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MUELLER INDUSTRIES INC
Form 10-Q
October 30, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2006 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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

(Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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 October 27, 2006, was 37,008,458.

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-1-

MUELLER INDUSTRIES, INC.

FORM 10-Q

For the Quarterly Period Ended September 30, 2006

INDEX

Part I. Financial Information	Page
Item 1. Financial Statements (Unaudited)	
a.) Condensed Consolidated Statements of Income for the quarters and nine months ended September 30, 2006 and October 1, 2005	3
b.) Condensed Consolidated Balance Sheets as of September 30, 2006 and December 31, 2005	7
c.) Condensed Consolidated Statements of Cash Flows for the nine months September 30, 2006 and October 1, 2005	9
d.) Notes to Condensed Consolidated Financial Statements	11
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	29
Item 3. Quantitative and Qualitative Disclosures About Market Risk	34
Item 4. Controls and Procedures	36
Part II. Other Information	
Item 1. Legal Proceedings	38
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	41
Item 6. Exhibits	42
Signatures	43

-2-

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PART I. FINANCIAL INFORMATION
 Item 1. Financial Statements

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

	For the Quarter Ended	
	September 30, 2006	October 1, 2005
	(In thousands, except per share data)	
Net sales	\$ 635,998	\$ 434,130
Cost of goods sold	528,946	360,514
	-----	-----
Gross profit	107,052	73,616
Depreciation and amortization	10,462	10,082
Selling, general, and administrative expense	34,787	33,297
	-----	-----
Operating income	61,803	30,237
Interest expense	(5,085)	(4,794)
Other income, net	1,452	5,421
	-----	-----
Income from continuing operations before income taxes	58,170	30,864
Current income tax expense	(12,838)	(10,622)
Deferred income tax benefit	6,247	774
	-----	-----
Total income tax expense	(6,591)	(9,848)
	-----	-----
Income from continuing operations	51,579	21,016
Gain from discontinued operations, net of tax	-	3,324
	-----	-----
Net income	\$ 51,579	\$ 24,340
	=====	=====

See accompanying notes to condensed consolidated financial statements.

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CONSOLIDATED STATEMENTS OF INCOME (continued) (Unaudited)

	For the Quarter Ended	
	September 30, 2006	October 1, 2005
	(In thousands, except per share data)	
Weighted average shares		
for basic earnings per share	36,976	36,625
Effect of dilutive stock options	379	495
	-----	-----
Adjusted weighted average shares		
for diluted earnings per share	37,355	37,120
	-----	-----
Basic earnings per share:		
From continuing operations	\$ 1.39	\$ 0.57
From discontinued operations	-	0.09
	-----	-----
Basic earnings per share	\$ 1.39	\$ 0.66
	=====	=====
Diluted earnings per share:		
From continuing operations	\$ 1.38	\$ 0.57
From discontinued operations	-	0.09
	-----	-----
Diluted earnings per share	\$ 1.38	\$ 0.66
	=====	=====
Dividends per share	\$ 0.10	\$ 0.10
	=====	=====

See accompanying notes to condensed consolidated financial statements.

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	For the Nine Months Ended	
	September 30, 2006	October 1, 2005
	(In thousands, except per share data)	
Net sales	\$ 1,966,700	\$ 1,246,299
Cost of goods sold	1,623,053	1,040,201
	-----	-----
Gross profit	343,647	206,098
Depreciation and amortization	31,033	30,571
Selling, general, and administrative expense	109,435	92,788
	-----	-----
Operating income	203,179	82,739
Interest expense	(15,161)	(14,730)
Other income, net	3,398	10,188
	-----	-----
Income from continuing operations before income taxes	191,416	78,197
Current income tax expense	(58,915)	(26,603)
Deferred income tax benefit	11,193	1,813
	-----	-----
Total income tax expense	(47,722)	(24,790)
	-----	-----
Income from continuing operations	143,694	53,407
Gain from discontinued operations, net of tax	-	3,324
	-----	-----
Net income	\$ 143,694	\$ 56,731
	=====	=====

See accompanying notes to condensed consolidated financial statements.

-5-

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

For the Nine Months Ended

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	September 30, 2006	October 1, 2005
	(In thousands, except per share data)	
Weighted average shares		
for basic earnings per share	36,853	36,576
Effect of dilutive stock options	396	536
	-----	-----
Adjusted weighted average shares		
for diluted earnings per share	37,249	37,112
	-----	-----
Basic earnings per share:		
From continuing operations	\$ 3.90	\$ 1.46
From discontinued operations	-	0.09
	-----	-----
Basic earnings per share	\$ 3.90	\$ 1.55
	=====	=====
Diluted earnings per share:		
From continuing operations	\$ 3.86	\$ 1.44
From discontinued operations	-	0.09
	-----	-----
Diluted earnings per share	\$ 3.86	\$ 1.53
	=====	=====
Dividends per share	\$ 0.30	\$ 0.30
	=====	=====

See accompanying notes to condensed consolidated financial statements.

-6-

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

September 30, 2006 December 31, 2005
(In thousands)

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Assets

Current assets:		
Cash and cash equivalents	\$ 170,463	\$ 129,685
Accounts receivable, less allowance for doubtful accounts of \$7,071 in 2006 and \$5,778 in 2005	309,153	248,395
Inventories	298,140	196,987
Other current assets	43,294	36,919
	-----	-----
Total current assets	821,050	611,986
Property, plant, and equipment, net	315,649	307,046
Goodwill	153,263	152,171
Other assets	17,436	33,435
	-----	-----
	\$ 1,307,398	\$ 1,104,638
	=====	=====

See accompanying notes to condensed consolidated financial statements.

-7-

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

September 30, 2006 December 31, 2005
(In thousands, except share data)

Liabilities and Stockholders' Equity
Current liabilities:

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Current portion of long-term debt	\$ 33,255	\$ 4,120
Accounts payable	142,577	124,216
Accrued wages and other employee costs	42,582	38,095
Other current liabilities	88,987	84,961
	-----	-----
Total current liabilities	307,401	251,392
Long-term debt	308,273	312,070
Pension liabilities	22,826	21,721
Postretirement liabilities other than pensions	13,113	13,515
Environmental reserves	8,965	9,073
Deferred income taxes	44,662	63,944
Other noncurrent liabilities	3,062	3,078
	-----	-----
Total liabilities	708,302	674,793
Minority interest in subsidiaries	21,738	6,937
Stockholders' equity:		
Preferred stock - shares authorized 4,985,000; none outstanding	-	-
Series A junior participating preferred stock - \$1.00 par value; shares authorized 15,000; none outstanding	-	-
Common stock - \$.01 par value; shares authorized 100,000,000; issued 40,091,502; outstanding 37,008,458 in 2006 and 36,643,590 in 2005	401	401
Additional paid-in capital, common	254,932	252,889
Retained earnings	386,054	253,433
Accumulated other comprehensive income (loss)	3,177	(8,848)
Treasury common stock, at cost	(67,206)	(74,967)
	-----	-----
Total stockholders' equity	577,358	422,908
Commitments and contingencies (Note 2)	-	-
	-----	-----
	\$ 1,307,398	\$ 1,104,638
	=====	=====

See accompanying notes to condensed consolidated financial statements.

-8-

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

For the Nine Months Ended
September 30, October 1,
2006 2005
(In thousands)

Cash flows from operating activities		
Net income from continuing operations	\$ 143,694	\$ 53,407

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Reconciliation of net income from continuing operations to net cash provided by operating activities:		
Depreciation and amortization	31,225	30,691
Deferred income taxes	(11,193)	(1,813)
Minority interest in subsidiaries	2,526	7
Share-based compensation expense	2,041	-
Loss (gain) on disposal of properties	1,913	(3,713)
Gain on sale of equity investment	(1,876)	-
Income tax benefit from exercise of stock options	(1,217)	529
Equity in earnings of unconsolidated subsidiary	(964)	(4,005)
Gain on early retirement of debt	(97)	-
Changes in assets and liabilities, net of businesses acquired:		
Receivables	(63,791)	(49,665)
Inventories	(96,979)	8,703
Other assets	(5,340)	(2,956)
Current liabilities	25,319	50,639
Other liabilities	2,770	367
Other, net	(2,987)	960
	-----	-----
Net cash provided by operating activities	25,044	83,151
	-----	-----
Cash flows from investing activities		
Capital expenditures	(32,975)	(13,425)
Proceeds from sales of properties and equity investment	23,227	10,059
Business acquired, net of cash received	3,632	(10,891)
	-----	-----
Net cash used in investing activities	(6,116)	(14,257)
	-----	-----

See accompanying notes to condensed consolidated financial statements.

-9-

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

	For the Nine Months Ended	
	September 30, 2006	October 1, 2005
	(In thousands)	
Cash flows from financing activities		
Issuance of debt by joint venture	\$ 24,918	\$ -
Dividends paid	(11,073)	(10,983)
Proceeds from the sale of		

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treasury stock	7,116	4,346
Repayments of long-term debt	(1,922)	(4,355)
Proceeds from the issuance of debt	1,902	-
Income tax benefit from exercise of stock options	1,217	-
Acquisition of treasury stock	(570)	(168)
	-----	-----
Net cash provided by (used in) financing activities	21,588	(11,160)
	-----	-----
Effect of exchange rate changes on cash	262	(495)
	-----	-----
Net cash provided by operating activities of discontinued operations	-	3,324
	-----	-----
Increase in cash and cash equivalents	40,778	60,563
Cash and cash equivalents at the beginning of the period	129,685	47,449
	-----	-----
Cash and cash equivalents at the end of the period	\$ 170,463	\$ 108,012
	=====	=====

See accompanying notes to condensed consolidated financial statements.

-10-

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 for Mueller Industries, Inc. (the Company) should be read in conjunction with the Company's Annual Report on Form 10-K, including the annual financial statements incorporated therein.

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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. The nine-month period ended September 30, 2006 contained 39 weeks while the nine-month period ended October 1, 2005 contained 40 weeks.

Note 1 - Earnings per Common Share and Stock-Based Compensation

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, computed using the treasury stock method.

Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 123 (R), "Share-Based Payment", and began recognizing compensation expense in its Condensed Consolidated Statements of Income as a selling, general, and administrative expense, for its stock option grants based on the fair value of the awards. Prior to January 1, 2006, the Company accounted for stock option grants under the recognition and measurement provisions of APB Opinion 25, "Accounting for Stock Issued to Employees", and related Interpretations, as permitted by SFAS 123, "Accounting for Stock-Based Compensation". No stock-based compensation expense was reflected in net income prior to adopting SFAS 123 (R) as all options were granted at an exercise price equal to the market value of the underlying common stock on the date of grant. SFAS 123 (R) was adopted using the modified prospective transition method. Under this transition method, compensation cost recognized in the periods after adoption includes: (i) compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant-date fair value estimated in accordance with the original provisions of SFAS 123, and (ii) compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of SFAS 123 (R). Results from prior periods have not been restated. As a result of adopting SFAS 123 (R), the Company's income from continuing operations before income taxes and income from continuing operations was decreased by \$0.7 million and \$0.4 million, respectively, for the third quarter of 2006 and \$2.0 million and \$1.3 million, respectively, for the first nine months of 2006.

-11-

Prior to the adoption of SFAS 123 (R), the Company presented all tax benefits of deductions resulting from the exercise of stock options as operating cash flows in the Condensed Consolidated Statements of Cash Flows. SFAS 123 (R) requires the cash flows resulting from the tax benefits resulting from tax deductions in excess of the compensation cost recognized for those options to be classified as financing cash flows. The \$1.2 million tax benefit classified as a financing cash inflow in the first nine months of 2006 would have been classified as an operating cash flow under previous guidance.

The following table illustrates the pro forma effect on the prior year's net income and earnings per share as if the Company had applied the fair value recognition provisions of SFAS 123 to options granted under the Company's stock option plans. For purposes of this pro forma disclosure, the value to the options is estimated using a Black-Scholes-Merton option pricing model and amortized to expense over the options' vesting period.

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	For the Quarter Ended October 1, 2005 (In thousands, except per share data)	For the Nine Months Ended October 1, 2005
Net income as reported	\$ 24,340	\$ 56,731
Deduct: Total stock-based compensation expense determined under a fair value based method, net of related tax effects	(593)	(1,813)
	-----	-----
SFAS No. 123 pro forma net income	\$ 23,747 =====	\$ 54,918 =====
Pro forma earnings per share:		
Basic	\$ 0.65	\$ 1.50
Diluted	\$ 0.64	\$ 1.48
Earnings per share, as reported:		
Basic	\$ 0.66	\$ 1.55
Diluted	\$ 0.66	\$ 1.53

Under existing plans, the Company may grant options to purchase shares of common stock at prices not less than the fair market value of the stock on the date of grant. Generally, the options vest annually in equal increments over a five-year period beginning one year from the date of grant. Any unexercised options expire after not more than ten years. The fair value of each grant is estimated as a single award and amortized into compensation expense on a straight-line basis over its vesting period.

-12-

The Company estimates the fair value of all stock option awards as of the grant date by applying the Black-Scholes-Merton option pricing model. The use of this valuation model involves assumptions that are judgmental and highly sensitive in the determination of compensation expense and include the expected life of the option, stock price volatility, risk-free interest rate, dividend yield, and exercise price. Additionally under SFAS 123 (R), forfeitures are estimated at the time of valuation and reduce expense ratably over the vesting period. The forfeiture rate, which is estimated at a weighted average of 3.5 percent of unvested options outstanding as of September 30, 2006, is adjusted periodically based on the extent to which actual forfeitures differ, or are expected to differ, from the previous estimate. Under SFAS 123 and APB 25, the Company elected to account for forfeitures when awards were actually forfeited and reflected the forfeitures as a cumulative adjustment to the pro forma expense. The weighted average for key assumptions used in determining the fair value of options granted and a discussion of the methodology used to develop each assumption are as follows:

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	For the Nine Months Ended	
	September 30, 2006	October 1, 2005
Expected lives	6.4 years	6.0 years
Expected price volatility	0.269	0.306
Risk-free interest rate	4.9%	3.8%
Dividend yield	1.2%	1.3%

Expected Lives - This is the period of time over which the options granted are expected to remain outstanding. The Company uses the "simplified" method found in the Securities and Exchange Commission's Staff Accounting Bulletin No. 107 to estimate the expected life of stock option grants. An increase in the expected term will increase compensation expense.

Expected Price Volatility - This is a measure of the amount by which a price has fluctuated or is expected to fluctuate. The Company uses actual historical changes in the market value of its stock to calculate the volatility assumption. Daily market value changes from the date of grant over a past period representative of the expected lives of the options are used. An increase in the expected price volatility rate will increase compensation expense.

Risk-Free Interest Rate - This is the U.S. Treasury rate for the week of the grant, having a term representative of the expected life of the options. An increase in the risk-free rate will increase compensation expense.

Dividend Yield - This rate is the annual dividends per share as a percentage of the Company's stock price. An increase in the dividend yield will decrease compensation expense.

-13-

The Company generally issues treasury shares when options are exercised. A summary of stock option activity since our most recent fiscal year end follows:

	Options (Shares in thousands)	Weighted Average Exercise Price
Outstanding at December 31, 2005	1,912	\$ 21.49
Granted	355	35.11
Exercised	(383)	18.63
Cancelled	(141)	26.96

Outstanding at September 30, 2006	1,743	24.45
	=====	

At September 30, 2006, the aggregate intrinsic value of all outstanding options was \$19.2 million with a weighted average remaining

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contractual term of 7.1 years, of which 692,329 of the outstanding options are currently exercisable with an aggregate intrinsic value of \$10.5 million, a weighted average exercise price of \$20.26, and a weighted average remaining contractual term of 5.51 years. The total intrinsic value of options exercised during the quarter and nine months ended September 30, 2006 was \$1.1 million and \$5.1 million, respectively. The total compensation cost at September 30, 2006 related to non-vested awards not yet recognized was \$8.3 million with an average expense recognition period of 3.7 years.

Under the Company's 1994 Non-Employee Director Stock Option Plan, each member of the Company's Board of Directors who is neither an employee nor an officer of the Company is automatically granted each year on the date of the Company's Annual Meeting of Stockholders, without further action by the Board, an option to purchase 2,000 shares of Common Stock at the fair market value of the Common Stock on the date the option is granted. As of September 30, 2006, options to purchase 54,232 shares of Common Stock were outstanding under this Plan and 21,588 options are available under the Plan for future issuance.

On February 16, 2006, the Board approved an amendment and restatement of the 2002 Stock Option Plan, which, among other things, increased the number of shares available for issuance by 1.0 million shares. The amendment and restatement was approved by the Company's stockholders at the Annual Meeting held on May 4, 2006. Shares available for future employee grants were approximately 0.8 million at September 30, 2006.

-14-

Note 2 - Commitments and Contingencies

The Company is subject to normal environmental standards imposed by federal, state, local, and foreign environmental laws and regulations. At September 30, 2006, the Company had \$9.0 million reserved for environmental remediation, post-closure monitoring, and related obligations.

By letter dated October 10, 2006, the Kansas Department of Health and Environment (KDHE) advised the Company that environmental contamination has been identified at a former smelter in Altoona, Kansas. KDHE asserts that the Company is a corporate successor to an entity that is alleged to have owned and operated the smelter from 1915-1918. KDHE has requested that the Company negotiate a consent order with KDHE to address contamination at the site. The Company is in the process of evaluating this request.

Based upon information currently available, management believes that the outcome of pending environmental matters will not materially affect the overall financial position and results of operations of the Company.

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 or results of operations. Additionally, the Company may realize the

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benefit of legal claims and litigation in the future; these gain contingencies are not recognized in the Condensed Consolidated Financial Statements.

Beginning in September 2004, the Company has been named as a defendant in several purported class action complaints brought by direct and indirect purchasers alleging anticompetitive activities with respect to the sale of copper tubes in the United States (the Copper Tube Actions). Two such purported class actions were filed in the United States District Court for the Western District of Tennessee (the Federal Actions). The remaining Copper Tube Actions were filed in state courts in Tennessee, California and Massachusetts.

Certain of the Copper Tube Actions purport to address the sale of copper plumbing tube in particular. Plaintiffs' motions to consolidate the Federal Actions and the actions pending in California state court, respectively, have been granted. All of the Copper Tube Actions, which are similar, seek monetary and other relief.

Wholly owned Company subsidiaries, WTC Holding Company, Inc., Deno Holding Company, Inc., and Mueller Europe Ltd. (Mueller Europe), are named in all of the Copper Tube Actions, and Deno Acquisition Eurl is named in two of the Copper Tube Actions. The claims against WTC Holding Company, Inc. and Deno Holding Company Inc. have been dismissed without prejudice in the Copper Tube Actions pending in California and Massachusetts state courts.

-15-

In September 2006, the Federal Actions were dismissed as to Mueller Europe for lack of personal jurisdiction. Plaintiffs have filed a motion for reconsideration of the dismissal of Mueller Europe. In October 2006, the Federal Actions were dismissed in their entirety for lack of subject matter jurisdiction as to all defendants. The time to file a notice of appeal from the dismissal for lack of subject matter jurisdiction has not yet expired.

The Company's demurrer to the complaint and the Company's motion to dismiss for failure to state a claim are pending in the state court actions filed in California and Tennessee, respectively. The Company has not yet been required to respond to the complaint in the action pending in Massachusetts state court. Mueller Europe has not yet been required to respond to the complaints in any of the state court actions pending in Tennessee, California or Massachusetts.

The Company believes that the claims for relief in the Copper Tube Actions are without merit and intends to defend the Copper Tube Actions vigorously.

In March 2006, the Company and Mueller Europe were named in a complaint brought by Carrier Corporation, Carrier S.A., and Carrier Italia S.p.A. alleging anticompetitive activities with respect to the sale of copper tubes used in the manufacturing of air-conditioning and refrigeration units (ACR copper tubes) in the United States and elsewhere

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(the Carrier Action). The Carrier Action was filed in United States District Court for the Western District of Tennessee.

In addition, beginning in April 2006, the Company has been named as a defendant in several purported class action lawsuits brought by direct and indirect purchasers alleging anticompetitive activities with respect to the sale of ACR copper tubes in the United States and elsewhere (the ACR Class Actions, and with the Carrier Action, the ACR Actions). Two of the ACR Class Actions were filed in the United States District Court for the Northern District of California. Five of the ACR Class Actions (two of which have been consolidated to become the "Indirect ACR Class Actions" and three of which have been consolidated to become the "Direct ACR Class Actions") were filed in the United States District Court for the Western District of Tennessee. All of the ACR Actions seek monetary and other relief.

Mueller Europe and the Company are named in all of the ACR Actions. WTC Holding Company, Inc., Deno Holding Company, Inc., and Deno Acquisition Eurl are named in one of the ACR Class Actions filed in the United States District Court for the Northern District of California. Motions to dismiss by the Company and by Mueller Europe are pending in the Carrier Action and in the Direct ACR Class Actions. No defendant has yet been served with the consolidated complaint in the Indirect ACR Class Actions. The Company, Mueller Europe, WTC Holding Company, Inc., and Deno Holding Company, Inc. have been served, but not yet required to respond, in one of the ACR Class Actions filed in the United States District Court for the Northern District of California. The Company, but not Mueller Europe, has been served in the second of the ACR Class Actions filed in the United States District Court for the Northern District of California, but has not yet been required to respond.

-16-

The Company believes that the claims for relief in the ACR Actions are without merit and intends to defend the ACR Actions vigorously.

Two of the Company's subsidiaries, Mueller Copper Tube Products Inc. and Mueller Copper Tube Company Inc., brought a lawsuit (the Price Manipulation Action) against J.P. Morgan Chase & Co. and Morgan Guaranty Trust Company of New York (collectively Morgan) to recover damages the Company believes it suffered on first purchases of copper cathode resulting from an alleged conspiracy to manipulate the price of copper cathode by Morgan (and certain of its predecessors and affiliates) and others in violation of the federal antitrust laws. The lawsuit was filed on June 12, 2003, in the U.S. District Court for the Western District of Wisconsin. The Company's lawsuit was consolidated with those of certain other first purchasers of copper cathode and rod under the name In re Copper Antitrust Litigation. Although the Price Manipulation Action was dismissed by the district court on March 2, 2004, as barred by the statute of limitations, the U.S. Court of Appeals for the Seventh Circuit, on February 6, 2006, reversed the district court's decision in part and remanded the Price Manipulation Action for further proceedings in the district court. Although the Company is unable to predict the likely outcome of the Price Manipulation Action at this time, the Company is prosecuting the case vigorously, and intends to continue to do so in the future.

In June 2006, the Canada Border Services Agency (CBSA) initiated an investigation into the alleged dumping of copper pipe fittings from the United States and from South Korea and the dumping and subsidizing of these same goods from China. The Company and certain affiliated companies were

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identified by the CBSA as possible U.S. exporters and importers of these goods and requested to provide information to Canadian authorities.

The Company responded to the CBSA's requests for information in the investigation and will supply additional data as may be available. The CBSA issued its Preliminary Determination on October 20, 2006, estimating margins of dumping for these goods. Shipments of the subject goods into Canada on or after October 20th will bear these significant duties until a final determination is made on or about January 18, 2007. The Company does not anticipate any material adverse effect on its financial condition as a result of the Preliminary Determination by the CBSA.

The Company is aware of an investigation of competition in markets in which it participates, or has participated in the past, in Canada. The Company does not anticipate any material adverse effect on its business or financial condition as a result of that investigation.

On September 22, 2005, the European Commission adopted a statement alleging infringements in Europe of competition rules by manufacturers of copper fittings including the Company and a business in England that it acquired in 1997. The Company took the lead in bringing these copper-fitting issues to the attention of the European Commission and has fully cooperated in the resulting investigation from its inception. On September 20, 2006, the European Commission adopted its copper-fittings decision, finding infringements in Europe of competition rules by various companies, including the Company and certain of its subsidiaries, and imposing fines on various companies. Neither the Company nor its subsidiaries were assessed any fines.

-17-

The Company has assessed its risk and provided estimated accruals for various potential tax matters in a number of jurisdictions. Although the ultimate amount of the liabilities, if any, may vary, the Company believes it has adequate reserves for its assessed risk.

Guarantees, in the form of letters of credit, are issued by the Company generally to guarantee the payment of insurance deductibles, retiree health benefits, and certain operating costs of a foreign subsidiary. The terms of the Company's guarantees are generally one year but are renewable annually as required. The maximum potential amount of future payments the Company could have been required to make under its guarantees at September 30, 2006 was \$11.8 million.

Note 3 - Inventories

	September 30, 2006	December 31, 2005
	(In thousands)	
Raw material and supplies	\$ 57,930	\$ 42,268
Work-in-process	34,890	24,610
Finished goods	205,320	130,109
	-----	-----
Inventories	\$ 298,140	\$ 196,987
	=====	=====

Inventories valued using the LIFO method totaled \$40.0 million at

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September 30, 2006 and \$33.5 million at December 31, 2005. At September 30, 2006 and December 31, 2005, the approximate FIFO cost of such inventories was \$164.3 million and \$87.8 million, respectively.

-18-

Note 4 - Employee Benefits

The Company sponsors several qualified and nonqualified pension plans and other postretirement benefit plans for certain of its employees. The net periodic benefit cost is based on estimated values provided by independent actuaries. The components of net periodic benefit cost are as follows:

	For the Quarter Ended	
	September 30, 2006	October 1, 2005
	(In thousands)	
Pension benefits:		
Service cost	\$ 592	\$ 554
Interest cost	2,320	2,062
Expected return on plan assets	(3,053)	(2,468)
Amortization of prior service cost	94	93
Amortization of net (gain) loss	345	(139)
	-----	-----
Net periodic benefit cost	\$ 298	\$ 102
	=====	=====
Other benefits:		
Service cost	\$ 1	\$ 1
Interest cost	159	162
Amortization of prior service cost	2	(2)
Amortization of net loss	33	36
	-----	-----

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Net periodic benefit cost	\$	195	\$	197
		=====		=====

-19-

	For the Nine Months Ended	
	September 30,	October 1,
	2006	2005
	(In thousands)	
Pension benefits:		
Service cost	\$ 1,541	\$ 1,663
Interest cost	6,204	6,186
Expected return on plan assets	(7,902)	(7,405)
Amortization of prior service cost	280	280
Amortization of net (gain) loss	763	(418)
	-----	-----
Net periodic benefit cost	\$ 886	\$ 306
	=====	=====
Other benefits:		
Service cost	\$ 5	\$ 3
Interest cost	477	486
Amortization of prior service cost	6	(6)
Amortization of net loss	98	108
	-----	-----
Net periodic benefit cost	\$ 586	\$ 591
	=====	=====

The Company anticipates contributions to its pension plans for 2006 to be approximately \$2.4 million. During the first nine months of 2006, approximately \$1.7 million of contributions have been made to certain pension plans.

-20-

Note 5 - Other income, net

	For the Quarter Ended	
	September 30, 2006	October 1, 2005
	(In thousands)	
Interest income	\$ 1,898	\$ 636
Gain on sale of equity investment	-	-
Equity in earnings of unconsolidated subsidiary	-	534
Gain on early retirement of debt	-	-
Environmental expense	(153)	(124)
Minority interest in income of subsidiaries	(721)	-
Gain (loss) on disposal of properties, net	(5)	4,170
Rent, royalties, and other	433	205
	-----	-----
	\$ 1,452	\$ 5,421
	=====	=====

	For the Nine Months Ended	
	September 30, 2006	October 1, 2005
	(In thousands)	
Interest income	\$ 3,861	\$ 1,340
Gain on sale of equity investment	1,876	-

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Equity in earnings of		
unconsolidated subsidiary	964	4,005
Gain on early retirement of debt	97	-
Environmental expense	(418)	(414)
Minority interest in income		
of subsidiaries	(2,526)	(7)
Gain (loss) on disposal		
of properties, net	(1,913)	3,713
Rent, royalties, and other	1,457	1,551
	-----	-----
	\$ 3,398	\$ 10,188
	=====	=====

-21-

Note 6 - Income Taxes

Year-to-date and quarterly income tax expense includes an adjustment of \$10.4 million, or \$0.28 per diluted share, to reduce income tax expense for changes in estimate related to exposures for existing transfer pricing methodologies and previously unrecognized state income tax credit carryforwards. During the third quarter, the Company received the results of certain transfer pricing studies. After evaluating those studies, an adjustment of \$4.7 million, net of federal effects, was recorded to reduce the tax contingency reserves related to transfer pricing risks. Additionally, in connection with the results of the aforementioned transfer pricing studies and a certain court ruling, estimates of the future realization of certain state tax credits were revised. Other factors used in revising the estimate were the remaining lives of the credit carryforwards, projected income levels to utilize the credits given the current business climate, and feasibility of tax planning strategies. After considering all these factors, the Company recorded an adjustment of \$5.7 million to recognize estimated future benefits from state tax credit carryforwards, net of federal effects, which were previously unrecognized. As of September 30, 2006, the Company has a total of \$32.0 million, net of federal effects, in state tax credit carryforwards with an offsetting valuation allowance of \$26.3 million. Of the total credits, \$1.9 million, net of federal effects, expire in 2006, \$7.7 million, net of federal effects, expire through 2021 and the remaining credits have an unlimited life. The estimates related to the future realization of these state tax credit carryforwards are highly subjective and could be affected by changes in business conditions and the feasibility of tax planning strategies. Changes in any of these factors could have a material impact on future income tax expense.

The Company's effective tax rate for the third quarter of 2006 was 11.3 percent compared with 31.9 percent for the same period last year. The effect of the adjustment described above was a reduction in the Company's effective tax rate of 17.9 percent. Other factors that explain the difference between the current period rate and the expected federal rate for the third quarter of 2006 were (i) reductions to tax contingency reserves related to statute closings and other settlements of approximately

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\$1.8 million, or \$0.05 per diluted share, (ii) recognition of a benefit from U.S. manufacturer's deduction of \$1.3 million, (iii) differences in foreign statutory income tax rates as compared to U.S. federal rate of approximately \$0.4 million, and (iv) recognition of a benefit of a foreign tax holiday of approximately \$1.1 million (without consideration of minority interest). These reductions were partially offset by the provision for state income taxes, net of federal benefit, of \$0.4 million.

The Company's effective tax rate for the first nine months of 2006 was 24.9 percent compared with 31.7 percent for the same period last year. The effect of the adjustment described above was a reduction in the Company's effective tax rate of 5.5 percent. Other factors that explain the difference between the current period rate and the expected federal rate for the first nine months of 2006 were (i) reductions to valuation allowances related to the U.K. net operating loss carryforwards of approximately \$2.9 million, or \$0.08 per diluted share, (ii) reductions to

-22-

tax contingency reserves related to statute closings and other settlements of approximately \$1.8 million, or \$0.05 per diluted share, (iii) differences in foreign statutory income tax rates as compared to U.S. federal rate of approximately \$1.2 million, (iv) recognition of a benefit from U.S. manufacturer's deduction of \$1.9 million, (v) recognition of a benefit of a foreign tax holiday of approximately \$2.1 million (without consideration of minority interest), and (vi) recognition of approximately \$0.9 million benefit from the favorable resolution of an Internal Revenue Service audit of tax returns filed for 2002 and 2003. These reductions were partially offset by the provision for state income taxes, net of federal benefit, of \$1.3 million.

Note 7 - Comprehensive Income

Comprehensive income is as follows:

	For the Quarter Ended	
	September 30, 2006	October 1, 2005
	(In thousands)	
Comprehensive income:		
Net income	\$ 51,579	\$ 24,340
Other comprehensive income (loss):		
Foreign currency translation	2,012	153
Minimum pension liability	-	-
Change in the fair value of derivatives	(306)	120
	-----	-----
	\$ 53,285	\$ 24,613
	=====	=====

For the Nine Months Ended

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	September 30, 2006	October 1, 2005
	(In thousands)	
Comprehensive income:		
Net income	\$ 143,694	\$ 56,731
Other comprehensive income (loss):		
Foreign currency translation	7,913	(5,581)
Minimum pension liability	4,315	-
Change in the fair value of derivatives	(203)	212
	-----	-----
	\$ 155,719	\$ 51,362
	=====	=====

-23-

The change in cumulative foreign currency translation adjustment primarily relates to the Company's investment in its U.K. and Mexican subsidiaries and fluctuations in exchange rates between their local currencies and the U.S. dollar. During the first nine months of 2006, the value of the British pound sterling increased 8.7 percent compared to the U.S. dollar and the value of the Mexican peso decreased 2.5 percent compared to the U.S. dollar.

Note 8 - Acquisitions and Investments

In December 2005, two subsidiaries of the Company received a business license from a Chinese industry and commerce authority, establishing a joint venture with Jiangsu Xingrong Hi-Tech Co., Ltd. and Jiangsu Baiyang Industries Ltd. The joint venture, in which the Company holds a 50.5 percent interest, produces inner groove and smooth tube in level-wound coils, pancake coils, and straight lengths, primarily to serve the Chinese domestic OEM air-conditioning market as well as to complement the Company's U.S. product line. The joint venture is located primarily in Jintan City, Jiangsu Province, China. The joint venture entity is named Jiangsu Mueller-Xingrong Copper Industries Limited (Mueller-Xingrong). In December 2005, the Company contributed \$7.0 million cash investment to the venture. During the first quarter of 2006 the Company contributed an additional \$12.4 million, which completed its initial planned cash investment. Non-cash contributions from the other joint venture parties included long-lived assets of approximately \$5.3 million in December 2005 and \$8.5 million during the first quarter of 2006. The results of operations of this joint venture are reported in the OEM segment and are included in the Company's Condensed Consolidated Financial Statements from January 1, 2006.

During the first quarter of 2006, Mueller-Xingrong had a temporary Bridge Loan Facility with two banks providing for secured borrowings of up to RMB 110 million, or \$13.7 million USD, to fund working capital. On April 4, 2006, Mueller-Xingrong entered into a Credit Agreement with a syndicate of four banks establishing a secured RMB 320 million, or \$39.9 million USD, revolving working capital credit facility (the JV Credit Facility) which matures in April 2007. Proceeds from the JV Credit Facility were used to pay-off amounts outstanding under the Bridge Loan Facility. Borrowings under the JV Credit Facility are secured by the real property and equipment of Mueller-Xingrong and bear interest at 98 percent of the latest base-lending rate published by the Peoples Bank of China (currently 5.42 percent).

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On August 15, 2005, the Company acquired 100 percent of the outstanding stock of KX Group LTD (Brassware). Brassware, located in Witton, Birmingham, England, is an import distributor of plumbing and residential heating products with historical annual sales of approximately \$48.0 million to plumbers' merchants and builders' merchants in the U.K. and Ireland. The cost of the acquired business, including cash of \$10.6 million plus \$1.8 million of notes issued, totaled \$12.4 million. The total estimated fair value of assets acquired was approximately \$17.6 million, consisting primarily of receivables of \$8.4 million, inventory of \$6.4 million and property and equipment of \$1.5 million. The total estimated fair value of liabilities assumed was approximately \$16.4 million, consisting primarily of notes payable of \$8.3 million and trade

-24-

payables and other current liabilities of \$8.1 million. The excess of the purchase price over the estimated fair value of assets acquired and liabilities assumed of \$11.2 million was allocated to goodwill of the Plumbing & Refrigeration segment. This acquisition will broaden the Company's product line in the U.K. The acquisition was accounted for using the purchase method of accounting. Therefore, the results of operations of the acquired business were included in the Company's Condensed Consolidated Financial Statements from its acquisition date. The purchase price, which was financed by available cash balances, has been allocated to the assets of the acquired business based on their respective fair market values.

In April 2006, the Company sold its approximately 38 percent interest in Conbraco Industries, Inc. which had a net book value of approximately \$21.1 million. Aggregate cash proceeds from the sale were approximately \$23.0 million. This transaction resulted in a pre-tax gain of approximately \$1.9 million.

Note 9 - Industry Segments

The Company's businesses are aggregated into two reportable segments: the Plumbing & Refrigeration segment and the OEM segment. Prior to the fourth quarter of 2005, the Company disclosed its reportable segments as Standard Products and Industrial Products. Additional operating segments have been recognized following an internal reorganization in 2005. For disclosure purposes, as permitted under SFAS 131 "Disclosures about Segments of an Enterprise and Related Information", certain operating segments are aggregated into reportable segments. The Plumbing & Refrigeration segment is composed of the Standard Products Division (SPD), the Trading Group, and European Operations. The OEM segment is composed of the Industrial Products Division (IPD) and the Engineered Products Division (EPD). These reportable segments are described in more detail below. SPD manufactures and sells copper tube, copper and plastic fittings, and valves in North America. European Operations manufactures copper tube in Europe, which is sold in Europe and the Middle East; activities also include import distribution. The Trading Group sources products for import distribution in North America. The Plumbing & Refrigeration segment sells products to wholesalers in the HVAC (heating, ventilation, and air-conditioning), plumbing, and refrigeration markets, to distributors to the manufactured housing and recreational vehicle industries, and to building material retailers. The OEM segment, through IPD, manufactures and sells brass and copper alloy rod, bar, and shapes; aluminum and brass forgings; and aluminum and copper impact extrusions; and through EPD, manufactures and sells refrigeration valves and fittings; fabricated tubular products; gas

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valves and assemblies; and commercial copper tube. The OEM segment sells its products primarily to original equipment manufacturers (OEMs), many of which are in the HVAC, plumbing, and refrigeration markets in the U.S., Mexico, and China.

-25-

Summarized segment information is as follows:

	For the Quarter Ended	
	September 30, 2006	October 1, 2005
	(In thousands)	
Net sales:		
Plumbing & Refrigeration	\$ 426,261	\$ 322,507
OEM	218,372	114,325
Elimination of intersegment sales	(8,635)	(2,702)
	-----	-----
	\$ 635,998	\$ 434,130
	=====	=====
Operating income:		
Plumbing & Refrigeration	\$ 56,863	\$ 30,955
OEM	9,862	5,700
Unallocated expenses	(4,922)	(6,418)
	-----	-----
	\$ 61,803	\$ 30,237
	=====	=====
Income before income taxes:		
Plumbing & Refrigeration	\$ 57,181	\$ 35,073
OEM	8,841	5,881
Unallocated expenses	(7,852)	(10,090)
	-----	-----
	\$ 58,170	\$ 30,864
	=====	=====

-26-

	For the Nine Months Ended	
	September 30, 2006	October 1, 2005
	(In thousands)	
Net sales:		
Plumbing & Refrigeration	\$ 1,364,360	\$ 918,839
OEM	628,472	336,608
Elimination of intersegment sales	(26,132)	(9,148)
	-----	-----
	\$ 1,966,700	\$ 1,246,299
	=====	=====
Operating income:		
Plumbing & Refrigeration	\$ 179,384	\$ 78,732
OEM	42,326	19,540
Unallocated expenses	(18,531)	(15,533)
	-----	-----
	\$ 203,179	\$ 82,739
	=====	=====
Income before income taxes:		
Plumbing & Refrigeration	\$ 179,128	\$ 83,216
OEM	38,424	19,768
Unallocated expenses	(26,136)	(24,787)
	-----	-----
	\$ 191,416	\$ 78,197
	=====	=====

	September 30, 2006	December 31, 2005
	(In thousands)	
Segment assets:		
Plumbing & Refrigeration	\$ 801,649	\$ 718,484
OEM	286,117	197,697
General corporate	219,632	188,457
	-----	-----
	\$ 1,307,398	\$ 1,104,638

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The quarter and nine month periods ended September 30, 2006 include the acquired operations of Brassware in the Plumbing & Refrigeration segment and Mueller-Xingrong in the OEM segment.

-27-

Note 10 - Recently Issued Accounting Standards

In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109" (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. It prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company has not yet completed the process of evaluating what effect, if any, the adoption of FIN 48 will have on its consolidated statements of income or financial position.

In September 2006, the FASB issued Statement No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R)" (SFAS 158). SFAS 158 requires an employer to:

- * recognize the funded status of a benefit plan in its statement of financial position and to recognize changes in that funded status in comprehensive income;
- * recognize as a component of other comprehensive income, net of tax, the gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit cost pursuant to FASB Statement No. 87;
- * measure defined benefit plan assets and obligations as of the date of the employer's fiscal year-end statement of financial position (with limited exceptions); and
- * disclose in the notes to financial statements additional information about certain effects on net periodic benefit cost for the next fiscal year that arise from delayed recognition of the gains or losses, prior service costs or credits, and transition asset or obligation.

A publicly traded entity is required to initially recognize the funded status of a defined benefit postretirement plan and to provide the required disclosures as of the end of the fiscal year ending after December 15, 2006. The requirement to measure plan assets and benefit obligations as of the date of the employer's fiscal year-end statement of financial position is effective for fiscal years ending after December 15, 2008. The Company has not yet completed the process of evaluating what effect, if any, the adoption of SFAS 158 will have on its consolidated statements of income or financial position.

-28-

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 fittings and valves; refrigeration valves and fittings; and fabricated tubular products. The Company also resells imported brass and plastic plumbing valves, malleable iron fittings, steel nipples, faucets and plumbing specialty products. The Company'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 OEM segment. Prior to the fourth quarter of 2005, the Company disclosed its reportable segments as Standard Products and Industrial Products. Additional operating segments have been recognized following an internal reorganization in 2005. For disclosure purposes, as permitted under SFAS 131 "Disclosures about Segments of an Enterprise and Related Information", certain operating segments are aggregated into reportable segments. The Plumbing & Refrigeration segment is composed of the Standard Products Division (SPD), the Trading Group, and European Operations. The OEM segment is composed of the Industrial Products Division (IPD) and the Engineered Products Division (EPD). These reportable segments are described in more detail below. SPD manufactures and sells copper tube, copper and plastic fittings, and valves in North America. European Operations manufactures copper tube in Europe, which is sold in Europe and the Middle East; activities also include import distribution. The Trading Group sources products for import distribution in North America. The Plumbing & Refrigeration segment sells products to wholesalers in the HVAC (heating, ventilation, and air-conditioning), plumbing, and refrigeration markets, to distributors to the manufactured housing and recreational vehicle industries, and to building material retailers. The OEM segment, through IPD, manufactures and sells brass and copper alloy rod, bar, and shapes; aluminum and brass forgings; and aluminum and copper impact extrusions; and through EPD, manufactures and sells refrigeration valves and fittings; fabricated tubular products; gas valves and assemblies; and commercial copper tube. The OEM segment sells its products primarily to original equipment manufacturers (OEMs), many of which are in the HVAC, plumbing, and refrigeration markets in the U.S., Mexico, and China.

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.

-29-

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 completed products. The open market prices for copper cathode and scrap, for example, influence the selling price of copper tubing, 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 subject to market trends such as substitute products and imports. Plastic plumbing systems are the primary substitute product; these products represent an increasing share of consumption. Imports of copper tubing from Mexico have increased in recent years, although U.S. consumption is still predominantly supplied by U.S. manufacturers. The nine-month period ended September 30, 2006 contained 39 weeks while the nine-month period ended October 1, 2005 contained 40 weeks.

Results of Operations

During the third quarter of 2006, the Company's net sales were \$636.0 million, which compares with net sales of \$434.1 million over the same period of 2005. Net sales were \$1.97 billion in the first nine months of 2006 compared with \$1.25 billion in the same period of 2005. The increase in net sales is attributable to higher selling prices and acquired businesses partially offset by reduced volumes. The average price of copper was approximately 95 percent higher in the first nine months of 2006 compared with the same period of 2005. Businesses acquired in late 2005 contributed \$139.2 million of sales in the first nine months of 2006.

Cost of goods sold increased from \$360.5 million in the third quarter of 2005 to \$528.9 million in the same period of 2006. Cost of goods sold for the nine months ended September 30, 2006 was \$1.62 billion compared with \$1.04 billion for the first nine months of 2005. The increase in the current year was attributable to higher material costs offset by reduced volume. Gross profit increased to \$107.1 million from \$73.6 million in the third quarter and increased to \$343.6 million from \$206.1 million for the nine-month period due primarily to higher margins on copper tube and brass rod and from businesses acquired late in 2005. The impact of rising raw material costs also significantly contributed to the gross profit improvement. Inventories valued using the LIFO method totaled \$40.0 million at September 30, 2006 and \$33.5 million at December 31, 2005. At September 30, 2006 and December 31, 2005, the approximate FIFO cost of such inventories was \$164.3 million and \$87.8 million, respectively.

Selling, general, and administrative expense was \$34.8 million for the third quarter of 2006 compared with \$33.3 million for the same period of 2005. Year-to-date selling, general, and administrative expense was \$109.4 million for 2006 compared with \$92.8 million for the same period of 2005. The increase for the quarter and nine months was primarily due to businesses acquired in second half of 2005 and increased incentive compensation including stock-based compensation.

-30-

For the third quarter of 2006, operating income at the Plumbing & Refrigeration segment was \$56.9 million, which compares with \$31.0 million in the same period of 2005. Year-to-date, 2006 operating income at the Plumbing & Refrigeration segment was \$179.4 million, which compares with \$78.7 million in the same period of 2005. The third quarter increase was primarily attributable to better margins from copper tube and European operations including contributions from acquired businesses partially offset by reduced margins in the Trading Group. The year-to-date increase was primarily attributable to better margins from copper tube, plastic fittings, and European operations including contributions from acquired businesses. Volumes in the segment's core product lines, particularly copper tube, were down substantially from the second quarter of 2006 and the third quarter of 2005; this unit volume reduction was comparable to the reduction in the U.S. industry as a whole.

Operating income at the OEM segment was \$9.9 million in the third quarter of 2006 compared with \$5.7 million in the third quarter of 2005. Year-to-date, 2006 operating income at the OEM segment was \$42.3 million, which compares with \$19.5 million in the same period of 2005. Improved profitability in the third quarter was due to improved spreads in the brass rod business and contributions from Mueller-Xingrong, which reported total operating income of \$1.8 million for the quarter. Lower unit volumes also impacted the OEM segment. Improved profitability in the first nine months of 2006 was due to (i) improved spreads in the brass rod business, (ii) contributions from Mueller-Xingrong, which reported total operating income of \$5.8 million for the first nine months of 2006, and (iii) improvements in other product lines.

Interest expense for the third quarter of 2006 totaled \$5.1 million, compared with \$4.8 million for the same period of 2005. For the first nine months of 2006, interest expense was \$15.2 million compared with \$14.7 million for the same period of 2005. The increase in the third quarter and first nine months of 2006 is primarily attributable to increased borrowings at Mueller-Xingrong.

Other income, net was \$3.4 million for the first nine months of 2006 compared with \$10.2 million for the same period of 2005. The current year decrease is primarily due to: (i) a decrease in earnings from an unconsolidated subsidiary, Conbraco Industries, Inc. (Conbraco), (ii) elimination of minority interest in Mueller-Xingrong, and (iii) current year loss on disposal of properties. In April 2006, the Company sold its approximately 38 percent interest in Conbraco, which had a net book value of approximately \$21.1 million. This transaction resulted in a pre-tax gain of approximately \$1.9 million. Aggregate cash proceeds from the sale were approximately \$23.0 million.

The Company's effective tax rate for the third quarter of 2006 was 11.3 percent compared with 31.9 percent for the same period last year. The effective tax rate for the third quarter includes an adjustment of \$10.4 million, or \$0.28 per diluted share, to reduce income tax expense for changes in estimate related to exposures for existing transfer pricing methodologies and previously unrecognized state income tax credit carryforwards. The effect of the adjustment was a reduction in the Company's effective tax rate of 17.9 percent. See Note 6 to the financial

-31-

statements for more information regarding the adjustment. Other factors that explain the difference between the current period rate and the expected federal rate for the third quarter of 2006 were (i) reductions to tax contingency reserves related to statute closings and other settlements of approximately \$1.8 million, or \$0.05 per diluted share, (ii) recognition of a benefit from U.S. manufacturer's deduction of \$1.3 million, (iii) differences in foreign statutory income tax rates as compared to U.S. federal rate of approximately \$0.4 million, and (iv) recognition of a benefit of a foreign tax holiday of approximately \$1.1 million (without consideration of minority interest). These reductions were partially offset by the provision for state income taxes, net of federal benefit, of \$0.4 million.

The Company's effective tax rate for the first nine months of 2006 was 24.9 percent compared with 31.7 percent for the same period last year. The effect of the adjustment described above was a reduction in the Company's effective tax rate of 5.5 percent. Other factors that explain the difference between the current period rate and the expected federal rate for the first nine months of 2006 were (i) reductions to valuation allowances related to the U.K. net operating loss carryforwards of approximately \$2.9 million, or \$0.08 per diluted share, (ii) reductions to tax contingency reserves related to statute closings and other settlements of approximately \$1.8 million, or \$0.05 per diluted share, (iii) differences in foreign statutory income tax rates as compared to U.S. federal rate of approximately \$1.2 million, (iv) recognition of a benefit from U.S. manufacturer's deduction of \$1.9 million, (v) recognition of a benefit of a foreign tax holiday of approximately \$2.1 million (without consideration of minority interest), and (vi) recognition of approximately \$0.9 million benefit from the favorable resolution of an Internal Revenue Service audit of tax returns filed for 2002 and 2003. These reductions were partially offset by the provision for state income taxes, net of federal benefit, of \$1.3 million.

Liquidity and Capital Resources

Cash provided by operating activities during the first nine months of 2006 totaled \$25.0 million, which is primarily attributable to net income of \$143.7 million, depreciation and amortization of \$31.2 million, and increased current liabilities of \$25.3 million, offset primarily by increased receivables of \$63.8 million and increased inventories of \$97.0 million. Fluctuations in the cost of copper and other raw materials affect the Company's liquidity. Changes in material costs directly impact components of working capital, primarily inventories and accounts receivable. During the first nine months of 2006, the average COMEX copper price was approximately \$3.06 per pound, which represents a 95 percent increase over the average price during the first nine months of 2005. This rise in the price of cathode has also resulted in sharp increases in the open market price for copper scrap and, to a lesser extent, the price of brass scrap.

During the first nine months of 2006, cash used in investing activities was \$6.1 million, consisting primarily of capital expenditures totaling \$33.0 million partially offset by \$23.2 million proceeds from the sale of properties including the equity interest in Conbraco Industries, Inc. Cash provided by financing activities totaled \$21.5 million for the first nine months of 2006 consisting primarily of issuance of debt to fund working capital of Mueller-Xingrong of \$24.9 million and proceeds from the sale of treasury stock of \$7.1 million, partially offset by payment of dividends of \$11.1 million. Repayments of long-term debt totaled \$1.9 million for the first nine months of 2006 which included \$1.8 million of the Company's 6% Subordinated Debentures.

The Company has a \$150 million unsecured line-of-credit (Credit Facility) which expires in November 2007. At September 30, 2006, there were no outstanding borrowings under the Credit Facility. Approximately \$11.7 million in letters of credit were backed by the Credit Facility at the end of the quarter. At September 30, 2006, the Company's total debt was \$341.5 million or 37.2 percent of its total capitalization.

On April 4, 2006, Mueller-Xingrong entered into a Credit Agreement with a syndicate of four banks establishing a secured RMB 320 million, or \$39.9 million USD, revolving working capital credit facility (the JV Credit Facility) which matures in April 2007. Proceeds from the JV Credit Facility were used to pay-off amounts outstanding under the Bridge Loan Facility. Borrowings under the JV Credit Facility are secured by the real property and equipment of Mueller-Xingrong and bear interest at 98 percent of the latest base-lending rate published by the Peoples Bank of China (currently 5.42 percent).

Covenants contained in the Company's financing obligations require, among other things, the maintenance of minimum levels of working capital, tangible net worth, and debt service coverage ratios. At September 30, 2006, the Company was in compliance with all of its debt covenants.

The Company declared and paid a regular quarterly cash dividend of ten cents per common share in each of the first three quarters of 2006 and 2005. Payment of dividends in the future is dependent upon the Company's financial condition, cash flows, capital requirements, earnings, and other factors. On May 1, 2006, the Company made its semi-annual interest payment of approximately \$9.0 million on its 6% Subordinated Debentures.

Management believes that cash provided by operations and currently available cash of \$170.4 million will be adequate to meet the Company's normal future capital expenditures and operational needs. The Company's current ratio was 2.6 to 1 at September 30, 2006.

The Company's Board of Directors has authorized the repurchase until October 2007 of up to ten million shares of the Company's common stock through open market transactions or through privately negotiated transactions. The Company has no obligation to purchase any shares and may cancel, suspend, or extend the time period for the purchase of shares at any time. The Company may hold any shares purchased in treasury or use a portion of the repurchased shares for employee benefit plans, as well as for other corporate purposes. Through September 30, 2006, the Company has

repurchased approximately 2.4 million shares under this authorization. Additionally, the Company may repurchase its outstanding 6% Subordinated Debentures through open market transactions. Purchases of those securities, if any, will be funded primarily through existing cash and cash from operations.

There have been no significant changes in the Company's contractual cash obligations reported at December 31, 2005, except the following. At December 31, 2005, the Company reported contractual supply commitments for raw materials consumed in the ordinary course of business totaling \$327.3 million or \$2.05 per pound. At September 30, 2006 the price per pound for the same raw materials was approximately \$3.46. The increased price will affect cash outflows during the fourth quarter of 2006.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to market risk from changes in raw material costs, energy costs, interest rates, and foreign currency exchange. 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

Adequate supplies of raw material have historically been available to the Company from primary producers, metal brokers, and scrap dealers. Sufficient energy in the form of natural gas, fuel oils, and electricity is available to operate the Company's production facilities. While temporary shortages of raw material and fuels may occur occasionally, to date they have not materially hampered the Company's operations.

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 forward contracts to hedge risks associated with forward fixed-price arrangements. The Company may also utilize forward contracts to manage price risk associated with inventory. Gains or losses with respect to these positions are deferred in stockholders' equity as a component of comprehensive income 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. As of September 30, 2006, the Company held open forward contracts to purchase approximately \$7.4 million of copper through December 2006.

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with natural gas purchases. Gains and losses with respect to these positions are deferred in stockholders' equity as a component of comprehensive income 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 September 30, 2006, the Company had open forward contracts to purchase \$1.0 million of natural gas through March 2007. The lack of availability of energy sources and the impact of rising energy prices could materially affect the Company's business, results of operations and financial condition. Subsequent to quarter-end, the Company sold forward approximately five million pounds of copper to reduce its price exposure on higher inventory quantities.

Interest Rates

At September 30, 2006, the Company had variable rate debt outstanding of \$28.9 million, the majority of which relates to the debt issued by Mueller-Xingrong, which is discussed above. At these borrowing levels, a hypothetical 10 percent increase in interest rates would have had an insignificant unfavorable impact on the Company's pre-tax earnings and cash flows. The primary interest rate exposure on floating-rate debt is based on LIBOR and on the base-lending rate published by the People's Bank of China.

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. Foreign currency exposures arising from transactions denominated in currencies other than the functional currency are not material; however, the Company may utilize certain forward fixed-rate contracts to hedge such transactional exposures. Gains and losses with respect to these positions are deferred in stockholders' equity as a component of comprehensive income and reflected in earnings upon collection of receivables. At September 30, 2006, one of the Company's foreign subsidiaries had \$3.8 million in open forward contracts to purchase U.S. dollars.

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, and the Mexican peso. Additionally, with the investment in Mueller-Xingrong, the Company is exposed to the Chinese currency (RMB). 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.

-35-

Cautionary Statement Regarding Forward Looking Information

Statements in this Quarterly Report on Form 10-Q that are not strictly

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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. 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 Securities and Exchange Commission'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.

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(b) of the Exchange Act as of the end of the period covered by this report. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, because of the material weakness in internal controls related to the accounting for income taxes as described below, the Company's disclosure controls and procedures were not effective as of September 30, 2006.

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's internal control over financial reporting as of December 31, 2005 based on the control criteria established in a report entitled Internal Control-Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on such evaluation management determined that a material weakness related to the accounting for income taxes existed as of December 31, 2005. At September 30, 2006, management determined that the material weakness had not yet been remediated.

As defined by the Public Company Accounting Oversight Board's Auditing Standard No. 2, a material weakness in internal control is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements would not be prevented or detected on a timely basis by the

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Company. The principal factors contributing to the material weakness in accounting for income taxes were (1) inadequate staffing and technical expertise within the Company's tax department, (2) ineffective review and approval practices, (3) inadequate processes to effectively reconcile income tax accounts, and (4) inadequate application of the provisions of SFAS 109 to tax planning strategies. These deficiencies resulted in adjustments to correct the Company's accounting for income taxes which were recorded prior to the issuance of the Consolidated Financial Statements as of and for the year ended December 31, 2005. These deficiencies, in the aggregate, were determined to be a material weakness. As a result of the aforementioned material weakness, management has concluded that the Company's internal control over financial reporting was not effective as of December 31, 2005. Management has also determined that the existence of the material weakness did not result in a material misstatement of the financial results reported for prior annual or interim periods.

Changes in Internal Control over Financial Reporting

Management is in the process of implementing additional procedures to enhance the controls surrounding accounting for income taxes. Specifically, management is undertaking the following actions intended to address the identified control weakness:

- * Evaluate current staffing resources;
- * Require additional education and training in prevailing accounting standards that govern income tax reporting for personnel involved in the preparation and review of income tax reporting matters;
- * Engage third-party experts to conduct an independent review and evaluation of the Company's process of accounting for and reporting of income taxes; and
- * Implement a standardized reporting system related to income tax reporting matters that will facilitate timely information gathering and analysis for all business units.

As of September 30, 2006, selected members of the corporate accounting and tax departments have completed training courses in prevailing accounting standards that govern income tax reporting, a third-party expert has completed its initial review of the Company's process of accounting for and reporting of income taxes, although recommendations have not yet been fully implemented, and the corporate accounting department has made certain staffing changes.

There were no changes in the Company's internal control over financial reporting during the Company's fiscal quarter ending September 30, 2006, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. However, as described above, the Company is undertaking changes in internal control over financial reporting to correct the material weakness related to the accounting for income taxes.

-37-

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

General

The Company is involved in certain litigation as a result of claims

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

Copper Tube Antitrust Litigation

Beginning in September 2004, the Company has been named as a defendant in several purported class action complaints brought by direct and indirect purchasers alleging anticompetitive activities with respect to the sale of copper tubes in the United States (the Copper Tube Actions). Two such purported class actions were filed in the United States District Court for the Western District of Tennessee (the Federal Actions). The remaining Copper Tube Actions were filed in state courts in Tennessee, California and Massachusetts.

Certain of the Copper Tube Actions purport to address the sale of copper plumbing tube in particular. Plaintiffs' motions to consolidate the Federal Actions and the actions pending in California state court, respectively, have been granted. All of the Copper Tube Actions, which are similar, seek monetary and other relief.

Wholly owned Company subsidiaries, WTC Holding Company, Inc., Deno Holding Company, Inc., and Mueller Europe Ltd. (Mueller Europe), are named in all of the Copper Tube Actions, and Deno Acquisition Eurl is named in two of the Copper Tube Actions. The claims against WTC Holding Company, Inc. and Deno Holding Company Inc. have been dismissed without prejudice in the Copper Tube Actions pending in California and Massachusetts state courts.

In September 2006, the Federal Actions were dismissed as to Mueller Europe for lack of personal jurisdiction. Plaintiffs have filed a motion for reconsideration of the dismissal of Mueller Europe. In October 2006, the Federal Actions were dismissed in their entirety for lack of subject matter jurisdiction as to all defendants. The time to file a notice of appeal from the dismissal for lack of subject matter jurisdiction has not yet expired.

The Company's demurrer to the complaint and the Company's motion to dismiss for failure to state a claim are pending in the state court actions filed in California and Tennessee, respectively. The Company has not yet been required to respond to the complaint in the action pending in Massachusetts state court. Mueller Europe has not yet been required to respond to the complaints in any of the state court actions pending in Tennessee, California or Massachusetts.

-38-

The Company believes that the claims for relief in the Copper Tube Actions are without merit and intends to defend the Copper Tube Actions vigorously.

In March 2006, the Company and Mueller Europe were named in a complaint brought by Carrier Corporation, Carrier S.A., and Carrier Italia S.p.A. alleging anticompetitive activities with respect to the sale of copper tubes used in the manufacturing of air-conditioning and refrigeration units (ACR copper tubes) in the United States and elsewhere

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(the Carrier Action). The Carrier Action was filed in United States District Court for the Western District of Tennessee.

In addition, beginning in April 2006, the Company has been named as a defendant in several purported class action lawsuits brought by direct and indirect purchasers alleging anticompetitive activities with respect to the sale of ACR copper tubes in the United States and elsewhere (the ACR Class Actions, and with the Carrier Action, the ACR Actions). Two of the ACR Class Actions were filed in the United States District Court for the Northern District of California. Five of the ACR Class Actions (two of which have been consolidated to become the "Indirect ACR Class Actions" and three of which have been consolidated to become the "Direct ACR Class Actions") were filed in the United States District Court for the Western District of Tennessee.

Mueller Europe and the Company are named in all of the ACR Actions. WTC Holding Company, Inc., Deno Holding Company, Inc., and Deno Acquisition Eurl are named in one of the ACR Class Actions filed in the United States District Court for the Northern District of California. Motions to dismiss by the Company and by Mueller Europe are pending in the Carrier Action and in the Direct ACR Class Actions. No defendant has yet been served with the consolidated complaint in the Indirect ACR Class Actions. The Company, Mueller Europe, WTC Holding Company, Inc., and Deno Holding Company, Inc. have been served, but not yet required to respond, in one of the ACR Class Actions filed in the United States District Court for the Northern District of California. The Company, but not Mueller Europe, has been served in the second of the ACR Class Actions filed in the United States District Court for the Northern District of California, but has not yet been required to respond.

The Company believes that the claims for relief in the ACR Actions are without merit and intends to defend the ACR Actions vigorously.

Copper Price Manipulation Litigation

Two of the Company's subsidiaries, Mueller Copper Tube Products Inc. and Mueller Copper Tube Company Inc., brought a lawsuit (the Price Manipulation Action) against J.P. Morgan Chase & Co. and Morgan Guaranty Trust Company of New York (collectively Morgan) to recover damages the Company believes it suffered on first purchases of copper cathode resulting from an alleged conspiracy to manipulate the price of copper cathode by Morgan (and certain of its predecessors and affiliates) and others in violation of the federal antitrust laws. The lawsuit was filed on June 12, 2003, in the U.S. District Court for the Western District of Wisconsin. The Company's lawsuit was consolidated with those of certain other first purchasers of copper cathode and rod under the name In re Copper Antitrust

-39-

Litigation. Although the Price Manipulation Action was dismissed by the district court on March 2, 2004, as barred by the statute of limitations, the U.S. Court of Appeals for the Seventh Circuit, on February 6, 2006, reversed the district court's decision in part and remanded the Price Manipulation Action for further proceedings in the district court. Although the Company is unable to predict the likely outcome of the Price Manipulation Action at this time, the Company is prosecuting the case vigorously, and intends to continue to do so in the future.

Canadian Dumping and Countervail Investigation

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In June 2006, the Canada Border Services Agency (CBSA) initiated an investigation into the alleged dumping of copper pipe fittings from the United States and from South Korea and the dumping and subsidizing of these same goods from China. The Company and certain affiliated companies were identified by the CBSA as possible U.S. exporters and importers of these goods and requested to provide information to Canadian authorities.

The Company responded to the CBSA's requests for information in the investigation and will supply additional data as may be available. The CBSA issued its Preliminary Determination on October 20, 2006, estimating margins of dumping for these goods. Shipments of the subject goods into Canada on or after October 20th will bear these significant duties until a final determination is made on or about January 18, 2007. The Company does not anticipate any material adverse effect on its financial condition as a result of the Preliminary Determination by the CBSA.

Environmental Matters

By letter dated October 10, 2006, the Kansas Department of Health and Environment (KDHE) advised the Company that environmental contamination has been identified at a former smelter in Altoona, Kansas. KDHE asserts that the Company is a corporate successor to an entity that is alleged to have owned and operated the smelter from 1915-1918. KDHE has requested that the Company negotiate a consent order with KDHE to address contamination at the site. The Company is in the process of evaluating this request.

Other Matters

The Company is aware of an investigation of competition in markets in which it participates, or has participated in the past, in Canada. The Company does not anticipate any material adverse effect on its business or financial condition as a result of that investigation.

On September 22, 2005, the European Commission adopted a statement alleging infringements in Europe of competition rules by manufacturers of copper fittings including the Company and a business in England that it acquired in 1997. The Company took the lead in bringing these copper-fitting issues to the attention of the European Commission and has fully cooperated in the resulting investigation from its inception. On September 20, 2006, the European Commission adopted its copper-fittings decision, finding infringements in Europe of competition rules by various companies, including the Company and certain of its subsidiaries, and imposing fines on various companies. Neither the Company nor its subsidiaries were assessed any fines.

-40-

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

Issuer Purchases of Equity Securities

The Company's Board of Directors has authorized the repurchase, until October 2007, of up to ten million shares of the Company's Common Stock through open market transactions or through privately negotiated transactions. The Company has no obligation to purchase any shares and may cancel, suspend, or extend the time period for the purchase of shares at any time. Any purchases will be funded primarily through existing cash and cash from operations. The Company may hold any shares purchased in treasury or use a portion of the repurchased shares for employee benefit plans, as well as for other corporate purposes. Through September 30,

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2006, the Company had repurchased approximately 2.4 million shares under this authorization. Below is a summary of the Company's stock repurchases for the quarterly period ended September 30, 2006.

	(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
				7,647,030 (1)
July 2 - July 29, 2006	80 (2)	\$ 35.05		
July 30 - August 26, 2006	924 (2)	39.68		
August 27 - September 30, 2006	3,691 (2)	36.57		

- (1) Shares available to be purchased under the Company's 10 million share repurchase authorization until October 2007. This repurchase plan was announced on October 30, 2006.
- (2) Shares tendered to the Company by employee stock option holders in payment of the option purchase price and/or withholding taxes upon exercise.

-41-

Item 6. Exhibits

- 19.1 Mueller Industries, Inc.'s Quarterly Report to Stockholders for the quarter ended September 30, 2006. Such report is being furnished for the information of the Securities and Exchange Commission only and is not to be deemed filed as part of this Quarterly Report on Form 10-Q.
- 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

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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.

Items 1A, 3, 4, and 5 are not applicable and have been omitted.

-42-

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.

October 30, 2006
Date

/S/ KENT A. MCKEE
Kent A. McKee
Executive Vice President and
Chief Financial Officer

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October 30, 2006
Date

/S/ RICHARD W. CORMAN
Richard W. Corman
Vice President - Controller

-43-

EXHIBIT INDEX

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32.2 Certification of Chief Financial Officer pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002.