MESTEK, INC.

SECOND QUARTER REPORT
TO SHAREHOLDERS

For the quarter ended
June 30, 2017

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August 2017

Fellow Shareholders,

"The lifeblood of most manufacturing companies is great new products." Kevin Hoben, CEO of OmegaFlex. Mestek is no exception; without new products we are eating our seed corn. Establishing the right R&D and new product development priorities; assembling the right talented, dedicated, and effective teams; and devoting adequate financial resources to this quest will have a profound effect on the future value of your company.

New product development today includes software development. We are engaged in a software development race with our competitors, and other manufacturers of non-competitive product lines sold by our independent sales agencies, to be the easiest company to do business with. We must strive endlessly to create the best customer-centric software for applying, pricing, and submitting our products for each project opportunity to simplify the process, and to provide minimum latency.

In addition, more focused control systems designed for specific applications of our products are part of new product development, and an important competitive advantage in some instances. Mestek is somewhat unique among our direct HVAC competitors because we design controls software and manufacture the controls for some of our products. Mestek Technologies (MTI) is a fully integrated industry leader in this endeavor.

I cannot overstate the importance of this business challenge and opportunity for Mestek; quarterly or annual profit increments, up or down, pale in comparison. And, fortunately for our company, financial considerations are not the limiting factor. Locating, attracting, and retaining highly talented and effective people is the perpetual goal. I'm happy to report that we continue to make progress, adding the right people, and culling questionable and poorly conceived project priorities. Organic growth is hard work undertaken by dedicated people; yet it is usually more satisfying long term for employees and shareholders than paying inflated prices for acquisitions. I hasten to add that Mestek will gladly pay equitable prices for quality businesses that fit strategically and culturally. We enjoy playing the long game, and resist the instant gratification of increasing quarterly profits by selling our future short.

Second quarter revenues increased 10.4% to $84.4 million; while year-to-date revenues increased 7.6% to $161.6 million. HVAC and architectural YTD net sales increased 4.1%; and machinery YTD net sales increased 20.3% partially due to the completion of several large orders. Operating profit for Q2 (before interest, income taxes, hedging, and non-operating items), the best way to measure our financial performance, increased almost 11% to $7.465 million compared to $6.729 million last year. Six month operating profit improved by 4.4% to $13.947 million compared to $13.359 million for 2016. Last year we recorded a $3 million marked to market gain (later erased) for our platinum investment compared to a $130,000 loss for 2017, accounting for almost the entire difference between GAAP accounting treatment and true operating profit. True operating profit is a key financial benchmark for Mestek, rather than EBITDA, because it is likely that depreciation expense and capital expenditures will remain roughly equal in future years. After tax earnings, after adjustment for commodity investment gains or losses, is a good proxy for "owners earnings", free cash flow after taxes.

At June 30 HVAC backlogs were up 10.1%; and machinery backlogs were up 5.2%. Although a few larger projects will not ship until 2018, overall both backlogs remain healthy at this writing. The increase in incoming orders has been notably uneven for HVAC, with several Mestek businesses experiencing large increases and others suffering meaningful declines. Most, but not all, of the declining backlogs are industry related rather than a loss of market share, a fact we can do little practically to fix. In one case the backlog decline can be remedied by better sales presence; and we are vigorously addressing this issue.

Normally one would expect considerably higher true operating profit to accompany Mestek's revenue increase due to operating leverage. This did not happen YTD for the following principal reasons:

1) R&D and new product development expenses increased by a hefty $1.3 million compared to 2016, affecting both HVAC and machinery. As always, some of this spending is money well-spent, some may prove not to be.

2) Higher raw material costs, notably copper and aluminum, which we have not yet recovered by price increases. Margins always get at least temporarily squeezed when commodity prices are in an up cycle, and improve when commodities prices reverse course as they always do eventually. We must be careful not to overreact, yet also be mindful of planning and implementing margin recovery over time.

3) Product mix, particularly one large machinery project yielding an unacceptably low profit margin. In some instances we need to improve our cost estimating skills; in other cases favorable or unfavorable product mix is the luck of the draw.

4) Higher sales expense, including GAAP accounting rules treatment of third party sales commissions which are actually flow through items which should be deducted directly from revenues. We want our independent manufacturers' representatives to prosper when we are paid equitable prices for our products as long as they maintain or improve market share. Web related and advertising expenses were both up markedly. We believe this is money well-spent to better present Mestek to its customers and potential customers.

Our balance sheet remains very strong; and our appetite for quality acquisitions is undiminished. We continue to strive to be the best home in our industries for business owners to evaluate when they are considering an ownership transition for their companies. We sincerely believe we are; but that is no excuse to rest on our laurels.

Generally speaking, our franchises are maintaining or improving their competitive positions in the industry niches they serve. Our management, sales, engineering, and manufacturing teams are the strongest ever in our company's history. Overall, I remain optimistic about future prospects while recognizing that great new products must be an essential component of future revenue and profit growth.

With kind regards,

Stewart B. Reed

Stewart B. Reed
Chairman & Chief Executive Officer

MESTEK, INC.
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(Dollars and Shares in thousands, except Earnings per common share)			
Net Sales	$ 84,373	$ 76,427	$ 161,581	$ 150,149
Cost of Goods Sold	55,770	50,043	106,834	98,318
Gross Profit	28,603	26,384	54,747	51,831
Selling Expense	10,431	10,016	21,215	19,688
General and Administrative Expense	5,808	5,798	10,700	11,344
Engineering Expense	4,899	3,841	8,885	7,440
Plant Shutdown, Hedging and Other Items	1,229	(1,108)	260	(2,953)
Operating Profit	6,236	7,837	13,687	16,312
Interest Income (Expense) - net	35	67	63	49
Other Income (Expense) - net	49	(139)	95	(178)
Income Before Income Taxes	6,320	7,765	13,845	16,183
Provision for Income Tax	2,207	2,573	4,837	5,507
Net Income from Continuing Operations	4,113	5,192	9,008	10,676
Less: Net Income - Non-controlling Interests	(14)	61	(23)	53
Net Income	$ 4,127	$ 5,131	$ 9,031	$ 10,623
Basic and Diluted Earnings Per Common Share	$ 0.55	$ 0.69	$ 1.21	$ 1.42
Basic and Diluted Weighted Average Shares Outstanding	7,491	7,491	7,491	7,491

MESTEK, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

		June 30, 2017		December 31, 2016
		(Dollars in thousands)		
ASSETS				
Current Assets				
Cash and Cash Equivalents	$	42,835	$	35,213
Short-Term Investments		3,980		3,988
Accounts Receivable - less allowances of $2,845 and $2,843, respectively		49,226		44,952
Inventories - net		49,434		46,476
Other Current Assets		42,025		45,501
Total Current Assets		187,500		176,130
Property and Equipment - net		39,164		39,821
Property Held for Sale		2,327		2,327
Deferred Tax Assets		3,080		3,081
Other Assets - net		4,440		4,514
Goodwill		21,063		21,071
Total Assets	$	257,574	$	246,944
LIABILITIES				
Current Liabilities				
Accounts Payable	$	10,774	$	10,699
Accrued Payroll and Related Expenses		12,431		13,062
Customer Deposits		16,287		18,385
Current Portion of Environmental Reserves		136		143
Warranty Reserve		2,841		2,890
Other Accrued Liabilities		12,010		7,745
Total Current Liabilities		54,479		52,924
Environmental Reserves - long term		3,783		3,821
Long-Term Debt, net of current portion		10,163		10,163
Other Liabilities		3,683		3,685
Total Liabilities		72,108		70,593
SHAREHOLDERS' EQUITY				
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		5,692		5,692
Retained Earnings		191,446		182,415
Treasury Shares, at cost (878,010 common shares)		(11,293)		(11,293)
Accumulated Other Comprehensive Income		(1,616)		(1,723)
Total Mestek, Inc. Shareholders' Equity		184,646		175,508
Non-controlling Interest		820		843
Total Shareholders' Equity		185,466		176,351
Total Liabilities and Shareholders' Equity	$	257,574	$	246,944