

THIRD QUARTER REPORT
TO SHAREHOLDERS

For the quarter ended
September 30, 2014

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Fellow Shareholders,

Third quarter HVAC sales increased 6% compared to 2013; and third quarter machinery sales increased 3%. HVAC operating margins improved modestly to 10.0% while machinery margins declined markedly to 6.5% from 11.4% last year, resulting in an overall operating margin decline of 1.1%, from 10.3% to 9.2%. Therefore, despite a 5% revenue increase for the quarter, after tax net income declined by $500,000, resulting in earnings of $.71 per share versus $.77 last year. Machinery profits during the 2013 quarter were unusually large, and clearly unsustainable. Quarterly machinery profits will usually be volatile from one quarter to the next; and strict revenue recognition accounting principles add to the volatility.

HVAC and machinery backlogs are up substantially, HVAC by 33.5% to $38 million and machinery by 63% to $32 million. Longer dated projects in the backlog will not ship until 2015 which affects machinery more than HVAC. Nevertheless, backlogs are healthy throughout most of Mestek, although several larger machinery orders have been secured at lower margins than we would prefer. In general, business conditions in the markets we serve are improving, not yet robust, but better than ever since the onset of the recent great recession in our industries.

Sales and marketing expenses, and engineering expenses, have increased considerably during 2014. The reasons include adding experienced and talented people, an objective we strive for every day. Organic growth and the addition of skilled people go hand in hand, especially for new product development and market penetration. These people represent a reasonable cost yet important investment in our future. Organic growth is almost always more cost effective than acquisitions. Other reasons include a new state of the art laboratory, increased advertising, and higher sales commissions due to the product mix. I believe the money is mostly well spent.

Mestek's new 100,000 square foot manufacturing plant is now operational in Hebei Province, China, not far from Beijing. This investment in land and buildings, costing roughly $5 million, represents a major commitment to our worldwide duct making machinery business, and to HVAC tunnel dampers for the Asian market as well. We are well positioned for growth in growing international markets. Competition in both product lines is capable, but somewhat limited in number.

We recently purchased a 59,000 square foot manufacturing plant in Laceyville, PA, six miles from our Wyalusing, PA damper and louver plant. We are consolidating commercial market production there to assure quality and improve efficiencies. We have purchased automated machinery to streamline the manufacturing process. The management team and work ethic at that location have proven to be exceptional.

CAPEX will exceed accounting depreciation this year, but not by an excessive amount given our new manufacturing facility in China. In the future, normalized CAPEX is likely to approximately equal depreciation assuming a moderate growth and a low inflation environment, not a given. Several locations are at or approaching capacity, requiring additional equipment and tooling, which can be accommodated within depreciation expense. If we add bricks & mortar, new buildings which are more preferable to own rather than to lease, then CAPEX may temporarily exceed depreciation by $2 million to $5 million total as a one-off CAPEX commitment during the next two years. All of these investments are carefully evaluated by management; I've never been regarded as a soft touch. Still, when profitable growth opportunities are available we must be ready to promptly commit people and financial resources.

Mestek has made progress this year. We have added talented and experienced people, and longer term employees are more seasoned. We have improved plant, machinery & equipment, and tooling as well as increased manufacturing capacity. We continue to build new and nourish existing manufacturers' representative and customer relationships. We have developed, and are developing, new high efficiency products to introduce and actively market next year. We are becoming a better company step by step.

I greatly appreciate your patience, loyalty, and support as the owners of this enterprise. As always, we share a common bond; I have a substantial equity investment in our enterprise too, together with you my partners.

With kind regards,

Stewart B. Reed
Chairman & CEO

MESTEK, INC.

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	(Dollars in Thousands)			
	2014	**2013**	**2014**	**2013**
Net Sales	$ 92,593	$ 88,039	$ 252,129	$ 242,486
Cost of Goods Sold	62,201	59,293	171,664	167,736
Gross Profit	30,392	28,746	80,465	74,750
Selling Expense	11,551	9,867	31,510	28,406
General and Administrative Expense	7,062	7,024	19,483	19,056
Engineering Expense	3,241	2,754	9,049	8,136
(Gain) Loss on Sale of Property and Equipment	(13)	18	40	9
Operating Profit	8,551	9,083	20,383	19,143
Interest Income (Expense) - net	(13)	(31)	(100)	(40)
Other Income (Expense) - net	237	267	388	171
Income (Loss) Before Income Taxes	8,775	9,319	20,671	19,274
Income Tax Expense	3,473	3,511	8,056	7,425
Net Income	5,302	5,808	12,615	11,849
Less : Net Income (Loss) - Non-controlling Interests	(33)	7	36	20
Net Income Attributable to Mestek, Inc.	$ 5,335	$ 5,801	$ 12,579	$ 11,829
Basic and Diluted Earnings Per Common Share	$ 0.71	$ 0.77	$ 1.68	$ 1.57
Basic and Diluted Weighted Average Shares Outstanding	7,491	7,491	7,491	7,491

MESTEK, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	(Dollars in Thousands)	
	September 2014	December 31, 2013
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 41,541	$ 36,108
Accounts Receivable - less allowances of $5,079 and $5,161, respectively	56,586	45,681
Inventories - net	45,054	40,008
Deferred Tax Assets	3,264	3,264
Other Current Assets	10,171	8,089
Total Current Assets	156,616	133,150
Property and Equipment - net	42,156	41,709
Property Held for Sale	1,957	2,707
Deferred Tax Assets	2,514	6,971
Other Assets - net	3,894	3,947
Goodwill	25,185	25,233
Total Assets	$ 232,322	$ 213,717
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Current Portion of Long Term Debt	$ 175	$ 175
Accounts Payable	13,428	12,335
Accrued Payroll and Related Expenses	16,339	15,583
Customer Deposits	13,609	8,472
Current Portion of Environmental Reserves	105	420
Warranty Reserve	3,339	3,299
Other Accrued Liabilities	15,758	15,775
Total Current Liabilities	62,753	56,059
Environmental Reserves - long term	7,911	8,046
Long-Term Debt	10,171	10,360
Other Liabilities	977	1,042
Total Liabilities	81,812	75,507
SHAREHOLDERS' EQUITY		
Controlling Interest:		
Common Stock, no par, stated value $0.05 per share,		
20,000,000 shares authorized 8,368,726 shares issued	417	417
Paid in Capital	4,924	4,924
Retained Earnings	153,838	141,259
Treasury Shares, at cost (878,010 common shares)	(11,293)	(11,293)
Accumulated Other Comprehensive Income	921	1,237
Total Mestek, Inc. Shareholders' Equity	148,807	136,544
Non-controlling Interest	1,703	1,666
Total Shareholders' Equity	150,510	138,210
Total Liabilities and Shareholders' Equity	$ 232,322	$ 213,717