

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended **September 30, 2005**

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

For the transition period from _____ to _____

Commission File Number **1-448**

Mestek, Inc.

(Exact name of registrant as specified in its charter)

Pennsylvania

25-0661650

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

260 North Elm Street, Westfield, MA

01085

(Address of principal executive offices)

(Zip Code)

413-568-9571

Registrant's telephone number, including area code

None

(Former name, former address and former fiscal year, if changed since last report)

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 an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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 issued and outstanding as of November 8, 2005 was 8,732,125.

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No N/A

MESTEK, INC.

**QUARTERLY REPORT ON FORM 10-Q
FOR THE THREE-MONTHS ENDED SEPTEMBER 30, 2005**

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In the opinion of management, the information contained herein reflects all adjustments necessary to make the results of operations for the interim periods a fair statement of such operations. All such adjustments are of a normal recurring nature.

PART I - FINANCIAL INFORMATION

Item 1 - Financial Statements

MESTEK, INC. CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, <u>2005</u>	December 31, <u>2004</u>
	(Dollars in thousands)	
	(Unaudited)	
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$2,820	\$1,952
Accounts Receivable - less allowances of, \$2,930 and \$2,649 respectively	61,661	51,997
Inventories	64,775	59,531
Deferred Tax Assets	12,734	14,232
Income Tax Refund Receivable	1,152	1,152
Other Current Assets	5,849	8,020
Omega Flex Assets Held for Spin-Off (see Note 8)	<u>---</u>	<u>14,608</u>
Total Current Assets	148,991	151,492
Property and Equipment – net	48,722	48,149
Property Held for Sale	1,759	1,297
Deferred Tax Assets	5,632	6,980
Other Assets and Deferred Charges – net	4,020	4,313
Goodwill	18,493	18,130
Omega Flex Assets Held for Spin-Off (see Note 8)	<u>---</u>	<u>25,795</u>
Total Assets	<u>\$227,617</u>	<u>\$256,156</u>

See the Notes to Condensed Consolidated Financial Statements
(Continued on next page)

MESTEK, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (continued)

September 30, December 31,
2005 2004
(Dollars in thousands)
(Unaudited)

LIABILITIES, AND SHAREHOLDERS' EQUITY

Current Liabilities

Short Term Notes Payable	\$28,500	\$20,000
Current Portion of Long-Term Debt	695	582
Accounts Payable	17,526	15,760
Accrued Expenses	12,291	13,938
Reserve for Equity Investment Losses	4,000	4,000
Customer Deposits	13,032	8,007
Environmental Reserves	2,000	4,244
Other Accrued Liabilities	13,442	14,636
Omega Flex Liabilities related to Spin-Off (see Note 8)	---	<u>12,645</u>

Total Current Liabilities	91,486	93,812
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Environmental Reserves	18,275	20,445
Long-Term Debt	7,654	3,802
Pension Obligations	1,208	1,208
Due to Omega Flex, Inc.	3,250	16,572
Other Liabilities	120	100
Omega Flex Liabilities related to Spin-Off (see Note 8)	---	<u>3,719</u>

Total Liabilities	<u>121,993</u>	<u>139,658</u>
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Minority Interests	<u>727</u>	<u>774</u>
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Shareholders' Equity

Common Stock - no par, stated value \$0.05 per share, 9,610,135 shares issued	479	479
Paid in Capital	16,938	15,434
Retained Earnings	99,303	112,165
Treasury Shares, at cost, (878,010 and 1,010,032 common shares, respectively)	(11,293)	(12,103)
Accumulated Other Comprehensive Loss	<u>(530)</u>	<u>(251)</u>

Total Shareholders' Equity	<u>104,897</u>	<u>115,724</u>
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Total Liabilities and Shareholders' Equity	<u>\$227,617</u>	<u>\$256,156</u>
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See the Notes to Condensed Consolidated Financial Statements.

MESTEK, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three-months Ended		Nine-months Ended	
	September 30,		September 30,	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	(Dollars in thousands, except earnings per common share)			
Net Sales (Note 1)	\$95,651	\$91,314	\$271,068	\$260,264
Cost of Goods Sold	<u>70,444</u>	<u>67,717</u>	<u>200,765</u>	<u>192,422</u>
Gross Profit	25,207	23,597	70,303	67,842
Selling Expense	11,800	11,552	34,615	35,020
General and Administrative Expense	6,105	5,447	17,010	14,452
Engineering Expense	3,637	3,831	10,002	11,329
Environmental Litigation/Remediation	---	(18,415)	---	(17,727)
Plant Shutdown Expense and Other Restructuring Charges	<u>718</u>	<u>115</u>	<u>1,619</u>	<u>970</u>
Operating Profit before Reorganization Items	2,947	21,067	7,057	23,798
Subsidiary Bankruptcy Professional Fees	<u>64</u>	<u>1,519</u>	<u>501</u>	<u>8,542</u>
Operating Profit	2,883	19,548	6,556	15,256
Interest Expense - net	(366)	(284)	(1,059)	(794)
Other Income (Expense) - net	<u>(117)</u>	<u>2,617</u>	<u>(611)</u>	<u>2,419</u>
Income from Continuing Operations Before Income Taxes	2,400	21,881	4,886	16,881
Income Taxes Expense	<u>1,322</u>	<u>2,611</u>	<u>2,325</u>	<u>772</u>
Income from Continuing Operations	1,078	19,270	2,561	16,109
Discontinued Operations (See Note 8):				
Income from Operations of Discontinued				
Business Before Taxes	909	2,233	6,438	6,306
Applicable Income Tax Expense	<u>384</u>	<u>939</u>	<u>2,725</u>	<u>2,646</u>
Income from Operations of Discontinued Business	<u>525</u>	<u>1,294</u>	<u>3,713</u>	<u>3,660</u>
Net Income	<u>\$1,603</u>	<u>\$20,564</u>	<u>\$6,274</u>	<u>\$19,769</u>
Basic Earnings Per Common Share:				
Continuing Operations	\$0.12	\$2.24	\$0.30	\$1.86
Discontinued Operations	<u>0.06</u>	<u>\$0.15</u>	<u>\$0.43</u>	<u>\$0.42</u>
Net Income	<u>\$0.18</u>	<u>\$2.39</u>	<u>\$0.73</u>	<u>\$2.28</u>
Basic Weighted Average Shares Outstanding	<u>8,732</u>	<u>8,604</u>	<u>8,653</u>	<u>8,678</u>
Diluted Earnings Per Common Share:				
Continuing Operations	<u>\$0.12</u>	<u>\$2.23</u>	<u>\$0.30</u>	<u>\$1.86</u>
Discontinued Operations	<u>0.06</u>	<u>\$0.15</u>	<u>\$0.43</u>	<u>\$0.42</u>
Net Income	<u>\$0.18</u>	<u>\$2.38</u>	<u>\$0.73</u>	<u>\$2.28</u>
Diluted Weighted Average Shares Outstanding	<u>8,732</u>	<u>8,622</u>	<u>8,653</u>	<u>8,684</u>

See the Notes to Condensed Consolidated Financial Statements.

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

	Nine-months Ended	
	September 30,	
	<u>2005</u>	<u>2004</u>
	(Dollars in thousands)	
Cash Flows from Continuing Operating Activities:		
Net Income from Continuing Operations	\$2,561	\$16,109
Adjustments to Reconcile Net Income to		
Net Cash Provided by Operating Activities:		
Depreciation and Amortization	5,822	4,679
Provision for Losses on Accounts		
Receivable, net of write offs & recoveries	282	(437)
Non Cash Stock-Based Compensation	788	---
Change in Assets and Liabilities Net of Effects of		
Acquisitions/Dispositions:		
Accounts Receivable	(9,946)	(7,824)
Inventory	(5,245)	(9,143)
Accounts Payable	1,767	(95)
Other Liabilities	(11,319)	481
Other Assets	<u>4,421</u>	<u>(390)</u>
Net Cash Provided by (Used in) Continuing Operating Activities	<u>(10,869)</u>	<u>3,380</u>
Net Cash Provided by (Used in) Discontinued Operations (see Note 8)	<u>5,099</u>	<u>(3,315)</u>
Cash Flows from Investing Activities:		
Capital Expenditures	<u>(6,756)</u>	<u>(1,406)</u>
Net Cash Used in Continuing Investing Activities	<u>(6,756)</u>	<u>(1,406)</u>
Net Cash Used in Investing Activities		
of Discontinued Operations (see Note 8)	<u>(539)</u>	<u>(224)</u>
Cash Flows from Financing Activities:		
Net Borrowings Under Revolving Credit Agreements	8,500	869
Issuance of Long-Term Debt	4,430	---
Principal Payments Under Long-Term Debt Obligations	(464)	(511)
Common Stock Repurchased	---	(2,003)
Increase in Minority Interests	(9)	(29)
Issuance of Treasury Stock pursuant to Stock Option Exercise	<u>1,525</u>	<u>---</u>
Net Cash Provided by (Used in) Continuing Financing Activities	<u>13,982</u>	<u>(1,674)</u>
Net Cash Provided by (Used in) Financing Activities		
Discontinued Operations (see Note 8)	<u>(133)</u>	<u>3,637</u>
Net Increase in Cash and Cash Equivalents	784	398
Translation Effect on Cash	84	(94)
Cash and Cash Equivalents - Beginning of Period	<u>1,952</u>	<u>10,273</u>
Cash and Cash Equivalents - End of Period	<u>\$ 2,820</u>	<u>\$ 10,577</u>

See the Notes to Condensed Consolidated Financial Statements.

MESTEK, INC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1 - Significant Accounting Policies

Basis of Presentation

The Condensed Consolidated Financial Statements include the accounts of Mestek, Inc. (Mestek) and its majority owned subsidiaries (collectively the “Company”). The financial statements as reported in Form 10-Q reflect all adjustments, including those of a normal recurring nature, which are, in the opinion of management, necessary to present a fair statement of results for the three- and nine-month periods ended September 30, 2005 and 2004.

These financial statements should be read in conjunction with the Annual Report on Form 10-K, and in particular the audited financial statements, for the fiscal year ended December 31, 2004 and interim Forms 10-Q previously filed in 2005. Accordingly, Note disclosures that would substantially duplicate the disclosures contained in such filings have been omitted from this filing. See Note 8 for a discussion of the Company’s Spin-Off on July 29, 2005 of its subsidiary, Omega Flex, Inc., and the related financial presentation.

Earnings per Common Share

Basic earnings per share have been computed using the weighted average number of common shares outstanding. Common stock options are considered in the computation of diluted earnings per share except when the effect would be antidilutive.

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with the provisions of Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation, (“FAS No. 123”). As permitted by the statement, the Company has chosen to continue to account for stock-based compensations using the intrinsic value method as prescribed by Accounting Principles Board (“APB”) Opinion No. 25. Accordingly, no compensation expense has been recognized for its stock-based compensation plan except as explained below.

As of January 1, 2003, the Company adopted the disclosure requirements of FAS No 148, Accounting for Stock-Based Compensation - Transition and Disclosure. The Company made no option grants, modifications of option grants, or settlement of option grants during the three-month periods ended September 30, 2005 and September 30, 2004.

On October 27, 2004, the Company changed the exercise price of 25,000 options expiring in 2011 from \$23.25 per share to the then current market value of \$17.85 per share, and 70,000 additional options expiring in 2009 from \$20.00 per share to the then current market value of \$17.85 per share. The Company has accounted for these options subsequent to October 27, 2004 using ‘variable accounting’ which resulted in a pre-tax charge to earnings of \$0 and \$788,000 in the third quarter and first nine-months of 2005, respectively. For the purpose of the pro forma

below, the effect of the above re-pricing was also included in the computation of compensation cost under the fair value method described below.

Had the 'fair value method' of accounting been applied to the Company's stock option plan, with compensation cost for the Plan determined on the basis of the fair value of the options at the grant date, the Company's net income and earnings per share would have been as follows:

	<u>Three-months Ended</u>		<u>Nine-months Ended</u>	
	<u>September 30</u>		<u>September 30</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	(dollars in thousands, except earnings per common share)			
Net Income - as reported	\$1,603	\$20,564	\$6,274	\$19,769
Plus: Stock-based compensation reflected in net income	53	117	853	334
Less: Compensation expense	<u>(16)</u>	<u>(18)</u>	<u>(48)</u>	<u>(54)</u>
Net Income - pro forma	\$1,640	\$20,663	\$7,079	\$20,049
Basic Income per share - as reported	\$0.18	\$2.39	\$0.73	\$2.28
Plus: Stock-based compensation reflected in net income	0.01	0.01	0.10	0.04
Less: Compensation expense	<u>---</u>	<u>---</u>	<u>(0.01)</u>	<u>(0.01)</u>
Basic Income per share - - pro forma	<u>\$0.19</u>	<u>\$2.40</u>	<u>\$0.82</u>	<u>\$2.31</u>
Diluted Income per share - as reported	\$0.18	\$2.39	\$0.73	\$2.28
Plus: Stock-based compensation reflected in net income	0.01	0.01	0.10	0.04
Less: Compensation expense	<u>---</u>	<u>---</u>	<u>(0.01)</u>	<u>(0.01)</u>
Diluted Income per share - - pro forma	<u>\$0.19</u>	<u>\$2.40</u>	<u>\$0.82</u>	<u>\$2.31</u>

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Cash (received) paid for income taxes was \$1,499,000 and (\$3,928,000) during the nine-months ended September 30, 2005 and 2004, respectively.

Other Comprehensive Income (Loss)

For the three- and nine-months ended September 30, 2005 and 2004, respectively, the components of other comprehensive loss consisted of foreign currency translation adjustments, and, "mark-to-market" adjustments relating to a 'hedge transaction' interest rate swap entered into in February of 2004. Other Comprehensive income (loss) was \$81,000 and \$215,000, for the three-months ended September 30, 2005 and 2004, respectively and (\$279,000) and (\$14,000), for the nine-months ended September 30, 2005 and 2004, respectively.

Reclassifications

Reclassifications have been made to previously issued financial statements to conform to the current year presentation. See Note 8 relating to the Discontinued Operations presentation for the Company's Omega Flex, Inc. subsidiary which was "spun-off" on July 29, 2005.

Recent Accounting Pronouncements

In December 2004, the FASB issued SFAS No. 123(R), Share-Based Payment. SFAS No. 123(R) amends SFAS No. 123 to require that companies record as expense the effect of equity-based compensation, including stock options over the applicable vesting period. We currently disclose the effect on income that stock options would have were they recorded as expense. SFAS No. 123(R) also requires more extensive disclosures concerning stock options than required under current standards. The new rule applies to option grants made after a company's adoption of the standard, as well as options that are not vested at the date of adoption. SFAS No. 123(R) becomes effective in our case not later than the beginning of the fiscal year that begins after December 15, 2005. We do not currently expect to elect early adoption of this standard and have not determined whether we will apply this new standard prospectively in the first quarter of 2006, retroactively from the beginning of 2006, or on a restated basis for all prior periods on a comparable basis. We do not expect that the adoption of SFAS No. 123(R) will have a material impact on our future results of operations.

In May 2005, the FASB issued FASB Statement No. 154, "Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and FASB Statement No. 3" (SFAS No. 154). Previously, APB No. 20, "Accounting Changes" and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements" required the inclusion of the cumulative effect of changes in accounting principle in net income of the period of the change. SFAS No. 154 requires companies to recognize a change in accounting principle, including a change required by a new accounting pronouncement when the pronouncement does not include specific transition provisions, retrospectively to prior periods' financial statements. The Company will assess the impact of a retrospective application of a change in accounting principle in accordance with SFAS No. 154 when such a change arises after the effective date of January 1, 2006.

Note 2 - Inventories

	September 30, <u>2005</u> (unaudited)	December 31, <u>2004</u>
	(dollars in thousands)	
Finished Goods	\$18,093	\$18,074
Work-in-progress	26,618	23,638
Raw materials	<u>32,026</u>	<u>29,150</u>
	76,737	70,862
Less reserve for LIFO method of valuation	<u>(11,962)</u>	<u>(11,331)</u>
	<u>\$64,775</u>	<u>\$59,531</u>

The Company uses the last-in first-out (LIFO) method of valuing substantial portions of its inventory. An actual valuation of inventory under the LIFO method can be made only at the end of each year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations are based on management's estimates of expected year-end inventory levels and costs and are subject to the final year-end LIFO inventory valuation.

Note 3 - Debt

	September 30, <u>2005</u> (unaudited) (dollars in thousands)	December 31, <u>2004</u> (audited)
Revolving Loan Agreement	\$28,500	\$20,000

Revolving Loan Agreement – On October 19, 2004, the Company entered into a three year, \$70,000,000, committed, unsecured, multi-bank revolving loan and letter of credit facility (the “Facility”), led by Bank of America (successor to Fleet National Bank, the Company’s long-term lender), which Facility was increased to \$80,000,000 on October 11, 2005. Borrowings under the Facility bear interest, at the Company’s election, at a floating rate based on the lenders’ prime or base rate or, for short term borrowings, at a rate based upon the daily British Bankers Association (“BBA”) LIBOR rate. The Facility contains affirmative and negative covenants, typical of such financing transactions, and specific financial covenants which require the Company to maintain a minimum consolidated net worth, a minimum cash flow coverage ratio and a maximum cash flow leverage ratio. As of September 30, 2005 and December 31, 2004, the Company was in compliance with all of the financial covenants required under the Facility. Revolving borrowings under the Facility are due and payable in full on the maturity date of the Facility, which is October 19, 2007. Most of the Company’s operating subsidiaries guaranty the obligations of the Company under the Facility. The Credit Agreement relating to the Facility also contains restrictions regarding the creation of indebtedness, the occurrence of mergers or consolidations, the sale of subsidiary stock and the payment of dividends in excess of 50 percent (50%) of net income. The Company had outstanding at September 30, 2005, \$16,978,000 in standby letters of credit issued in connection with the Met-Coil bankruptcy reorganization plan, as more fully explained in Note 6, and \$8,963,000 issued principally in connection with its commercial insurance programs. The balance outstanding under the facility was \$28,500,000 at September 30, 2005.

Hedge Transaction - On February 6, 2004, the Company entered into a single interest rate swap transaction, to effectively fix the Company’s 30 day-LIBOR-based, variable rate interest obligations on a principal amount of \$14,000,000 of debt at a rate of 2.87% for three years.

The Company entered into this swap transaction to manage interest cost and cash flows associated with variable interest rates, primarily short-term changes in LIBOR, as changes in cash flows of the interest rate swap offsets changes in the interest payments on the covered portion of the Company’s revolving credit facility, and based upon the Company’s belief that short term rates will be rising over the next several years.

The Company is accounting for the interest rate swap as a cash flow hedge under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* as amended by SFAS No. 138, *Accounting for Certain Derivative instruments and Certain Hedging Activities*. These statements require that all derivatives be recognized as either assets or liabilities on the balance sheet at fair value.

Changes in the fair value of the swap, designated as a cash flow hedge, are reflected as a component of Other Comprehensive Income (Loss) and reclassified into earnings (interest expense) in the same period or periods during which the hedged transaction affects earnings. The derivative instrument is carried at fair value on the Consolidated Balance Sheet in the applicable line item “Other Assets” or “Other Liabilities”.

In connection with this interest rate swap transaction, the Company recorded after-tax income of \$46,000 in Other Comprehensive Income (Loss) during the three-month period ended September 30, 2005 and after tax income of \$299,000 during the three-month period ended September 30, 2004, reflecting interest rate fluctuations during these periods. The Company’s exposure to credit loss on its interest rate swap in the event of nonperformance by the counterparties is believed to be remote as the Company effected this swap through its principal bank, Bank of America, requiring that the counterparty have a strong credit rating.

Long-term Debt:

Long-term debt consisted of the following:

	September 30, 2005 (unaudited)	December 31, 2004
	(dollars in thousands)	
Industrial Development Bond - PA	\$3,919	\$4,297
Industrial Development Bond – MO	4,430	---
Other Notes Payable	---	87
	<u>8,349</u>	<u>4,384</u>
Less Current Maturities	<u>(695)</u>	<u>(582)</u>
Long Term Debt	<u>\$7,654</u>	<u>\$3,802</u>

Industrial Development Bond - PA – On April 19, 2002, the Company’s subsidiary, Boyertown Foundry Company, Inc. (“BFC”), borrowed \$5,512,490 under a note issued through the Berks County Industrial Development Authority in Berks County, PA in connection with a project to upgrade BFC’s foundry equipment in Boyertown, PA. The note bearing interest at 4.93% per annum, matures on April 19, 2012, and is payable in equal monthly payments of principal and interest over the term of the loan. The note is secured by a Loan and Security Agreement under which the equipment purchased by BFC with the loan proceeds is pledged as security for the note. The note is expected to be a ‘Qualified Small Issue Bond’ under Section 144 (a)(12) of the Internal Revenue Code, entitling the holder to tax exempt treatment on the interest. In the event the note is found to be not in compliance with Section 144 (a)(12), the interest rate on the note may be increased.

Industrial Development Bond - MO – On June 17, 2005, the Company acquired an 80,000 square feet manufacturing facility in Bridgeton, Missouri, for \$2,940,000, which will be used to consolidate existing Formtek Metal Processing business units. The Company expects to dispose of idled facilities as a part of this consolidation process. On July 19, 2005, the Company refinanced this transaction as part of a 25 year tax exempt Industrial Development Bond totaling

\$4,430,000. The proceeds were used to reimburse the Company for the acquisition of real estate and for construction, renovation, furnishing and equipping of the existing building. The note bears interest at a variable rate that considers prevailing market conditions and is set weekly by the remarketing agent, Banc of America Securities LLC. At no time may the interest rate exceed the maximum annual rate of 12.00%. Interest is payable monthly with a minimum optional redemption of principal due on July 1 of each year until maturity at July 1, 2030. The effective rate of interest paid in the 3rd quarter 2005, including letter of credit costs, was 4.27%. The minimum optional redemption amount in each of the first five years is \$180,000. The note is secured by a Letter of Credit and Reimbursement Agreement with Bank of America, N.A.

Omega Flex, Inc. Related Debt:

Note Payable – Omega Flex – In connection with the “Spin-Off” of its 86% interest in Omega Flex, Inc. (Omega), as more fully described in Note 8, the Company retained an intercompany obligation payable to Omega in the amount of \$3,250,000 which was converted on the date of the “Spin-Off”, July 29, 2005, to a 3-year “balloon” note bearing interest at 5.06% per annum, reflecting the then prevailing yield on 3-year U.S. Treasury securities plus 100 basis points. The obligation is included at September 30, 2005 under the heading “Due to Omega Flex, Inc.” The comparable figure at December 31, 2004 was \$16,572,000 and is reflected under the same heading.

Omega Flex, Inc. Long Term Debt – The following indebtedness is included in “Omega Flex Liabilities Related to Spin-off” on the accompanying December 31, 2004 balance sheet: (See Note 8.)

Note Payable-Sovereign Bank - On April 16, 2004, the Company’s former second tier subsidiary, Exton Ranch, Inc. (“Exton Ranch”), borrowed \$3,720,000 from Sovereign Bank, secured by the manufacturing facility owned by Exton Ranch and occupied, in part, by the Company’s former subsidiary, Omega Flex, Inc. (“Omega”) in Exton, PA. The loan bears interest at a LIBOR-based variable rate, payable monthly in arrears. Principal under the loan is amortized over a 20-year period with a ten-year maturity. The borrower also has the ability to prepay the loan during the term thereof without penalty. The loan is secured by a first priority mortgage on the property, and a collateral assignment of leases, and fixture filing. Exton Ranch is a wholly owned subsidiary of Omega, the primary tenant of the building, and Omega guaranteed the payment and performance of the obligations of Exton Ranch under the various loan agreements. Omega was “spun-off” from the Company as of July 29, 2005 (see Note 8). Accordingly, this obligation no longer appears on the Company’s books or records.

Cash paid for interest was \$1,387,000 and \$785,000 during the nine-months ended September 30, 2005, and 2004, respectively.

Note 4 - Interim Segment Information

Description of the types of products and services from which each reportable segment derives its revenues:

The Company has two reportable Segments: the manufacture of heating, ventilating and

air-conditioning equipment (“HVAC”) and the manufacture of metal handling and metal forming machinery (“Metal Forming”).

The Company’s HVAC Segment manufactures and sells a variety of complementary residential, commercial and industrial heating, cooling and air control and distribution products. The HVAC Segment sells its products to independent wholesale supply distributors, mechanical, sheet metal and other contractors and, in some cases, to other HVAC manufacturers under original equipment manufacture (“OEM”) agreements and direct to certain retailers pursuant to national account agreements. The HVAC Segment is comprised of three interrelated HVAC product groups: Hydronics Products, Gas and Industrial Products, and Air Distribution and Cooling Products.

The Metal Forming Segment, operating under the umbrella name “Formtek,” is comprised of several subsidiaries and divisions, all manufacturers of equipment used in the metal forming industry (the uncoiling, straightening, leveling, feeding, forming, bending, notching, stamping, cutting, stacking, bundling or moving of metal in the production of metal products, such as steel sheets, office furniture, appliances, vehicles, buildings, and building components, among many others).

The HVAC and Metal Forming Segments are described in greater detail in Note 11 to the Company’s 2004 Consolidated Financial Statements.

Measurement of Segment profit or loss and Segment assets:

The Company evaluates performance and allocates resources based on profit or loss from operations before interest expense and income taxes (Operating Profit), not including non-operating gains and losses. The accounting policies of the reportable Segments are the same as those described in the summary of significant accounting policies. Inter-Segment sales and transfers are recorded at prices substantially equivalent to the Company’s cost; inter-Company profits on such inter-Segment sales or transfers are not material.

Factors management used to identify the enterprise’s reportable segments:

The factors which identify the HVAC and Metal Forming Segments as reportable Segments are described in detail in Note 11 to the Company’s 2004 Consolidated Financial Statements.

Information presented in the following tables relates to continuing operations only. Operating data related to the HVAC segment's Omega Flex, Inc. subsidiary have been reclassified to Discontinued Operations (see Note 8) in accordance with SFAS 144.

Three-months ended

September 30, 2005:

(in thousands)

	<u>HVAC</u>	<u>Metal Forming</u>	<u>All Other</u>	<u>Totals</u>
Revenues from External Customers	\$71,050	\$24,601	---	\$95,651
Segment Operating Profit (Loss)	\$4,914 *	(\$2,031) **	---	\$2,883

* includes \$62 in Professional Fees related to the Omega Flex Spin-Off and Mestek "Going Private" transactions, as more fully explained in Note 8.

** includes \$656 in Plant Shutdown Expenses in accordance with FAS 146, as more fully described in Note 9 and \$64 in Subsidiary Bankruptcy Professional Fees, as more fully described in Note 7.

Three-months ended

September 30, 2004:

(in thousands)

	<u>HVAC</u>	<u>Metal Forming</u>	<u>All Other</u>	<u>Totals</u>
Revenues from External Customers	\$67,369	\$23,945	---	\$91,314
Segment Operating Profit (Loss)	\$2,079 *	\$17,469 **	---	\$19,548

* includes \$115 in Plant Shutdown expenses in accordance with FAS 146, as more fully described in Note 9.

** includes \$18,415 in insurance recoveries and other expense reductions related to environmental litigation and remediation and \$1,519 in subsidiary bankruptcy professional fees, all as more fully explained in Note 7.

Nine-months ended

September 30, 2005:

(in thousands)

	<u>HVAC</u>	<u>Metal Forming</u>	<u>All Other</u>	<u>Totals</u>
Revenues from External Customers	\$198,818	\$72,250	---	\$271,068
Segment Operating Profit (Loss)	\$10,187 *	(\$3,631) **	---	\$6,556

* includes \$400 in Professional Fees related to the Omega Flex Spin-Off and Mestek "Going Private" transaction, as more fully described in Note 8.

** includes \$1,464 in Plant Shutdown expenses in accordance with FAS 146, as more fully described in Note 9 and \$501 in Subsidiary Bankruptcy Professional Fees, as more fully explained in Note 7.

Nine-months ended
September 30, 2004:
(in thousands)

	<u>HVAC</u>	<u>Metal Forming</u>	<u>All Other</u>	<u>Totals</u>
Revenues from External Customers	\$190,869	\$69,324	\$71	\$260,264
Segment Operating Profit (Loss)	\$5,195 *	\$10,087 **	(\$26)	\$15,256

* includes \$970 in Plant Shutdown expenses in accordance with FAS 146, as more fully described in Note 9.

** includes \$17,728 insurance recoveries and other expense reductions related to environmental litigation and remediation, and \$8,542 in subsidiary bankruptcy professional fees, all as more fully explained in Note 7.

HVAC Segment Revenues by HVAC Product Group:

	<u>Three-months ended</u> <u>September 30,</u> <u>2005</u> <u>2004</u>		<u>Nine-months ended</u> <u>September 30,</u> <u>2005</u> <u>2004</u>	
	(dollars in thousands)			
Hydronics Products	\$36,906	\$34,068	\$95,724	\$89,359
Air Distribution and Cooling Products	19,790	19,151	62,140	62,578
Gas and Industrial Products	<u>14,354</u>	<u>14,150</u>	<u>40,954</u>	<u>38,932</u>
Total HVAC Segment Revenues	<u>\$71,050</u>	<u>\$67,369</u>	<u>\$198,818</u>	<u>\$190,869</u>

Note 5 - Defined Benefit Plans

The Company's second-tier subsidiary, Met-Coil, maintained, prior to its acquisition by the Company's subsidiary, Formtek, Inc. on September 3, 2000, several defined benefit pension plans (the Met-Coil Plans) covering certain of its employees. The Met-Coil Plans were "frozen" and merged prior to the acquisition, "locking in" retirement benefits earned to that date and precluding any further benefits for future service. Due to recent adverse investment performance and reduced expectations of future investment earnings, the combined Met-Coil Plans' administrator has determined that the Accumulated Benefit Obligation, the present value of future pension obligations to Met-Coil Plan participants, exceeds the fair market value of the Met-Coil Plan's assets as of December 31, 2004 and 2003. In accordance with the requirements of FAS 87, Employers' Accounting for Pensions, the Company has recorded charges in 2004 and 2003 net of related tax benefit, to the Shareholders' Equity section of the consolidated Balance Sheet contained herein of \$8,000, and \$205,000 respectively, under the heading "Additional Minimum Liability-Defined Benefit Plan". The Company recorded pension expense of \$13,799 and \$15,662, respectively, for the three-months ended September 30, 2005 and 2004, and \$41,397 and \$46,986, for the nine-months ended September 30, 2005 and 2004, respectively, for the Met-Coil Plans.

In connection with the acquisition of the assets of Airtherm Manufacturing Company and Airtherm Products, Inc. in 2000, the Company assumed certain obligations related to the defined benefit plan maintained by Airtherm, the Airtherm LLC Retirement Income Plan, prior to the acquisition date. The Airtherm LLC Retirement Income Plan was “frozen” prior to acquisition in a manner similar to the Met-Coil Plans described above. In accordance with the requirements of FAS 87, Employers’ Accounting for Pensions, the Company recorded charges in 2004 and 2003, net of related tax benefits, to the Shareholders Equity section of the Consolidated Balance Sheet contained herein of \$164,000 and \$42,000, respectively, relating to the Airtherm LLC Retirement Income Plan under the heading “Additional Minimum Liability-Defined Benefit Plan. Pension expense (benefit) under the Airtherm LLC Retirement Income Plan was \$695 and (\$1,629) for the three-months ended September 30, 2005 and 2004, respectively and \$2,085 and (\$2,605), for the nine-months ended September 30, 2005 and 2004, respectively.

The Company uses a December 31, 2004 measurement date for the Airtherm LLC Retirement Income Plan and September 30, 2004 for the Met-Coil Plan.

In accordance with Statement of Financial Accounting Standards No. 132 (revised 2003), Employers’ Disclosures about Pensions and Other Post-Retirement Benefits, the following interim period information is provided:

Components of Net Periodic Benefit Cost:

	Met-Coil	Airtherm
	Three-months ended	Three-months ended
	<u>September 30, 2005</u>	<u>September 30, 2005</u>
Service cost	\$ ---	\$ ---
Interest cost	66,201	51,806
Expected Return on Plan Assets	67,944	51,111
Amortization of Unrecognized Transition (Asset) Obligation	---	---
Amortization of net (Gain) Loss	14,461	---
Other	<u>1,081</u>	<u>---</u>
Net Periodic Benefit Cost	<u>\$13,799</u>	<u>\$695</u>

Note 6 – Commitments, Contingencies and Warranties

Indemnifications

The Company is obligated under Indemnity Agreements (“Indemnity Agreements”) executed on behalf of 23 of the Company’s Officers and Directors. Under the terms of the Indemnity Agreements, the Company is contingently liable for costs which may be incurred by the Officers and Directors in connection with claims arising by reason of these individuals’ roles as Officers and Directors.

The Company is obligated under the Indemnity and Guaranty Agreement with Airtherm Products, Inc. (“Airtherm”) to indemnify Airtherm against certain claims arising out of the acquisition of Airtherm in August 2000, including potential claims involving alleged violations

of the Worker Adjustment and Retraining Notification Act (“WARN Act”). Certain former employees of Airtherm have filed suit alleging such WARN Act claims, and defense of the matter was tendered by Airtherm to the Company pursuant to the above indemnity agreement. The U.S. District Court in Arkansas subsequently awarded summary judgment to plaintiffs, and assessed liability of approximately \$520,000, plus interest and attorneys’ fees. The Company has appealed the summary judgment verdict on behalf of Airtherm to the Eighth Circuit Court of Appeals. The matter is scheduled for oral argument in November 2005. The Company expects that the trial court judgment will be overturned as being inconsistent with the statute and prior judicial decisions.

Contingencies

Letters of Credit

The Company had outstanding at September 30, 2005, \$16,978,000 in standby letters of credit issued in connection with the Met-Coil bankruptcy reorganization plan, as more fully explained in Note 6, and, additionally, \$8,963,000 issued principally in connection with its commercial insurance programs. A letter of credit securing payment of the proceeds of the \$4,430,000 Industrial Development Authority Bond, as more fully described in Note 3, for the City of Bridgeton, MO was issued in the amount of \$4,480,976 on July 19, 2005.

Insurance

The Company retains significant obligations under its commercial general liability insurance policies for product liability and other losses. For losses occurring in the policy years ending October 1, 2004 and October 1, 2005, the Company maintains commercial general liability insurance, retaining liability for the first \$2,000,000 per occurrence of commercial general liability claims (including products liability claims), subject to an agreed aggregate. For losses occurring in the policy year ended October 31, 2003, the Company retained liability for the first \$500,000 per occurrence of commercial general liability claims (including product liability), subject to an agreed aggregate. In addition, the Company retained liability for the first \$250,000 per occurrence of workers compensation coverage, subject to an agreed aggregate.

Guarantees

The Company is obligated as a guarantor with respect to certain potential debt obligations of CareCentric, Inc. (formerly Simione Central Holdings, Inc.) to CareCentric’s primary commercial bank, Wainwright Bank & Trust Company, in the amount of \$4 million. The \$4 million Wainwright credit line is secured by substantially all of CareCentric’s assets. The actual balance outstanding under CareCentric’s credit line with Wainwright Bank & Trust Company as of September 30, 2005 was \$2,430,000. Under the Equity Method of Accounting, in December 2001, the Company accrued this guarantee (originally in the amount of \$6 million and now reduced to \$4 million) as a reserve for Equity Investment Losses. John E. Reed, the Company’s Chairman and Chief Executive Officer, is a shareholder and director of Wainwright Bank & Trust Company.

Litigation

The Company is subject to several legal actions and proceedings in which various monetary claims are asserted. Management, after consultation with its corporate legal department and outside counsel, does not anticipate that any ultimate liability arising out of all such litigation and proceedings will have a material adverse effect on the financial condition of the Company except as set forth below.

Subsidiary Bankruptcy and Environmental Issues Involving Releases of Hazardous Materials

As disclosed in previous filings, the Lockformer Company (“Lockformer”), a division of the Company’s second tier subsidiary, Met-Coil Systems Corporation, now Met-Coil Systems, LLC (“Met-Coil”), and Mestek directly (under various legal theories) were defendants in various actions relating to the alleged release and presence of trichloroethylene (“TCE”) contamination on and in the vicinity of Lockformer’s manufacturing facility in Lisle, IL. On August 26, 2003, Met-Coil filed a voluntary petition for relief under Chapter 11 of Title 11 of the United States Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”) (Case No. 03-12676-MFW).

On August 17, 2004, the Bankruptcy Court confirmed the Fourth Amended Chapter 11 Plan of Reorganization (the “Amended Plan”) proposed by Met-Coil and Mestek, as co-proponents, and recommended to the United States District Court (N. D. Del.) (“the District Court”) that it approve and enter the “channeling injunction” discussed below, and certain related third party releases in favor of, among others, Mestek and its affiliates. On September 14, 2004, the District Court entered and approved the recommended findings and conclusions and issued the “channeling injunction”. This Amended Plan, supported by all major parties in interest in the Met-Coil Chapter 11 case, became effective on October 19, 2004.

The Amended Plan settled the various legal actions which had been commenced against Met-Coil and Mestek with respect to an alleged release of TCE into the soils, groundwater or air in or around Met-Coil’s Lockformer Company facility in Lisle, Illinois, including the class action captioned *Mejdrech, et al. v. The Lockformer Company, et al.* and all other personal injury and indemnification actions brought against the Company relating to the alleged release of TCE.

In addition, the Amended Plan established a trust (the “TCE PI Trust”) for the holders of future claims or demands, who reside, resided or may reside in a certain geographic area in the vicinity of the facility in Lisle, Illinois, and who assert or may assert personal injury claims in the future. Pursuant to the “channeling injunction” the TCE PI Trust was established to assume all such future personal injury claims and demands and pay and administer verified claims for up to 45 years. Pursuant to the Amended Plan, the Company and Met-Coil are committed to fund up to \$26 million (on a present value basis) to the TCE PI trust over time and based on actual claims paid. Upon establishment of such TCE PI Trust, Mestek and its affiliates were released from any liabilities assumed by the TCE PI Trust for up to 45 years. Pursuant to the Amended Plan, all such future claims and demands will be “channeled” to the TCE PI Trust and be paid in accordance with the distribution procedures established for such trust. This TCE PI Trust is being administered by an independent trustee, with power to mediate, arbitrate and, if necessary, litigate claims. Through September 30, 2005, approximately 688 “exposure only” claims have been approved by the TCE Trust in an aggregate amount of \$1,895,000 and 3 personal injury

claims have been paid in the aggregate amount of \$40,000.

The Company's Environmental and Litigation Reserve related to this matter as of the year ended December 31, 2004 was approximately \$24.7 million. The reserve as of the quarter ended September 30, 2005 was approximately \$20.3 million. The reduction in the reserve in the three-month period ended September 30, 2005 includes approximately \$390,000 for remediation related expenditures and \$780,000 in payments to claimants under the TCE PI Trust. Based on recent estimates of ongoing remediation costs, and reflecting reductions in the reserve for expenditures incurred in the quarter ending September 30, 2005, the remediation portion of the reserve as of September 30, 2005 is \$5,523,000, which amount is included in the \$20.3 million reserve discussed above. The reserve balance at September 30, 2005 relates to future obligations under the Plan relating to soil and groundwater remediation, municipal water connections, the TCE PI Trust described above and other administrative expenses of the Met-Coil bankruptcy. Management believes that no additional reserves, beyond those set forth above, are required at this time. These reserves have been established in accordance with Financial Accounting Standard Board Statement No. 5 and Staff Accounting Bulletin No. 92. However, while these reserves represent management's best estimate of these liabilities, and are based upon known or anticipated claims analysis estimated by various legal, scientific and economic experts, there is no assurance that these reserves will be adequate to meet all potential claims arising from the environmental contamination at the Lisle, Illinois site. In addition, there can be no assurance that future claims for personal injury or property damage will not be asserted by other plaintiffs against Met-Coil and Mestek with respect to the Lockformer site and facility. See Remediation – Lisle, IL section below.

Remediation – Lisle, IL:

Met-Coil has completed the hook-up of all but a few specified residences to public water supply, has received confirmation from the USEPA of the completion of soil remediation and decommissioning of the SRH system under the Work Plan for the site, and is continuing with the remediation of the Lockformer facility in Lisle, IL, pursuant to a Work Plan for the site (“on-site remediation”) while awaiting approval from the IEPA of the ground water remedial standards to be achieved by such Work Plan, as well as the methodology for groundwater remediation. The Company has guaranteed to the IEPA up to \$3 million of remediation costs incurred by either Met-Coil or, if Met-Coil fails to perform the remediation, the IEPA.

In light of the remaining uncertainties surrounding the effectiveness of the available remediation technologies and the future potential changes in methodology, remedial objectives and standards, still further reserves may be needed in the future with respect to the on-site remediation of the Lisle facility. The complexity of aforementioned factors makes it impossible at this time to further estimate any additional costs.

Environmental litigation and Remediation Reserves:

The Company's Environmental Litigation and Remediation Reserve is comprised of the following:

	September 30, <u>2005</u>	December 31, <u>2004</u>
	(in thousands)	
Estimated Future Remediation costs The Illinois Actions, The Honeywell Claims, The Attorney General Action and all matters related to pending future personal Injury claims in the Lockformer area	\$5,523	\$7,018
Potential Future Obligations to the TCE PI Trust	---	1,500
	<u>\$14,752</u>	<u>16,171</u>
Total Environmental Litigation and Remediation Reserve	<u>\$20,275</u>	<u>\$24,689</u>

Based on claim experience through September 30, 2005 the Company has reclassified \$20,445,000 of the above reserve to non-current as of December 31, 2004 and has classified \$18,275,000 of the reserve as non-current as of September 30, 2005.

Other Claims Alleging Releases of Hazardous Materials or Asbestos Related Liability

The Company is currently a party to over 100 asbestos-related lawsuits, and in the past three-months has been named in approximately 20 new such lawsuits each month, primarily in Texas where numerous asbestos-related actions have been filed against numerous defendants. The lawsuits previously pending against the Company in Illinois have all been resolved by plaintiffs' dismissals without payment.

Almost all of these suits seek to establish liability against the Company as successor to companies that may have manufactured, sold or distributed asbestos-related products, and who are currently in existence and defending thousands of asbestos related cases, or because the Company currently sells and distributes boilers, an industry that has been historically associated with asbestos-related products. The Company believes it has valid defenses to all of the pending claims and vigorously contests that it is a successor to companies that may have manufactured, sold or distributed any product containing asbestos materials. However, the results of asbestos litigation have been unpredictable, and accordingly, an adverse decision or adverse decisions in these cases, individually or in the aggregate, could materially adversely affect the financial position and results of operation of the Company and could expose the Company to substantial additional asbestos related litigation and the defense costs thereof, which defense costs, because of the sheer number of asbestos claimants and the historical course of the litigation process in this area has the potential to become substantial, though these costs are not capable of estimation at this time. The total requested damages of these cases are over \$3 billion. To date, however, the Company has had approximately 300 asbestos-related cases dismissed without any payment and it settled approximately twenty-five asbestos-related cases for a *de minimis* value. However, there can be no assurance the Company will be able to successfully defend or settle any pending litigation.

In addition to the Lisle, IL site, the Company has been named or contacted by state authorities and/or the EPA regarding the Company's asserted liability or has otherwise determined it may be required to expend funds for the remediation of certain other sites in North Carolina, Connecticut and Pennsylvania.

The Company continues to investigate all of these matters. Given the information presently known, no estimation can be made of any liability which the Company may have with respect to these matters. There can be no assurance, but based on the information presently available to it, the Company does not believe that any of these matters will be material to the Company's financial position or results of operations.

Warranty Commitments

Products sold by the Company are covered by various forms of express limited warranty with terms and conditions that vary depending upon the product. The express limited warranty typically covers the equipment, replacement parts and, in very limited circumstances, labor necessary to satisfy the warranty obligation for a period which is generally the earlier of 12 months from date of installation or 18 months from date of shipment from the Company factory, although some products or product components are warranted for periods ranging from eighteen months to ten years. The Company estimates the costs that may be incurred under its warranty obligations and records a liability in the amount of such costs at the time product revenue is recognized. Factors that affect the Company's warranty liability include the number of units sold, historical and anticipated rates of warranty claims, and allowable costs per claim and recoveries from vendors. At least once a quarter the Company assesses the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary. Costs to satisfy warranty claims are charged as incurred to the accrued warranty liability.

Following is a summary of changes in the Company's product warranty liability for the three- and nine-month periods ended September 30, 2005 and 2004.

	Three-months ended		Nine-months ended	
	September 30,		September 30,	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	(dollars in thousands)			
Balance at beginning of period	\$3,928	\$3,262	\$3,864	\$2,524
Provision for warranty claims	635	448	1,698	1,949
Warranty claims incurred	<u>(744)</u>	<u>(320)</u>	<u>(1,743)</u>	<u>(1,083)</u>
Balance at end of period	<u>\$3,819</u>	<u>\$3,390</u>	<u>\$3,819</u>	<u>\$3,390</u>

Note 7 - Subsidiary Bankruptcy

As a result of the environmental litigation described more fully in Note 6, on August 26, 2003, Met-Coil Systems Corporation ("Met-Coil" or, the "Debtor"), a second-tier subsidiary of Mestek, Inc. (the "Company") filed a voluntary petition for relief under Chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court").

On August 17, 2004, the Bankruptcy Court confirmed, the Fourth Amended Chapter 11 Plan of Reorganization (the “Amended Plan”) proposed by Met-Coil and Mestek, as co-proponents, and recommended to the United States District Court (N. D. Del.) (“the District Court”) that it approve and enter the “channeling injunction” discussed below, and certain related third party releases in favor of, among others, Mestek and its affiliates. On September 14, 2004, the District Court entered and approved the recommended findings and conclusions and issued the “channeling injunction”. The Amended Plan became effective on October 19, 2004 and Met-Coil is no longer a “debtor-in-possession” under bankruptcy protections laws.

As Met-Coil retained control of its operations as a “debtor-in-possession” during the period it was operating under the protection of the Bankruptcy Court, the Company has not “deconsolidated” the operations of Met-Coil for accounting purposes. In accordance with generally accepted accounting principles and the related technical literature, the Debtor has established reserves related to the Met-Coil environmental litigation and environmental remediation matters, as more fully described in Note 7.

The Company as a whole incurred \$64,000 and \$1,519,000 in legal costs in the three-month periods ended September 30, 2005 and 2004, respectively, and \$501,000 and \$8,542,000 in the nine-months ended September 30, 2005 and 2004, respectively, relating to the administration of Met-Coil’s Bankruptcy which amounts are reported in the accompanying financial statements under the heading Subsidiary Bankruptcy Professional Fees.

Note 8 – Omega Flex Spin-Off/Mestek “Going Private”

Omega Flex Spin-Off/Discontinued Operations Presentation

On January 19, 2005, the Company announced that John E. Reed, the Chairman and Chief Executive Officer of the Company, proposed to a Special Committee of independent directors appointed at the Company’s December 14, 2004 regular Board meeting, (the “Special Committee”), acting on behalf of the Board of Directors, that the Company’s 86% equity interest in Omega Flex, Inc. (“Omega”) be spun-off, *pro rata*, to all of the Company’s public shareholders as of a record date to be established (the “Spin-Off”). In conjunction with the planned Spin-Off, Omega, on April 29, 2005, filed a preliminary registration statement on Form 10 with the Securities and Exchange Commission under the Securities Exchange Act of 1934. On July 22, 2005, Omega filed its final registration statement on Form 10 with the Securities and Exchange Commission and completed the Spin-Off on July 29, 2005. Omega common shares began trading on the NASDAQ National Market under the trading symbol “OFLX” on August 1, 2005.

The operations of Omega are separately reported in accordance with Statement of Financial Accounting Standard No. 144 (FAS 144), “Accounting for the Impairment or Disposal of Long-Lived Assets” in the accompanying Condensed Consolidated Statements of Income for the three and nine-month periods ended September 30, 2004 and 2005, under the heading Income From Discontinued Operations. Omega assets and liabilities are separately reported in the accompanying December 31, 2004 Condensed Consolidated Balance Sheet in accordance with FAS 144. Omega was formerly included in the Company’s HVAC segment. Interest expense has been allocated to the operations of Omega based on the relationship of Omega’s assets to the Company’s consolidated assets at the end of each reporting period. Corporate General &

Administrative expenses originally allocated to Omega totaling \$52,000 and \$324,000 for the three and nine-month periods ended September 30, 2005, respectively, and \$120,000 and \$385,000 for the three- and nine-month periods ended September 30, 2004, respectively, have been reallocated to the Company's continuing operations.

Summarized financial information for the discontinued Omega operations is as follows:

	Three-Months ended September 30:		Nine-months ended September 30:	
	<u>2005 *</u>	<u>2004</u>	<u>2005 *</u>	<u>2004</u>
	(dollars in thousands)			
Operating Revenues	\$5,543	\$11,693	\$34,035	\$33,820
Income before Provision for Income Taxes	\$909	\$2,233	\$6,438	\$6,306
Income from Discontinued Operations Net of Income Taxes	\$525	\$1,294	\$3,713	\$3,660

* through date of Spin-Off

	<u>September 30, 2005</u>	<u>December 31, 2004</u>
Current Assets	---	\$14,608
Total Assets	---	40,403
Current Liabilities	---	\$12,645
Total Liabilities	---	16,364
Net Assets of Discontinued Operations	---	\$24,039

Mestek "Going Private"

On January 19, 2005, the Company also announced that John E. Reed further proposed to the Special Committee that, following the Spin-Off, the Company enter into a "going private" transaction. Specifically, it was proposed that the Company's Articles of Incorporation be amended by shareholder vote, whereby the existing 8,600,103 (now 8,732,125) issued and outstanding shares of Company common stock, together with treasury shares, as of a record date to be established, be reclassified in a "reverse stock split" of 1 share for each 2,000 issued, with provisions in the amendment to the charter such that fractional shares of those owning less than one share will not be issued.

It was further proposed that the Special Committee, with the advice of its independent financial adviser, determine a fair and equitable "per share" value for a "pre-reverse stock split" share of Company common stock, reflecting the value of the Company *following* the Spin-Off,

which is proposed to occur before the “going private” transaction is consummated. This would then form the basis for the full Board of Directors’ determination of the “per share” value to be used to effect a cash redemption of those shareholders who, by reason of the “reverse stock split” become owners of less than one share.

The timing and structure of the “going private” transaction generally, in light of the Spin-Off, are under review and consideration by the Special Committee which has been charged with making a recommendation regarding these matters to the full Board of Directors, which will ultimately make the determination of whether to go forward and propose the appropriate vote of the shareholders. The Special Committee has retained Houlihan, Lokey, Howard & Zukin as its independent financial advisor and Foley Hoag LLP as its independent legal counsel.

Depending upon the action the Board takes, a special meeting of the shareholders may have to be called for the purpose of considering and voting on any matters requiring a shareholder vote in connection with the Company’s proposed “going private” transaction.

There can be no assurances that the “going private” transaction will be consummated. See Note 9, Other Restructuring Charges.

Note 9 – Plant Shutdowns and Other Restructuring Charges

Plant Shutdowns

On March 9, 2004, the Company announced plans to close its Milford, OH, (“Air Clean Damper”) manufacturing operations. The Company sold the principal assets associated with this business and the transaction closed on March 31, 2004. A nominal gain was recorded in the three-month period ended March 31, 2004 and is reflected in Other Income (Expense) for that period. The Milford, OH facility is reflected in the accompanying Condensed Consolidated Financial Statements under the heading Property Held for Sale. The facility was sold on October 7, 2005 for \$1,264,000 net of selling costs. A gain of \$183,000 will be reflected in the Company’s fourth quarter 2005 results in connection with this transaction.

Late in 2004, the Company’s Metal Forming Segment (Formtek) began to plan a process of consolidation. Early in 2005, Formtek announced 1) the closing of its FMI facility in So. Elgin, Illinois, and 2) its reorganization into operating groups – Formtek Metal Processing (“FMP”), made up of Lockformer, Iowa Precision, Engel, Iowa Rebuilders and Formtek Maine, Formtek Metal Forming (“FMF”) made up of Formtek Cleveland, Hill Engineering and Axon Electric and Formtek International (“FI”), made up of Formtek Beijing and the international sales force.

The Company is accounting for the costs related to these and certain other previously announced HVAC “exit and disposal” activities, employee severance and related costs of shutting down manufacturing operations, in accordance with FAS 146, *Accounting for Costs Associated with Exit or Disposal Activities* (“FAS 146”). The Company incurred \$656,000 and \$115,000, in the three-month periods ended September 30, 2005 and 2004, respectively, and \$1,464,000 and \$970,000 in the nine-month periods ended September 30, 2005 and 2004, respectively, of such “exit and disposal” costs which are classified separately in the accompanying financial statements under the heading Plant Shutdown and Other Restructuring

Charges in accordance with FAS 146.

On June 17, 2005, the Company acquired an 80,000 square foot manufacturing facility in Bridgeton, Missouri, for \$2,940,000, which will be used to consolidate existing Formtek Metal Processing business units. The Company expects to dispose of idled facilities as a part of this consolidation process. On July 19, 2005, the Company refinanced this transaction as part of a 25-year tax exempt Industrial Development Bond totaling \$4,430,000, as more fully explained in Note 3.

Other Restructuring Charges

In the three- and nine-month period ended September 30, 2005, the Company’s HVAC segment incurred professional fees and other costs totaling \$62,000 and \$400,000, respectively, in connection with the “spin-off” of the Company’s Omega Flex, Inc. subsidiary and subsequent “going private” transaction planned by the Company, as more fully described in Note 8. These costs are reflected in the accompanying financial statements under the heading Plant Shutdown and Other Restructuring Charges.

Note 10 – Shareholder’s Equity

During the nine- months ended September 30, 2005, the Company’s Shareholder’s Equity was affected by incentive stock option activity and the “Spin-Off” of Omega Flex, Inc. as follows:

Incentive Stock Option Activity:

	<u>Paid In Capital</u>
Balance December 31, 2004	\$15,434,000
Credit related to the issuance of common shares from Treasury stock pursuant to the exercise of Mestek Incentive Stock Options (see below)	716,950
Stock-based compensation expensed recorded in relation To re-priced Incentive Stock Options (see Note 1)	<u>787,750</u>
Balance September 30, 2005	<u>\$16,938,700</u>

	<u># Of Shares</u>	<u>Treasury Shares</u>
Balance December 31, 2004	1,010,032	\$12,103,000
Net common shares issued from Treasury shares Pursuant to exercise of Mestek Incentive Stock Options	<u>(132,022)</u>	<u>(\$810,000)</u>
Balance September 30, 2005	<u>878,010</u>	<u>\$11,293,000</u>

Holder s of Mestek Incentive Stock Options representing 185,000 common shares exercised their options in May and June of 2005. Due to the use of a “cashless exercise” option provided in the Mestek Stock Option Plan, the Company issued only 132,022 net common shares from its Treasury shares as a result of the option exercises. The options exercised represented all outstanding Mestek incentive stock options.

Spin-Off of Omega Flex:

The distribution of Mestek’s 86% interest in the common stock of its Omega Flex, Inc. Subsidiary to its common shareholders on a pro-rata basis on July 29, 2005, as more fully explained in Note 8, was treated as a dividend for accounting purposes which reduced the Company’s Consolidated Retained Earnings by \$19,136,000 representing the net carrying value of the Omega Flex, Inc. assets and liabilities immediately before the distribution.

Note 11 - Subsequent Event

On October 11, 2005 the Company, through its wholly owned subsidiary, Embassy Manufacturing, Inc., acquired substantially all of the operating assets and certain of the liabilities of Embassy Industries, Inc. (Embassy), a subsidiary of P&F Industries, Inc., based in Farmingdale, New York. Embassy designs, develops, engineers, manufactures, markets and sells hydronic baseboard radiation, kick space hydronic heaters, in-floor radiant heating systems, gas-fired hot water and combination heaters and boilers and a variety of other hydronic heating products which are complementary to the Company’s existing hydronics businesses. The purchase price paid was \$8.0 million, subject to a price adjustment within 60 days, upon determination of the final value of current assets and current liabilities being assumed. The purchase has been accounted for under the purchase method of accounting in accordance with FAS 141.

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

This report contains forward-looking statements, which are subject to inherent uncertainties. These uncertainties include, but are not limited to, variations in weather, changes in the regulatory environment, customer preferences, general economic conditions, increased competition, the outcome of outstanding litigation, and future developments effecting environmental matters. All of these are difficult to predict, and many are beyond the ability of the Company to control.

Certain statements in this Quarterly Report on Form 10-Q constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that are not historical facts but rather reflect the Company's current expectations concerning future results and events. The words "believes", "expects", "intends", "plans", "anticipates", "hopes", "likely", "will", and similar expressions identify such forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company (or entities in which the Company has interests), or industry results, to differ materially from future results, performance or achievements expressed or implied by such forward-looking statements.

Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's view only as of the date of this Form 10-Q. The Company undertakes no obligation to update the result of any revisions to these forward-looking statements which may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, conditions or circumstances.

OVERVIEW

The Company derives its revenues primarily from the sales of Company-manufactured products in its HVAC Segment and machinery and repair parts in its Metal Forming Segment. In both segments the sale of service generates a relatively small component of total net sales. Within the HVAC Segment most, but not all, of the products sold involve sheet metal fabrication, cast iron production, and machining or assembly or stainless steel fabrication.

The Company is not dependent on any one customer in either of its segments for more than 10% of its consolidated revenues, nor does it derive more than 10% of its consolidated revenues internationally.

The Company's HVAC Segment reflects the seasonal nature of a company engaged in heating product sales, although the broadening of its product offering over the past 10 years to include cooling products, air handling products and corrugated stainless steel tubing has dampened the seasonal curve of the Segment's revenue stream.

The Company's Metal Forming Segment operates within the highly cyclical capital goods marketplace which reflects challenges not only relative the cyclicity of demand but also relative to the globalization of the customer base as well as the competitor base, requiring it to seek a more international focus in supply, manufacturing, sales, and marketing. The Company presently operates principally within the North American marketplace. However, the Company foresees the need for growth both in sales and production in both Europe and Asia.

As of September 30, 2005, the Company employs approximately 2,682 people, primarily in the United States and Canada.

Fluctuations in the metal commodities market in particular can have and currently are having significant impacts on the Company's cost structure and may affect profitability with

respect to revenues based on committed contracts or derived in markets where pricing to the Company's customers cannot be readily adjusted.

The Company operates in highly competitive markets. While many companies, both larger and smaller than we are, sell many of the same products and services, our competitive position is not easily determinable in either of our Segments since no one competitor or group of competitors offers the same product lines through the same channels. Competitors in both of our Segments compete primarily through product quality and performance, price, service (both pre- and post-sale) and technical innovation. The relative importance of these factors varies from product line to product line.

An important part of the Company's business strategy is to look for niche areas where larger competitors in the HVAC arena choose not to focus or, in our Metal Forming Segment, where strategic enhancement of product offering can result in a more competitive position in the marketplace, and, through acquisition or product and market development, address these opportunities. As a part of this process, we continually review our stable of companies and product lines, evaluating them with respect to allocation of resources for growth, resuscitation or sale. Our history over the past twenty years has been growth often through acquisition and this process continues, as does the occasional divestiture or closing of a company or facility.

The strength or weakness in the construction markets directly affects our HVAC business and strength or weakness in the capital goods markets directly affects our Metal Forming business. In 2004 and thus far in 2005, residential construction was and remains strong, institutional construction was and remains flat and industrial/commercial construction was and remains off from prior periods. To the extent that the strong residential new construction and remodeling/re construction/re habilitation market has been driven by historically low interest rates, any increases in interest rates may adversely affect the volume and profitability of our HVAC business. In the capital goods sector, bookings have increased to date in 2005 though shipments from the Metal Forming Segment are up only marginally, as discussed more fully herein. The Metal Forming Segment has been in a consolidation mode in 2005, closing certain facilities and relocating operations. As a result, results were disappointing for the third quarter in 2005 for the Metal Forming Segment relative to the comparable period in 2004.

For 2006, the Company's Segment budgets are based upon an overall stability expected in the construction markets, though the mix of residential, commercial, industrial and institutional construction spending may change, and expected continuation of the upturn in capital spending, driven in part by the pent-up demand resulting from deferred maintenance as well as increased manufacturing production utilizing the kind of machinery the Company sells. However, rising commodity prices, especially steel, scrap cast iron, copper, oil and natural gas are expected to contribute to upward inflationary pressures, which will continue to push interest rates higher. While the Company itself is not highly leveraged and thus the increased cost of capital may not be as significant a factor in the Company's cost structure as it is in other companies, increases in interest rates could slow the domestic residential construction market or contribute to further declines in the commercial and industrial construction markets, as well as adversely affect the capital goods market recovery. Increased shipping costs and benefits expense (primarily health care) are also having a dampening effect on economic growth, which could adversely effect the Company's operations.

CRITICAL ACCOUNTING POLICIES AND USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The most significant estimates and assumptions relate to revenue recognition, accounts receivable valuations, inventory valuations, goodwill valuation, intangible asset valuations, warranty costs, product liability costs, environmental reserves, workers compensation claims reserves, health care claims reserves, investments, and accounting for income taxes and the realization of deferred tax assets. Actual amounts could differ significantly from these estimates.

Our critical accounting policies and significant estimates and assumptions are described in more detail as follows:

Environmental Reserves

As discussed more fully in Note 6 to the condensed Consolidated Financial Statements, Mestek's subsidiary, Met-Coil Systems LLC (Met-Coil), maintains reserves to address the cost of administering a trust for the benefit of persons exposed to releases of pollutants by Met-Coil and reserves to address the remaining costs of remediation to its property in Lisle, Illinois. These matters require the Company to monitor estimates, which are inherently judgmental and subject to change on an ongoing basis, and make changes as appropriate.

Accounts Receivable

Accounts receivable are reduced by an allowance for amounts that may become uncollectible in the future. The estimated allowance for uncollectible amounts is based primarily on specific analysis of accounts in the receivable portfolio and historical write-off experience. While management believes the allowance to be adequate, if the financial condition of the Company's customers were to deteriorate, resulting in impairment of their ability to make payments, additional allowances may be required.

Product Liability Reserves

The Company has absorbed significantly higher levels of insurance risk subsequent to September 11, 2001 due to the effects of September 11, 2001 on pricing in the commercial insurance marketplace. As a result, the Company must establish estimates relative to the outcome of various product liability and general liability matters which are inherently judgmental and subject to ongoing change.

Inventory

The Company values its inventory at the lower of cost to purchase and/or manufacture the inventory, principally determined on the last-in, first-out ("LIFO") method, or the current estimated market value of the inventory. The Company periodically reviews inventory quantities on hand and records a provision for excess and/or obsolete inventory based primarily on its estimated forecast of product demand, as well as based on historical usage. A

significant decrease in demand for the Company's products or technological changes in the industries in which the Company operates could result in an increase of excess or obsolete inventory quantities on hand, requiring adjustments to the value of the Company's inventories.

Revenue Recognition

The Company's revenue recognition activities relate almost entirely to the manufacture and sale of heating, ventilating and air conditioning (HVAC) equipment and metal forming equipment. Under generally accepted accounting principles, revenues are considered to have been earned when the Company has substantially accomplished what it must do to be entitled to the benefits represented by the revenues. With respect to sales of the Company's HVAC or metal forming equipment, the following criteria represent preconditions to the recognition of revenue:

- * persuasive evidence of an arrangement must exist;
- * delivery has occurred or services rendered;
- * the sales price to the customer is fixed or determinable; and
- * collection is reasonably assured.

Investments

As discussed more fully in Note 5 to its 2004 Consolidated Financial Statements, the Company has certain investments in CareCentric, Inc. (CareCentric) which it had historically accounted for by the equity method. On March 29, 2002, the Company transferred certain voting rights to John E. Reed, its Chairman and CEO, in the context of a refinancing transaction under which both the Company and John E. Reed invested additional monies in CareCentric. As a result of the transfer of votes, the Company determined that it no longer had "significant influence" relative to CareCentric, as defined in APB 18 and EITF Issue 98-13, and, accordingly, adopted the cost method of accounting for its investments in CareCentric subsequent to that date. The Company has also concluded that it is not required to consolidate the financial statements of CareCentric under the requirements of FASB Interpretation No. 46, Consolidation of Variable Interest Entities (FIN 46).

Warranty

The Company provides for the estimated cost of product warranties at the time revenue is recognized based upon estimated costs, historical and industry experience, and anticipated in-warranty failure rates. While the Company engages in product quality programs and processes, and significant testing prior to shipment, the Company's warranty obligation is affected by product failure rates, including component failures, and repair or replacement costs incurred in correcting a product failure. Should actual product failure rates or repair or replacement costs differ from estimates based on historical experience, revisions to the estimated warranty liability may be required.

Health Care Claim Reserves

The Company self-insures a substantial portion of the health benefits provided for its employees and maintains reserves in this regard. The Company relies upon a recognized actuarial consulting firm to help it set and maintain these reserves.

Workers Compensation Claims Reserves

The Company provides workers compensation coverage principally through commercial insurance carriers using “high deductible” programs, which require the Company to reserve for and pay a high proportion of its workers compensation claims payable. The Company relies upon the expertise of its insurance carriers and its own historical experience in setting the reserves related to these claims.

Accounting for Income Taxes

The preparation of the Company’s Consolidated Financial Statements requires it to estimate its income taxes in each of the jurisdictions in which it operates, including those outside the United States which may be subject to certain risks that ordinarily would not be expected in the United States. The income tax accounting process involves estimating its actual current exposure together with assessing temporary differences resulting from differing treatment of items, such as depreciation and equity method gains and losses, for tax and accounting purposes. These differences result in the recognition of deferred tax assets and liabilities. The Company must then record a valuation allowance to reduce its deferred tax assets to the amount that is more likely than not to be realized. Significant management judgment is required in determining the Company’s provision for income taxes, its deferred tax assets and liabilities and any valuation allowance recorded against deferred tax assets. In the event that actual results differ from these estimates or the Company adjusts these estimates in future periods, it may need to adjust its valuation allowance which could materially impact its financial position and results of operations.

Results of Operations

Note: The discussion which follows relates to Continuing Operations only. Operating results for Omega Flex, Inc. have been reclassified and presented separately in the accompanying statements under the heading “Discontinued Operations”.

Three-months ended September 30, 2005 vs. September 30, 2004

Consolidated Operations – Continuing Operations

The Company’s Consolidated revenues were up 4.7% from \$91,314,000 in the quarter ended September 30, 2004 to \$95,651,000 in quarter ended September 30, 2005, reflecting principally improved HVAC Segment revenues which offset relatively flat Metal Forming Segment revenues. For the Company as a whole, Sales, General and Administrative, and Engineering costs, taken together as a percentage of Total Revenues, were reduced from 22.8% of sales in the three-month period ended September 30, 2004 to 22.5% in the three-month period ended September 30, 2005, reflecting principally the effect of increased revenues.

Core operating income (“a Non-GAAP Financial Measure”) for the Company as a whole for the third quarter of 2005 increased 38%, from \$2,767,000 in the third quarter of 2004 to \$3,815,000 in the third quarter of 2005, reflecting the various factors mentioned above.

The foregoing core operating income figures, by virtue of the exclusion of the items mentioned, constitute “Non-GAAP Financial Measures” which management believes are useful to investors focused upon ascertaining ongoing operating earnings trends. This should not be construed as an alternative to “operating income” or “net income” (as determined in accordance with generally accepted accounting principles), as an indicator of the Company’s operating performance, as an alternative to cash flows provided by operating activities (as determined by GAAP), or as a measure of liquidity. The foregoing core operating income figures excluding the anomalous items mentioned are presented solely as a supplemental disclosure because management believes they enhance the understanding of the financial performance of a company with substantial anomalous expense items.

The core operating profits (losses) for the Company as a whole are reconciled with operating profits (loss) determined in accordance with GAAP as follows:

<u>Consolidated</u>	Three-months ended	
	September 30,	
	<u>2005</u>	<u>2004</u>
Core Operating Profits (Loss)	\$3,665,000	\$2,767,000
Less Subsidiary Bankruptcy Professional Fees	64,000	1,519,000
Less (Plus) Environmental Litigation and Remediation	---	(18,415,000)
Less Plant Shutdown	<u>718,000</u>	<u>115,000</u>
Operating Profits (Losses) per GAAP	<u>\$2,883,000</u>	<u>\$19,548,000</u>

Income Tax Provision (Benefit), as a percentage of pretax income, was 55.1% in the three-months ended September 30, 2005, up from 11.9% in the three-months ended September 30, 2004. The 2004 rate was lower than the “expected” statutory rate due primarily to a substantial non-recurring benefit permanent resulting from the Met-Coil bankruptcy process. The 2005 rate was higher than the “expected” statutory rate due primarily to permanent non-deductible differences related to stock option expenses.

HVAC Segment

Total Revenues in the Company’s HVAC Segment increased 5.5% during the third quarter of 2005 relative to the third quarter of 2004 principally due to strong hydronic and gas product sales, particularly commercial boiler sales, which offset relatively flat air distribution products sales. During the three-months ended September 30, 2005, the HVAC Segment’s gross profit margins increased from 26.8% to 28.9%. Improved HVAC margins reflect to some extent the segment’s success in passing on via price increases the effects of inflationary pressures incurred in 2004 and 2005 which affected copper, steel, cast iron scrap, aluminum and other commodities used in its products.

Operating profits for the HVAC segment for the three-months ended September 30, 2005 were up 23.6% relative to the three-months ended September 30, 2004 from \$2,079,000 to \$4,914,000, reflecting the positive trends described above. The Company continues to focus its efforts on consolidating overhead wherever possible in order to maximize efficiency in its various HVAC manufacturing operations.

Metal Forming Segment

Total Revenues in the Company's Metal Forming Segment increased by 2.7% during the third quarter of 2005 relative to the third quarter of 2004. The backlog at September 30, 2005 is approximately \$35.5 million, which is up 22.5% from the June 30, 2005 backlog of \$29.2 million and up 22.1% from \$29.4 million at September 30, 2004. The backlog represents about 17 weeks of work. The bookings are approximately \$31.0 million for the third quarter, up 11.1% from the \$27.9 million at June 30, 2005 and up 32.4% from the \$23.4 million at September 30, 2004. The third quarter booking and backlog figures represent the results of sales training and a strategy of customer-centric activities in a steadily improving domestic economy. The Segment believes it is gaining market share in most of its core businesses. Improved sales have occurred primarily in metal construction, foreign HVAC sales and office furniture. The Segment's shipments have lagged behind its business plan in 2005 reflecting engineering and shop floor execution problems which have been compounded somewhat by the manufacturing consolidation process which the segment has been undergoing. Throughout 2005, the Segment has been in the process of rationalizing its product lines and consolidating its operations, including the relocation of certain manufacturing operations from Illinois to its new "world class" manufacturing facility in Bridgeton, MO and, also, expanding its manufacturing operations in Danville, KY. Gross profit margins for the Metal Forming Segment fell from 28.3% in the 2004 quarter to 22.5% in the 2005 quarter, reflecting poor quoting and execution on larger orders and increased warranty expense. Management is vigorously pursuing efforts to improve its quoting processes, contract administration, and manufacturing and application engineering execution.

Reflecting the effects described above, the Segment's "core" operating results (a "Non-GAAP Financial Measure" discussed below) for the quarter (which exclude certain Plant Shutdown Expenses, Environmental and Remediation Income and Subsidiary Bankruptcy Professional Fees), decreased from \$573,000 in the 2004 period to (\$1,311,000) in the 2005 period. It is increasingly clear that globalization has substantially impacted the domestic North American market for the Segment's products leading to increased pressure on margins.

The foregoing core operating income and loss figures, by virtue of the exclusion of the items mentioned, constitute "Non-GAAP Financial Measures" which management believes are useful to investors focused upon ascertaining underlying operating earnings trends. This should not be construed as an alternative to "operating income (loss)" or "net income (loss)" (as determined in accordance with generally accepted accounting principles or "GAAP"), as an indicator of the Company's operating performance, as an alternative to cash flows provided by operating activities (as determined by GAAP), or as a measure of liquidity. The foregoing core operating income and loss figures excluding the anomalous items mentioned are presented solely as a supplemental disclosure because management believes they enhance the understanding of the financial performance of a company with substantial anomalous expense items.

The Metal Forming Segment's Core operating profits (a "Non-GAAP Financial Measure discussed below) are reconciled with operating profits (losses) determined in accordance with GAAP as follows:

<u>Metal Forming Segment</u>	Three-months ended	
	September 30,	
	<u>2005</u>	<u>2004</u>
Core Operating Profits for the Segment	(\$1,311,000)	\$573,000
Less Subsidiary Bankruptcy Professional Fees	64,000	1,519,000
Less Plant Shutdown Expenses	656,000	---
Less (Plus) Environmental Litigation and Remediation	---	(18,415,000)
Operating Profits (Loss) per GAAP	<u>(\$2,031,000)</u>	<u>\$17,469,000</u>

The Company believes that the mutually reinforcing franchises it has acquired under the Formtek name, including Cooper-Weymouth Peterson, Rowe, CoilMate/Dickerman, Yoder, Krasny-Kaplan, Mentor AGVS, Lockformer, Iowa Precision, Hill Engineering, B&K, and Dahlstrom, as well as the recently acquired Engel Industries, Inc. and certain assets of Tishken Products Company, and the start-up of the rebuilding operation, Iowa Rebuilders, an electrical distributor, Axon Electric, and a Beijing-based assembly facility, Formtek Machinery (Beijing), will allow it to maintain and expand its core competencies, positioning this Segment very well for the future.

Management believes that the continuing effects of globalization on manufacturing costs present the Company with significant opportunities. The Company is pursuing in this regard, for all of its businesses, initiatives in Asia aimed at sourcing machined parts and components for use in its North American factories, and assembling discrete stand-alone equipment and sub-assemblies on a limited basis, with ultimate plans to sell select machinery in Asian markets and throughout the world. Formtek's wholly owned foreign enterprise, Formtek Machinery (Beijing) Co., Ltd, was registered in September of 2003 and began assembly operations of roll forming and metal cutting equipment in a 2,800 square meter facility in the Changping District of Beijing in the first quarter of 2004 and has continued to expand its operations as planned.

Nine-months ended September 30, 2005 vs. September 30, 2004

Consolidated

The Company's Consolidated revenues from Continuing Operations were up 4.2% from \$260.3 million in the nine-month period ended September 30, 2004 to \$271.1 million in the nine-month period ended September 30, 2005, reflecting increased revenues from both the HVAC segment and the Metal Forming segment which were both up approximately 4.0%. For the Company as a whole, Sales, General and Administrative, and Engineering costs, taken together as a percentage of Total Revenues, decreased from 23.4% to 22.7% reflecting the effect of increased revenues.

Core Operating Income ("a Non-GAAP Financial Measure") for the nine-month period ended September 30, 2005 for the Company as a whole, which excludes certain Environmental Litigation and Remediation income, Subsidiary Bankruptcy Professional Fees and Plant

Shutdown and Other Restructuring expenses, increased from \$7,041,000 in the nine-months ended September 30, 2004 to \$8,676,000 in the nine-months ended September 30, 2005, reflecting the effect principally of improved HVAC revenues and gross profit margins.

The foregoing core operating income figures, by virtue of the exclusion of the items mentioned, constitute “Non-GAAP Financial Measures” which management believes are useful to investors focused upon ascertaining ongoing operating earnings trends. This should not be construed as an alternative to “operating income” or “net income” (as determined in accordance with generally accepted accounting principles), as an indicator of the Company’s operating performance, as an alternative to cash flows provided by operating activities (as determined by GAAP), or as a measure of liquidity. The foregoing core operating income figures excluding the anomalous items mentioned are presented solely as a supplemental disclosure because management believes they enhance the understanding of the financial performance of a company with substantial anomalous expense items.

The Core operating profits (losses) for the Company as a whole are reconciled with operating profits (losses) determined in accordance with GAAP as follows:

<u>Consolidated</u>	Nine-months ended	
	<u>2005</u>	<u>2004</u>
Core Operating Profits	\$8,676,000	\$7,041,000
Less Subsidiary Bankruptcy Professional Fees	501,000	8,542,000
Plus Environmental Litigation and Remediation Income	---	(17,727,000)
Less Plant Shutdown	<u>1,619,000</u>	<u>970,000</u>
Operating Profits per GAAP	<u>\$6,556,000</u>	<u>\$15,256,000</u>

Income Tax Expense (Benefit), as a percentage of pretax income (loss), increased from 4.6% in the nine-month period ended September 30, 2004 to 47.6% in the nine-month period ended September 30, 2005. The 2004 expense differed from the “expected” statutory rate due primarily to a substantial non-recurring permanent benefit resulting from the Met-Coil bankruptcy process. The 2005 expense differed from the “expected” statutory rate due primarily to permanent non-deductible differences related to stock option expenses.

HVAC Segment

Total Revenues in the Company’s HVAC segment increased 4.2% during the nine-month period ended September 30, 2005 relative to the comparable period in 2004 due primarily to increased sales of hydronic and gas fired heating products, including particularly commercial boilers which offset relatively flat sales of air distribution, air conditioning and industrial heating products. Gross profit margins improved significantly in 2005 reflecting the Segment’s success in passing on via price increases the effects of inflationary pressures incurred in 2004 and 2005 which affected copper, steel, cast iron scrap, aluminum and other commodities used in its products. The Company continues to focus its efforts on consolidating overhead wherever possible in order to maximize efficiency in its various HVAC manufacturing operations.

Core Operating profits for the HVAC segment for the nine-month period ended September 30, 2005 were up 74.2% relative to the nine-month period ended September 30, 2004

from \$6,165,000 to \$10,587,000, reflecting the cumulative effect of the factors described above.

The HVAC Segment's Core Operating profits (a Non-GAAP Financial Measure) are reconciled with operating profits determined in accordance with GAAP as follows:

<u>HVAC Segment</u>	Nine-months ended	
	September 30,	
	<u>2005</u>	<u>2004</u>
Core Operating Profits	\$10,587,000	\$6,165,000
Less Plant Shutdown	---	970,000
Less Other Restructuring	<u>400,000</u>	<u>---</u>
Operating Profit per GAAP	<u>\$10,187,000</u>	<u>\$5,195,000</u>

Metal Forming Segment

Total Revenues in the Company's Metal Forming segment were up approximately 4.2% for the nine-month period ended September 30, 2005, relative to the comparable nine-month period ended September 30, 2004.

Core Operating Profits (Losses) ("a Non-GAAP Financial Measure") for the segment for the nine-month period ended September 30, 2005, were reduced from \$901,000 during the nine-months ended September 30, 2004 to (\$1,666,000) in the nine-months ended September 30, 2005, due principally to quoting, engineering and shop floor execution problems which have been compounded somewhat by the manufacturing consolidation process which the segment has been undergoing. Throughout 2005, the Segment has been in the process of rationalizing its product lines and consolidating its operations, including the relocation of certain manufacturing operations from Illinois to its new "world class" manufacturing facility in Bridgeton, MO and, also, expanding its manufacturing operations in Danville, KY. It is also clear that over time globalization has substantially impacted the domestic North American market for the Segment's products leading to increased pressure on margins. In addition, the Segment increased spending in training and global marketing and maintained spending in new product development and promotion.

The foregoing core operating income and loss figures, by virtue of the exclusion of the items mentioned, constitute "Non-GAAP Financial Measures" which management believes are useful to investors focused upon ascertaining underlying operating earnings trends. This should not be construed as an alternative to "operating income (loss)" or "net income (loss)" (as determined in accordance with generally accepted accounting principles or "GAAP"), as an indicator of the Company's operating performance, as an alternative to cash flows provided by operating activities (as determined by GAAP), or as a measure of liquidity. The foregoing core operating income and loss figures excluding the anomalous items mentioned are presented solely as a supplemental disclosure because management believes they enhance the understanding of the financial performance of a company with substantial anomalous expense items.

The Metal Forming Segment's core operating profits (losses) are reconciled with operating profits (losses) determined in accordance with GAAP as follows:

<u>Metal Forming Segment</u>	Nine-months ended	
	<u>2005</u>	<u>2004</u>
Core Operating Profits (Loss) for the Segment	(\$1,666,000)	\$901,000
Less Subsidiary Bankruptcy Professional Fees	501,000	8,542,000
Less Plant Shutdown Expenses	1,464,000	---
Less Environmental Litigation and Remediation Expense (Income)	---	<u>(17,728,000)</u>
Operating (Losses) Profit per GAAP	<u>(\$3,631,000)</u>	<u>\$10,087,000</u>

LIQUIDITY AND CAPITAL RESOURCES

The Company's total debt (long-term debt plus current portion of long-term debt) increased in the nine-months ended September 30, 2005 from \$24,384,000 at December 31, 2004 to \$40,099,000 at September 30, 2005, reflecting principally the effect of increased investments in accounts receivable and inventory (which effects are both seasonal and related to general business growth) and the acquisition of a manufacturing facility in Bridgeton, Missouri on June 17, 2005 for \$2,940,000, as explained more fully in Note 9 to the Condensed Consolidated Financial Statements. The above figures exclude Omega Flex, Inc.'s \$3.6 million debt to Sovereign Bank at December 31, 2004, which is classified separately in the accompanying December 31, 2004 financial statements in accordance with FAS 144 (see Note 8 related to Discontinued Operations). The above figures include, however, the Company's \$3.3 million debt to Omega Flex Inc. which resulted from the Spin-Off on July 29, 2005, as more fully explained in Note 8 to the accompanying condensed consolidated financial statements.

The Company has not paid dividends on its common stock since 1979.

The Company's debt (short-term debt plus long-term debt) to equity ratio was approximately 38.2% as of September 30, 2005. The Company believes its liquidity position at September 30, 2005 is adequate to meet foreseeable future needs. As more fully explained in Note 6 to the Company's 2004 Consolidated Financial Statements, on October 19, 2004, the Company entered into a multi-bank, \$70 million three-year committed, unsecured revolving loan and letter of credit agreement which facility was increased to \$80,000,000 on October 11, 2005. As more fully explained in Note 8 to the condensed consolidated financial statements, the Company "spun-off" its Omega Flex, Inc. subsidiary effective July 29, 2005 and plans subsequently, to "Go Private" which will require additional borrowings and will result in the Company being more leveraged than at present.

Commitments, Contingencies, and Warranties

Indemnifications

The Company is obligated under Indemnity Agreements ("Indemnity Agreements") executed on behalf of 23 of the Company's Officers and Directors. Under the terms of the Indemnity Agreements, the Company is contingently liable for costs which may be incurred by the Officers and Directors in connection with claims arising by reason of these individuals' roles

as Officers and Directors.

The Company is obligated under the Indemnity and Guaranty Agreement with Airtherm Products, Inc. (“Airtherm”) to indemnify Airtherm against certain claims arising out of the acquisition of Airtherm in August 2000, including potential claims involving alleged violations of the Worker Adjustment and Retraining Notification Act (“WARN Act”). Certain former employees of Airtherm have filed suit alleging such WARN Act claims, and defense of the matter was tendered by Airtherm to the Company pursuant to the above indemnity agreement. The U.S. District Court in Arkansas subsequently awarded summary judgment to plaintiffs, and assessed liability of approximately \$520,000, plus interest and attorneys’ fees. The Company has appealed the summary judgment verdict on behalf of Airtherm to the Eighth Circuit Court of Appeals. The matter is scheduled for oral argument in November 2005. The Company expects that the trial court judgment will be overturned as being inconsistent with the statute and prior judicial decisions.

Contingencies

The Company is contingently liable under standby letters of credit totaling approximately \$25,941,000 issued principally in connection with its commercial insurance coverages and in connection with the funding of the Met-Coil TCE PI Trust discussed below.

The Company retains significant obligations under its commercial general liability insurance policies for product liability and other losses. For losses occurring in the policy years ending October 1, 2004 and October 1, 2005, the Company maintains commercial general liability insurance, retaining liability for the first \$2,000,000 per occurrence of commercial general liability claims (including products liability claims), subject to an agreed aggregate. For losses occurring in the policy year ended October 31, 2003, the Company retained liability for the first \$500,000 per occurrence of commercial general liability claims (including product liability), subject to an agreed aggregate. In addition, the Company retained liability for the first \$250,000 per occurrence of workers compensation coverage, subject to an agreed aggregate.

The Company is obligated as a guarantor with respect to certain potential debt obligations of CareCentric, Inc. (formerly Simone Central Holdings, Inc.) to CareCentric’s primary commercial bank, Wainwright Bank & Trust Company, in the amount of \$4 million. The \$4 million Wainwright credit line is secured by substantially all of CareCentric’s assets. The actual balance outstanding under CareCentric’s credit line with Wainwright Bank & Trust Company as of September 30, 2005 was \$2,430,000. Under the Equity Method of Accounting, in December 2001, the Company accrued this guarantee (originally in the amount of \$6 million and now reduced to \$4 million) as a reserve for Equity Investment Losses. John E. Reed, the Company’s Chairman and Chief Executive Officer, is a shareholder and director of Wainwright Bank & Trust Company.

Litigation

The Company is subject to several legal actions and proceedings in which various monetary claims are asserted. Management, after consultation with its corporate legal department and outside counsel, does not anticipate that any ultimate liability arising out of all such litigation and proceedings will have a material adverse effect on the financial condition of the Company except as set forth below.

Subsidiary Bankruptcy and Environmental Issues Involving Releases of Hazardous Materials

As disclosed in previous filings, the Lockformer Company (“Lockformer”), a division of the Company’s second tier subsidiary, Met-Coil Systems Corporation, now Met-Coil Systems, LLC (“Met-Coil”), and Mestek directly (under various legal theories) were defendants in various actions relating to the alleged release and presence of trichloroethylene (“TCE”) contamination on and in the vicinity of Lockformer’s manufacturing facility in Lisle, IL. On August 26, 2003, Met-Coil filed a voluntary petition for relief under Chapter 11 of Title 11 of the United States Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”) (Case No. 03-12676-MFW).

On August 17, 2004, the Bankruptcy Court confirmed the Fourth Amended Chapter 11 Plan of Reorganization (the “Amended Plan”) proposed by Met-Coil and Mestek, as co-proponents, and recommended to the United States District Court (N. D. Del.) (“the District Court”) that it approve and enter the “channeling injunction” discussed below, and certain related third party releases in favor of, among others, Mestek and its affiliates. On September 14, 2004, the District Court entered and approved the recommended findings and conclusions and issued the “channeling injunction”. This Amended Plan, supported by all major parties in interest in the Met-Coil Chapter 11 case, became effective on October 19, 2004.

The Amended Plan settled the various legal actions which had been commenced against Met-Coil and Mestek with respect to an alleged release of TCE into the soils, groundwater or air in or around Met-Coil’s Lockformer Company facility in Lisle, Illinois, including the class action captioned *Mejdrech, et al. v. The Lockformer Company, et al.* and all other personal injury and indemnification actions brought against the Company relating to the alleged release of TCE.

In addition, the Amended Plan established a trust (the “TCE PI Trust”) for the holders of future claims or demands, who reside, resided or may reside in a certain geographic area in the vicinity of the facility in Lisle, Illinois, and who assert or may assert personal injury claims in the future. Pursuant to the “channeling injunction” the TCE PI Trust was established to assume all such future personal injury claims and demands and pay and administer verified claims for up to 45 years. Pursuant to the Amended Plan, the Company and Met-Coil are committed to fund up to \$26 million (on a present value basis) to the TCE PI trust over time and based on actual claims paid. Upon establishment of such TCE PI Trust, Mestek and its affiliates were released from any liabilities assumed by the TCE PI Trust for up to 45 years. Pursuant to the Amended Plan, all such future claims and demands will be “channeled” to the TCE PI Trust and be paid in accordance with the distribution procedures established for such trust. This TCE PI Trust is being administered by an independent trustee, with power to mediate, arbitrate and, if necessary, litigate claims. Through September 30, 2005, approximately 688 “exposure only” claims have been approved by the TCE Trust in an aggregate amount of \$1,895,000 and three (3) personal injury claims have been paid in the aggregate amount of \$40,000.

The Company’s Environmental and Litigation Reserve related to this matter as of the year ended December 31, 2004 was approximately \$24.7 million. The reserve as of the quarter ended September 30, 2005 was approximately \$20.3 million. The reduction in the reserve in the three-month period ended September 30, 2005 includes approximately \$390,000 for remediation related expenditures and \$780,000 in payments to claimants under the TCE PI Trust during the three-months ended September 30, 2005. Based on recent estimates of ongoing remediation

costs, and reflecting reductions in the reserve for expenditures incurred in the quarter ending September 30, 2005, the remediation portion of the reserve as of September 30, 2005 is \$ 5,523,000, which amount is included in the \$ 20.3 million reserve discussed above. The reserve balance at September 30, 2005 relates to future obligations under the Plan relating to soil and groundwater remediation, municipal water connections, the TCE PI Trust described above and other administrative expenses of the Met-Coil bankruptcy. Management believes that no additional reserves, beyond those set forth above, are required at this time. These reserves have been established in accordance with Financial Accounting Standard Board Statement No. 5 and Staff Accounting Bulletin No. 92. However, while these reserves represent management's best estimate of these liabilities, and are based upon known or anticipated claims analysis estimated by various legal, scientific and economic experts, there is no assurance that these reserves will be adequate to meet all potential claims arising from the environmental contamination at the Lisle, Illinois site. In addition, there can be no assurance that future claims for personal injury or property damage will not be asserted by other plaintiffs against Met-Coil and Mestek with respect to the Lockformer site and facility. See Remediation – Lisle, IL section below.

Remediation – Lisle, IL:

Met-Coil has completed the hook-up of all but a few specified residences to public water supply, has received confirmation from the USEPA of the completion of soil remediation and decommissioning of the SRH system under the Work Plan for the site, and is continuing with the remediation of the Lockformer facility in Lisle, IL, pursuant to a Work Plan for the site (“on-site remediation”) while awaiting approval from the IEPA of the ground water remedial standards to be achieved by such Work Plan, as well as the methodology for groundwater remediation. The Company has guaranteed to the IEPA up to \$3 million of remediation costs incurred by either Met-Coil or, if Met-Coil fails to perform the remediation, the IEPA.

In light of the remaining uncertainties surrounding the effectiveness of the available remediation technologies and the future potential changes in methodology, remedial objectives and standards, still further reserves may be needed in the future with respect to the on-site remediation of the Lisle facility. The complexity of aforementioned factors makes it impossible at this time to further estimate any additional costs.

The Company's Environmental Litigation and Remediation Reserve is comprised of the following:

	September 30, <u>2005</u>	December 31, <u>2004</u>
	(in thousands)	
Estimated Future Remediation costs	\$5,523	\$7,018
The Illinois Actions, The Honeywell Claims, The Attorney General Action and all matters related to pending future personal Injury claims in the Lockformer area	---	1,500
Potential Future Obligations to the TCE PI Trust	<u>\$14,752</u>	<u>16,171</u>
Total Environmental Litigation and Remediation Reserve	<u>\$20,275</u>	<u>\$24,689</u>

Based on claim experience through September 30, 2005 the Company has reclassified \$20,445,000 of the above reserve to non-current as of December 31, 2004 and has classified \$18,275,000 of the reserve as non-current as of September 30, 2005.

Other Claims Alleging Releases of Hazardous Materials or Asbestos Related Liability

The Company is currently a party to over 100 asbestos-related lawsuits, and in the past three-months has been named in approximately 20 new such lawsuits each month, primarily in Texas where numerous asbestos-related actions have been filed against numerous defendants. The lawsuits previously pending against the Company in Illinois have all been resolved by plaintiffs' dismissals without payment.

Almost all of these suits seek to establish liability against the Company as successor to companies that may have manufactured, sold or distributed asbestos-related products, and who are currently in existence and defending thousands of asbestos related cases, or because the Company currently sells and distributes boilers, an industry that has been historically associated with asbestos-related products. The Company believes it has valid defenses to all of the pending claims and vigorously contests that it is a successor to companies that may have manufactured, sold or distributed any product containing asbestos materials. However, the results of asbestos litigation have been unpredictable, and accordingly, an adverse decision or adverse decisions in these cases, individually or in the aggregate, could materially adversely affect the financial position and results of operation of the Company and could expose the Company to substantial additional asbestos related litigation and the defense costs thereof, which defense costs, because of the sheer number of asbestos claimants and the historical course of the litigation process in this area has the potential to become substantial, though these costs are not capable of estimation at this time. The total requested damages of these cases are over \$3 billion. To date, however, the Company has had approximately 300 asbestos-related cases dismissed without any payment and it settled approximately twenty-five asbestos-related cases for a *de minimis* value. However, there can be no assurance the Company will be able to successfully defend or settle any pending litigation.

In addition to the Lisle, IL site, the Company has been named or contacted by state authorities and/or the EPA regarding the Company's asserted liability or has otherwise determined it may be required to expend funds for the remediation of certain other sites in North Carolina, Connecticut and Pennsylvania.

The Company continues to investigate all of these matters. Given the information presently known, no estimation can be made of any liability which the Company may have with respect to these matters. There can be no assurance, but based on the information presently available to it, the Company does not believe that any of these matters will be material to the Company's financial position or results of operations.

Warranty Commitments

Products sold by the Company are covered by various forms of express limited warranty with terms and conditions that vary depending upon the product. The express limited warranty typically covers the equipment, replacement parts and, in very limited circumstances, labor necessary to satisfy the warranty obligation for a period which is generally the earlier of 12 months from date of installation or 18 months from date of shipment from the Company factory,

although some products or product components are warranted for periods ranging from eighteen months to ten years. The Company estimates the costs that may be incurred under its warranty obligations and records a liability in the amount of such costs at the time product revenue is recognized. Factors that affect the Company's warranty liability include the number of units sold, historical and anticipated rates of warranty claims, and allowable costs per claim and recoveries from vendors. At least once a quarter the Company assesses the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary. Costs to satisfy warranty claims are charged as incurred to the accrued warranty liability.

Following is a summary of changes in the Company's product warranty liability for the three- and nine-month periods ended September 30, 2005 and 2004.

	Three-months ended		Nine-months ended	
	September 30,		September 30,	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	(dollars in thousands)			
Balance at beginning of period	\$3,928	\$3,262	\$3,864	\$2,524
Provision for warranty claims	635	448	1,698	1,949
Warranty claims incurred	<u>(744)</u>	<u>(320)</u>	<u>(1,743)</u>	<u>(1,083)</u>
Balance at end of period	<u>\$3,819</u>	<u>\$3,390</u>	<u>\$3,819</u>	<u>\$3,390</u>

FUTURE IMPACT OF KNOWN TRENDS OR UNCERTAINTIES

The Company's operations are sensitive to a number of market factors, any one of which could materially adversely affect its results of operations in any given year:

Construction Activity—The Company's largest Segment, its Heating, Ventilating, and Air Conditioning (HVAC) Segment, is directly affected and its other Segment, Metal Forming, is indirectly affected by commercial construction projects and residential housing starts. Relatively lower interest rates in 2004 and 2005 to date have sustained relatively strong sales of residential and commercial HVAC products. Significant increases in interest rates or reductions in construction activity in future periods, however, can be expected to adversely affect the Company's revenues, possibly materially.

Manufacturing Activity—The Company's Metal Forming Segment, as a manufacturer of capital goods used in other manufacturing processes, is subject to significant cyclicality based upon factory utilization. The Company's Metal Forming Segment provides equipment used to hold, uncoil, straighten, form, bend, cut, and otherwise handle metal used in manufacturing operations, all activities likely to be adversely affected in recessionary periods. The level of manufacturing activity in North America in the automotive, steel processing, metal furniture, and stamping industries, is particularly relevant to this Segment since its products are typically purchased to upgrade or expand existing equipment or facilities. Expectations of future business activity are also particularly relevant. Activity in this Segment may be affected significantly in the future by the effects of globalization which impact both the markets for its products, the competitors it faces in such markets; and potentially the cost and availability of its key components.

Credit Availability— Although interest rates trended lower in the beginning of 2004, short-term interest rates began to increase in the last two quarters of 2004 and have continued to increase throughout 2005. Credit availability continues to be critical to the Company’s customers and suppliers. As the Company’s customer base includes many small to medium size businesses a contraction in credit availability could significantly impact the Company’s operations.

Technological Changes—Although the HVAC industry has historically been impacted by technology changes in a relatively incremental manner, it cannot be discounted that radical changes—such as might be suggested by fuel cell technology, burner technology and/or other developing technologies—could materially adversely affect the Company’s results of operations and/or financial position in the future.

Environmental Laws Affecting Operations and Product Design— The Company is subject to numerous laws and regulations that govern the discharge and disposal of materials into the environment. The Company’s operations and its HVAC products that involve combustion, refrigeration, air conditioning and related technologies as currently designed and applied entail the risk of future noncompliance with the evolving landscape of environmental laws regulations and industry standards. The cost of complying with the various environmental laws, regulations and industry standards is likely to increase over time, and there can be no assurance that the cost of compliance, including changes to manufacturing processes and design changes to current HVAC product offerings that involve the creation of carbon dioxide or other currently unregulated compounds emitted in atmospheric combustion, or efficiency standards, will not over the long-term and in the future have a material adverse affect on the Company’s results of operations. In addition, a growing trend of governmental units and business entities to mandate or favor compliance with environmentally-based rating systems in the construction of buildings (such as “LEED” standards) may change the nature of HVAC products accepted in the marketplace and may have a materially adverse affect on the Company’s results of operations.

Weather Conditions—The Company’s core HVAC Segment manufactures heating, ventilating and air conditioning equipment with heating products representing the bulk of the Segment’s revenues. As such, the demand for its products depends upon colder weather and benefits from extreme cold. Severe climatic changes, such as those suggested by the “global warming” phenomenon, could over time adversely affect the Company’s results of operation and financial position.

Purchasing Practices—It has been the Company’s policy in recent years for high value commodities to aggregate purchase volumes with fewer vendors to achieve maximum cost reductions while maintaining quality and service. This policy has been effective in reducing costs but has introduced additional risk which could potentially result in short-term supply disruptions or cost increases from time to time in the future.

Supply Disruptions and Commodity Risks—The Company uses a wide variety of materials in the manufacture of its products, such as copper, aluminum and steel, as well as electrical and mechanical components, controls, motors and other products. In connection with the purchase of major commodities, principally copper, stainless steel and aluminum for manufacturing requirements, the Company enters into commodity forward agreements to effectively hedge the cost of the commodity. This forward approach is done for a portion of the Company’s requirements, while the balance of the transactions required for these commodities are conducted in the cash or “spot” market. The forward agreements require the Company to

accept delivery of the commodity in the quantities committed, at the agreed upon forward price, and within the timeframe specified. The cash or “spot” market transactions are executed at the Company’s discretion and at the current market prices. In addition to the raw material cost strategy described above, the Company enters into fixed pricing agreements for the fabrication charges necessary to convert these commodities into useable product. Management believes at present that it has adequate sources of supply for its raw materials and components (subject to the risks described above under Purchasing Practices) and has historically not had significant difficulty in obtaining the raw materials, component parts or finished goods from its suppliers. No industry Segment of the Company is dependent on a single supplier, the loss of which would have a material adverse effect on its business.

Interest Rate Sensitivity—The Company’s borrowings are largely Libor or Prime Rate based. The Company believes that a 100 basis-point increase in its cost of funds would not have a material effect on the Company’s financial statements taken as a whole. Interest rates are nonetheless significant to the Company as a participant in the construction and capital goods industries. (See Construction Activity, Manufacturing Activity and Credit Availability above.)

Acquisition and Consolidation/Integration – The Company has historically grown through acquisition. Acquisitions often involve risks of integration with the parent company or consolidation between and among operating units or functional departments and may present managerial and operational challenges, which can have adverse effects on results of operations, typically when charges result from impairment of goodwill or indefinite lived intangibles or cessation of business operations from consolidations or otherwise. Acquisition integration also often requires considerable diversion of management attention, difficulty in integrating management resource planning and financial control systems, increased risk of contingent or unknown liabilities and potential disputes with sellers of the acquired companies. Expected cost savings from strategic acquisitions may not be realized or achieved within the timeframe initially expected.

Retention of Qualified Personnel – The Company does not operate with multiple levels of management. It is relatively “flat” organizationally and while we perceive this as a strength overall, it does subject the Company to the risks associated with the separation from the Company of critical managers for whatever reason. From time to time, there may be a shortage of skilled labor, which may make it more difficult and expensive for the Company to attract and retain qualified employees.

Item 3. - Quantitative and Qualitative Information about Market Risks

The Company does not engage in the purchase or trading of market risk sensitive instruments other than with respect to a single interest rate swap transaction entered into on February 6, 2004 whereby the Company has obtained fixed interest rate protection for three years for approximately \$14,000,000 of its bank debt. The Company does not presently have any positions with respect to hedge transactions such as forward contracts relating to currency fluctuations. No market risk sensitive instruments are held for speculative or trading purposes.

Item 4 – Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures.

At the end of the fiscal third quarter of 2005, the Company evaluated the effectiveness of the design and operation of its disclosure controls and procedures. The Company's disclosure controls and procedures are designed to ensure that the Company records, processes, summarizes and reports in a timely manner the information required to be disclosed in the periodic reports filed by the Company with the Securities and Exchange Commission. The Company's management, including the chief executive officer and chief financial officer, have conducted an evaluation of the effectiveness of the design and operation of the Company's Disclosure Controls and Procedures as defined in the Rule 13a-15(e) of Securities Exchange Act of 1934. Based on that evaluation, the chief executive officer and chief financial officer have concluded that, as of the date of their evaluation, the Company's disclosure controls and procedures are effective to provide reasonable assurance of achieving the purposes described in Rule 13a-15(e), and no changes are required at this time, except as follows: The evaluation process undertaken in connection with the quarter ended September 30, 2005 led to the recognition that the Company's process for evaluating the accounting effects of all contractual commitments has not been sufficiently rigorous in the past, leading to an under-accrual relative to certain employment related obligations. Management has properly stated the accrual at September 30, 2005 and concluded that the impact on the financial results of the current quarter or any prior period was not material. Management has determined however, that it needs to implement a more rigorous process to ensure that all contractual commitments are evaluated on an ongoing basis relative to their accounting implications.

(b) Changes in Internal Controls.

There was no change in the Company's "internal control over financial reporting" (as defined in rule 13a-15(f) of the Securities Exchange Act of 1934) identified in connection with the evaluation required by Rule 13a-15(d) of the Securities Exchange Act of 1934 that occurred during the three-month period covered by this Report on Form 10-Q that has materially affected or is reasonable likely to materially affect the Company's internal control over financial reporting subsequent to the date the chief executive officer and chief financial officer completed their evaluation.

PART II - OTHER INFORMATION

Item 1 – Legal Proceedings

The Company is not presently involved in any litigation that it believes could materially and adversely affect its financial condition or results of operations except as described in Part I, Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations-above and in Notes 6 above of the Company’s Condensed Consolidated Financial Statements, which are a part of this Quarterly Report on Form 10-Q. No material legal proceedings were instituted or terminated in the quarter ended on September 30, 2005, nor is the Company aware of any governmental agency investigations or proceedings other than as discussed in Note 6 of the Company’s Condensed Consolidated Financial Statements, which are a part of this Quarterly Report on Form 10-Q

Item 6 - Exhibits and Reports on Form 8-K

Exhibit No.	Description
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- | | |
|------|--|
| 11.1 | Schedule of Computation of Earnings per common share. |
| 31.1 | Certification of Chief Executive Officer of Mestek, Inc. pursuant to Rule 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended. |
| 31.2 | Certification of Chief Financial Officer of Mestek, Inc. pursuant to Rule 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended. |
| 32 | Certification of Chief Executive Officer and Chief Financial Officer of Mestek, Inc., pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

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.

MESTEK, INC.
(Registrant)

Date: November 11, 2005

By: /s/ Stephen M. Shea
Stephen M. Shea
Senior Vice President – Finance
and CFO (Chief Financial Officer)