FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

☒ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended October 1, 2005

or

☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File No. 1-9973

THE MIDDLEBY CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Delaware	**36-3352497**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
1400 Toastmaster Drive, Elgin, Illinois	**60120**
(Address of Principal Executive Offices)	(Zip Code)
Registrant's Telephone No., including Area Code	**(847) 741-3300**

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 twelve (12) months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined by Rule 12b-2 of the Exchange Act).
Yes ☒ No ☐

As of November 5, 2005, there were 7,881,950 shares of the registrant's common stock outstanding.

THE MIDDLEBY CORPORATION AND SUBSIDIARIES

QUARTER ENDED OCTOBER 1, 2005

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PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

THE MIDDLEBY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Share Amounts)
(Unaudited)

ASSETS	Oct. 1, 2005	Jan. 1, 2005
Current assets:		
Cash and cash equivalents	$ 3,273	$ 3,803
Accounts receivable, net of reserve for doubtful accounts of $3,541 and $3,382	35,752	26,612
Inventories, net	31,981	32,772
Prepaid expenses and other	1,134	2,008
Prepaid taxes	70	9,952
Current deferred taxes	10,593	8,865
Total current assets	82,803	84,012
Property, plant and equipment, net of accumulated depreciation of $32,916 and $31,191	22,824	22,980
Goodwill	78,970	74,761
Other intangibles	28,488	26,300
Other assets	2,555	1,622
Total assets	$ 215,640	$ 209,675
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ 12,355	$ 10,480
Accounts payable	14,039	11,298
Accrued expenses	48,166	51,311
Total current liabilities	74,560	73,089
Long-term debt	91,744	113,243
Long-term deferred tax liability	5,978	11,434
Other non-current liabilities	4,924	4,694
Stockholders' equity:		
Preferred stock, $0.01 par value; nonvoting; 2,000,000 shares authorized; none issued	—	—
Common stock, $0.01 par value; 20,000,000 shares authorized; 11,731,594 and 11,402,044 shares issued in 2005 and 2004, respectively	117	114
Restricted stock	(15,032)	(4,700)
Paid-in capital	77,070	60,446
Treasury stock at cost; 3,856,344 shares in 2005 and 2004, respectively	(89,650)	(89,650)
Retained earnings	66,306	41,362
Accumulated other comprehensive loss	(377)	(357)
Total stockholders' equity	38,434	7,215
Total liabilities and stockholders' equity	$ 215,640	$ 209,675

See accompanying notes

THE MIDDLEBY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(In Thousands, Except Per Share Amounts)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	Oct. 1, 2005	Oct. 2, 2004	Oct. 1, 2005	Oct. 2, 2004
Net sales	$ 80,937	$ 70,620	$ 239,738	$ 205,996
Cost of sales	48,461	44,226	147,604	127,633
Gross profit	32,476	26,394	92,134	78,363
Selling expenses	8,710	7,637	25,663	23,340
General and administrative expenses	7,482	6,175	21,847	17,684
Income from operations	16,284	12,582	44,624	37,339
Net interest expense and deferred financing amortization	1,579	643	5,063	2,334
(Gain) on acquisition financing derivatives	—	(96)	—	(96)
Other expense, net	312	45	47	317
Earnings before income taxes	14,393	11,990	39,514	34,784
Provision for income taxes	4,765	1,622	14,569	10,536
Net earnings	$ 9,628	$ 10,368	$ 24,945	$ 24,248
Net earnings per share:				
Basic	$ 1.28	$ 1.12	$ 3.33	$ 2.63
Diluted	$ 1.19	$ 1.03	$ 3.09	$ 2.42
Weighted average number of shares				
Basic	7,516	9,241	7,499	9,232
Dilutive stock options[1]	594	799	561	787
Diluted	8,110	10,040	8,060	10,019

[1] There were no anti-dilutive stock options excluded from common stock equivalents for any period presented.

See accompanying notes

THE MIDDLEBY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(Unaudited)

	Nine Months Ended	
	Oct. 1, 2005	Oct. 2, 2004
Cash flows from operating activities-		
Net earnings	$ 24,945	$ 24,248
Adjustments to reconcile net earnings to cash provided by operating activities:		
Depreciation and amortization	2,597	2,758
Deferred taxes	(1,088)	1,029
Unrealized gain on derivative financial instruments	—	(96)
Equity compensation	2,482	—
Cash effects of changes in -		
Accounts receivable, net	(8,218)	(6,202)
Inventories, net	1,761	(5,705)
Prepaid expenses and other assets	10,632	(55)
Accounts payable	1,137	3,141
Accrued expenses and other liabilities	(3,466)	(145)
Net cash provided by operating activities	30,782	18,973
Cash flows from investing activities-		
Net additions to property and equipment	(1,085)	(600)
Acquisition of Blodgett	—	(2,000)
Acquisition of Nu-Vu	(11,450)	—
Net cash (used in) investing activities	(12,535)	(2,600)
Cash flows from financing activities-		
Net proceeds(repayments) under revolving credit facilities	(11,915)	39,115
(Repayments) under senior secured bank notes	(7,500)	(53,000)
Payment of special dividend	—	(3,696)
Net proceeds from stock issuances	717	189
Net cash (used in) financing activities	(18,698)	(17,392)
Effect of exchange rates on cash and cash equivalents	(79)	—
Changes in cash and cash equivalents-		
Net (decrease) in cash and cash equivalents	(530)	(1,019)
Cash and cash equivalents at beginning of year	3,803	3,652
Cash and cash equivalents at end of quarter	$ 3,273	$ 2,633
Supplemental disclosure of cash flow information:		
Interest paid	$ 4,530	$ 2,195
Income tax (refunds) payments	$ 4,535	$ 11,428

See accompanying notes

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

October 1, 2005
(Unaudited)

1) Summary of Significant Accounting Policies

A) Basis of Presentation

The condensed consolidated financial statements have been prepared by The Middleby Corporation (the "company"), pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements are unaudited and certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations, although the company believes that the disclosures are adequate to make the information not misleading. These financial statements should be read in conjunction with the financial statements and related notes contained in the company's 2004 Form 10-K.

In the opinion of management, the financial statements contain all adjustments necessary to present fairly the financial position of the company as of October 1, 2005 and January 1, 2005, and the results of operations for the three and nine months ended October 1, 2005 and October 2, 2004 and cash flows for the nine months ended October 1, 2005 and October 2, 2004.

B) Stock-Based Compensation

The company maintains a 1998 Stock Incentive Plan (the "Plan"), as amended on May 11, 2005, under which the Company's Board of Directors issues stock grants and stock options to key employees.

Stock Grants: Stock grants issued are issued under the plan to key employees and are transferable upon certain vesting requirements being met. As of the third quarter ended October 1, 2005, a total of 350,000 restricted stock grants were issued, all of which were unvested.

As permitted under Statement of Financial Accounting Standards ("SFAS") No 123: "Accounting for Stock Based Compensation", the company has elected to follow APB Opinion No. 25: "Accounting for Stock Issued to Employees" ("APB No. 25") in accounting for stock-based awards to employees and directors. In accordance with APB No. 25, the company establishes the value of restricted stock grants based upon the market value of the stock at the time of issuance. The value of the restricted stock grant is reflected as a separate component reducing shareholders' equity with an offsetting increase to Paid-in Capital. The value of the stock grant is amortized and recorded as compensation expense over the applicable vesting period. During the nine month period ended October 1, 2005, the restricted stock grants issued amounted to $12.8 million. Additionally, the company recorded compensation expense associated with stock grants amounting to $0.8 million and $2.5 million for the three months and nine months ended October 1, 2005, respectively.

Stock Options: Stock options issued under the plan provide key employees with rights to purchase shares of common stock at specified exercise prices. Options may be exercised upon certain vesting requirements being met, but expire to the extent unexercised within a maximum of ten years from the date of grant.

In accordance with APB No. 25, the company has not recorded compensation expense related to issued stock options in the financial statements for all periods presented because the exercise price of the stock options is equal to or greater than the market price of the underlying stock on the date of grant. Pro forma information regarding net earnings and earnings per share is required by SFAS No. 123. This information is required to be determined as if the company had accounted for its employee and director stock options granted subsequent to December 31, 1994 under the fair value method of that statement.

The company has utilized Black-Scholes and binomial option valuation models to estimate the fair value of issued stock options. These option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because the company's options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, in the opinion of management, the existing models do not necessarily provide a reliable single measure of the fair value of its options.

For purposes of these interim pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting periods. The stock-based employee compensation expense, net of taxes, for the three and nine months ended October 2, 2004, previously disclosed as $276,000 and $841,000, respectively, have been corrected to reflect the impact of stock option forfeitures. The company's pro forma net earnings and per share data utilizing a fair value based method is as follows:

	Three Months Ended		Nine Months Ended	
	Oct. 1, 2005	Oct. 2, 2004	Oct. 1, 2005	Oct. 2, 2004
	(in thousands, except per share data)			
Net income - as reported	$ 9,628	$ 10,368	$ 24,945	$ 24,248
Less: Stock-based employee compensation expense, net of taxes	(184)	(109)	(500)	(333)
Net income - pro forma	$ 9,444	$ 10,259	$ 24,445	$ 23,915
Earnings per share - as reported:				
Basic	$ 1.28	$ 1.12	$ 3.33	$ 2.63
Diluted	1.19	1.03	3.09	2.42
Earnings per share - pro forma:				
Basic	$ 1.26	$ 1.11	$ 3.26	$ 2.59
Diluted	1.16	1.02	3.03	2.39

2) Acquisition

On January 7, 2005, Middleby Marshall Holdings, LLC, a wholly-owned subsidiary of the company, completed its acquisition of the assets of Nu-Vu Foodservice Systems ("Nu-Vu"), a leading manufacturer of baking ovens, from Win-Holt Equipment Corporation ("Win-Holt").

The company has accounted for this business combination using the purchase method to record a new cost basis for the assets acquired and liabilities assumed. The difference between the purchase price and the preliminary estimate of the fair value of the assets acquired and liabilities assumed has been recorded as goodwill in the October 1, 2005 financial statements. The allocation of the purchase price to the assets, liabilities and intangible assets is under review and is subject to change based upon the results of further evaluation. Under Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets," goodwill and certain other intangible assets in conjunction with the Nu-Vu acquisition are subject to the nonamortization provisions of SFAS No. 142 from the date of acquisition.

The allocation of net cash paid for the Nu-Vu acquisition as of October 1, 2005 is summarized as follows (in thousands):

	Jan. 7, 2005	Adjustments	Oct. 1, 2005
Current assets	$ 2,556	—	$ 2,556
Property, plant and equipment	1,178	—	1,178
Deferred taxes	3,637	(193)	3,444
Goodwill/Other intangibles	6,754	(357)	6,397
Liabilities	(2,125)	—	(2,125)
Total purchase price	$ 12,000	$ (550)	$ 11,450

The goodwill and other intangible assets associated with the Nu-Vu acquisition, which are comprised of the tradename, are subject to the non-amortization provisions of SFAS No. 142 and are allocable to the company's Cooking Systems Group for purposes of segment reporting (see footnote 12 for further discussion). Goodwill and other intangible assets associated with this transaction are anticipated to be deductible for income taxes.

In September 2005, the company reached final settlement with Win-Holt on post-closing adjustments pertaining to the acquisition of Nu-Vu. As a result, the final purchase price was reduced by $550,000.

3) Litigation Matters

From time to time, the company is subject to proceedings, lawsuits and other claims related to products, suppliers, employees, customers and competitors. The company maintains insurance to cover product liability, workers compensation, property and casualty, and general liability matters. The company is required to assess the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable losses. A determination of the amount of accrual required, if any, for these contingencies is made after assessment of each matter and the related insurance coverage. The required accrual may change in the future due to new developments or changes in approach such as a change in settlement strategy in dealing with these matters. The company does not believe that any such matter will have a material adverse effect on its financial condition, results of operations or cash flows of the company.

4) New Accounting Pronouncements

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs - an amendment of ARB No. 43, Chapter 4". This statement amends the guidance in ARB No. 43, Chapter 4 to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material. This statement requires that these items be recognized as current period costs and also requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. This statement is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The company will apply this guidance prospectively. The company is continuing its process of determining what impact the application of this guidance will have on the company's financial position, results of operations or cash flows.

In December 2004, the FASB issued a revision to SFAS No. 123 "Accounting for Stock Based Compensation". This statement established standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services and addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. This statement is effective for annual periods beginning after June 15, 2005. The company will apply this guidance prospectively. The company is continuing its process of determining what impact the application of this guidance will have on the company's financial position, results of operations or cash flows.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections - a replacement of APB Opinion No. 20 and FASB Statement No. 3". This statement replaces ABP Opinion No. 20, Accounting Changes and FASB Statement No. 3, Reporting Changes in Interim Financial Statements and changes the requirements for the accounting for and reporting of a change in accounting principles. This statement applies to all voluntary changes in accounting principles. This statement is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The company will apply this guidance prospectively.

5) Other Comprehensive Income

The company reports changes in equity during a period, except those resulting from investment by owners and distribution to owners, in accordance with SFAS No. 130, "Reporting Comprehensive Income."

Components of other comprehensive income were as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	Oct. 1, 2005	Oct. 2, 2004	Oct. 1, 2005	Oct. 2, 2004
Net earnings	$ 9,628	$ 10,368	$ 24,945	$ 24,248
Cumulative translation adjustment	72	(3)	(611)	(15)
Minimum pension liability	—	—	—	10
Unrealized gain on interest rate swap	318	8	590	349
Comprehensive income	$ 10,018	$ 10,373	$ 24,924	$ 24,592

Accumulated other comprehensive loss is comprised of minimum pension liability of $(1.0) million as of October 1, 2005 and January 1, 2005, foreign currency translation adjustments of less than$(0.1) million as of October 1, 2005 and $0.6 million as of January 1, 2005, and an unrealized gain on a interest rate swap of $0.6 million, net of taxes of $0.4 million, as of October 1, 2005 and less than $0.1 million as of January 1, 2005.

6) Inventories

Inventories are composed of material, labor and overhead and are stated at the lower of cost or market. Costs for inventory at two of the company's manufacturing facilities have been determined using the last-in, first-out ("LIFO") method. These inventories under the LIFO method amounted to $12.1 million at October 1, 2005 and $14.4 million at January 1, 2005 and represented approximately 38% and 44% of the total inventory in each respective period. Costs for all other inventory have been determined using the first-in, first-out ("FIFO") method. The company estimates reserves for inventory obsolescence and shrinkage based on its judgment of future realization. Inventories at October 1, 2005 and January 1, 2005 are as follows:

	Oct. 1, 2005	Jan. 1, 2005
	(in thousands)	
Raw materials and parts	$ 5,865	$ 7,091
Work-in-process	4605	5,492
Finished goods	21,903	19,971
	32,373	32,554
LIFO adjustment	(392)	218
	$ 31,981	$ 32,772

7) Accrued Expenses

Accrued expenses consist of the following:

	Oct. 1, 2005	Jan.1, 2005
	(in thousands)	
Accrued payroll and related expenses	$ 11,532	$ 12,493
Accrued warranty	10,346	10,563
Accrued customer rebates	9,017	9,350
Accrued income taxes	4,916	4,321
Accrued product liability and workers comp	1,124	1,828
Accrued pension settlement	—	3,637
Other accrued expenses	11,231	9,119
	$ 48,166	$ 51,311

8) Warranty Costs

In the normal course of business the company issues product warranties for specific product lines and provides for the estimated future warranty cost in the period in which the sale is recorded. The estimate of warranty cost is based on contract terms and historical warranty loss experience that is periodically adjusted for recent actual experience. Because warranty estimates are forecasts that are based on the best available information, claims costs may differ from amounts provided. Adjustments to initial obligations for warranties are made as changes in the obligations become reasonably estimable.

A rollforward of the warranty reserve is as follows:

	Nine Months Ended Oct. 1, 2005 (in thousands)
Beginning balance	$ 10,563
Warranty expense	6,841
Warranty claims	(7,058)
Ending balance	$ 10,346

9) Financing Arrangements

	Oct. 1, 2005	Jan.1, 2005
	(in thousands)	
Senior secured revolving credit line	$ 39,350	$ 51,265
Senior secured bank term loans	62,500	70,000
Other note	2,249	2,458
Total debt	$ 104,099	$ 123,723
Less: Current maturities of long-term debt	12,355	10,480
Long-term debt	$ 91,744	$ 113,243

As of October 1, 2005, the company had $101.9 million outstanding under its senior banking facility, including $62.5 million of a term loan and $39.4 million of borrowings under the revolving credit line. As of October 1, 2005, the company had $46.6 million of availability under the revolving credit line. The company also had $4.0 million in outstanding letters of credit.

Borrowings under the senior secured credit facility are assessed at an interest rate of 1.25% above LIBOR for long-term borrowings or at the higher of the Prime rate and the Federal Funds Rate plus 0.5% for short term borrowings. At October 1, 2005, the average interest rate on the senior debt amounted to 5.13%. The interest rates on borrowings under the senior bank facility may be adjusted quarterly based on the company's defined indebtedness ratio on a rolling four-quarter basis. Additionally, a commitment fee, based upon the indebtedness ratio is charged on the unused portion of the revolving credit line. This variable commitment fee amounted to 0.25% as of October 1, 2005.

The company has historically entered into interest rate swap agreements to effectively fix the interest rate on its outstanding debt. In February 2003, the company entered into an interest rate swap agreement for a notional amount of $10.0 million. This agreement swaps one-month LIBOR for a fixed rate of 2.36% and remains in effect through December 2005. In January 2005, the company entered into an interest rate swap agreement for a notional amount of $70.0 million. This agreement swaps one-month LIBOR for a fixed rate of 3.78%. The notional amount amortizes consistent with the repayment schedule of the company's term loan maturing November 2009. The unamortized notational amount of this swap as of October 1, 2005 was $62.5 million.

In 2004, the company entered into a promissory note in conjunction with the release and early termination of obligations under a lease agreement relative to a manufacturing facility in Shelburne, Vermont. At October 1, 2005, the note amounted to $2.2 million. The note is assessed interest at 4.0% above LIBOR with an interest rate cap of 9.0%. At October 1, 2005, the interest rate on the note was approximately 7.7%. The note amortizes monthly and matures in December 2009.

The terms of the senior secured credit facility limit the paying of dividends, capital expenditures and leases, and require, among other things, certain ratios of indebtedness and fixed charge coverage. The credit agreement also provides that if a material adverse change in the company's business operations or conditions occurs, the lender could declare an event of default. Under terms of the agreement a material adverse effect is defined as (a) a material adverse change in, or a material adverse effect upon, the operations, business properties, condition (financial and otherwise) or prospects of the company and its subsidiaries taken as a whole; (b) a material impairment of the ability of the company to perform under the loan agreements and to avoid any event of default; or (c) a material adverse effect upon the legality, validity, binding effect or enforceability against the company of any loan document. A material adverse effect is determined on a subjective basis by the company's creditors. At October 1, 2005, the company was in compliance with all covenants pursuant to its borrowing agreements.

10) Acquisition Integration

On December 21, 2001, the company established reserves through purchase accounting associated with severance related obligations and facility exit costs related to the acquired Blodgett business operations.

Reserves for facility closure costs predominately relate to a lease obligation for a manufacturing facility that was exited in 2001. During the second quarter of 2001, prior to the acquisition, reserves were established for lease obligations associated with a manufacturing facility in Quakertown, Pennsylvania that was exited when production at this facility was relocated to an existing facility in Bow, New Hampshire. The lease associated with the exited facility extends through December 11, 2014. The facility is currently subleased for a portion of the lease term through April 2006. The remaining reserve balance is reflected net of anticipated sublease income.

The forecast of sublease income could differ from actual amounts, which are subject to the occupancy by a subtenant and a negotiated sublease rental rate. If the company's estimates or underlying assumptions change in the future, the company would be required to adjust the reserve amount accordingly.

All actions pertaining to the company's integration initiatives have been completed. At this time, management believes the remaining reserve balance is adequate to cover the remaining costs identified at October 1, 2005.

A summary of the reserve balance activity related to facility closure and lease obligation is as follows:

		Nine Months Ended Oct. 1, 2005 (in thousands)
Beginning balance	$	2,788
Cash payments		124
Ending balance	$	2,664

11) Financial Instruments

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS No. 133, as amended, establishes accounting and reporting standards for derivative instruments. The statement requires an entity to recognize all derivatives as either assets or liabilities and measure those instruments at fair value. Derivatives that do not qualify as a hedge must be adjusted to fair value in earnings. If the derivative does qualify as a hedge under SFAS No. 133, changes in the fair value will either be offset against the change in fair value of the hedged assets, liabilities or firm commitments or recognized in other accumulated comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a hedge's change in fair value will be immediately recognized in earnings.

Foreign Exchange: The company has entered into derivative instruments, principally forward contracts to reduce exposures pertaining to fluctuations in foreign exchange rates. As of October 1, 2005 the company had forward contracts to purchase $5.4 million U.S. Dollars with various foreign currencies, all of which mature in the next fiscal quarter. The fair value of these forward contracts was $0.1 million at the end of the quarter.

Interest Rate: In February 2003 in accordance with the senior bank agreement, the company entered into an interest rate swap agreement with a notional amount of $10.0 million to fix the interest rate applicable to certain of its variable-rate debt. The agreement swaps one-month LIBOR for a fixed rate of 2.36% and is in effect through December 30, 2005. The company designated the swap as a cash flow hedge at its inception and all changes in the fair value of the swap are recognized in accumulated other comprehensive income. As of October 1, 2005, the fair value of this instrument was $0.1 million. There was no change in the fair value of this swap agreement in the first nine months of 2005.

In January 2005, the company entered into another interest rate swap with a notional amount of $70.0 million to fix the interest rate applicable to certain of its variable-rate debt. The notional amount of the swap amortizes consistent with the repayment schedule of the company's senior term loan maturing in November 2009. As of October 1, 2005, the unamortized balance of the interest rate swap was $62.5 million. The agreement swaps one-month LIBOR for a fixed rate of 3.78% and is in effect through November 2009. The company designated the swap as a cash flow hedge at its inception and all changes in the fair value of the swap are recognized in accumulated other comprehensive income. As of October 1, 2005, the fair value of this instrument was $1.0 million. The change in fair value of this swap agreement in the first nine months of 2005 was a gain of $0.6 million, net of $0.4 million of taxes.

12) Segment Information

The company operates in two reportable operating segments defined by management reporting structure and operating activities.

The worldwide manufacturing divisions operate through the Cooking Systems Group. This business segment has manufacturing facilities in Illinois, Michigan, New Hampshire, North Carolina, Vermont and the Philippines. This business segment supports four major product groups, including conveyor oven equipment, core cooking equipment, counterline cooking equipment, and international specialty equipment.

Principal product lines of the core cooking equipment product group include the Southbend product lines of ranges, convection ovens, broilers and steam cooking equipment, the Blodgett product lines of ranges, convection ovens, combi ovens and steam cooking equipment, MagiKitch'n charbroilers and catering equipment, the Nu-Vu product lines of proofing and baking ovens and the Pitco Frialator product line of fryers. Principal product lines of the conveyor oven product group include Middleby Marshall ovens, Blodgett ovens and CTX ovens. The counterline cooking and warming equipment product group includes toasters, hot food servers, foodwarmers and griddles distributed under the Toastmaster brand name. The international specialty equipment product group is primarily comprised of food preparation tables, undercounter refrigeration systems, ventilation systems and component parts for the U.S. manufacturing operations.

The International Distribution Division provides integrated sales, export management, distribution and installation services through its operations in Canada, China, India, South Korea, Mexico, the Philippines, Spain, Taiwan and the United Kingdom. The division sells the company’s product lines and certain non-competing complementary product lines throughout the world. For a local country distributor or dealer, the company is able to provide a centralized source of foodservice equipment with complete export management and product support services.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The chief decision maker evaluates individual segment performance based on operating income. Management believes that intersegment sales are made at established arms-length transfer prices.

Net Sales Summary
(dollars in thousands)

	Three Months Ended				Nine Months Ended			
	Oct. 1, 2005		Oct. 2, 2004		Oct. 1, 2005		Oct. 2, 2004	
	Sales	Percent	Sales	Percent	Sales	Percent	Sales	Percent
Business Divisions:								
Cooking Systems Group:								
Core cooking equipment	$ 57,192	70.7	$ 48,208	68.3	$ 172,050	71.8	$ 144,175	70.0
Conveyor oven equipment	13,755	17.0	13,657	19.3	41,124	17.1	40,504	19.7
Counterline cooking equipment	3,036	3.8	2,576	3.6	9,377	3.9	7,655	3.7
International specialty equipment	1,898	2.3	1,953	2.8	6,769	2.8	5,413	2.6
Cooking Systems Group	75,881	93.8	66,394	94.0	229,320	95.6	197,747	96.0
International Distribution Division (1)	14,764	18.2	12,102	17.1	40,476	16.9	32,833	15.9
Intercompany sales (2)	(9,708)	(12.0)	(7,876)	(11.1)	(30,058)	(12.5)	(24,584)	(11.9)
Total	$ 80,937	100.0%	$ 70,620	100.0%	$ 239,738	100.0%	$ 205,996	100.0%

(1) Consists of sales of products manufactured by Middleby and products manufactured by third parties.

(2) Represents the elimination of sales amongst the Cooking Systems Group and from the Cooking Systems Group to the International Distribution Division.

The following table summarizes the results of operations for the company's business segments[1] (in thousands):

	Cooking Systems Group	International Distribution	Corporate and Other(2)	Eliminations(3)	Total
Three months ended October 1, 2005					
Net sales	$ 75,881	$ 14,764	$ —	$ (9,708)	$ 80,937
Operating income	18,716	1,404	(4,180)	344	16,284
Depreciation expense	710	36	(10)	—	736
Net capital expenditures	406	87	(8)	—	485
Nine months ended October 1, 2005					
Net sales	$ 229,320	$ 40,476	$ —	$ (30,058)	$ 239,738
Operating income	53,136	2,873	(11,065)	(320)	44,624
Depreciation expense	2,291	108	13	—	2,412
Net capital expenditures	956	114	15	—	1,085
Total assets	190,828	26,691	3,306	(5,185)	215,640
Long-lived assets (4)	127,771	431	4,635	—	132,837
Three months ended October 2, 2004					
Net sales	$ 66,394	$ 12,102	$ —	$ (7,876)	$ 70,620
Operating income	14,296	735	(2,268)	(181)	12,582
Depreciation expense	719	46	(72)	—	693
Net capital expenditures	87	38	66	—	191
Nine months ended October 2, 2004					
Net sales	$ 197,747	$ 32,833	$ —	$ (24,584)	$ 205,996
Operating income	42,501	1,556	(5,937)	(781)	37,339
Depreciation expense	2,498	117	(201)	—	2,414
Net capital expenditures	341	136	123	—	600
Total assets	178,044	23,141	12,172	(10,982)	202,375
Long-lived assets (4)	121,751	383	3,694	—	125,828

(1) Non-operating expenses are not allocated to the operating segments. Non-operating expenses consist of interest expense and deferred financing amortization, gains and losses on acquisition financing derivatives, and other income and expenses items outside of income from operations.

(2) Includes corporate and other general company assets and operations.

(3) Includes elimination of intercompany sales, profit in inventory and intercompany receivables. Intercompany sale transactions are predominantly from the Cooking Systems Group to the International Distribution Division.

(4) Long-lived assets of the Cooking Systems Group includes assets located in the Philippines which amounted to $2,138 and $2,232 in 2005 and 2004, respectively.

Net sales by major geographic region, including those sales from the Cooking Systems Group direct to international customers, were as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	Oct. 1, 2005	Oct. 2, 2004	Oct. 1, 2005	Oct. 2, 2004
United States and Canada	$ 64,870	$ 57,060	$ 195,338	$ 169,316
Asia	6,377	5,637	17,005	14,225
Europe and Middle East	7,277	5,898	20,223	16,853
Latin America	2,413	2,025	7,172	5,602
Net sales	$ 80,937	$ 70,620	$ 239,738	$ 205,996

13) Employee Retirement Plans

The company maintains a non-contributory defined benefit plan for its union employees at the Elgin, Illinois facility. Benefits are determined based upon retirement age and years of service with the company. This defined benefit plan was frozen on April 30, 2002 and no further benefits accrue to the participants beyond this date. Plan participants will receive or continue to receive payments for benefits earned on or prior to April 30, 2002 upon reaching retirement age. The employees participating in the defined benefit plan were enrolled in a newly established 401K savings plan on July 1, 2002. The defined benefit plan continues to be funded in accordance with provisions of the Employee Retirement Income Security Act of 1974. Company funding contributions amounted to $216,000 in fiscal 2004 and $280,000 in fiscal 2003. The anticipated minimum funding requirement for fiscal 2005 is approximately $274,000 of which $201,000 was funded during the nine-month period ended October 1, 2005.

The company also maintains a retirement benefit agreement with its Chairman. The retirement benefits are based upon a percentage of the Chairman's final base salary. Additionally, the company maintains a retirement plan for non-employee directors. The plan provides for an annual benefit upon retirement from the Board of Directors at age 70, equal to 100% of the director's last annual retainer, payable for a number of years equal to the director's years of service up to a maximum of 10 years. Company funding contributions are made at the discretion of the board of directors in consideration of the plan requirements and company's cash flows.

The net pension expense for the first nine months of 2005 for these plans was as follows:

	Union Plan	Directors Plans
Service cost	$ —	$ 830,924
Interest on benefit obligations	182,449	35,636
Return on assets	(160,952)	—
Net amortization and deferral	98,868	—
Net pension expense	$ 120,365	$ 866,560

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

Informational Note

This report contains forward-looking statements subject to the safe harbor created by the Private Securities Litigation Reform Act of 1995. The company cautions readers that these projections are based upon future results or events and are highly dependent upon a variety of important factors which could cause such results or events to differ materially from any forward-looking statements which may be deemed to have been made in this report, or which are otherwise made by or on behalf of the company. Such factors include, but are not limited to, volatility in earnings resulting from goodwill impairment losses which may occur irregularly and in varying amounts; variability in financing costs; quarterly variations in operating results; dependence on key customers; international exposure; foreign exchange and political risks affecting international sales; changing market conditions; the impact of competitive products and pricing; the timely development and market acceptance of the company's products; the availability and cost of raw materials; and other risks detailed herein and from time-to-time in the company's Securities and Exchange Commission filings, including the 2004 report on Form 10-K.

Net Sales Summary
(dollars in thousands)

	Three Months Ended				Nine Months Ended			
	Oct. 1, 2005		Oct. 2, 2004		Oct. 1, 2005		Oct. 2, 2004	
	Sales	Percent	Sales	Percent	Sales	Percent	Sales	Percent
Business Divisions:								
Cooking Systems Group:								
Core cooking equipment	$ 57,192	70.7	$ 48,208	68.3	$ 172,050	71.8	$ 144,175	70.0
Conveyor oven equipment	13,755	17.0	13,657	19.3	41,124	17.1	40,504	19.7
Counterline cooking equipment	3,036	3.8	2,576	3.6	9,377	3.9	7,655	3.7
International specialty equipment	1,898	2.3	1,953	2.8	6,769	2.8	5,413	2.6
Cooking Systems Group	75,881	93.8	66,394	94.0	229,320	95.6	197,747	96.0
International Distribution Division (1)	14,764	18.2	12,102	17.1	40,476	16.9	32,833	15.9
Intercompany sales (2)	(9,708)	(12.0)	(7,876)	(11.1)	(30,058)	(12.5)	(24,584)	(11.9)
Total	$ 80,937	100.0%	$ 70,620	100.0%	$ 239,738	100.0%	$ 205,996	100.0%

(1) Consists of sales of products manufactured by Middleby and products manufactured by third parties.

(2) Represents the elimination of sales amongst the Cooking Systems Group and from the Cooking Systems Group to the International Distribution Division.

Results of Operations

The following table sets forth certain consolidated statements of earnings items as a percentage of net sales for the periods.

	Three Months Ended		Nine Months Ended	
	Oct. 1, 2005	Oct. 2, 2004	Oct. 1, 2005	Oct. 2, 2004
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	59.9	62.6	61.6	62.0
Gross profit	40.1	37.4	38.4	38.0
Selling, general and administrative expenses	20.0	19.6	19.8	19.9
Income from operations	20.1	17.8	18.6	18.1
Interest expense and deferred financing amortization, net	2.0	0.9	2.1	1.1
(Gain) on acquisition financings derivatives	—	(0.1)	—	—
Other expense, net	0.3	—	0.0	0.1
Earnings before income taxes	17.8	17.0	16.5	16.9
Provision for income taxes	5.9	2.3	6.1	5.1
Net earnings	11.9%	14.7%	10.4%	11.8%

Three Months Ended October 1, 2005 Compared to Three Months Ended October 2, 2004

NET SALES. Net sales for the third quarter of fiscal 2005 were $80.9 million as compared to $70.6 million in the third quarter of 2004.

Net sales at the Cooking Systems Group amounted to $75.9 million in the third quarter of 2005 as compared to $66.4 million in the prior year quarter.

- Core cooking equipment sales increased by $9.0 million to $57.2 million from $48.2 million, primarily due to increased fryer, convection oven, and cooking range sales. The increase in sales includes $4.9 million of sales associated with the Nu-Vu product lines, which were acquired on January 7, 2005.
- Conveyor oven equipment sales increased $0.1 million to $13.8 million from $13.7 million in the prior year quarter.
- Counterline cooking equipment sales increased to $3.0 million from $2.6 million in the prior year quarter due to increased sales of a new series of counter griddles and charbroilers introduced in the third quarter of 2004.
- International specialty equipment sales decreased to $1.9 million compared to $2.0 million in the prior year quarter.

Net sales at the International Distribution Division increased by $2.7 million to $14.8 million, reflecting higher sales in Asia, Latin America and Europe. International sales benefited from expansion of the U.S. chains overseas and increased business with local and regional restaurant chains in developing markets.

GROSS PROFIT. Gross profit increased to $32.5 million from $26.4 million in the prior year period, reflecting the impact of higher sales volumes. The gross margin rate was 40.1% in the quarter as compared to 37.4% in the prior year quarter. The net increase in the gross margin rate reflects:

- Increased sales volumes that benefited manufacturing efficiencies and provided for greater leverage of fixed manufacturing costs.
- Favorable sales mix with increased international sales, which typically carry a higher margin.
- Lower warranty expense due in part to reduced warranty rates on new products.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Combined selling, general, and administrative expenses increased from $13.8 million in the third quarter of 2004 to $16.2 million in the third quarter of 2005. As a percentage of net sales, operating expenses amounted to 20.0% in the third quarter of 2005 as compared to 19.6% in the third quarter of 2004. Selling expenses increased from $7.6 million to $8.7 million, reflecting $0.3 million of higher commission costs associated with the increased sales volumes, $0.2 million of increased costs associated with the newly acquired Nu-Vu operations and increased marketing costs associated with an industry trade show which did not occur in the prior year. General and administrative expenses increased from $6.2 million to $7.5 million includes an increase of $0.8 million in non-cash equity based compensation and an increased costs of $0.2 million associated with the newly acquired Nu-Vu operations.

NON-OPERATING EXPENSES. Interest and deferred financing amortization costs increased to $1.6 million from $0.6 million in the prior year as a result of higher debt balances resulting from the December 2004 share repurchase transaction. Other expense was $0.3 million in the current year as compared to $0.1 million in the prior year and primarily related to foreign exchange losses.

INCOME TAXES. A tax provision of $4.8 million, at an effective rate of 33%, was recorded during the quarter as compared to a $1.6 million provision at a 14% effective rate in the prior year quarter. The 2005 and 2004 third quarter included tax benefits for reserve adjustments associated with closed tax years of $1.0 million and $3.2 million, respectively.

Nine Months Ended October 1, 2005 Compared to Nine Months Ended October 2, 2004

NET SALES. Net sales for the nine-month period ended October 1, 2005 were $239.7 million as compared to $206.0 million in the nine-month period ended October 2, 2004.

Net sales at the Cooking Systems Group amounted to $229.3 million in the nine-month period ended October 1, 2005 as compared to $197.7 million in the nine-month period ended October 2, 2004.

- Core cooking equipment sales increased by $27.9 million to $172.1 million from $144.2 million, primarily due to increased fryer, convection oven, and cooking range sales resulting from new product introductions and increased purchases from major and regional restaurant chain customers due to new store openings and increased replacement business. The increase in sales includes $12.2 million of sales associated with the Nu-Vu product lines, which were acquired on January 7, 2005.

- Conveyor oven equipment sales increased $0.6 million to $41.1 million from $40.5 million in the prior year period.

- Counterline cooking equipment sales increased to $9.4 million from $7.7 million in the prior year quarter due to the introduction of a new series of counter griddles and charbroilers.

- International specialty equipment sales increased to $6.8 million compared to $5.4 million in the prior year quarter due to the introduction of a new product line of counter griddles and charbroilers.

Net sales at the International Distribution Division increased by $7.7 million to $40.5 million, reflecting higher sales in Asia, Latin America and Europe. International sales benefited from expansion of the U.S. chains overseas and increased business with local and regional restaurant chains in developing markets.

GROSS PROFIT. Gross profit increased to $92.1 million from $78.4 million in the prior year period, reflecting the impact of higher sales volumes. The gross margin rate was 38.4% in the first nine months as compared to 38.0% in the prior year comparative period. The net increase in the gross margin rate reflects:

- Increased sales volumes that benefited manufacturing efficiencies and provided for greater leverage of fixed manufacturing costs.
- Favorable mix of product with higher sales of new product and international sales carrying a higher margin.
- The adverse impact from higher steel prices.
- Lower gross margins in the first half of 2005 associated with the newly acquired Nu-Vu product lines.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Combined selling, general, and administrative expenses increased from $41.0 million in the nine-month period ended October 2, 2004 to $47.5 million in the nine-month period ended October 1, 2005. As a percentage of net sales, operating expenses amounted to 19.8% in the nine-month period ended October 1, 2005 versus 19.9% in the nine-month period ended October 2, 2004. Selling expenses increased from $23.3 million to $25.7 million, reflecting $0.9 million of higher commission costs associated with the increased sales volumes and $0.5 million of additional costs associated with the newly acquired Nu-Vu operations. General and administrative expenses increased from $17.7 million to $21.8 million due to an increase of $2.5 million in non-cash equity based compensation and increased costs of $0.6 million associated with the newly acquired Nu-Vu operations.

NON-OPERATING EXPENSES. Interest and deferred financing amortization costs increased to $5.1 million from $2.3 million in the prior year as a result of higher debt balances resulting from the December 2004 share repurchase transaction. Other expense was less than $0.1 million in the current year as compared to $0.3 million in the prior year, and primarily consisted of foreign exchange losses.

INCOME TAXES. A tax provision of $14.6 million, at an effective rate of 37%, was recorded for the first nine months of 2005 as compared to a $10.5 million provision at a 30% effective rate in the prior year period. The 2005 and 2004 tax provisions included tax benefits for reserve adjustments associated with closed tax years of $1.0 million and $3.2 million, respectively.

Financial Condition and Liquidity

During the nine months ended October 1, 2005, cash and cash equivalents decreased by $0.5 million to $3.3 million at October 1, 2005 from $3.8 million at January 1, 2005. Net borrowings decreased from $123.7 million at January 1, 2005 to $104.1 million at October 1, 2005.

OPERATING ACTIVITIES. Net cash provided by operating activities after changes in assets and liabilities was $30.8 million as compared to $19.0 million in the prior year period.

During the nine months ended October 1, 2005, working capital levels increased due to the higher sales volumes and increased seasonal working capital needs, which historically peak in the third quarter. The changes in working capital included a $8.2 million increase in accounts receivable, a $1.8 million decrease in inventory and a $1.1 million increase in accounts payable. The reduction in prepaid expenses of $10.6 million reflects the utilization and refund of year-end prepaid tax balances, which benefited cash flows in the first nine months of 2005. Accrued expenses and other liabilities decreased by $3.5 million primarily as a result of the payment of pension liabilities associated with the settlement of the company's retirement obligations to its former Chairman.

INVESTING ACTIVITIES. During the nine months ending October 1, 2005, net cash used in investing activities was $12.5 million. This included $11.4 million associated with the acquisition of the assets of Nu-Vu and $1.1 million of property additions.

FINANCING ACTIVITIES. Net cash flows used in financing activities were $18.7 million during the nine months ending October 1, 2005. The net reduction in debt reflects $11.9 million in repayments under the revolving credit facility and $7.5 million of repayments of the term loan. The net change in debt during the first nine months of 2005 reflects repayments utilizing cash generated from operating activities net of borrowings to fund the $11.4 acquisition of Nu-Vu.

At October 1, 2005, the company was in compliance with all covenants pursuant to its borrowing agreements. Management believes that future cash flows from operating activities and borrowing availability under the revolving credit facility will provide the company with sufficient financial resources to meet its anticipated requirements for working capital, capital expenditures and debt amortization for the foreseeable future.

New Accounting Pronouncements

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs - an amendment of ARB No. 43, Chapter 4". This statement amends the guidance in ARB No. 43, Chapter 4 to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material. This statement requires that these items be recognized as current period costs and also requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. This statement is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The company will apply this guidance prospectively. The company is continuing its process of determining what impact the application of this guidance will have on the company's financial position, results of operations or cash flows.

In December 2004, the FASB issued a revision to SFAS No. 123 "Accounting for Stock Based Compensation". This statement established standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services and addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. This statement is effective for annual periods beginning after June 15, 2005. The company will apply this guidance prospectively. The company is continuing its process of determining what impact the application of this guidance will have on the company's financial position, results of operations or cash flows.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections - a replacement of APB Opinion No. 20 and FASB Statement No. 3". This statement replaces ABP Opinion No. 20, Accounting Changes and FASB Statement No. 3, Reporting Changes in Interim Financial Statements and changes the requirements for the accounting for and reporting of a change in accounting principles. This statement applies to all voluntary changes in accounting principles. This statement is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The company will apply this guidance prospectively.

Critical Accounting Policies and Estimates

Management's discussion and analysis of financial condition and results of operations are based upon the company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses as well as related disclosures. On an ongoing basis, the company evaluates its estimates and judgments based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

Property and equipment: Property and equipment are depreciated or amortized on a straight-line basis over their useful lives based on management's estimates of the period over which the assets will be utilized to benefit the operations of the company. The useful lives are estimated based on historical experience with similar assets, taking into account anticipated technological or other changes. The company periodically reviews these lives relative to physical factors, economic factors and industry trends. If there are changes in the planned use of property and equipment or if technological changes were to occur more rapidly than anticipated, the useful lives assigned to these assets may need to be shortened, resulting in the recognition of increased depreciation and amortization expense in future periods.

Long-lived assets: Long-lived assets (including goodwill and other intangibles) are reviewed for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In assessing the recoverability of the company's long-lived assets, the company considers changes in economic conditions and makes assumptions regarding estimated future cash flows and other factors. Estimates of future cash flows are judgments based on the company's experience and knowledge of operations. These estimates can be significantly impacted by many factors including changes in global and local business and economic conditions, operating costs, inflation, competition, and consumer and demographic trends. If the company's estimates or the underlying assumptions change in the future, the company may be required to record impairment charges.

Warranty: In the normal course of business the company issues product warranties for specific product lines and provides for the estimated future warranty cost in the period in which the sale is recorded. The estimate of warranty cost is based on contract terms and historical warranty loss experience that is periodically adjusted for recent actual experience. Because warranty estimates are forecasts that are based on the best available information, claims costs may differ from amounts provided. Adjustments to initial obligations for warranties are made as changes in the obligations become reasonably estimable.

Litigation: From time to time, the company is subject to proceedings, lawsuits and other claims related to products, suppliers, employees, customers and competitors. The company maintains insurance to cover product liability, workers compensation, property and casualty, and general liability matters. The company is required to assess the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable losses. A determination of the amount of accrual required, if any, for these contingencies is made after assessment of each matter and the related insurance coverage. The reserve requirements may change in the future due to new developments or changes in approach such as a change in settlement strategy in dealing with these matters. The company does not believe that any such matter will have a material adverse effect on its financial condition or results of operations.

Income taxes: The company operates in numerous foreign and domestic taxing jurisdictions where it is subject to various types of tax, including sales tax and income tax. The company's tax filings are subject to audits and adjustments. Because of the nature of the company's operations, the nature of the audit items can be complex, and the objectives of the government auditors can result in a tax on the same transaction or income in more than one state or country. As part of the company's calculation of the provision for taxes, the company establishes reserves for the amount that it expects to incur as a result of audits. The reserves may change in the future due to new developments related to the various tax matters.

Contractual Obligations

The company's contractual cash payment obligations are set forth below (in thousands):

	Long-term Debt	Operating Leases	Idle Facility Leases	Total Contractual Cash Obligations
Less than 1 year	$ 12,355	$ 717	$ 369	$ 13,441
1-3 years	30,335	692	696	31,723
4-5 years	61,409	523	752	62,684
After 5 years	—	62	1,764	1,826
	$ 104,099	$ 1,994	$ 3,581	$ 109,674

Idle facility lease consists of an obligation for a manufacturing location that was exited in conjunction with the company's manufacturing consolidation efforts. This lease obligation continues through December 2014. This facility has been subleased. The obligation presented above does not reflect any anticipated sublease income from the facilities.

The company maintains a non-contributory defined benefit plan for its union employees at the Elgin, Illinois facility. Benefits are determined based upon retirement age and years of service with the company. This defined benefit plan was frozen on April 30, 2002 and no further benefits accrue to the participants beyond this date. Plan participants will receive or continue to receive payments for benefits earned on or prior to April 30, 2002 upon reaching retirement age. The employees participating in the defined benefit plan were enrolled in a newly established 401K savings plan on July 1, 2002. As of January 1, 2005, the unfunded benefit obligation under the pension plan was $1.0 million. The defined benefit plan continues to be funded in accordance with provisions of the Employee Retirement Income Security Act of 1974. Company funding contributions amounted to $216,000 in fiscal 2004 and $280,000 in fiscal 2003. The anticipated minimum funding requirement for fiscal 2005 is approximately $274,000 of which $201,000 was funded during the nine-month period ending October 1, 2005.

The company also maintains a retirement benefit agreement with its Chairman. The retirement benefits are based upon a percentage of the Chairman's final base salary. Additionally, the company maintains a retirement plan for non-employee directors. The plan provides for an annual benefit upon retirement from the Board of Directors at age 70, equal to 100% of the director's last annual retainer, payable for a number of years equal to the director's years of service up to a maximum of 10 years. As of January 1, 2005, the unfunded benefit obligation under these plans amounted to $4.3 million, of which $3.6 million was funded in the first quarter of 2005 associated with the settlement and payment of pension obligations due to the former Chairman. The company will make future contributions to this plan as retirement obligations become due.

The company has $4.0 million in outstanding letters of credit, which expire on October 1, 2006 with an automatic one-year renewal, to secure potential obligations under insurance programs.

The company places purchase orders with its suppliers in the ordinary course of business. These purchase orders are generally to fulfill short-term manufacturing requirements of less than 90 days and most are cancelable with a restocking penalty. The company has no long-term purchase contracts or minimum purchase obligations with any supplier.

The company has contractual obligations under its various debt agreements to make interest payments. These amounts are subject to the level of borrowings in future periods and the interest rate for the applicable periods, and therefore the amounts of these payments is not determinable.

The company has no activities, obligations or exposures associated with off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

The company is exposed to market risk related to changes in interest rates. The following table summarizes the maturity of the company's debt obligations.

Twelve Month Period Ending	Fixed Rate Debt	Variable Rate Debt
	(in thousands)	
September 30, 2006	$ —	$ 12,355
September 30, 2007	—	14,855
September 30, 2008	—	15,480
September 30, 2009	—	17,355
September 30, 2010	—	44,054
	$ —	$ 104,099

During the fourth quarter of 2004, the company entered into a new $160.0 million senior secured credit facility in order to increase the company's borrowing availability. Terms of the agreement provided for $70.0 million of term loans and $90.0 million of availability under a revolving credit line. As of October 1, 2005, the company had $101.9 million outstanding under this facility, including $62.5 million of a term loan and $39.4 million of borrowings under the revolving credit line.

Borrowings under the senior secured credit facility are assessed at an interest rate at 1.25% above LIBOR for long-term borrowings or at the higher of the Prime rate and the Federal Funds Rate plus 0.5% for short-term borrowings. At October 1, 2005, the average interest rate on the senior debt amounted to 5.13%. The interest rates on borrowings under the senior bank facility may be adjusted quarterly based on the company's defined indebtedness ratio on a rolling four-quarter basis. Additionally, a commitment fee, based upon the indebtedness ratio is charged on the unused portion of the revolving credit line. This variable commitment fee amounted to 0.25% as of October 1, 2005.

In November 2004, the company entered into a promissory note in conjunction with the release and early termination of obligations under a lease agreement relative to a manufacturing facility in Shelburne, Vermont. At October 1, 2005, the balance due on the note amounted to $2.2 million. The note is assessed interest at 4.0% above LIBOR with an interest rate cap of 9.0%. At October 1, 2005 the interest rate on the note was approximately 7.7%. The note amortizes monthly and matures in December 2009.

The company has historically entered into interest rate swap agreements to effectively fix the interest rate on its outstanding debt. In February 2003, the company entered into an interest rate swap agreement for a notional amount of $10.0 million. This agreement swaps one-month LIBOR for a fixed rate of 2.36% and remains in effect through December 2005. In January 2005, the company entered into an interest rate swap agreement for a notional amount of $70.0 million. This agreement swaps one-month LIBOR for a fixed rate of 3.78%. The notional amount amortizes consistent with the repayment schedule of the company's term loan maturing November 2009. The unamortized notational amount of this swap as of October 1, 2005 was $62.5 million.

The terms of the senior secured credit facility limit the paying of dividends, capital expenditures and leases, and require, among other things, certain ratios of indebtedness and fixed charge coverage. The credit agreement also provides that if a material adverse change in the company's business operations or conditions occurs, the lender could declare an event of default. Under terms of the agreement a material adverse effect is defined as (a) a material adverse change in, or a material adverse effect upon, the operations, business properties, condition (financial and otherwise) or prospects of the company and its subsidiaries taken as a whole; (b) a material impairment of the ability of the company to perform under the loan agreements and to avoid any event of default; or (c) a material adverse effect upon the legality, validity, binding effect or enforceability against the company of any loan document. A material adverse effect is determined on a subjective basis by the company's creditors. At October 1, 2005, the company was in compliance with all covenants pursuant to its borrowing agreements.

Financing Derivative Instruments

In February 2003, the company entered into an interest rate swap agreement with a notional amount of $10.0 million to fix the interest rate applicable to certain of its variable-rate debt. The agreement swaps one-month LIBOR for a fixed rate of 2.36% and is in effect through December 30, 2005. The company designated the swap as a cash flow hedge at its inception and all changes in the fair value of the swap are recognized in accumulated other comprehensive income. As of October 1, 2005, the fair value of this instrument was $0.1 million. There was no change in the fair value of this swap agreement in the first nine months of 2005.

In January 2005, the company entered into another interest rate swap with a notional amount of $70.0 million to fix the interest rate applicable to certain of its variable-rate debt. The notional amount of the swap amortizes consistent with the repayment schedule of the company's senior term loan maturing in November 2009. The agreement swaps one-month LIBOR for a fixed rate of 3.78% and is in effect through November 2009. The company designated the swap as a cash flow hedge at its inception and all changes in the fair value of the swap are recognized in accumulated other comprehensive income. As of October 1, 2005, the fair value of this instrument was $1.0 million. The change in fair value of this swap agreement in the first nine months of 2005 was a gain of $0.6 million, net of $0.4 million of taxes.

Foreign Exchange Derivative Financial Instruments

The company uses foreign currency forward purchase and sale contracts with terms of less than one year, to hedge its exposure to changes in foreign currency exchange rates. The company's primary hedging activities are to mitigate its exposure to changes in exchange rates on intercompany and third party trade receivables and payables. The company does not currently enter into derivative financial instruments for speculative purposes. In managing its foreign currency exposures, the company identifies and aggregates naturally occurring offsetting positions and then hedges residual balance sheet exposures. The following table summarizes the forward and option purchase contracts outstanding at October 1, 2005, the fair value of these forward contracts was $0.1 million at the end of the quarter:

Sell			Purchase		Maturity
1,000,000	Euro	$	1,228,000	U.S. Dollars	October 17, 2005
1,000,000	British Pounds	$	1,817,400	U.S. Dollars	October 17, 2005
1,000,000,000	Korean Won	$	969,900	U.S. Dollars	October 18, 2005
15,000,000	Mexican Pesos	$	1,393,800	U.S. Dollars	October 18, 2005

Item 4. Controls and Procedures

The company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the company's Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As of October 1, 2005, the company carried out an evaluation, under the supervision and with the participation of the company's management, including the company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the company's disclosure controls and procedures. Based on the foregoing, the company's Chief Executive Officer and Chief Financial Officer concluded that the company's disclosure controls and procedures were effective as of the end of this period.

During the quarter ended October 1, 2005, there has been no change in the company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting.

PART II. OTHER INFORMATION

The company was not required to report the information pursuant to Items 1 through 6 of Part II of Form 10-Q for the three months ended October 1, 2005, except as follows:

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

During the third quarter of fiscal 2005, the company issued 16,800 shares of the company's common stock to division executives, company directors and a former executive officer pursuant to the exercise of stock options. The following summarizes those transactions:

Date	Class of persons	Number of Shares	Exercise Price		Amount
July 11, 2005	former company director	3,000	10.51	$	31,530.00
August 3, 2005	division executive	1,250	5.25	$	6,562.50
September 14, 2005	company director	10,000	7.50	$	75,000.00
September 19, 2005	division executive	2,500	18.47	$	46,175.00
September 22, 2005	division executive	50	10.51	$	525.50

The issuance of such shares was exempt under the Securities Act of 1933, as amended, pursuant to Section 4(2) thereof, as transactions by an issuer not involving a public offering as such certificates for the shares were legended and stop transfer instructions were given to the transfer agent.

Item 6. Exhibits

Exhibits –	The following exhibits are filed herewith:
Exhibit 31.1 –	Rule 13a-14(a)/15d -14(a) Certification of the Chief Executive Officer as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 31.2 –	Rule 13a-14(a)/15d -14(a) Certification of the Chief Financial Officer as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.1 –	Certification by the Principal Executive Officer of The Middleby Corporation Pursuant to Rule 13A-14(b) under the Exchange Act and Section 906 of the Sarbanes-Oxley Act of 2002(18 U.S.C. 1350).
Exhibit 32.2 –	Certification by the Principal Financial Officer of The Middleby Corporation Pursuant to Rule 13A-14(b) under the Exchange Act and Section 906 of the Sarbanes-Oxley Act of 2002(18 U.S.C. 1350).

SIGNATURE

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.

THE MIDDLEBY CORPORATION
(Registrant)

Date: November 10, 2005

By: /s/ Timothy J. FitzGerald

Timothy J. FitzGerald
Vice President,
Chief Financial Officer

EXHIBIT 31.1

CERTIFICATIONS

I, Selim A. Bassoul, Chairman, President and Chief Executive Officer, certify that:

1. I have reviewed this report on Form 10-Q of The Middleby Corporation;

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 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 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) 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

   (d) 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 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 registrant's board of directors (or persons performing the equivalent function):

   (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 controls over financial reporting.

Date: November 10, 2005

/s/ Selim A. Bassoul

Selim A. Bassoul
Chairman, President and
Chief Executive Officer of The Middleby Corporation

EXHIBIT 31.2

CERTIFICATIONS

I, Timothy J. Fitzgerald, Chief Financial Officer, certify that:

1. I have reviewed this report on Form 10-Q of The Middleby Corporation;

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 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 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) 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

    (d) 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 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 registrant's board of directors (or persons performing the equivalent function):

    (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 controls over financial reporting.

Date: November 10, 2005

/s/ Timothy J. FitzGerald

Timothy J. FitzGerald
Chief Financial Officer of The Middleby Corporation

Exhibit 32.1

CERTIFICATION BY THE PRINCIPAL EXECUTIVE OFFICER OF
THE MIDDLEBY CORPORATION
PURSUANT TO RULE 13A-14(b) UNDER THE EXCHANGE ACT AND
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. 1350)

This certification is being furnished pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

I, Selim A. Bassoul, Chairman, President and Chief Executive Officer (principal executive officer) of The Middleby Corporation (the “Registrant”), certify, to the best of my knowledge, based upon a review of the Quarterly Report on Form 10-Q for the period ended October 1, 2005 of the Registrant (the “Report”), that:

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

(2) The information contained in the Report fairly presents, in all material aspects, the financial `condition and results of operations of the Registrant.

Date: November 10, 2005

/s/ Selim A. Bassoul

Selim A. Bassoul

Exhibit 32.2

CERTIFICATION BY THE PRINCIPAL FINANCIAL OFFICER OF
THE MIDDLEBY CORPORATION
PURSUANT TO RULE 13A-14(b) UNDER THE EXCHANGE ACT AND
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. 1350)

This certification is being furnished pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

I, Timothy J. FutzGerald, Vice President and Chief Financial Officer (principal financial officer) of The Middleby Corporation (the “Registrant”), certify, to the best of my knowledge, based upon a review of the Quarterly Report on Form 10-Q for the year ended October 1, 2005 of the Registrant (the “Report”), that:

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

(2) The information contained in the Report fairly presents, in all material aspects, the financial condition and results of operations of the Registrant.

Date: November 10, 2005

/s/ Timothy J. FitzGerald

Timothy J. FitzGerald