MESTEK INC
Form 10-Q
August 14, 2003

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarter ended: June 30, 2003

Commission file number: 1-448

MESTEK, INC.

Pennsylvania Corporation

I.R.S. Employer Identification No.
25-0661650

260 North Elm Street
Westfield, Massachusetts 01085

Telephone: (413) 568-9571

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.
[x] 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 [x]

The number of shares of Common Stock outstanding as of August 14, 2003, was 8,721,603.

MESTEK, INC.

QUARTERLY REPORT ON FORM 10-Q
FOR THE SIX MONTHS ENDED JUNE 30, 2003

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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

	June 30, 2003 (Dollars in t (Unaudited)
ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 3,758
Accounts Receivable - less allowances of, $3,428 and $3,230 respectively	53,099
Inventories	61,509
Other Current Assets	16,172
Total Current Assets	134,538
Property and Equipment - net	55,846
Other Assets and Deferred Charges - net	7,671
Excess of Cost over Net Assets of Acquired Companies	26,280
Total Assets	$224,335

See the Notes to Condensed Consolidated Financial Statements

Continued on next page

MESTEK, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (continued)

	June 30, 2003 (Dollars in t (Unaudited)
LIABILITIES, AND SHAREHOLDERS' EQUITY	
Current Liabilities	
Current Portion of Long-Term Debt	$ 9,161
Accounts Payable	17,749
Accrued Compensation	4,587
Accrued Commissions	2,059
Reserve for Equity Investment Losses	6,000
Customer Deposits	6,250
Accrued Employee Benefits	8,640
Environmental Litigation/Remediation Reserves	18,031
Other Accrued Liabilities	15,476

Total Current Liabilities	87,953
Long-Term Debt	4,657
Other Liabilities	683
Total Liabilities	93,293
Minority Interests	1,133
Shareholders' Equity	
Common Stock - no par, stated value $0.05 per share, 9,610,135 shares issued	479
Paid in Capital	15,434
Retained Earnings	125,129
Treasury Shares, at cost, (888,532 common shares)	(10,101)
Other Comprehensive Loss	(1,032)
Total Shareholders' Equity	129,909
Total Liabilities, and Shareholders' Equity	$224,335

See the Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended June 30,		Six
	2003	2002 *	2003
	(Dollars in thousands, except earnings		
Net Sales	$ 86,958	$ 90,630	$ 173,114
Cost of Goods Sold	62,378	64,025	123,561
Gross Profit	24,580	26,605	49,553
Selling Expense	13,154	13,485	25,654
General and Administrative Expense	5,275	5,966	11,112
Engineering Expense	3,833	3,950	7,543
Plant Shutdown Expense	711	---	711
Environmental Litigation/Remediation Charges	16,025	9,473	17,238
Operating Loss	(14,418)	(6,269)	(12,705)
Interest Income (Expense) - net	(149)	(219)	(267)
Other Income (Expense) - net	(58)	(193)	(159)
Loss Before Income Taxes and Cumulative Effect of a Change in Accounting Principle	(14,625)	(6,681)	(13,131)

Income Taxes Benefit	(5,116)	(2,200)	(4,464)
Loss Before Cumulative Effect of a Change in Accounting Principle	(9,509)	(4,481)	(8,667)
Cumulative Effect of a Change in Accounting Principle:			
Gross Impairment (Expense)			
Tax Benefit			
Net Impairment (Expense)	---	---	----
Net Loss	($ 9,509)	($ 4,481)	($8,667)
Basic and Diluted (Loss) Per Common Share			
Loss Before Cumulative Effect of a Change in Accounting Principle	($ 1.09)	($ 0.51)	($ 0.99)
Cumulative Effect of a Change in Accounting Principle	---	---	---
Net Loss	($1.09)	($0.51)	($0.99)
Basic and Diluted Weighted Average Shares Outstanding	8,722	8,722	8,722

* restated to give effect to 2002 goodwill impairment as of January 1, 2002 (See Note 1) and to give effect in 2002 to subsidiary stock options (See Note 5).

See the Notes to Condensed Consolidated Financial Statements.

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

	Six M J 2003 (Dollars
Cash Flows from Operating Activities:	
Net Loss	($8,667)
Adjustments to Reconcile Net Loss to Net Cash Provided by Operating Activities:	
Cumulative Effect of Change in Accounting Principle	---
Depreciation and Amortization	4,240
Provision for Losses on Accounts Receivable	198
Change in Assets & Liabilities:	
Accounts Receivable	206
Inventory	(922)
Accounts Payable	1,106
Accrued Expenses Other Liabilities	(786)
Environmental Litigation/Remediation Reserves	9,331
Other Assets	(3,279)

Net Cash Provided by Operating Activities	1,427
Cash Flows from Investing Activities:	
Capital Expenditures	(3,394)
Net Cash Used in Investing Activities	(3,394)
Cash Flows from Financing Activities:	
Net Issuance	
Under Revolving Credit Agreements	2,352
Principle Payments Under	
Long-term Debt Obligations	(200)
Increase in Minority Interests	36
Net Cash Provided by (Used in) Financing Activities	2,188
Translation Effect on Cash	862
Net Increase in Cash and Cash Equivalents	1,083
Cash and Cash Equivalents - Beginning of Period	2,675
Cash and Cash Equivalents - End of Period	$ 3,758

* restated to
give effect to 2002 goodwill impairment as of January 1, 2002 (See Note 1) and to give effect in 2002 to subsidiary stock options (See Note 5).

See the Notes to Condensed Consolidated Financial Statements.

MESTEK, INC.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the period January 1, 2002 through June 30, 2003
(dollars in thousands)

	Common Stock	Paid In Capital	Retained Earnings	Treasury Shares
Balance - January 1, 2002 (audited)	$479	$15,434	$164,201	($10,101)
Net Loss			(30,405)	
Additional Minimum Liability				
Defined Benefit Plan--Net of tax				
Cumulative Translation Adjustment				
Balance - December 31, 2002 (audited)	$479	$15,434	$133,796	($10,101)
Cumulative Translation Adjustment				
Net Loss			(8,667)	
Balance - June 30, 2003 (unaudited)	$479	$ 15,434	$125,129	($ 10,101)

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 a fair statement of results for the three- and six-month period ended June 30, 2003 and 2002.

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, 2002. Accordingly, footnote disclosures that would substantially duplicate the disclosures contained in the latest audited financial statements have been omitted from this filing.

Excess of Cost Over Net Assets of Acquired Companies (Goodwill)

Through December 31, 2001, the Company amortized Goodwill on the straight-line basis over the estimated period to be benefited, typically 25 years. The Company continually evaluated the carrying value of Goodwill in accordance with FAS 121 prior to January 1, 2002 and continues to do so in accordance with FAS 142. Any impairments are recognized in accordance with the appropriate accounting standards.

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.

The Company has adopted 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 accounting for stock-based compensations using the intrinsic value method as prescribed by Accounting Principles Board Opinion No. 25. Accordingly no compensation expense has been recognized for its stock-based compensation plan.

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:

	Three months ended		Six mont
	June 30, 2003	June 30, 2002 *	June 30, 2003
	(In thousands, except earnings per common share)		
Net loss - as reported	$(9,509)	$(4,481)	$(8,667)
Compensation expense	18	34	36
Net loss - pro forma	$(9,527)	$(4,515)	$(8,703)
Basic Loss per share - as reported	$(1.09)	$(0.51)	$(0.99)
Compensation expense	---	(.01)	--
Basic Loss per share - pro-forma	$(1.09)	$(0.52)	$(0.99)

* restated to give effect to subsidiary stock options (see Note 5) and to give effect to 2002 goodwill impairment in the second quarter of 2002 (see Note 1)

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 paid for income taxes was $889,000 and $2,196,000 during the six-months ended June 30, 2003 and 2002, respectively.

Other Comprehensive Income

For the three- and six-months ended June 30, 2003 and 2002, respectively, the components of other comprehensive loss consisted of foreign currency translation adjustments. Comprehensive loss was $8,957,000 and $4,343,000 for the three months ended June 30, 2003 and 2002, respectively and $7,805,000 and $32,161,000 for the six-months ended June 30, 2003 and 2002, respectively.

Reclassification

Reclassifications are made periodically to previously issued financial statements to conform to the current year presentation.

Adoption of SFAS 141, SFAS 142 and SFAS 144

The Financial Accounting Standards Board (FASB) issued FAS 141, Business Combinations and FAS 142, Goodwill and Intangible Assets in 2001. FAS 141 was effective for all business combinations completed after June 30, 2001. FAS 142 was effective for fiscal years beginning after December 15, 2001; however, certain provisions of this Statement applied also to goodwill and other intangible assets acquired between July 1, 2001 and the effective date of FAS 142. Major provisions of these Statements and their effective dates for the Company are as follows: (i) all business combinations initiated after June 30, 2001 must use the purchase method of accounting (the pooling of interest method of accounting is prohibited except for transactions initiated before July 1, 2001), (ii) intangible assets acquired in a business combination must be recorded separately from goodwill if they arise from contractual or other legal rights or are separable from the acquired entity and can be sold, transferred, licensed, rented or exchanged, either individually or as part of a related contract, asset or liability, (iii) goodwill and intangible assets with indefinite lives acquired after June 30, 2001, will not be amortized, (iv) effective January 1, 2002, all previously recognized goodwill and intangible assets with indefinite lives are no longer subject to amortization, (v) effective January 1, 2002, goodwill and intangible assets with indefinite lives will be tested for impairment annually and whenever there is an impairment indicator and (vi) all acquired goodwill must be assigned to reporting units for purposes of impairment testing and segment reporting.

Accordingly, the Company ceased recording amortization of goodwill and intangible assets with indefinite lives effective January 1, 2002. The Company's analysis under Step Two of FAS 142 indicated its the Metal Forming segment's goodwill was impaired as of January 1, 2002 in the amount of $31,633,000. The effect of the impairment is treated in the accompanying financial statements as relating to the three-month period ended March 31, 2002. The related tax benefit, $2,299,000, is substantially lower than what would be expected on the basis of statutory rates due to the fact that the majority of the goodwill impaired has a zero basis for tax purposes as a result of having been acquired in stock rather than asset purchase transactions.

On October 3, 2001, FASB issued FAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," that replaced FAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets To Be Disposed Of." The primary objectives of this pronouncement were to develop one accounting model based on the framework established in FAS 121 for long-lived assets to be disposed of by sales and to address significant implementation issues. The accounting model for long-lived assets to be disposed of by sale applies to all long-lived assets, including discontinued operations, and replaces the provisions of Account Principles Board (APB) Opinion No. 30, Reporting Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, for the disposal of segments of a business. FAS 144 requires that those long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or in discontinued operations. The provisions of FAS 144 became effective January 1, 2002 and did not have a material effect upon the Company's Financial Statement.

New Accounting Pronouncements

In July 2002, the FASB issued FAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities, which relates to accounting for plant shutdowns, restructuring and other such costs. FAS No. 146 is based on the fundamental principle that a liability for a cost associated with an exit or disposal activity should be recorded when it (1) is incurred, that is, when it meets the definition of a liability in FASB Concepts Statement No. 6, Elements of Financial Statements, and (2) can be measured at fair value. The principal reason for issuing FAS No. 146 is the Board's belief that some liabilities for costs associated with exit or disposal activities that entities record under current accounting pronouncements, in particular EITF Issue 94-3, do not meet the definition of a liability. FAS No. 146 nullifies EITF Issue 94-3; thus, it will have a significant effect on practice because commitment to an exit or disposal plan no longer will be a sufficient basis for recording a liability for costs related to those activities. FAS No. 146 is effective for exit and disposal activities initiated after December 31, 2002. Early application is encouraged; however, previously issued financial statements may not be restated. An entity would continue to apply the provisions of EITF Issue 94-3 to an exit activity that is initiated under an exit plan that met the criteria of EITF Issue 94-3 before the entity initially applied FAS No. 146. The Company announced the shutdown of two manufacturing facilities in April 2003, as more fully described in Note 6, and is accounting for the related costs in accordance with FAS No 146.

In December 2002, the FASB issued FAS No. 148, Accounting for Stock

Based Compensation--Transition and Disclosure, an amendment to FASB Statement No. 123. This Statement amends FASB Statement No. 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of FASB Statement 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. Finally, FAS No. 148 amends APB Opinion No. 28, Interim Financial Reporting, to require disclosure about those effects in interim financial reporting. For entities that voluntarily change to the fair value based method of accounting for stock-based employee compensation, the transition provisions are effective for fiscal years ending after December 15, 2002. For all other companies, the disclosure provisions and the amendment to APB No. 28 are effective for interim periods beginning after December 15, 2002.

The Company has elected to account for stock based compensation, effective with the 2003 year, in accordance with FAS No 148, under the "fair value method". The Company has further elected to account for the change in accounting principle under the "Prospective method" as described in amended paragraph 52b of FASB Statement 123. The Company made no option grants, modifications of option grants, or settlement of option grants in either the three-month or six-month periods ended June 30, 2003 or the three month or six-month periods ended June 30, 2002 and accordingly the change to the fair value method had no effect in either period on Net Income, Basic earnings per share or Diluted earnings per share. Under the "Prospective method" any future option grants will affect Net Income, Basic earnings per share and Diluted earnings per share.

In January 2003, FASB issued FASB Interpretation No. 46, Consolidation of Variable Interest Entities ("FIN 46"). FIN 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns, or both. FIN 46 also requires disclosures about variable interest entities that a company is not required to consolidate, but in which it has a significant variable interest. The consolidation requirements of FIN 46 apply immediately to variable interest entities created after January 31, 2003. The consolidation requirements apply to existing entities in the second fiscal year or interim period beginning after June 15, 2003. Certain of the disclosure requirements apply in all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. The Company is currently evaluating the impact of FIN 46 on its equity investments. It is reasonably possible that the Company's investment in CareCentric, which is described in more detail in Note 6 to the Company's 2002 financial statements, may be subject to consolidation under the requirements of FIN 46. The Company has not reached a conclusion on this matter however due to the technical complexities posed by the interpretation of FIN 46.

Note 2 - Inventories

Inventories consisted of the following at:

	June 30, 2003 (unaudited	December 31, 2002 (audited)
	(dollars in thousands)	

Finished Goods	$16,725	$ 16,699
Work-in-progress	21,999	18,908
Raw materials	30,048	32,236
	68,772	67,843
Less provision for LIFO method of valuation	(7,263)	(7,256)
	$61,509	$ 60,587

Note 3 - Long-Term Debt

	June 30, 2003 (unaudited)	December 31, 2002 (audited)
	(dollars in thousands)	
Revolving Loan Agreement	$3,115	$763
Note Payable	5,500	5,500
Industrial Development Bond	5,203	5,403
Other Bonds and Notes Payable	---	---
	13,818	11,666
Less Current Maturities	(9,161)	(6,775)
	$4,657	$4,891

Revolving Loan Agreement - The Company has a Revolving Loan Agreement and Letter of Credit Facility (the Agreement) with Fleet Bank. The Agreement has been amended and extended through April 30, 2004. The Agreement's terms are substantially unchanged from those described in Note 8 to the Company's 2002 Consolidated Financial Statements. The Company expects to renew the Agreement on substantially equivalent terms before its expiration. The Agreement as amended provides $50 million of unsecured revolving credit including $10 million of standby letter of credit capacity. Borrowings under the Agreement bear interest at a floating rate based on the bank's prime rate less one and three quarters percent (1.75%) or, at the discretion of the borrower, LIBOR plus a quoted market factor or, alternatively, in lieu of the prime based rate, a rate based on the overnight Federal Funds Rate. The Revolving Loan Agreement contains financial covenants, which require that the Company maintain ratios, relating to interest coverage and leverage. As a result of the addition of $12,500,000 to the Company's Environmental Litigation and Remediation Reserve in the three months ended June 30, 2003, as more fully described in Note 7 to the Condensed Consolidated Financial Statements, the Company was in technical violation of one of the aforementioned financial covenants as of June 30, 2003. The bank has agreed to waive this violation. This Agreement 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 has outstanding at June 30, 2003, $12,157,000 in standby letters of credit issued principally in connection with its commercial insurance programs.

Notes Payable - The Company has an unsecured uncommitted Demand Loan Facility with a second commercial bank, JP Morgan Chase, in the amount of $15 million under which the Company can borrow on a LIBOR basis. The facility was recently renewed through June 30, 2004. The Company's subsidiary, Met-Coil

Systems Corporation, borrowed $5.5 million from MB Financial Corporation, a commercial bank, on July 26, 2002 in connection with the settlement of an environmental litigation matter. Fleet Bank has provided a letter of credit in support of this loan. The note bears interest at Prime minus one-half percent (0.5%) and matures on September 30, 2003.

Cash paid for interest was $244,000 and $432,000 during the six months ended June 30, 2003 and 2002, 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. Collectively, the HVAC Segment's products provide heating, cooling, ventilating, or some combination thereof, for residential, commercial and/or industrial building applications.

The Metal Forming Segment, operating under the umbrella name "Formtek," is comprised of six closely related subsidiaries, 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 14 to the Company's 2002 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 (EBIT), 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 14 to the Company's 2002 Consolidated Financial Statement.

Information presented in the following tables relates to continuing operations only.

Three Months ended
June 30, 2003:
(in thousands)

	Metal	All

	HVAC	Forming	Other
Revenues from External Customers	$68,590	$18,264	$104
Segment Operating Profit (Loss)	$2,170**	$(16,447)*	($141)

* includes $16,025,000 in costs related to an environmental litigation matter, as more fully described in Note 7.

** includes $ 711,000 in Plant Shutdown expenses in accordance with FAS 146, as more fully described in Note 6.

Three Months ended
June 30, 2002:
(in thousands)

	HVAC	Metal Forming	All Other
Revenues from External Customers	$74,146	$16,382	$102
Segment Operating Profit (Loss)	$4,228**	($10,365)*	($132)

* includes $9,473,000 in costs related to the settlement of an environmental litigation matter, as more fully described in Note 7.

** restated to give effect to subsidiary stock options - see Note 5.

Six Months ended
June 30, 2003:
(in thousands)

	HVAC	Metal Forming	All Other
Revenues from External Customers	$138,691	$34,204	$219
Segment Operating Profit (Loss)	$4,978**	($17,336)*	($347)

* includes $17,238,000 in costs related to an environmental litigation matter, as more fully described in Note 7.

** includes $ 711,000 in Plant Shutdown expenses in accordance with FAS 146, as more fully described in Note 6.

Six Months ended

June 30, 2002:
(in thousands)

	HVAC	Metal Forming	All Other
Revenues from External Customers	$146,878	$32,595	$218
Segment Operating Profit (Loss)	$8,044**	($11,045)*	($257)

* includes $9,473,000 in costs related to the settlement of an environmental litigation matter, as more fully described in Note 7.

** restated to give effect to subsidiary stock options - see Note 5.

HVAC Segment Revenues by HVAC Product Group:

	Three Months ended June 30:		Six M Ju
	2003	2002	2003
	(dollars in thousands)		
Hydronics Products	$26,229	$26,454	$52,117
Air Distribution and Cooling Products	22,661	25,331	43,992
Gas and Industrial Products	19,700	22,361	42,582
Total HVAC Segment Revenues	$68,590	$74,146	$138,691

Note 5 - Stock Option Plans

On March 20, 1996, the Company adopted a stock option plan, the Mestek, Inc. 1996 Stock Option Plan, (the Plan), which provides for the granting of options to purchase 500,000 shares of the Company's common stock. The Plan provides for the awarding of incentive and non-qualified stock options to certain employees of the Company and other persons, including directors, for the purchase of the Company's common stock at fair market value on the grant date. The Plan was approved by the Company's shareholders on May 22, 1996. Options granted under the plan vest over a five-year period and expire at the end of ten years.

Effective July 1, 1996, the Company's subsidiary, Omega Flex, Inc. (Omega) adopted a stock option plan (Plan) which provides for the granting of both Incentive and Non-Qualified Stock Options (as those terms are defined in the Internal Revenue Code) of up to 200 shares of stock to certain employees of Omega for the purchase of Omega's common stock at fair market value as of the date of grant. Options to purchase an aggregate of 140 shares of the common stock of Omega, representing a 14% equity share were granted to two Omega executives effective July 1, 1996. The options vest over a five-year period commencing May 1, 1999 and ending on May 1, 2003 and expire on July 1, 2006.

None of the options granted have been exercised. Through a separate agreement, the option holders currently have a put right after exercise which allows them to sell their option shares to Omega at a figure based upon book value and Omega currently has a corresponding call option at a figure based upon of book value. In accordance with APB 25, the Company has reflected pre-tax charges to earnings of $172,000 and $117,000 for the three-month periods ended June 30, 2003 and (via restatement) June 30, 2002, respectively, and $267,000 and $219,000 for the six-month periods ended June 30, 2003 and (via restatement) June 30, 2002, respectively, for the compensation value in those periods of the options granted.

Note 6 - Plant Shutdowns

On April 9, 2003, the Company announced plans to close its Scranton, Pennsylvania (Anemostat East) manufacturing operations and relocate the products made in Scranton to several of the Company's existing facilities including those in Florence KY, Wrens GA, and the Anemostat West facility in Carson, CA. The product relocations reflect the Company's strategy of regional manufacturing to better serve air distribution customers throughout the United States. On April 8, 2003, the Company announced plans to close its Bishopville, South Carolina (King Company) manufacturing operations and relocate the products made in Bishopville to the Company's Dallas, Texas facility. The Company is accounting for the costs related to these "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). In the three month period ended June 30, 2003, the Company incurred $ 711,000 of such "exit and disposal" costs which are accounted for separately in the accompanying financial statements in accordance with FAS 146. In addition, the Company incurred $ 327,000 in incremental costs related to relocation, reinstallation etc, which costs are reflected in operating income but are not separately accounted for, as required by FAS 146. The Company participates in a Multi-employer defined benefit retirement plan in Scranton Pennsylvania. The closure of the facility in Scranton is expected to result in a withdrawal liability relative to approximately 100 employees covered under this plan which has not been quantified at this time.

Note 7 -Commitments & Contingencies

As previously disclosed, the Company is obligated as a guarantor with respect to certain debt of CareCentric, Inc. (formerly Simione Central Holdings, Inc.) to its primary commercial bank, Wainwright Bank & Trust Company, in the amount of $6 million which amount was accrued as of December 31, 2001 and remains on the Company's balance sheet as of March 31, 2003. The $6 million Wainwright credit line is secured by substantially all of CareCentric's assets. The balance outstanding under CareCentric's credit line with Wainwright Bank & Trust Company as of June 30, 2003 was $3,325,000.

The Company has been named in 55 outstanding asbestos-related products lawsuits, an increase of approximately 20 cases since the Company's March 31, 2003 Quarterly Report on Form 10-Q. All of these suits seek to establish liability against the Company as successor to companies that may have manufactured, sold or distributed products containing asbestos materials, and who are currently 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. However, the Company has never manufactured, sold or distributed any product containing asbestos materials. In addition, 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. The total requested damages of these cases are approximately $3.3 billion. Thus far, however, the Company has had 33 asbestos-related cases dismissed without any payment and it settled approximately ten asbestos-related cases for a de minimis value. Through June 30, 2003, the total costs of defending the current and previously dismissed cases have totaled less than $450,000 over a number of years.

The Company is subject to numerous laws and regulations that govern the discharge and disposal of materials into the environment. Except as described below, the Company is not aware, at present, of any material administrative or judicial proceedings against the Company arising under any federal, state or local environmental protection laws or regulations ("Environmental Laws").

Claims Alleging 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 ("Met-Coil"), and the Company directly (under various legal theories) are defendants in various actions relating to the release and presence of trichloroethylene (TCE) contamination on and in the vicinity of Lockformer's manufacturing facility in Lisle, Illinois. As disclosed in previous filings, a property damages case involving TCE contamination in a class area of approximately 185 households south of Lockformer's Lisle IL facility was settled a case in May of 2002 for approximately $10,000,000 (the "LeClercq Class Action").

As disclosed in previous filings, a class of residents of approximately 1,400 homes south of the Lockformer facility has filed a class action complaint against Mestek and its subsidiary, Met-Coil, (Mejdrech, et al. v. The Lockformer Company, filed in the United States District Court for the Northern District of Illinois, the "Mejdrech Class Action") alleging property damage by reason of contamination of soils, groundwater and in some cases private drinking water wells. Based upon the evidence currently available to them, Mestek and Met-Coil believe they have valid defenses to the above action and are therefore vigorously contesting the Mejdrech Class Action claims. The Mejdrech class has been certified and seeks damages for, among other things, diminution of property values and nuisance, as well as punitive damages. On February 11, 2003, the 7th Circuit issued an opinion affirming the certification order, but clarified that a determination of alleged damage to the individual class members was not a certified issue and would need to be determined on a case-by-case basis. The United States District Court has set a trial date of September 8, 2003, to adjudicate certain matters other than damages. The Court has set December 1, 2003, as a date for a potential trial or trials on alleged damages suffered by plaintiffs. Both Mestek and Met-Coil expect to be able to present expert testimony contesting plaintiffs' theory of contamination from the Lockformer facility and refuting allegations of significant property damages or nuisance, as well as lack of punitive conduct. Other than an allegation of damages in excess of the Federal Court diversity jurisdictional amount of $75,000, no specific demand for monetary relief has been made in the complaint.

In another action, Devane, et. al v. The Lockformer Company, 18th Judicial Circuit Court, DuPage County, IL ("Devane") a trial was concluded on July 11, 2003 involving nine plaintiffs as owners of eight residential parcels of property south of the Lockformer facility (but not included in the Mejdrech class action or in the LeClercq Class Action.) , who alleged property damage and nuisance by reason of alleged TCE contamination of their properties and drinking water wells and who sought punitive damages in addition to compensatory damages. A jury verdict in favor of the plaintiffs was obtained in the amount of

$2,368,500 of which the plaintiffs received compensatory awards totaling $368,500 against both Met-Coil and a co-defendant, Honeywell International, Inc., and a single sum of $2,000,000 of punitive damages was awarded against Met-Coil. Met-Coil has filed post-trial motions and intends to appeal certain aspects of the case, including the punitive damages award. Met-Coil has agreed to indemnify Honeywell International, Inc. for certain costs including compensatory damages and defense costs pursuant to a 1994 settlement reached regarding releases of TCE at the Lockformer facility. Mestek was dismissed on a procedural motion as a defendant in the Devane case. The consequences of the Devane trial are further discussed below.

In six separate actions, ten individual plaintiffs have filed suits against Mestek and Met-Coil (collectively, the "Defendants") alleging in each case personal injury and/or fear of future illness (and, in one case, wrongful death) related to the release of TCE into drinking water and seeking punitive damages as well. In each of these cases, TCE concentrations in alleged sources of ingestion allegedly causing illness were to the best of management's knowledge, either not detected at all (with respect to three plaintiffs) or detected in low concentrations below the maximum TCE contamination level specified by the United States Environmental Protection Agency ("EPA"). Also, in all of these cases, Defendants' discussions with scientific experts (toxicologists and physicians) have lead Defendants to the conclusion that valid defenses as to whether Defendants caused the contamination, as well as a lack of causal connection between the TCE exposure, if any, and the alleged illnesses of plaintiffs can be presented. None of these lawsuits, except for Schreiber v. The Lockformer Company, et al, described below, contain any "ad damnum" or specific damages demands in the complaints, other than to state that the amount in controversy exceeds the statutory requirement of $75,000 in the Federal court cases, and in those cases initially brought in state court, in excess of an Illinois statutory requirement of damages in excess of $50,000 to gain access to the jurisdiction of the Circuit Court of DuPage County. The case of Schreiber v. The Lockformer Company, et al, alleges compensatory damages "in excess of $1,000,000" and asks for punitive damages "in excess of $1,000,000".

The Illinois Attorney General, in an action disclosed in previous filings and brought in the Circuit Court of DuPage County, Illinois, on behalf of the State of Illinois, the Illinois Environmental Protection Agency ("IEPA") and other governmental agencies, is seeking to have Met-Coil pay for the cost of connecting approximately 175 households in the Mejdrech class action area (discussed above) to public water supplies, and pay for the State's response and investigatory costs in this action and civil penalties. No specific monetary claim for damages or relief is made in the pleadings in this action. Met-Coil is in negotiations with the Illinois Attorney General on this matter. There is insufficient information available to management at this time to provide an opinion as to the outcome of these discussions. The Company has been providing bottled water to certain households still on wells in the Mejdrech class area.

In light of the adverse experience with the compensatory and punitive damages awarded by the jury in the Devane case, management believes that a material loss in any of the above described pending cases could occur, notwithstanding scientific, medical, toxicological and appraisal evidence which management believes indicate that, with respect to the pending property damage cases, TCE from releases on the Lockformer facility has not migrated to, or had an impact on, the plaintiffs' properties in these cases, and, with respect to the pending personal injury cases, TCE from releases on the Lockformer facility is unlikely to have caused any illness or health-related problems to these plaintiffs. Precise estimation of the amount of any such material loss is impossible, due to the complexity and uncertainty of the litigation and appellate proceedings. However, with respect to all of the above described pending cases, and such other litigation as has previously been disclosed in the Company's December 31, 2002 Annual Report on Form 10-K in Part II, Item 1., Legal Proceedings, management has determined that increasing the Company's litigation reserve from $1,000,000 to $13,500,000 for currently pending proceedings is appropriate given all of the circumstances surrounding these proceedings, including the complexity of the technical, scientific, medical and toxicological aspects of the environmental cases, the unpredictability of punitive damage awards and the criteria upon which they are based and the uncertainty confronting many publicly traded corporate defendants in cases involving plaintiffs who have serious and unfortunate illness. Accordingly, the financial statements contained in this report reflect such accrual and reserve includedin the caption "Environmental Litigation/Remediation Reserves". This reserve has been established in accordance with the Company's critical accounting policies, Financial Accounting Standard #5 and Staff Accounting Bulletin #92.

As additional information and expert opinions become available to management, it may either be able to revise its estimate of the range of exposure, with appropriate revision to reserves taken, or continue to believe that no such better estimate is possible at the time.

Additionally, the management and Board of Directors of the Company's second tier subsidiary, Met-Coil, are considering multiple options including the possibility of filing a petition for bankruptcy of Met-Coil under Chapter 11 of the United States Bankruptcy Code, and have retained special restructuring counsel to advise them in this regard. These considerations are ongoing and are intended to find the best way of managing and resolving the various present or future claims related to Lisle environmental matters, however management cannot predict the outcome of any of the options presently under consideration.

In general, with respect to all of the above described pending cases, Mestek, to the extent that it is a defendant and Met-Coil believe they have valid defenses to all of the pending claims and are contesting them vigorously. However, the results of litigation are inherently unpredictable as reflected by Met-Coil's experience in the Devane case. Accordingly, it is possible, although the Company does not believe that it would be well founded, that the plaintiffs in any of the above described pending actions could obtain a verdict of liability against Met-Coil, or against Mestek, assessing significant damages (including punitive damages) materially exceeding the Company's litigation reserves, in which event such decisions, or settlements to avoid such decisions, could, individually or in the aggregate, materially adversely affect the financial position and results of operations of Met-Coil, and/or the financial position and results of operations of the Company.

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.

Met-Coil has limited insurance coverage for defense costs and liability associated with these environmental actions. To date approximately 36% of Met-Coil's total out-of-pocket costs associated with these litigations has been reimbursed by insurance carriers. This figure does not include any amounts relating to the compensatory or punitive damages awarded in the Devane case, which have not been paid as of the date of this filing and certain aspects of which are being appealed. Many of Met-Coil's insurance carriers have negotiated a complete settlement with Met-Coil and are no longer liable for payment of either defense costs or indemnification expense. While several insurers remain as potential sources of partial recovery for Met-Coil, there is no assurance that this level, or any level, of insurance contribution will be sustained or sufficient going forward. Consistent with EITF 93-5, the Company has treated insurance recoveries, whether of defense costs or in relation to indemnity obligations, on a cash basis except where settlements that are not subject to further litigation have been reached with insurance carriers as of quarter end or year end, in which cases receivables have been appropriately accrued.

Remediation -Lisle, Illinois:

Met-Coil is continuing remediation of the Lockformer facility in Lisle, IL, pursuant to a Work Plan for the site ("on-site remediation") approved by the EPA and is awaiting approval of the remedial standards to be achieved by such Work Plan from the IEPA. The IEPA has not agreed to any specific target level of remediation. As previously disclosed, the Company reserved as of December 31, 2002, $7,700,000 for on-site remediation costs in Lisle. The reserve remaining as of June 30, 2003 was $4,585,000. In light of the remaining uncertainties surrounding the effectiveness of the available remediation technologies and the future potential changes in 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 to further estimate any additional costs.

Any additional costs of remediation off of the Lisle site ("off-site remediation") are not determinable at this time and remain a contingency pending the resolution of the issue of whether Met-Coil has liability for TCE contamination beyond areas for which settlements have already been reached.

In the six month period ended June 30, 2003, Met-Coil paid $3,115,000 for on-site remediation, all of which was funded by advances from Mestek under a $4,500,000 secured term loan facility for environmental remediation.

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, and increased competition. All of these are difficult to predict, and many are beyond the ability of the Company to control.

Certain statements in this Annual 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 publicly release the result of any revisions to these forward-looking statements which may be made to reflect events or circumstance after the date hereof or to reflect the occurrence of unanticipated events, conditions or circumstances.

Critical Accounting Policies

Financial Reporting Release No. 60, released by the Securities and Exchange Commission, requires all companies to include a discussion of critical accounting policies or methods used in the preparation of financial statements. Note 1 of the Notes to the Consolidated Financial Statements includes a summary of the significant accounting policies and methods used in the preparation of our Consolidated Financial Statements. The following is a brief discussion of the Company's critical accounting policies.

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 related to revenue recognition, accounts receivable valuations, inventory valuations, goodwill valuation, intangible asset valuations, warranty costs, product liability costs, environmental reserves, investments, and accounting for income taxes. Actual amounts could differ significantly from these estimates.

Our critical accounting policies are described in more detail as follows:

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. Collection is reasonably assured.

Environmental Reserves

As discussed more fully in Note 7 to the Consolidated Financial Statements, Mestek and its subsidiary, Met-Coil Systems Corporation (Met-Coil), are defendants in various environmental litigation matters relating to alleged releases of pollutants by Met-Coil prior to its acquisition by the Company on June 3, 2000. These matters require the Company to establish estimates related to the outcome of various litigation matters as well as estimates related to soil and groundwater remediation costs, both of which are inherently judgmental and subject to change on an ongoing basis.

Investments

As discussed more fully in Note 6 to the Consolidated Financial Statements for 2002, the Company has certain investments in CareCentric, Inc. (CareCentric) which it has historically accounted for on 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 98-13, and, accordingly, adopted the cost method of accounting for its investments in CareCentric subsequent to that date.

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

As explained in more detail in Note 13 to the Consolidated Financial Statements for 2002, the Company has absorbed significantly higher levels of insurance risk subsequent to September, 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 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.

Goodwill and Intangible Assets

Effective January 1, 2002, the Company adopted the provisions of FAS No. 142, "Goodwill and Other Intangible Assets". This statement affects the Company's treatment of goodwill and other intangible assets. The statement required that goodwill existing at the date of adoption be reviewed for possible impairment and that impairment tests be periodically repeated, with impaired assets written down to fair value. Additionally, existing goodwill and intangible assets must be assessed and classified within the statement's criteria. Intangible assets with finite useful lives will continue to be amortized over those periods. Amortization of goodwill and intangible assets with indeterminable lives will cease.

The Company completed the first step of the transitional goodwill impairment test during the six months ended June 30, 2002 based on the amount of goodwill as of the beginning of fiscal year 2002, as required by FAS No. 142. The Company performed a valuation to determine the fair value of each of the reporting units. Based on the results of the first step of the transitional goodwill impairment test, the Company determined that goodwill impairment existed as of January 1, 2002, in the Company's Metal Forming segment, which the Company has determined constitutes a "reporting unit" under FAS 142. The Company completed undertaking the second step of the transitional goodwill impairment test and reported a charge for goodwill impairment as explained more fully in Note 1 to the accompanying Consolidated Financial Statements, net of a related tax benefit, of $29,334,000.

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, the Company's warranty obligation is affected by product failure rates, and repair or replacement costs incurred in correcting a product failure. Should actual product failure rates and repair or replacement costs differ from estimates based on historical experience, revisions to the estimated warranty liability may be required.

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 its 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

Three months ended June 30, 2003 vs. June 30, 2002

Total Revenues in the Company's HVAC segment decreased 7.5% during the second quarter of 2003 relative to the second quarter of 2002 due primarily to weakness in the segment's King National industrial heating products business and its air distribution products businesses and the expected impact of the manufacturing consolidations which are explained in more detail in Note 6. In the second quarter of 2003 the Company completed the consolidation of its Bishopville, South Carolina based King National industrial heating products business into the Company's Applied Air industrial products business in Dallas, Texas, and substantially completed the consolidation of its Scranton, Pennsylvania based Anemostat East air distribution products manufacturing operations into certain of the Company's existing air distribution sales, engineering and manufacturing locations. Management believes the future overhead savings from these consolidated operations will allow the King National and Anemostat franchises to operate more competitively in furtherance of the Company's plan to support and rebuild these established HVAC businesses. During the three months ended June 30, 2003, however, the HVAC segment incurred incremental expenses associated with these shutdown and relocation activities totaling $1,038,000 of which $711,000 represented costs eligible for "separate line treatment" under FAS 146, Accounting for Costs Associated With Exit or Disposal Activities, which are accounted for accordingly in the accompanying Financial Statements. The Company continues to focus its efforts on overhead reduction in all areas in order to adapt to present conditions in the HVAC industry.

As a result of the reduced revenues and plant shutdown and relocation activities undertaken in the quarter ended June 30, 2003, operating income for this segment, excluding $711,000 in Plant Shutdown expenses which are discussed in more detail in Note 6, was reduced from $4,228,000 in the second quarter of 2002 to $2,881,000 in the second quarter of 2003.

Total Revenues in the Company's Metal Forming segment increased by 11.5% during the second quarter of 2003 relative to the second quarter of 2002, reflecting improved market penetration as a result of continuing efforts to integrate the complimentary franchises in the segment. A cyclical downturn in demand for the segment products which began in 2001 has been exacerbated by the events of September 11, 2001. 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, will allow it to maintain and expand its core competencies, positioning this segment very well for the next cyclical upturn in the machine tool industry. Operating loss for the segment for the quarter, excluding environmental charges of $16,025,000 in the quarter ended June 30, 2003 and $9,473,000 in the quarter ended June 30, 2002, related to a matter discussed in more detail below in Commitments and Contingencies, improved from a loss of $892,000 in the quarter ended June 30, 2002 to a loss of $422,000 in the quarter ended June 30, 2003, reflecting increased revenues and the effect of the segment's ongoing efforts to rationalize overhead at all levels in the face of the cyclical downturn in the demand for machine tools.

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 component parts for use in its North American factories, and assembling subcomponents on a limited basis, with ultimate plans to manufacture and sell products in Asian markets and throughout the world. The company expects to invest approximately $750,000 prior to the end of 2004 to provide infrastructure and support for these initiatives. Operating income in the quarter ended June 30, 2003 for the Metal Forming segment included $132,000 in expenses related to these plans. It is unclear what, if any, effect the recent SARS (severe acute respiratory syndrome) epidemic will have on the Company's plans in this regard.

For the Company as a whole, Sales, General and Administrative, and Engineering costs, taken together as a percentage of Total Revenues, were relatively unchanged at 25.6%.

Operating income for the second quarter of 2003 for the Company as a whole, excluding the aforementioned environmental charges of $16,025,000 in 2003 and $9,473,000 in 2002 and the Plant Shutdown expenses of $711,000 in 2003 was reduced from $3,204,000 in the second quarter of 2002 to $2,318,000 in the second quarter of 2003 reflecting the various factors mentioned above.

Income Tax Benefit, as a percentage of pretax loss, increased from 33.3% in the three months ended June 30, 2002 to 34.9% in the three months ended June 30, 2003 reflecting in both cases the effect of minimum taxes in certain states which diminish the effective rate associated with the income tax benefits recorded in relation to tax losses.

The Company's total debt (long-term debt plus current portion of long-term debt) increased slightly in the second quarter of 2003 from $10,822,000 at March 31, 2003 to $13,818,000 at June 30, 2003, reflecting principally the effect of seasonally increased investments in accounts receivable. Environmental Charges, as more fully explained in Note 7, included $12,500,000 in additional litigation reserves not requiring the utilization of cash during the quarter ended June 30, 2003. Subject to the matters described in Commitments & Contingencies below, management regards the Company's current capital structure and banking relationships as fully adequate to meet foreseeable future needs. The Company has not paid dividends on its common stock since 1979. The Company remains relatively modestly leveraged with a debt to equity ratio of approximately 10% as of June 30, 2003.

Six months ended June 30, 2003 vs. June 30, 2002

Total Revenues in the Company's HVAC segment decreased 6.9% during the six month period ended June 30, 2003 relative to the comparable period in 2002 due primarily to weakness in the segment's King National industrial heating products business and its air distribution products businesses and the expected impact of the manufacturing consolidation which are explained in more detail in Note 6. In the second quarter of 2003 the Company completed the consolidation of its Bishopville, South Carolina based King National industrial heating products business into the Company's Applied Air industrial products business in Dallas, Texas, and substantially completed the consolidation of its Scranton, Pennsylvania based Anemostat East air distribution products manufacturing operations into certain of the Company's existing air distribution sales, engineering and manufacturing locations. Management believes the future overhead savings from these consolidated operations will allow the King National and Anemostat franchises to operate more competitively in furtherance of the Company's plan to support and rebuild these established HVAC businesses. During the six months ended June 30, 2003, however, the HVAC segment incurred incremental expenses associated with these shutdown and relocation activities totaling $1,038,000 of which $711,000 represented costs eligible for "separate line treatment" under FAS 146, Accounting for Costs Associated With Exit or Disposal Activities, which are accounted for accordingly in the accompanying Financial Statements. The Company continues to focus its efforts on overhead reduction in all areas in order to adapt to present conditions in the HVAC industry.

As a result of the reduced revenues and plant shutdown and relocation activities undertaken in the six-month ended June 30, 2003, operating income for this segment, excluding $711,000 Plant Shutdown expenses which are discussed in more detail in Note 6, was reduced from $8,044,000 in the six-month period ended June 30, 2002 to $5,689,000 in the six-month ended June 30, 2003.

Total Revenues in the Company's Metal Forming segment increased by 4.5% during the six-month ended June 30, 2003 relative to the comparable six-month ended June 30, 2002, reflecting improved market penetration as a result of continuing efforts to integrate the complimentary franchises in the segment. A cyclical downturn in demand for the segment products which began in 2001 has been exacerbated by the events of September 11, 2001. 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, will allow it to maintain and expand its core competencies, positioning this segment very well for the next cyclical upturn in the machine tool industry. Operating (loss) for the segment for the quarter, excluding environmental charges of $17,238,000 in the 2003 period and $9,473,000 in the 2002 period, related to a matter discussed in more detail below in Commitments and Contingencies, improved from a (loss) of ($1,572,000) in the six-months ended June 30, 2002 to a (loss) of ($98,000) in the six-month ended June 30, 2003, reflecting increased revenues and the effect of the segment's ongoing efforts to rationalize overhead at all levels in the face of the cyclical downturn in the demand for machine tools.

The loss in the six-month period ended June 30, 2003 for the Metal Forming segment also accounts for expenses associated with the following strategic initiatives under the business plan intended to better serve customers and build business for the next capital goods upturn:

a) the opening of a sales/marketing office in Itasca responsible for coordinating Formtek marketing (advertising and trade shows, market management for selected markets, common sales tools, customer relationship management, website management and financing tools), International sales and marketing and product development, a net spending of $781,000 through June 30, 2003.

b) The establishment of Iowa Rebuilders, Inc. (IRI) to take trade-ins of IPI equipment to facilitate sales of new IPI equipment and to refurbish and re-build Rowe cut-to-length lines, all IPI equipment and certain competitive equipment, a net loss of $73,000 through June 30.

c) The establishment of Formtek Metalforming Integration, Inc. (FMI) to buy, sell, repair, refurbish and factory re-build forming, fabricating and coiled metal processing equipment not handled by IRI focusing on Formtek brands, to manage the operational needs of Axon Electric (the company's electrical distribution and electrical panel-building operation) and to provide an additional factory floor for the integration of metal forming systems utilizing multiple Formtek brands, a net loss of $91,000 through June 30.

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 component parts for use in its North American factories, and assembling subcomponents on a limited basis, with ultimate plans to manufacture and sell products in Asian markets and throughout the world. The company expects to invest approximately $750,000 prior to the end of 2004 to provide infrastructure and support for these initiatives. Operating income in the six-months period ended June 30, 2003 included $223,000 in expenses related to these plans. It is unclear what, if any, effect the recent SARS (severe acute respiratory syndrome) epidemic will have on the Company's plans in this regard.

For the Company as a whole, Sales, General and Administrative, and Engineering costs, taken together as a percentage of Total Revenues, increased from 25.2% to 25.6% despite dropping in absolute terms by $1,048,000, or 2.3%, reflecting the effect of reduced revenues.

Operating income for the six-month period ended June 30, 2003 for the Company as a whole, excluding the aforementioned environmental charges of $17,238,000 in 2003 and $9,473,000 in 2002, and Plant Shutdown expenses of $711,000 in 2003, was reduced from $6,215,000in the comparable period in 2002 to $5,244,000 in 2003.

Income Tax Expense (Benefit), as a percentage of pretax income (loss), increased from 29.7% in the six-month period ended June 30, 2002 to 33.9% in the six-month period ended June 30, 2003, due principally in both cases to the effect of minimum taxes in certain states which diminish the effective rate associated with the income tax benefit recorded in relation to tax losses.

The Company's total debt (long-term debt plus current portion of long-term debt) increased in the six-month period ended June 30 of 2003 from $11,666,000 at December 31, 2002 to $13,818,000, at June 30, 2003 reflecting principally the effect of net reductions in Accrued Compensation and Other liabilities. Environmental Charges, as more fully explained in Note 7, included $12,500,000 in additional litigation reserves not requiring cash in the six-month ended June 30, 2003. Subject to the matters described in Commitments & Contingencies below, management regards the Company's current capital structure and banking relationships as fully adequate to meet foreseeable future needs. The Company has not paid dividends on its common stock since 1979. The Company remains relatively modestly leveraged with a debt to equity ratio of approximately 10% as of June 30, 2003.

Commitments & Contingencies

As previously disclosed, the Company is obligated as a guarantor with respect to certain debt of CareCentric, Inc. (formerly Simione Central Holdings, Inc.) to its primary commercial bank, Wainwright Bank & Trust Company, in the amount of $6 million which amount was accrued as of December 31, 2001 and remains on the Company's balance sheet as of March 31, 2003. The $6 million Wainwright credit line is secured by substantially all of CareCentric's assets. The balance outstanding under CareCentric's credit line with Wainwright Bank & Trust Company as of June 30, 2003 was $3,325,000.

The Company has been named in 55 outstanding asbestos-related products lawsuits, an increase of approximately 20 cases since the Company's March 31, 2003 Quarterly Report on Form 10-Q. All of these suits seek to establish liability against the Company as successor to companies that may have manufactured, sold or distributed products containing asbestos materials, and who are currently 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. However, the Company has never manufactured, sold or distributed any product containing asbestos materials. In addition, 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. The total requested damages of these cases are approximately $3.3 billion. Thus far, however, the Company has had 33 asbestos-related cases dismissed without any payment and it settled approximately ten asbestos-related cases for a de minimis value. Through June 30, 2003, the total costs of defending the current and previously dismissed cases have totaled less than $450,000 over a number of years.

The Company is subject to numerous laws and regulations that govern the discharge and disposal of materials into the environment. Except as described below, the Company is not aware, at present, of any material administrative or judicial proceedings against the Company arising under any federal, state or local environmental protection laws or regulations ("Environmental Laws").

Claims Alleging 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 ("Met-Coil"), and the Company directly (under various legal theories) are defendants in various actions relating to the release and presence of trichloroethylene (TCE) contamination on and in the vicinity of Lockformer's manufacturing facility in Lisle, Illinois. As disclosed in previous filings, a property damages case involving TCE contamination in a class area of approximately 185 households south of Lockformer's Lisle IL facility was settled a case in May of 2002 for approximately $10,000,000 (the "LeClercq Class Action").

As disclosed in previous filings, a class of residents of approximately 1,400 homes south of the Lockformer facility has filed a class action complaint against Mestek and its subsidiary, Met-Coil, (Mejdrech, et al. v. The Lockformer Company, filed in the United States District Court for the Northern District of Illinois, the "Mejdrech Class Action") alleging property damage by reason of contamination of soils, groundwater and in some cases private drinking water wells. Based upon the evidence currently available to them, Mestek and Met-Coil believe they have valid defenses to the above action and are therefore vigorously contesting the Mejdrech Class Action claims. The Mejdrech class has been certified and seeks damages for, among other things, diminution of property values and nuisance, as well as punitive damages. On February 11, 2003, the 7th Circuit issued an opinion affirming the certification order, but clarified that a determination of alleged damage to the individual class members was not a certified issue and would need to be determined on a case-by-case basis. The United States District Court has set a trial date of September 8, 2003, to adjudicate certain matters other than damages. The Court has set December 1, 2003, as a date for a potential trial or trials on alleged damages suffered by plaintiffs. Both Mestek and Met-Coil expect to be able to present expert testimony contesting plaintiffs' theory of contamination from the Lockformer facility and refuting allegations of significant property damages or nuisance, as well as lack of punitive conduct. Other than an allegation of damages in excess of the Federal Court diversity jurisdictional amount of $75,000, no specific demand for monetary relief has been made in the complaint.

In another action, Devane, et. al v. The Lockformer Company, 18th Judicial Circuit Court, DuPage County, IL ("Devane") a trial was concluded on July 11, 2003 involving nine plaintiffs as owners of eight residential parcels of property south of the Lockformer facility (but not included in the Mejdrech class action or in the LeClercq Class Action.) , who alleged property damage and nuisance by reason of alleged TCE contamination of their properties and drinking water wells and who sought punitive damages in addition to compensatory damages. A jury verdict in favor of the plaintiffs was obtained in the amount of $2,368,500 of which the plaintiffs received compensatory awards totaling $368,500 against both Met-Coil and a co-defendant, Honeywell International, Inc., and a single sum of $2,000,000 of punitive damages was awarded against Met-Coil. Met-Coil has filed post-trial motions and intends to appeal certain aspects of the case, including the punitive damages award. Met-Coil has agreed to indemnify Honeywell International, Inc. for certain costs including compensatory damages and defense costs pursuant to a 1994 settlement reached regarding releases of TCE at the Lockformer facility. Mestek was not named dismissed on a procedural motion as a defendant in the Devane case. The consequences of the Devane trial are further discussed below.

In six separate actions, ten individual plaintiffs have filed suits against Mestek and Met-Coil (collectively, the "Defendants") alleging in each case personal injury and/or fear of future illness (and, in one case, wrongful death) related to the release of TCE into drinking water and seeking punitive damages as well. In each of these cases, TCE concentrations in alleged sources of ingestion allegedly causing illness were to the best of management's knowledge, either not detected at all (with respect to three plaintiffs) or detected in low concentrations below the maximum TCE contamination level specified by the United States Environmental Protection Agency ("EPA"). Also, in all of these cases, Defendants' discussions with scientific experts (toxicologists and physicians) have lead Defendants to the conclusion that valid defenses as to whether Defendants caused the contamination, as well as a lack of causal connection between the TCE exposure, if any, and the alleged illnesses of plaintiffs can be presented. None of these lawsuits, except for Schreiber v. The Lockformer Company, et al, described below, contain any "ad damnum" or specific damages demands in the complaints, other than to state that the amount in controversy exceeds the statutory requirement of $75,000 in the Federal court cases, and in those cases initially brought in state court, in excess of an Illinois statutory requirement of damages in excess of $50,000 to gain access to the jurisdiction of the Circuit Court of DuPage County. The case of Schreiber v. The Lockformer Company, et al, alleges compensatory damages "in excess of $1,000,000" and asks for punitive damages "in excess of $1,000,000".

The Illinois Attorney General, in an action disclosed in previous filings and brought in the Circuit Court of DuPage County, Illinois, on behalf of the State of Illinois, the Illinois Environmental Protection Agency ("IEPA") and other governmental agencies, is seeking to have Met-Coil pay for the cost of connecting approximately 175 households in the Mejdrech class action area (discussed above) to public water supplies, and pay for the State's response and investigatory costs in this action and civil penalties. No specific monetary claim for damages or relief is made in the pleadings in this action. Met-Coil is in negotiations with the Illinois Attorney General on this matter. There is insufficient information available to management at this time to provide an opinion as to the outcome of these discussions. The Company has been providing bottled water to certain households still on wells in the Mejdrech class area.

In light of the adverse experience with the compensatory and punitive damages awarded by the jury in the Devane case, management believes that a material loss in any of the above described pending cases could occur, notwithstanding scientific, medical, toxicological and appraisal evidence which management believes indicate that, with respect to the pending property damage cases, TCE from releases on the Lockformer facility has not migrated to, or had an impact on, the plaintiffs' properties in these cases, and, with respect to the pending personal injury cases, TCE from releases on the Lockformer facility is unlikely to have caused any illness or health-related problems to these plaintiffs. Precise estimation of the amount of any such material loss is impossible, due to the complexity and uncertainty of the litigation and appellate proceedings. However, with respect to all of the above described pending cases, and such other litigation as has previously been disclosed in the Company's December 31, 2002 Annual Report on Form 10-K in Part II, Item 1., Legal Proceedings, management has determined that increasing the Company's litigation reserve from $1,000,000 to $13,500,000 for currently pending proceedings is appropriate given all of the circumstances surrounding these proceedings, including the complexity of the technical, scientific, medical and toxicological aspects of the environmental cases, the unpredictability of punitive damage awards and the criteria upon which they are based and the uncertainty confronting many publicly traded corporate defendants in cases involving plaintiffs who have serious and unfortunate illness. Accordingly, the financial statements contained in this report reflect such accrual and reserve included in the caption "Environmental Litigation/Remediation Reserves". This reserve has been established in accordance with the Company's critical accounting policies, Financial Accounting Standard #5 and Staff Accounting Bulletin #92.

As additional information and expert opinions become available to management, it may either be able to revise its estimate of the range of exposure, with appropriate revision to reserves taken, or continue to believe that no such better estimate is possible at the time.

Additionally, the management and Board of Directors of the Company's second tier subsidiary, Met-Coil, are considering multiple options including the possibility of filing a petition for bankruptcy of Met-Coil under Chapter 11 of the United States Bankruptcy Code, and have retained special restructuring counsel to advise them in this regard. These considerations are ongoing and are intended to find the best way of managing and resolving the various present or future claims related to Lisle environmental matters, however management cannot predict the outcome of any of the options presently under consideration.

In general, with respect to all of the above described pending cases, Mestek, to the extent that it is a defendant and Met-Coil believe they have valid defenses to all of the pending claims and are contesting them vigorously. However, the results of litigation are inherently unpredictable as reflected by Met-Coil's experience in the Devane case. Accordingly, it is possible, although the Company does not believe that it would be well founded, that the plaintiffs in any of the above described pending actions could obtain a verdict of liability against Met-Coil, or against Mestek, assessing significant damages (including punitive damages) materially exceeding the Company's litigation reserves, in which event such decisions, or settlements to avoid such decisions, could, individually or in the aggregate, materially adversely affect the financial position and results of operations of Met-Coil, and/or the financial position and results of operations of the Company.

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.

Met-Coil has limited insurance coverage for defense costs and liability associated with these environmental actions. To date approximately 36% of Met-Coil's total out-of-pocket costs associated with these litigations has been reimbursed by insurance carriers. This figure does not include any amounts relating to the compensatory or punitive damages awarded in the Devane case, which have not been paid as of the date of this filing and certain aspects of which are being appealed. Many of Met-Coil's insurance carriers have negotiated a complete settlement with Met-Coil and are no longer liable for payment of either defense costs or indemnification expense. While several insurers remain as potential sources of partial recovery for Met-Coil, there is no assurance that this level, or any level, of insurance contribution will be sustained or sufficient going forward. Consistent with EITF 93-5, the Company has treated insurance recoveries, whether of defense costs or in relation to indemnity obligations, on a cash basis except where settlements that are not subject to further litigation have been reached with insurance carriers as of quarter end or year end, in which cases receivables have been appropriately accrued.

Remediation -Lisle, Illinois:

Met-Coil is continuing remediation of the Lockformer facility in Lisle, IL, pursuant to a Work Plan for the site ("on-site remediation") approved by the EPA and is awaiting approval of the remedial standards to be achieved by such Work Plan from the IEPA. The IEPA has not agreed to any specific target level of remediation. As previously disclosed, the Company reserved as of December 31, 2002, $7,700,000 for on-site remediation costs in Lisle. The reserve remaining as of June 30, 2003 was $4,585,000. In light of the remaining uncertainties surrounding the effectiveness of the available remediation technologies and the future potential changes in 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 to further estimate any additional costs.

Any additional costs of remediation off of the Lisle site ("off-site remediation") are not determinable at this time and remain a contingency pending the resolution of the issue of whether Met-Coil has liability for TCE contamination beyond areas for which settlements have already been reached.

In the six month period ended June 30, 2003, Met-Coil paid $3,115,000 for on-site remediation, all of which was funded by advances from Mestek under a $4,500,000 secured term loan facility for environmental remediation.

Item 3. - Quantitative and Qualitative Information about Market Risks

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 2002, and 2003 to date, and strong institutional activity helped prevent what might otherwise have been a more pronounced recessionary effect. Significant increases in interest rates or reductions in construction activity in future periods, however, could 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. 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 effected in recessionary periods. The level of manufacturing activity in the automotive, steel processing, metal furniture, and stamping industries, are 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 was significantly affected by events of September 11, 2001 and the continuing downturn in capital spending, especially in the manufacturing sector.

Credit Availability--Although interest rates trended lower in 2002, and 2003 to date, reflecting the Federal Reserve's monetary policy during this period, credit availability has, reportedly, somewhat tightened for marginal business borrowers. As the Company's customer base includes many small to medium sized business, a further credit tightening through the commercial banking system could be expected, at some point, to adversely effect the Company's sales, as was the case in the "credit crunch" of 1990-1991.

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 effect the Company's results of operations and/or financial position in the future.

Environmental Laws Affecting Operations and Product Design--The Company's operations and its HVAC products that involve combustion as currently designed and applied entail the risk of future noncompliance with the evolving landscape of Environmental Laws. The cost of complying with the various Environmental Laws 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, will not over the long-term and in the future have a material adverse effect 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 effect the Company's results of operation and financial position.

Globalization - The continuing relocation of manufacturing activity to relatively lower wage countries may over time adversely affect the Company's Metal Forming segment, which makes equipment used in manufacturing operations, and which has well established distribution systems in the United States but less well developed distributions systems in other countries. The Company's HVAC and Metal Forming segments are also subject to ongoing competitive pressures in the domestic marketplace from manufacturers of HVAC and Metal Forming equipment in such lower wage countries. The Company is fully cognizant in this regard of the need to expand its worldwide distribution and manufacturing capabilities.

Purchasing Practices--It has been the Company's policy in recent years for high value commodities to aggregate volumes with a sole source 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--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. Management believes at present that it has adequate sources of supply for its raw materials and components (subject to the "sole source" risks described above under Purchasing Practices) and has 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.

Commodity Risks--The purchase raw material commodities and is at risk for fluctuations in the market price of those commodities. In connection with the purchase of major commodities, principally copper 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 two commodities are conducted in the cash 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 market transactions are executed at the Company's discretion and at 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

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 affect on the Company's financial statements taken as a whole.

Item 4 - Controls and Procedures

Under SEC Rule 13a-15(e), "disclosure controls and procedures" means controls and other procedures that are designed to ensure that information required to be disclosed by our company in the reports that it files with the SEC is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by our company in the reports that it files with the SEC is accumulated and communicated to our Senior Management as appropriate to allow timely decisions regarding required disclosure.

The Company established a Disclosure Committee comprised of its Senior Management. The Disclosure Committee on a quarterly basis reviews written sub-attestations obtained from key financial and operating personnel, consults with outside technical advisers as needed, and meets with the Company's CEO, among other steps.

Our disclosure controls and procedures do not provide absolute assurance that all deficiencies in design or operation of these control systems, or all instances of errors or fraud, will be prevented or detected. These control systems are designed to provide reasonable assurance of achieving the goals of these systems in light of our resources and nature of our business operations. These control systems remain subject to risks of human error and the risk that controls can be circumvented for wrongful purposes by one or more individuals in management or non-management positions.

Based on their evaluation, as of the end of the period covered by this Form 10-Q, our company's Chief Executive Officer and Chief Financial Officer have concluded that our company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) are effective to provide reasonable assurance of achieving the purposes described in Rule 13a-15(e).

In connection with the evaluation described above, we identified no change in our internal control over financial reporting that occurred during our fiscal quarter ended June 30, 2003, and that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1 - Legal Proceedings

There have been no material changes in the matters previously identified under Item 2, Legal Proceedings in the Company's Form 10-K for 2002 except as follows. See Part I to this Form 10 Q, Management's Discussion and Analysis, and Note 7 to these Condensed Consolidated Financial Statements for a discussion of material contingencies.

Item 4 - Submission of Matters to a Vote of Security Holders

The Company held its Annual Meeting of Shareholders on June 3, 2003. Certain matters voted upon at the meeting and the votes cast with respect to such matter are as follows:

Election of Directors

	Votes Received	Votes Withheld
William J. Coad	7,344,851	34,325
Edward J. Trainor	7,334,851	34,325
Winston R. Hindle, Jr.	7,344,851	34,325
David W. Hunter	7,344,692	34,484
David M. Kelly	7,344,851	34,325
George F. King	7,344,602	34,574
John E. Reed	7,344,851	34,325
Stewart B. Reed	7,344,851	34,325

Ratification of appointment of independent auditors for 2003

The shareholders voted to affirm the appointment of Grant Thornton LLP as independent auditors for the Company for the fiscal year ending December 31, 2003.

For	Against	Abstain	Broker Non-Votes

7,360,867	15,155	3,254	0

Item 6 - Exhibits and Reports on Form 8-K

(a) Exhibit 11.1 Statement of Computation of Per Share Earnings

(b) Exhibit 31.1 Rule 13a-14(a)/15(d)-14(a) Certification of Chief Executive Officer

(c) Exhibit 31.2 Rule 13a-14(a)/15(d)-14(a) Certification of Chief Financial Officer

(d) Exhibit 32.1 18 U.S.C. Section 1350 Certification of Chief Executive Officer

(e) Exhibit 32.2 18 U.S.C. Section 1350 Certification of Chief Financial Officer

(f) On July 14, 2003 the Company filed a Report on Form 8-K relating to jury verdicts reached on Friday, July 11, 2003 in connection with the matters collectively referred to as Devane, et al. v. The Lockformer Company, et al. - Case No. 01 L 377 in the 18th Judicial Circuit Court in DuPage County, Illinois, as described in Note 7 of the accompanying Financial Statements in Part I, Item 1 of this Report.

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: August 14, 2003

By: /S/ Stephen M. Shea
Stephen M. Shea, Senior Vice President - Finance and CFO (Chief Financial Officer)

Exhibit 11.1

MESTEK, INC.

SCHEDULE OF COMPUTATION OF EARNINGS PER COMMON SHARE

	Three Months Ended June 30, 2003	2002 *	S 200
	(Dollars in thousands, except earnings		
Loss Before Cumulative Effect			
of a Change in Accounting Principle	(9,509)	(4,481)	(8,667)
Cumulative Effect of a Change in Accounting Principle	---	---	----
Net Loss	($ 9,509)	($ 4,481)	($ 8,667)
Basic and Diluted Loss Per Common Share:			
Loss Before Cumulative Effect			
of a Change in Accounting Principle	($ 1.09)	($ 0.51)	($ 0.99)
Cumulative Effect of a Change in Accounting Principle	---	---	----
Net Loss	($ 1.09)	($ 0.51)	($ 0.99)
Basic and Diluted Weighted Average Shares Outstanding	8,722	8,722	8,722

* restated to give effect to 2002 goodwill impairment as of January 1, 2002 (See Note 1) and to give effect in 2002 to subsidiary stock options (See Note 5).

Exhibit 31.1

Certification Pursuant to Section 302

of the Sarbanes-Oxley Act of 2002

for the Chief Executive Officer

I, John E. Reed, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mestek, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 14, 2003

By: /s/John E. Reed
Name: John E. Reed
Title: Chief Executive Officer

Exhibit 31.2

Certification Pursuant to Section 302

of the Sarbanes-Oxley Act of 2002

for the Chief Financial Officer

I, Stephen M. Shea, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mestek, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial

information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 14, 2003

By: /s/Stephen M. Shea
Name: Stephen M. Shea
Title: Chief Financial Officer

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Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Mestek, Inc. (the "Corporation") on Form 10-Q for the period ending June 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John E. Reed, Chief Executive Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Corporation.

Date: August 14, 2003

By: /s/John E. Reed
Name: John E. Reed
Title: Chief Executive Officer

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Mestek, Inc. (the "Corporation") on Form 10-Q for the period ending June 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephen M. Shea, Chief Financial Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Corporation.

Date: August 14, 2003

By: /s/Stephen M. Shea
Name: Stephen M. Shea
Title: Chief Financial Officer