

**MUELLER**  
INDUSTRIES, INC.



Annual Report 2005

05



A photograph of an industrial manufacturing process. In the foreground, numerous long, thin, copper-colored tubes are hanging vertically, possibly being cooled or cleaned. They are arranged in several bundles. In the background, there is a complex structure of metal beams and machinery, with some parts appearing to be in motion. The lighting is warm and industrial, with some red and orange hues. A dark blue rectangular box with white text is overlaid on the left side of the image. Below the text box, there is a white stylized logo consisting of a downward-pointing chevron above a blocky letter 'M'.

**Mueller Industries, Inc.** (NYSE: MLI) is a leading U.S. manufacturer of copper tube and fittings; brass and copper alloy rod, bar, and shapes; aluminum and brass forgings; aluminum and copper impact extrusions; plastic fittings and valves; refrigeration valves and fittings; and fabricated tubular products.

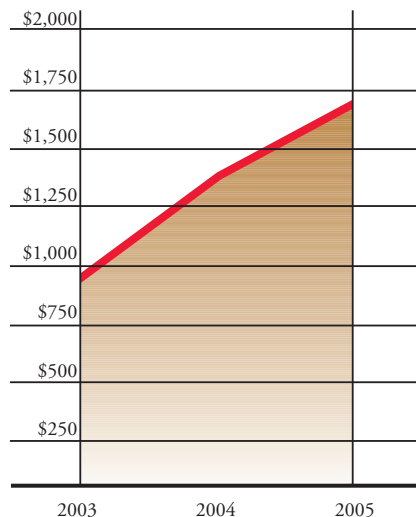


# FINANCIAL & OPERATING H I G H L I G H T S

<i>(In thousands, except per share data)</i>	2005	2004	2003	2002	2001
Summary of Operations					
Net sales	\$ 1,729,923	\$1,379,056	\$ 999,078	\$ 952,983	\$ 969,106
Net income	\$ 92,542	\$ 79,416	\$ 45,381	\$ 77,992	\$ 66,955
Diluted earnings per share	\$ 2.49	\$ 2.15	\$ 1.23	\$ 2.11	\$ 1.80
Dividends per share	\$ 0.40	\$ 15.40	\$ -	\$ -	\$ -
Significant Year-End Data					
Cash and cash equivalents	\$ 129,685	\$ 47,449	\$ 255,088	\$ 217,601	\$ 121,862
Ratio of current assets to current liabilities	2.4 to 1	2.5 to 1	4.8 to 1	4.7 to 1	4.0 to 1
Long-term debt (including current portion)	\$ 316,190	\$ 315,978	\$ 14,272	\$ 18,166	\$ 50,973
Debt as a percent of total capitalization	42.8%	47.3%	1.7%	2.4%	7.0%
Stockholders' equity	\$ 422,908	\$ 351,686	\$ 814,858	\$ 753,523	\$ 672,933
Book value per share	\$ 11.54	\$ 9.66	\$ 23.77	\$ 22.00	\$ 20.11
Capital expenditures	\$ 18,449	\$ 19,980	\$ 27,236	\$ 23,265	\$ 46,624

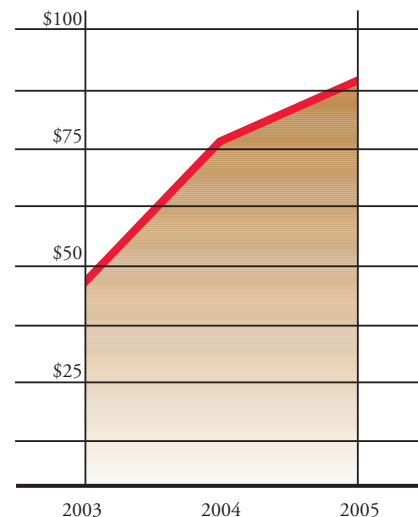
## Net Sales

(in millions)



## Net Income

(in millions)





# TO OUR STOCKHOLDERS, CUSTOMERS & EMPLOYEES

Mueller had an excellent year in 2005. Net sales totaled \$1.73 billion, compared with \$1.38 billion in 2004. Income from continuing operations in 2005 was \$89.2 million, a twelve percent increase over the prior year.

The Company's earnings results for 2005 came after the absorption of approximately \$18 million of pre-tax interest expense which was attributable to the Debentures issued in late 2004, as part of our \$15.00 per share special dividend payout.

The growth in 2005 sales was largely due to the increase in the price of copper, our principal raw material. The average price of copper in 2005 was \$1.68 per pound, or 30 percent higher than the 2004 average. We also experienced substantial increases in the costs of other raw materials as well as energy. Mueller makes every effort to incorporate these added costs, in a timely manner, into the price of our products, subject to competitive pressures. We were able to do so in 2005. In fact, in each quarter of 2005, we achieved improved results over the preceding quarter, and we entered 2006 in a sound operating position.

## Financial Position

Mueller ended 2005 with almost \$130 million in cash on hand, and a current ratio of 2.4 to 1. During the year, stockholder equity increased by over 20 percent, after the payment of our 40 cent per share annual dividend. And we generated \$106 million of cash flow from operations during the year, despite additional funding of working capital due to rising raw material costs.

Virtually all of our long-term debt consists of the 6 percent Debenture we issued in late 2004. The Debentures, by their terms, mature in 2014 and are subordinated to bank borrowings and other designated senior indebtedness.

Currently, Mueller has access to \$150 million of bank borrowings through a credit facility with a syndicate of commercial banks. We are not at this time utilizing this credit facility except for \$12.7 million in letters of credit.

## Operations Review

Late in 2005, we realigned our business units in order to achieve efficiencies, emphasize customer service and take full advantage of emerging opportunities. Our operating business units are now aggregated into two reporting segments, Plumbing & Refrigeration and OEM, as described below.

### *Plumbing & Refrigeration Segment*

This segment is composed of: (1) The Standard Products Division which includes our core manufacturing businesses in North America; copper tube, copper and plastic fittings, and line sets; (2) Our Trading Group which consists of buy/sell businesses anchored by B&K. By combining B&K with our recent acquisitions in Mexico, we have achieved significant scale and market presence which should provide further opportunities for growth; and (3) Our European Operations which are composed of our copper tube mill in Bilston, England, and buy/sell trading activities that focus on the UK markets.

The Plumbing & Refrigeration segment had an excellent year in 2005 with particularly strong results in the fourth quarter. Much of this was attributable to our core product lines: copper tube, copper fittings, and plastic fittings. Also, acquired businesses contributed to the earnings gain as they met our expectations.

Our copper businesses were faced with steadily rising raw material costs; however, we were able to pass through these costs in a timely manner. Our plastic fittings business also produced outstanding returns on strong volume and spread. In the years ahead, we intend to expand the breadth of our plastic product lines.

Our Trading Group in North America will continue its focus on providing a broad range of products to our



**"Stockholder equity rose over 20% in 2005. Mueller generated \$106 million of cash flow from operations in 2005 and ended the year with \$130 million in cash on hand and a current ratio of 2.4 to 1."**

HARVEY L. KARP



**"We realigned our business units in 2005 to improve operating efficiencies and emphasize customer service. We merged our business units into two reporting segments, Plumbing & Refrigeration and OEM, to take full advantage of emerging opportunities."**

WILLIAM D. O'HAGAN

retail and traditional wholesale customers. These products, such as valves, fittings, faucets, and plumbing specialties, meet high quality standards and represent good value to our customers. The growing reach of our world-wide sourcing activities should allow us to continue to deliver strong value and add new products.

#### *OEM Segment*

This segment includes: (1) Our Brass Rod Mill in Pt. Huron, Michigan, as well as our Forging, Impacts and Micro Gauge Machining operations; (2) Engineered Products which manufactures and fabricates valves and custom products for refrigeration, air-conditioning, and gas cooking applications; and (3) Our new joint venture in China. This joint venture produces engineered, inner grooved copper tube products which will be primarily sold to Chinese based air-conditioning manufacturers, and to other markets as well.

We believe that the market in Asia for air-conditioning products will continue to expand for the foreseeable future.

During 2005, the OEM segment posted improved results in all product areas with the exception of Brass Rod. Brass rod consumption in the United States has steadily declined over the past 5 years, due to the outsourcing of many manufactured products. Brass Rod continues to be a solidly profitable business, although a challenging one.

#### **Business Outlook**

Mueller's business is importantly linked to: (1) the construction of new homes; (2) the improvement and reconditioning of existing homes and structures; and (3) the commercial construction market which includes office buildings, factories, hotels, hospitals, etc.

For more than the past five years, the new housing and home improvement markets have been vibrant due to historically low mortgage rates and positive demographic factors. On the other hand, the commercial construction market has lagged behind.

Our outlook for 2006 assumes there will be a decline in new home construction due to rising mortgage rates

coupled with higher home prices. However, new housing starts will likely remain at the high end of historical levels. Any decline in housing starts may very well be offset by the continued strength of the home improvement market and growth in the commercial construction sector. Should this scenario occur, Mueller will be well-positioned to benefit. Many of our better business opportunities lie in the commercial construction market. Overall, we believe 2006 will be another good year for our Company.

#### **Closing**

Late last year, Gregory L. Christopher, was appointed President of our Standard Products Division, which is our largest business.

At the same time, Peter D. Berkman, was named President of the Trading Group, which includes our buy/sell businesses in the U.S.A., Canada, Mexico and International Sales. We believe the buy/sell business will play an increasingly important role in Mueller's future.

Our congratulations go to both of these men. Our thanks also go to our management team and our employees who successfully navigated the economically challenging waters of 2005 with dedication and professionalism.

Very Truly Yours,

HARVEY L. KARP  
CHAIRMAN OF THE BOARD

WILLIAM D. O'HAGAN  
PRESIDENT AND CHIEF EXECUTIVE OFFICER

*Statements in this release 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, market demand, pricing, and competitive and technological factors, among others, as set forth in the Company's SEC filings.*





## Operational Overview





PLUMBING & REFRIGERATION			
Locations		Products and Applications	Customers
Standard Products			
	Fulton, Mississippi Wynne, Arkansas	<ul style="list-style-type: none"> <li>Water tube, in straight lengths and coils, for plumbing and construction</li> <li>Dehydrated coils and nitrogen-charged straight lengths for refrigeration and air-conditioning</li> <li>Industrial tube, in straight lengths and level-wound coils, for fittings, redraw, etc.</li> <li>Line sets for controlling the flow of refrigerant gases</li> </ul>	<ul style="list-style-type: none"> <li>Plumbing wholesalers, home centers, and hardware wholesalers and co-ops</li> <li>Air-conditioning and refrigeration wholesalers and OEMs</li> <li>Mueller's copper fittings plants and OEMs</li> </ul>
	Fulton, Mississippi Covington, Tennessee Port Huron, Michigan	<ul style="list-style-type: none"> <li>Over 1,500 wrought copper elbows, tees and adapters, and assorted fittings for plumbing, heating, air-conditioning, and refrigeration</li> </ul>	<ul style="list-style-type: none"> <li>Plumbing and air-conditioning wholesalers, home centers, hardware wholesalers and co-ops, and OEMs</li> </ul>
	Portage, Michigan Ontario, California Upper Sandusky, Ohio Fort Pierce, Florida	<ul style="list-style-type: none"> <li>A broad line of over 1,000 PVC and ABS plastic fittings and valves for drainage, waste and ventilation, and pressure applications in housing and commercial construction, recreational vehicles, and manufactured housing</li> </ul>	<ul style="list-style-type: none"> <li>Plumbing wholesalers, home centers, hardware wholesalers and co-ops, distributors to the manufactured housing and recreational vehicle industry, and irrigation, pool and spa distributors</li> </ul>
European Operations			
	Bilston, United Kingdom Wellington, United Kingdom	<ul style="list-style-type: none"> <li>Copper tube in various lengths, diameters, and hardnesses for plumbing, refrigeration, and heating</li> <li>Industrial tube for redraw, copper fittings, etc.</li> <li>Imports an extensive line of plumbing products including valves, faucets, malleable iron pipe fittings, steel nipples, and plumbing specialties</li> </ul>	<ul style="list-style-type: none"> <li>Builders' merchants, plumbing, refrigeration, and heating wholesalers</li> <li>OEM</li> </ul>
Trading Group			
	Elk Grove Village, Illinois Monterrey, Mexico	<ul style="list-style-type: none"> <li>Imports an extensive line of plumbing products including valves, faucets, malleable iron pipe fittings, steel nipples, and plumbing specialties</li> </ul>	<ul style="list-style-type: none"> <li>Building product retailers</li> <li>Hardware co-ops and wholesalers</li> <li>Plumbing wholesalers</li> <li>Distributors to the manufactured housing and recreational vehicle industry</li> </ul>
ORIGINAL EQUIPMENT MANUFACTURER (OEM)			
Industrial Products			
	Port Huron, Michigan	<ul style="list-style-type: none"> <li>A broad range of brass rod rounds, squares, hexagons, and special shapes in free machining, thread rolling, and forging alloys for numerous end products, including plumbing brass, valves and fittings, and industrial machinery and equipment</li> </ul>	<ul style="list-style-type: none"> <li>OEMs, contract machining companies and distributors</li> </ul>
	Port Huron, Michigan	<ul style="list-style-type: none"> <li>Brass and aluminum hot forgings in various alloys for plumbing brass, valves and fittings, and industrial machinery and equipment</li> </ul>	<ul style="list-style-type: none"> <li>OEMs and refrigeration wholesalers</li> </ul>
	Marysville, Michigan Brighton, Michigan	<ul style="list-style-type: none"> <li>Cold-formed aluminum and copper products for automotive, industrial, and recreational components</li> <li>High volume machining of aluminum, steel, brass and cast iron, forgings, impacts, and castings for automotive applications</li> </ul>	<ul style="list-style-type: none"> <li>OEMs and refrigeration wholesalers</li> </ul>
	North Wales, Pennsylvania	<ul style="list-style-type: none"> <li>Shaped and formed tube, produced to tight tolerances, for baseboard heating, appliances, medical instruments, etc.</li> </ul>	<ul style="list-style-type: none"> <li>OEMs and refrigeration wholesalers</li> </ul>
Engineered Products			
	Hartsville, Tennessee Carthage, Tennessee	<ul style="list-style-type: none"> <li>Valves and custom OEM products for refrigeration and air-conditioning applications</li> </ul>	<ul style="list-style-type: none"> <li>OEMs and refrigeration wholesalers</li> </ul>
	Jacksboro, Tennessee Waynesboro, Tennessee Middletown, Ohio	<ul style="list-style-type: none"> <li>Custom valves and gas train assemblies for the gas appliance and barbecue grill markets</li> </ul>	
	Jintan City, Jiangsu, China	<ul style="list-style-type: none"> <li>Engineered, grooved copper tube products for refrigeration and air-conditioning applications.</li> </ul>	

# 10 YEAR SUMMARY

(Dollars in thousands, except per share data)

## INCOME STATEMENT DATA

	2005	2004	2003	2002
Net sales	\$1,729,923	\$ 1,379,056	\$ 999,078	\$ 952,983
Cost of goods sold	1,430,075	1,115,612	815,849	744,781
Gross profit	299,848	263,444	183,229	208,202
Depreciation and amortization	40,696	40,613	38,954	37,440
Selling, general, and administrative expense	127,394	106,400	94,891	85,006
Impairment charge	-	3,941	-	-
Operating income	131,758	112,490	49,384	85,756
Interest expense	(19,550)	(3,974)	(1,168)	(1,460)
Other income, net	11,997	6,842	3,220	4,171
Income from continuing operations before income taxes	124,205	115,358	51,436	88,467
Income tax expense	(34,987)	(35,942)	(7,215)	(17,290)
Net income from continuing operations	89,218	79,416	44,221	71,177
Income (loss) from discontinued operations	3,324	-	1,160	6,815
Net income	\$ 92,542	\$ 79,416	\$ 45,381	\$ 77,992
Adjusted weighted average shares (000)	37,103	36,911	36,861	37,048
Diluted earnings per share	\$ 2.49	\$ 2.15	\$ 1.23	\$ 2.11
Dividends per share	\$ 0.40	\$ 15.40	\$ -	\$ -

## BALANCE SHEET DATA

Cash and cash equivalents	\$ 129,685	\$ 47,449	\$ 255,088	\$ 217,601
Current assets	611,986	455,331	570,355	500,347
Working capital	360,594	274,513	451,494	393,996
Total assets	1,104,638	963,731	1,055,184	987,947
Current liabilities	251,392	180,818	118,861	106,351
Debt	316,190	315,978	14,272	18,166
Stockholders' equity	422,908	351,686	814,858	753,523

## SELECTED OPERATING DATA

Cash provided by operations	\$ 106,117	\$ 154,761	\$ 73,416	\$ 124,217
Capital expenditures	\$ 18,449	\$ 19,980	\$ 27,236	\$ 23,265
Number of employees	4,756	4,535	3,525	3,575
Current ratio	2.4 to 1	2.5 to 1	4.8 to 1	4.7 to 1
Return on average equity	23.9%	13.6%	5.8%	10.9%
Debt to total capitalization	42.8%	47.3%	1.7%	2.4%
Outstanding shares (000)	36,644	36,390	34,276	34,257
Book value per share	\$ 11.54	\$ 9.66	\$ 23.77	\$ 22.00



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2001	2000	1999	1998	1997	1996
\$ 969,106	\$ 1,157,660	\$ 1,110,361	\$ 854,030	\$ 843,545	\$ 709,850
740,366	887,635	840,364	657,664	665,874	555,570
228,740	270,025	269,997	196,366	177,671	154,280
39,461	34,043	32,901	21,127	19,311	18,317
83,750	90,344	91,420	69,784	60,294	53,670
-	-	-	-	-	-
105,529	145,638	145,676	105,455	98,066	82,293
(3,311)	(8,623)	(11,090)	(5,517)	(4,920)	(5,153)
2,187	7,066	8,317	4,359	4,206	2,080
104,405	144,081	142,903	104,297	97,352	79,220
(38,982)	(51,096)	(43,541)	(30,309)	(28,338)	(23,862)
65,423	92,985	99,362	73,988	69,014	55,358
1,532	(295)	(83)	1,457	756	5,815
\$ 66,955	\$ 92,690	\$ 99,279	\$ 75,445	\$ 69,770	\$ 61,173
37,245	38,096	39,605	39,644	39,250	38,993
\$ 1.80	\$ 2.43	\$ 2.51	\$ 1.90	\$ 1.78	\$ 1.57
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 121,862	\$ 100,268	\$ 149,454	\$ 80,568	\$ 69,978	\$ 96,956
403,913	405,171	440,746	382,324	309,051	274,712
302,425	287,322	287,685	239,750	208,494	195,756
916,065	910,276	904,080	874,694	610,776	509,357
101,488	117,849	153,061	142,574	100,557	78,956
50,973	106,884	149,870	194,549	72,093	59,650
672,933	614,105	569,430	502,122	418,040	348,082
\$ 121,453	\$ 120,619	\$ 164,869	\$ 91,508	\$ 66,131	\$ 71,631
\$ 46,624	\$ 62,876	\$ 38,272	\$ 45,639	\$ 33,396	\$ 17,182
3,420	3,965	4,048	4,340	2,961	2,290
4.0 to 1	3.4 to 1	2.9 to 1	2.7 to 1	3.1 to 1	3.5 to 1
10.4%	15.7%	18.5%	16.4%	18.2%	19.3%
7.0%	14.8%	20.8%	27.9%	14.7%	14.6%
33,467	33,358	34,919	35,808	35,017	34,870
\$ 20.11	\$ 18.41	\$ 16.31	\$ 14.02	\$ 11.94	\$ 9.98

# DIRECTORS & OFFICERS

## Board of Directors

Harvey L. Karp  
*Chairman of the Board,  
Mueller Industries, Inc.*

Alexander P. Federbush <sup>(2)(3)</sup>  
*President,  
Queens West Development Corp.*

Gennaro J. Fulvio <sup>(1)(2)(3)</sup>  
*Member, Fulvio & Associates, LLP*

Gary S. Gladstein <sup>(1)(3)</sup>  
*Independent investor and consultant*

Terry Hermanson <sup>(1)(2)</sup>  
*President,  
Mr. Christmas Incorporated*

Robert B. Hodes  
*Counsel, Willkie Farr &  
Gallagher LLP*

William D. O'Hagan  
*President and Chief Executive  
Officer,  
Mueller Industries, Inc.*

- (1) Member of the Audit Committee
- (2) Member of the Compensation Committee
- (3) Member of the Nominating and Corporate Governance Committee

## Executive Officers

Harvey L. Karp  
*Chairman of the Board*

William D. O'Hagan  
*President and Chief Executive  
Officer*

Peter D. Berkman  
*President – Trading Group*

Gregory L. Christopher  
*President – Standard Products*

Patrick W. Donovan  
*President – European Operations*

Michael O. Fifer  
*President – Engineered Products*

Kent A. McKee  
*Executive Vice President and  
Chief Financial Officer*

James H. Rourke  
*President – Industrial Products*

Gary C. Wilkerson  
*Vice President,  
General Counsel and Secretary*

## Other Officers and Management

K.J. Bambas  
*Vice President – Tax*

James E. Browne  
*Assistant Secretary*

Richard W. Corman  
*Vice President – Controller*

Jeffrey A. Martin  
*Vice President – Finance*

**Standard Products Division**  
Keith A. Baltz  
*Vice President, Supply Chain  
Management*

Michael L. Beasley  
*Director of Information Systems*

Daniel R. Corbin  
*Vice President, Manufacturing –  
Plastics*

Nick J. Cassella  
*Vice President, Marketing*

Melanie K. Franks  
*Director of Division Accounting*

John B. Hansen  
*Vice President, Administration*

Roy C. Harris  
*Vice President and  
Chief Information Officer*

Robert A. Haskins  
*Vice President, Sales*

Lee R. Nyman  
*Vice President, Manufacturing –  
Metals*

**Trading Group**  
Leon Dachner Cirano  
*President – Mueller Comercial SA*

John E. Dillon  
*Vice President, Sales & Marketing*

Robert L. Fleeman  
*Director International & Canada*

Alex W. Wong  
*Division Controller*

**European Operations**  
Peter J. Marsh  
*Managing Director – Tube*

Mark Millerchip  
*Finance Director*

**Industrial Products Division**  
James T. Davidson  
*Vice President, Manufacturing –  
Forgings, Impacts, Micro Gauge*

David G. Lockhart  
*Vice President – Sales*

Kent H. Schenk  
*Division Controller*

David A. Thompson  
*Vice President & GM –  
Forgings, Impacts, Micro Gauge*

**Engineered Products**  
Mark T. Lang  
*General Manager – Gas Products*

Douglas J. Murdock  
*General Manager – Refrigeration  
Products*

Brad M. Alvine  
*Division Controller*

Jiquan Gao  
*Chief Executive Officer  
Jiangsu Mueller-Xingrong  
Copper Industries Limited*



## SECURITY HOLDER INFORMATION

### Annual Meeting

The annual meeting of stockholders will be held at the Company's headquarters at 8285 Tournament Drive, Suite 150, Memphis, TN 38125, 10:00 a.m. local time, May 4, 2006

### Form 10-K

The Company's Annual Report on Form 10-K is available on the Company's website at [www.muellerindustries.com](http://www.muellerindustries.com) or upon written request:

c/o Mueller Industries, Inc.  
8285 Tournament Drive,  
Suite 150  
Memphis, TN 38125  
Attention: Investor Relations

### Market for Mueller Securities

- Common stock is traded on the NYSE – Symbol MLI.
- 6% Subordinated Debentures due 2014 are traded over-the-counter.

### Transfer Agent, Registrar and Paying Agent

To notify the Company of address changes, lost certificates, dividend payments, or account consolidations, security holders should contact:

Continental Stock Transfer  
& Trust Co.  
17 Battery Place  
New York, NY 10004  
(212) 509-4000

### NYSE Certifications

The Company submitted an unqualified Section 12(a) CEO Certification to the NYSE in 2005. The Company filed with the SEC the CEO/CFO Certifications required under Section 302 of the Sarbanes-Oxley Act as an exhibit to the Company's Annual Report on Form 10-K for 2005 and 2004.

### Independent Registered Public Accounting Firm

Ernst & Young LLP  
Memphis, Tennessee

## CAPITAL STOCK INFORMATION

The Company's Board of Directors declared a regular quarterly dividend of 10 cents per share on its common stock during each quarter of 2005 and 2004. During 2004, the Company also distributed a Special Dividend composed of \$6.50 in cash and \$8.50 in principal amount of its 6% Subordinated Debentures due 2014 per common share. Payment of dividends in the future is dependent upon the Company's financial condition, cash flows, capital requirements, earnings, and other factors.

The high, low, and closing prices of Mueller's common stock on the New York Stock Exchange for each fiscal quarter of 2005 and 2004 were as follows:

	High	Low	Close
2005			
Fourth quarter	\$ 28.42	\$ 24.41	\$ 27.42
Third quarter	29.99	25.35	27.77
Second quarter	28.39	24.75	27.24
First quarter	32.74	27.13	27.97
2004*			
Fourth quarter	\$ 32.67	\$ 21.42	\$ 32.17
Third quarter	28.53	20.53	27.70
Second quarter	22.36	15.94	21.12
First quarter	21.11	15.28	18.24

As of March 6, 2006, the number of holders of record of Mueller's common stock was approximately 1,800. On March 6, 2006, the closing price for Mueller's common stock on the New York Stock Exchange was \$33.17.

\*Information prior to October 26, 2004 was reduced by the difference between the closing price on October 26, 2004 and the opening price on October 27, 2004, or \$14.57 per share, to adjust for the recapitalization by Special Dividend.



**Mueller Industries, Inc.**

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