goods sold was \$1.05 billion in the first half of 2014 compared with \$0.98 billion in the same period of 2013. Consistent with the factors noted above regarding net sales, the year-over-year increase was due primarily to increased sales volume, offset by a decrease in the price of copper, the Company's principal raw material, and a decrease in accruals related to import duties of \$3.1 million.

Depreciation and amortization expense of \$16.7 million in the first half of 2014 was consistent with \$16.5 million in the first half of 2013. Selling, general, and administrative expense increased to \$67.3 million in the first half of 2014 from \$66.2 million in 2013; this \$1.1 million increase was primarily due to severance costs of \$2.2 million at Yorkshire, offset by a reduction in accruals related to legal matters of \$0.9 million.

During the six months ended June 29, 2013, the Company settled the insurance claim related to the September 2011 fire at its Wynne, Arkansas manufacturing operation and recognized a one-time \$106.3 million pre-tax gain, or \$65.6 million after tax, equal to \$1.16 per diluted share.

Interest expense increased to \$2.5 million for the six months ended June 28, 2014, from \$1.7 million for the same period in 2013. This increase was primarily due to increased borrowings by MEL and Mueller-Xingrong to fund operations as well as capitalization of interest in the first quarter of 2013 related to certain capital projects. Other income, net totaled \$0.2 million in the first half of 2014 compared with \$3.5 million for the same period in 2013. This decrease was primarily related to a \$3.0 million gain on the sale of non-operating property during 2013.

The Company's effective tax rate for the first half of 2014 was 29 percent compared with 36 percent for the same period last year. The difference between the effective tax rate and what would be computed using the U.S. federal statutory tax rate was attributable to reductions for: (i) the U.S. production activities deduction of \$2.6 million; (ii) decreases in valuation allowances of \$5.7 million; and (iii) the effect of foreign tax rates lower than statutory tax rates and other foreign adjustments of \$0.3 million. These items were partially offset by the provision for state income taxes, net of the federal benefit, of \$2.5 million.

Based on the items described above, consolidated net income decreased to \$60.2 million in the first half of 2014 from \$118.3 million in the first half of 2013.

Plumbing & Refrigeration Segment

Net sales by the Plumbing & Refrigeration segment were \$735.2 million in the six months ended June 28, 2014 compared to net sales of \$640.5 million in the same period of 2013. Of the \$94.7 million increase, approximately \$106.9 million was attributable to sales recorded by Howell, acquired in October 2013, and Yorkshire, acquired in February 2014. In addition, there was an increase in sales of \$14.8 million for the segment's import distribution businesses. The increase was offset by lower net selling prices of \$22.1 million in the segment's core product lines of copper tube, line sets, and fittings.

Cost of goods sold increased from \$542.7 million in the first half of 2013 to \$625.3 million in the same period of 2014, which was also due to higher volumes. Depreciation and amortization increased from \$8.7 million in the second quarter of 2013 to \$9.5 million in the second quarter of 2014. This is due to increased capital spending and depreciation and amortization related to businesses acquired. Selling, general, and administrative expenses increased from \$40.5 million in the first half of 2013 to \$44.2 million in the first half of 2014. The \$3.7 million increase was primarily due to increased compensation expense, including incentive compensation, of \$1.3 million, severance costs of \$2.2 million at Yorkshire, and increased selling, general, and administrative expenses associated with Howell and Yorkshire. This was offset by a reduction in accruals related to legal matters of \$0.9 million.

Operating income for the segment decreased to \$56.2 million in the first half of 2014 from \$152.4 million in the first half of 2013. This decrease was primarily due to the recognition of a \$103.9 million gain related to the settlement of the insurance claim for the September 2011 fire at the Wynne, Arkansas manufacturing operation during the first half of 2013.

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OEM Segment

The OEM segment's net sales were \$495.4 million in the six months ended June 28, 2014, compared with \$510.8 million in 2013. Of the \$15.4 million decrease in net sales, approximately \$19.1 million was attributable to lower net selling prices in the segment's core product lines of brass rod, forgings, impacts, and commercial tube and approximately \$4.4 million was due to lower sales in the segment's other products. This was offset by \$7.9 million due to higher sales volume in the segment's core product lines. Cost of goods sold decreased to \$434.8 million in the first half of 2014 from \$450.5 million in the same period of 2013, which was due primarily to factors consistent with those noted regarding net sales. Depreciation and amortization decreased slightly from \$6.7 million to \$6.0 million. This is due to certain fixed assets becoming fully depreciated during 2013 and 2014. Selling, general, and administrative expenses decreased from \$12.4 million in the first half of 2013 to \$10.2 million in the first half of 2014, which was mostly due to lower net periodic benefit costs. Operating income increased from \$41.3 million in the first half of 2013 to \$44.5 million in the same period of 2014.

Liquidity and Capital Resources

Cash used in operating activities during the six months ended June 28, 2014 totaled \$50.9 million, which was primarily attributable to increased receivables of \$100.4 million, increased inventory of \$20.6 million, and increased other assets of \$8.9 million, partially offset by consolidated net income of \$60.2 million plus depreciation and amortization of \$16.8 million. The fluctuations in receivables and inventory are primarily due to increased sales volume in certain businesses and additional working capital needs in the first half of 2014.

During the first six months of 2014, cash used in investing activities totaled \$42.3 million. The major components of net cash used in investing activities included \$30.1 million for the acquisition of Yorkshire and capital expenditures of \$18.8 million, offset by \$4.9 million from the sale of properties and net withdrawals from restricted cash balances of \$1.8 million.

Net cash provided by financing activities totaled \$23.2 million, which consisted primarily of \$22.6 million received from the issuance of debt by MEL and \$8.9 million received from the issuance of debt by Mueller-Xingrong, partially offset by \$8.4 million used for payment of regular quarterly dividends to stockholders of the Company.

The Company has significant environmental remediation obligations. The performance of these obligations is expected to occur over a minimum of 20 years. Cash used for environmental remediation activities was approximately \$1.3 million during the first half of 2014. The Company expects to spend approximately \$0.7 million for the remainder of 2014 for ongoing environmental remediation activities. The timing of a potential payment for a \$9.5 million settlement offer has not yet been determined.

Effective May 29, 2014, the Company amended its credit agreement (the Credit Agreement) entered into on March 7, 2011 to reduce the unsecured \$350.0 million revolving credit facility (the Revolving Credit Facility) to \$200.0 million. The Credit Agreement also provides for a \$200.0 million Term Loan Facility, which, together with the Revolving Credit Facility, both mature on December 11, 2017. The Revolving Credit Facility backed approximately \$10.3 million in letters of credit at the end of the quarter. Additionally, MEL's credit agreement (the Invoice Facility, described in Note 6 of the Notes to the Condensed Consolidated Financial Statements) has a total borrowing capacity of £40.0 million, or approximately \$65.9 million. The Invoice Facility has an initial term of two years. Borrowings outstanding under the Invoice Facility are secured by MEL's trade account receivables denominated in British pounds. As of June 28, 2014, the Company's total debt was \$266.1 million or 25.1 percent of its total capitalization.

Covenants contained in the Company's financing obligations require, among other things, the maintenance of minimum levels of tangible net worth and the satisfaction of certain minimum financial ratios. As of June 28, 2014, the Company was in compliance with all of its debt covenants.

The Company declared and paid a regular quarterly cash dividend of 7.5 cents per common share in the second quarter of 2014. Payment of dividends in the future is dependent upon the Company's financial condition, cash flows, capital requirements, earnings, and other factors.

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Management believes that the credit agreements, cash generated by operations, and currently available cash of \$242.2 million will be adequate to meet the Company's normal future capital expenditures and operational needs. The Company's current ratio was 3.5 to 1 at June 28, 2014.

The Company's Board of Directors has extended, until October 2014, its authorization to repurchase up to 20 million shares of the Company's common stock through open market transactions or through privately negotiated transactions. The Company has no obligation to repurchase any shares and may cancel, suspend, or extend the time period for the repurchase of shares at any time. Any repurchases will be funded primarily through existing cash and cash from operations. The Company may hold any shares repurchased in treasury or use a portion of the repurchased shares for employee benefit plans, as well as for other corporate purposes. From its initial authorization in 1999 through June 28, 2014, the Company had repurchased approximately 4.7 million shares under this authorization.

Other than the borrowings under the Invoice Facility described above, there have been no significant changes in the Company's contractual cash obligations reported at December 28, 2013.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to market risk from changes in raw material and energy costs, interest rates, and foreign currency exchange rates. To reduce such risks, the Company may periodically use financial instruments. All hedging transactions are authorized and executed pursuant to policies and procedures. Further, the Company does not buy or sell financial instruments for trading purposes.

Cost and Availability of Raw Materials and Energy

Copper and brass represent the largest component of the Company's variable costs of production. The cost of these materials is subject to global market fluctuations caused by factors beyond the Company's control. Significant increases in the cost of metal, to the extent not reflected in prices for the Company's finished products, or the lack of availability could materially and adversely affect the Company's business, results of operations, and financial condition.

The Company occasionally enters into forward fixed-price arrangements with certain customers. The Company may utilize futures contracts to hedge risks associated with these fixed-price arrangements. The Company may also utilize futures contracts to manage price risk associated with inventory. Depending on the nature of the hedge, changes in the fair value of the futures contracts will either be offset against the change in fair value of the inventory through earnings or recognized as a component of other comprehensive income (OCI) and reflected in earnings upon the sale of inventory. Periodic value fluctuations of the contracts generally offset the value fluctuations of the underlying fixed-price transactions or inventory. At June 28, 2014, the Company held open futures contracts to purchase approximately \$19.6 million of copper over the next 13 months related to fixed-price sales orders and to sell approximately \$18.7 million of copper over the next six months related to copper inventory.

The Company may enter into futures contracts or forward fixed-price arrangements with certain vendors to manage price risk associated with natural gas purchases. The effective portion of gains and losses with respect to these positions are deferred in stockholders' equity as a component of AOCI and reflected in earnings upon consumption of natural gas. Periodic value fluctuations of the contracts generally offset the value fluctuations of the underlying natural gas prices. At June 28, 2014, the Company held no open futures contracts to purchase natural gas.

Interest Rates

At June 28, 2014, the Company had variable-rate debt outstanding of \$266.1 million. At this borrowing level, a hypothetical 10 percent increase in interest rates would have had an insignificant unfavorable impact on the Company's pretax earnings and cash flows. The primary interest rate exposures on floating-rate debt are based on LIBOR, the base-lending rate published by the People's Bank of China, and the base-lending rate published by HSBC. There was no fixed rate debt outstanding as of June 28, 2014.

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The Company has reduced its exposure to increases in LIBOR by entering into interest rate swap contracts. These contracts have been designated as cash flow hedges. The fair value of these contracts have been recorded in the Condensed Consolidated Balance Sheets, and the related gains and losses on the contracts are deferred in stockholders' equity as a component of OCI. Deferred gains or losses on the contracts will be recognized in interest expense in the period in which the related interest payment being hedged is expensed. The interest rate swap agreement has an effective date of January 12, 2015.

Foreign Currency Exchange Rates

Foreign currency exposures arising from transactions include firm commitments and anticipated transactions denominated in a currency other than an entity's functional currency. The Company and its subsidiaries generally enter into transactions denominated in their respective functional currencies. The Company may utilize certain futures or forward contracts with financial institutions to hedge foreign currency transactional exposures. Gains and losses with respect to these positions are deferred in stockholders' equity as a component of AOCI and reflected in earnings upon collection of receivables or payment of commitments. At June 28, 2014, the Company had open futures contracts with a financial institution to sell approximately 1.8 million Canadian dollars, 3.9 million euros, 14.5 million Swedish kronor, and 6.6 million Norwegian kroner through September 2014. It also held open futures contracts to buy approximately 4.6 million euros over the next nine months.

The Company's primary foreign currency exposure arises from foreign-denominated revenues and profits and their translation into U.S. dollars. The primary currencies to which the Company is exposed include the Canadian dollar, the British pound sterling, the euro, the Mexican peso, and the Chinese renminbi. The Company generally views as long-term its investments in foreign subsidiaries with a functional currency other than the U.S. dollar. As a result, the Company generally does not hedge these net investments.

Cautionary Statement Regarding Forward Looking Information

Statements in this Quarterly Report on Form 10-Q that are not strictly historical may be "forward-looking" statements, which involve risks and uncertainties. These include economic and currency conditions, continued availability of raw materials and energy, market demand, pricing, competitive and technological factors, and the availability of financing, among others, as set forth in the Company's filings with the Securities and Exchange Commission (SEC). The words "outlook," "estimate," "project," "intend," "expect," "believe," "target," and similar expressions are intended to identify forward-looking statements. The reader should not place undue reliance on forward-looking statements, which speak only as of the date of this report. The Company has no obligation to publicly update or revise any forward-looking statements to reflect events after the date of this report.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures designed to ensure information required to be disclosed in Company reports filed under the Securities Exchange Act of 1934, as amended (the Exchange Act), is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in Company reports filed under the Exchange Act is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding

required disclosure.

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The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures pursuant to Rule 13a-15(e) of the Exchange Act as of June 28, 2014. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective as of June 28, 2014 to ensure that information required to be disclosed in Company reports filed under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and (ii) accumulated and communicated to management, including the Company's principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the Company's fiscal quarter ending June 28, 2014, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

General

The Company is involved in certain litigation as a result of claims that arose in the ordinary course of business. Additionally, the Company may realize the benefit of certain legal claims and litigation in the future; these gain contingencies are not recognized in the Condensed Consolidated Financial Statements.

United States Department of Commerce Antidumping Review

On December 24, 2008, the United States Department of Commerce (DOC) initiated an antidumping administrative review of the antidumping duty order covering circular welded non-alloy steel pipe and tube from Mexico to determine the final antidumping duties owed on U.S. imports during the period November 1, 2007 through October 31, 2008, by certain subsidiaries of the Company. On April 19, 2010, the DOC published the final results of this review and assigned Mueller Comercial de Mexico, S. de R.L. de C.V. (Mueller Comercial) an antidumping duty rate of 48.3 percent. The Company appealed the final determination to the U.S. Court of International Trade (CIT). The Company and the United States have reached an agreement to settle the appeal. As a result, the DOC published on March 22, 2013 the amended final results of the review and assigned Mueller Comercial an antidumping duty rate of 40.5 percent. U.S. Customs and Border Protection has assessed antidumping duties on subject imports during the period of review. As of June 28, 2014, Mueller Comercial has complied with all requests for payment of duties related to this review period.

On December 23, 2009, the DOC initiated an antidumping administrative review of the antidumping duty order covering circular welded non-alloy steel pipe and tube from Mexico for the November 1, 2008 through October 31, 2009 period of review. The DOC selected Mueller Comercial as a respondent in the review. On June 21, 2011, the DOC published the final results of the review and assigned Mueller Comercial an antidumping duty rate of 19.8 percent. On August 22, 2011, the Company appealed the final results to the CIT. On December 21, 2012, the CIT issued a decision upholding the Department's final results in part. The CIT issued its final judgment on May 2, 2013. On May 6, 2013, the Company appealed the CIT decision to the U.S. Court of Appeals for the Federal Circuit (Federal Circuit). On January 10, 2014, the Federal Circuit held oral arguments in the appeal. The Company

anticipates that certain of its subsidiaries will incur antidumping duties on subject imports made during the period of review and, as such, established a reserve of approximately \$1.1 million for this matter.

Subsequent to October 31, 2009, Mueller Comercial did not ship subject merchandise to the United States. Therefore, there is zero antidumping duty liability for periods of review after October 31, 2009.

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U.K. Actions Relating to the European Commission's 2004 Copper Tube Decision and 2006 Copper Fittings Decision

In the Competition Appeal Tribunal (the CAT) in the United Kingdom, IMI plc and IMI Kynoch Limited (IMI) and Boliden AB (Boliden) were served with claims by 21 claimants, all companies within the Travis Perkins Group (TP and the TP Claimants) regarding copper tube. The TP Claimants sought follow-on damages arising out of conduct described in the European Commission's September 3, 2004, decision regarding copper tube. The claims purported to arise from the findings of the European Commission as set forth in that decision (Copper Tube Decision). IMI and Boliden commenced legal proceedings against Mueller Industries, Inc., WTC Holding Company, Inc., DENO Holding Company, Inc., Mueller Europe, Limited, and DENO Acquisition EURL (the five Mueller entities), and in those proceedings claimed a contribution for any follow-on damages.

In the High Court in the United Kingdom, IMI has also been served with claims by 21 TP Claimants regarding copper fittings. The TP Claimants are seeking follow-on damages arising out of conduct described in the European Commission's September 20, 2006, decision regarding copper fittings. The claims similarly purport to arise from the findings of the European Commission as set forth in that decision. IMI has commenced legal proceedings against Mueller Industries, Inc., Mueller Europe Limited, and WTC Holding Company, Inc. (the three Mueller entities), and in those proceedings are claiming a contribution for any follow-on damages.

As to the claims arising from the Copper Tube Decision brought in the CAT, following the CAT's grant of approval, the case was transferred to the High Court. Mueller's defense in response to the contribution claims brought by IMI and Boliden was served on March 15, 2013. During the second quarter 2014, a settlement was reached in respect of the claims against Mueller and the High Court has been asked to dismiss the claims against Mueller. The total payment made by Mueller pursuant to the settlement did not have a material impact on the Company's financial position, results of operations, or cash flows.

As to the claims arising from the Copper Fittings Decision, Mueller's defense in response to the contribution claims brought by IMI was served on May 30, 2014. A case management conference is anticipated to take place in late July 2014. At this time, the Company does not believe that the outstanding claims against Mueller relating to copper fittings will have a material impact on its financial position, results of operations, or cash flows.

Item 1A. Risk Factors

The Company is exposed to risk as it operates its businesses. To provide a framework to understand the operating environment of the Company, we have provided a brief explanation of the more significant risks associated with our businesses in our 2013 Annual Report on Form 10-K. There have been no material changes in risk factors that were previously disclosed in our 2013 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

The Company's Board of Directors has extended, until October 2014, its authorization to repurchase up to 20 million shares of the Company's common stock through open market transactions or through privately negotiated transactions. The Company has no obligation to repurchase any shares and may cancel, suspend, or extend the time period for the repurchase of shares at any time. Any repurchases will be funded primarily through existing cash and

cash from operations. The Company may hold any shares repurchased in treasury or use a portion of the repurchased shares for employee benefit plans, as well as for other corporate purposes. From its initial authorization in 1999 through June 28, 2014, the Company had repurchased approximately 4.7 million shares under this authorization. Below is a summary of the Company's stock repurchases for the period ended June 28, 2014.

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	(a)	(b)	(c)	(d)
	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs
May 2, 2014	2,000	\$ 28.82	—	15,287,060(1)
March 30 – April 26, 2014	(2)	—	—	—
April 27 – May 24, 2014	3,234(2)	28.73	—	—
May 25 – June 28, 2014	9,206(2)	29.57	—	—

(1) Shares available to be purchased under the Company's 20 million share repurchase authorization until October 2014. The extension of the authorization was announced on October 28, 2013.

(2) Shares tendered to the Company by holders of stock-based awards in payment of the purchase price and/or withholding taxes upon exercise and/or vesting.

Item 6. Exhibits

- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101.CALXBRL Taxonomy Extension Calculation Linkbase

101.DEF XBRL Taxonomy Extension Definition Linkbase

101.INS XBRL Instance Document

101.LABXBRL Taxonomy Extension Label Linkbase

101.PRE XBRL Presentation Linkbase Document

101.SCHXBRL Taxonomy Extension Schema

Items 3, 4, and 5 are not applicable and have been omitted.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MUELLER INDUSTRIES, INC.

July 25, 2014
Date

/s/ Jeffrey A. Martin
Jeffrey A. Martin
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

July 25, 2014
Date

/s/ Richard W. Corman
Richard W. Corman
Vice President – Controller

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EXHIBIT INDEX

Exhibits	Description
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.INS	XBRL Instance Document
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Presentation Linkbase Document
101.SCH	XBRL Taxonomy Extension Schema