

MIDDLEBY CORP
Form 10-Q/A
March 28, 2003

FORM 10 - Q/A

Amendment No. 1

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 period ended March 30, 2002

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

(State or Other Jurisdiction of
Incorporation or Organization)

36 - 3352497

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

1400 Toastmaster Drive, Elgin, Illinois

(Address of Principal Executive Offices)

60120

(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

As of May 10, 2002, there were 8,973,547 shares of the registrant's common stock outstanding.

THE MIDDLEBY CORPORATION AND SUBSIDIARIES
QUARTER ENDED MARCH 30, 2002
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Explanatory Note

The company issued a press release on August 7, 2002, relating to the company's intention to restate its annual financial statements for fiscal year 2001 and the first quarter of fiscal year 2002. This amendment on Form 10-Q/A (Amendment No. 1) amends the company's quarterly report on Form 10-Q for the period ended March 30, 2002, as filed with the Securities and Exchange Commission on May 14, 2002, and is being filed to reflect the restatement of the company's consolidated financial statements. The significant effects of this restatement on the financial statements are presented in Note 2 to the consolidated financial statements and Item 2 in Part I of this amended quarterly report on Form 10-Q/A (Amendment No. 1). This amendment incorporates certain revisions to historical financial data and related descriptions but is not intended to update other information presented in this quarterly report as originally filed, except where specifically noted.

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This amended quarterly report on Form 10-Q/A (Amendment No. 1) contains certain forward-looking statements that are based on the beliefs of, and estimates made by and information currently available to the company's management. The words expect, anticipate, intend, plan and similar expressions identify forward-looking statements. These statements are subject to risks and uncertainties. Actual results could differ materially from those discussed here. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in Factors That May Affect Our Future Operating Results and elsewhere in the company's annual report on Form 10-K/A (Amendment No. 1).

PART I. FINANCIAL INFORMATION

THE MIDDLEBY CORPORATION AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS

**(In Thousands, Except Share Amounts)
(Unaudited)**

	(as restated(1))	
	Mar. 30, 2002	Dec. 29, 2001
ASSETS		
Cash and cash equivalents	\$ 4,551	\$ 5,997
Accounts receivable, net of reserve for doubtful accounts of \$2,832 and \$2,913	26,713	25,158
Inventories, net	27,646	29,115
Prepaid expenses and other	504	1,178
Current deferred taxes	11,686	11,291
	71,100	72,739
Total current assets	71,100	72,739
Property, plant and equipment, net of accumulated depreciation of \$23,373 and \$22,185	29,632	30,598
Goodwill	74,005	74,005
Other intangibles	26,300	26,466
Other assets	7,211	7,589
	\$ 208,248	\$ 211,397
	\$ 208,248	\$ 211,397
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current maturities of long-term debt	\$ 11,012	\$ 10,047
Accounts payable	13,898	11,491
Accrued expenses	36,734	38,438
	61,644	59,976
Total current liabilities	61,644	59,976
Long-term debt	80,466	86,152
Long-term deferred tax liability	8,698	8,698
Other non-current liabilities	16,774	17,162
Stockholders' equity:		
Preferred stock, \$.01 par value; nonvoting; 2,000,000 shares authorized; none issued		
Common stock, \$.01 par value; 20,000,000 shares authorized; 11,024,396 issued in 2002 and 2001, respectively	110	110
Shareholder receivable	(290)	(290)
Paid-in capital	54,031	53,884

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Treasury stock at cost; 2,052,474 shares in 2002 and 2001, respectively	(11,997) (11,997)
Retained earnings (accumulated deficit)	11	(1,029)
Accumulated other comprehensive loss	(1,199) (1,269)
	<u>40,666</u>	<u>39,409</u>	
Total stockholders' equity			
	<u>\$ 208,248</u>	<u>\$ 211,397</u>	

(1) See Note 2.

See accompanying notes

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

	Three Months Ended	
	Mar. 30, 2002	Mar. 31, 2001
	(as restated(1))	
Net sales	\$ 54,491	\$ 24,747
Cost of sales	36,598	16,576
Gross profit	17,893	8,171
Selling and distribution expenses	7,221	3,617
General and administrative expenses	5,951	2,717
Income from operations	4,721	1,837
Interest expense and deferred financing amortization	3,098	155
(Gain) loss on acquisition financing derivatives	(593)
Other (income) expense, net	222	198
Earnings before income taxes	1,994	1,484
Provision for income taxes	954	935
Net earnings	\$ 1,040	\$ 549

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Net earnings per share:		
Basic	\$ 0.12	\$ 0.06
Diluted	\$ 0.12	\$ 0.06
Weighted average number of shares:		
Basic	8,972	8,996
Dilutive stock options (2)	22	40
	<hr/>	<hr/>
Diluted	8,994	9,036

(1) See Note 2.

(2) Excludes 298,000 stock options for the three months ended March 31, 2001 with exercise prices from \$7.06 to \$9.63 which were anti-dilutive.

See accompanying notes

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

	Three Months Ended	
	Mar. 30, 2002	Mar. 31, 2001
	<hr/>	
	(as restated(1))	
Cash flows from operating activities-		
Net earnings	\$ 1,040	\$ 549
Adjustments to reconcile net earnings to cash provided by operating activities:		
Depreciation and amortization	1,904	886
Non-cash portion of tax provision	(396)) 439
Unrealized (gain) loss on derivative financial instruments	(593))
Unpaid interest on seller notes (2)	625	
Unpaid interest on subordinated senior notes (2)	127	
Changes in assets and liabilities - Accounts receivable, net	(1,555)) 1,996
Inventories, net	1,469	(918)
Prepaid expenses and other assets	636	(183)
Accounts payable	2,408	(3,806)
Accrued expenses and other liabilities	(1,275)) (4,645)
	<hr/>	<hr/>
Net cash provided by (used in) operating activities	4,390	(5,682)
	<hr/>	<hr/>

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Cash flows from investing activities-		
Net additions to property and equipment	(233)	(220)
	<u> </u>	<u> </u>
Net cash (used in) investing activities	(233)	(220)
	<u> </u>	<u> </u>
Cash flows from financing activities-Proceeds (repayments) under revolving credit facilities, net	(4,060)	4,772
Repayments of senior secured bank notes	(1,500)	
Repurchase of treasury stock		(170)
Other financing activities, net	(35)	
	<u> </u>	<u> </u>
Net cash (used in) provided by financing activities	(5,595)	4,602
	<u> </u>	<u> </u>
Effect of exchange rates on cash and cash equivalents	(8)	(76)
	<u> </u>	<u> </u>
Changes in cash and cash equivalents - Net (decrease) increase in cash and cash equivalents	(1,446)	(1,376)
Cash and cash equivalents at beginning of year	5,997	3,704
	<u> </u>	<u> </u>
Cash and cash equivalents at end of quarter	\$ 4,551	\$ 2,328
	<u> </u>	<u> </u>
Supplemental disclosure of cash flow information :		
Interest paid	\$ 1,374	\$ 107
	<u> </u>	<u> </u>
Income taxes paid	\$ 641	\$ 264
	<u> </u>	<u> </u>

(1) See Note 2.

(2) Represents an increase in principal balance of debt associated with interest paid in kind.

See accompanying notes

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THE MIDDLEBY CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

MARCH 30, 2002
(Unaudited)

1) Summary of Significant Accounting Policies

The 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

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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 2001 Form 10-K/A and Annual Report.

In the opinion of management, the financial statements contain all adjustments necessary to present fairly the financial position of the company as of March 30, 2002 and December 29, 2001, and the results of operations for the three months ended March 30, 2002 and March 31, 2001 and cash flows for the three months ended March 30, 2002 and March 31, 2001.

2) Restatement and Reclassifications

Subsequent to the issuance of the company's financial statements for the year ended December 29, 2001 and the quarter ended March 30, 2002, it was determined that the stock warrant rights issued in conjunction with the subordinated senior notes should have been accounted for as a derivative financial instrument in accordance with the Statement of Financial Accounting Standard (SFAS) No. 133, as amended, Accounting for Derivative Instruments and Hedging Activities instead of as stockholders' equity, as the warrant rights contain a provision which provides the noteholder with the option to require the company to repurchase the warrant rights from the noteholder at their fair market value (Put Option) for cash or debt. Additionally, it was determined that the initial value assigned to the warrant rights was based upon assumptions utilizing the maturity of the notes as the expiry, rather than the 10 year life of the stock warrant rights. Management has determined that the initial value assigned to the stock warrant rights should be revalued based upon the 10-year life and reclassified from Shareholders' Equity to Other Non-Current Liabilities on the balance sheet due to the terms of the Put Option.

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In accordance with SFAS No. 133, this derivative financial instrument should be recorded at its fair market value. As a result the company determined that the stock right warrants should be adjusted to \$3.0 million as of March 30, 2002 and restated in the balance sheet as of that date. The change in fair market value during the first quarter of \$0.3 million was recorded as a gain in the restated income statement.

In addition, it has been determined that a deferred tax liability associated with the intangible assets acquired in connection with the Blodgett acquisition should have been recorded in accordance with SFAS No. 109, Accounting for Income Taxes . The impact of this revision had no effect on net earnings or earnings per share for the period ended March 30, 2002.

Additionally, on January 11, 2002 the company entered into an interest rate swap agreement with a \$20.0 million notional amount, as required by the senior bank agreement. Subsequent to the issuance of the company's financial statements for the first quarter ended March 30, 2002, it was determined that this derivative financial instrument did not qualify for hedge accounting treatment under SFAS No. 133. As a result, the company recorded the interest rate swap in other non-current liabilities at its fair value of \$0.2 million at March 30, 2002. The increase in the fair value of the interest rate swap from zero at inception to \$0.2 million at March 30, 2002 was recorded as a gain in the restated financial statements for the first quarter of 2002.

In addition, the company has made certain reclassifications to the prior year financial statements. These reclassifications are primarily to the classification of cash, accounts payable and individual components of stockholders' equity.

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The effects of the restatement and reclassifications for first quarter 2002 is as follows (in thousands):

March 30, 2002

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	As Previously Reported	As Restated
	_____	_____
At period end:		
Cash	\$ 1,406	\$ 4,551
Deferred taxes	1,980	
Goodwill and other intangibles	89,627	
Goodwill		74,005
Intangibles		26,300
Total assets	196,405	208,248
Accounts payable	\$ 10,753	\$ 13,898
Accrued expenses	36,507	36,734
Long-term debt	81,190	80,466
Long-term deferred tax liability		8,698
Other non-current liabilities	14,067	16,774
Shareholder receivable		(290)
Paid-in capital	56,277	54,031
(Accumulated deficit) retained earnings	(315)	11
Total liabilities and stockholders' equity	196,405	208,248
For the period ended:		
Interest expense & deferred financing amortization	\$ 3,058	\$ 3,098
(Gain) loss on acquisition financing derivatives		(593)
Provision for income taxes	727	954
Net earnings	714	1,040
Net earnings per share:		
Basic	0.08	0.12
Diluted	0.08	0.12

3) New Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 141 Business Combinations . This statement addresses financial accounting and reporting for business combinations initiated after June 30, 2001, superceding Accounting Principles Board (APB) Opinion No. 16 Business Combinations and SFAS No. 38 Accounting for Preacquisition Contingencies of Purchased Enterprises . All business combinations in the scope of this statement are to be accounted for using the purchase method of accounting. The company has accounted for its acquisition of Blodgett Holdings, Inc. (Blodgett) in accordance with SFAS No. 141.

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In June 2001, the FASB issued SFAS No. 142 Goodwill and Other Intangible Assets , superceding APB Opinion No. 17, Intangible Assets . This statement addresses how intangible assets that are acquired individually or with a group of other assets (excluding assets acquired in a business combination) should be accounted for in financial statements upon their acquisition. This statement also addresses how goodwill and other intangible assets should be accounted for after they have been initially recognized in the financial statements. In accordance with this statement, goodwill and certain other intangible assets with indefinite lives will no longer be amortized, but evaluated for impairment based upon financial tests related to the current value for the related assets. As a result there may be more volatility in reported income than under the previous standards because impairment losses are likely to occur irregularly and in varying amounts. The company adopted this statement in the first quarter of fiscal 2002. Upon initial adoption of this statement, the company determined that no impairment of goodwill or other intangible assets had occurred. Goodwill of \$74.0 million and other intangible assets (trademarks) of \$26.3 million have been accounted for consistently with the nonamortization provisions of this statement. As of March 30, 2002, the company does not have any intangible assets subject to amortization. The company recorded goodwill amortization, which reduced net income by \$135,000 from \$684,000, or \$0.08 per share in the first quarter of 2001.

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In June 2001, the FASB issued SFAS No. 143, Accounting for Asset Retirement Obligations. This statement addresses financial accounting and reporting obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs, and requires that such costs be recognized as a liability in the period in which incurred. This statement is effective for financial statements issued for fiscal years beginning after June 15, 2002. The company does not expect the adoption of this statement to have a material impact to the financial statements.

In August 2001, the FASB issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. SFAS No. 144 supercedes SFAS No. 121 and requires that one accounting model be used for long-lived assets to be disposed of by sale, whether previously held and used or newly acquired and broadens the presentation of discontinued operations to include more disposal transactions. This statement is effective for financial statements issued for fiscal years beginning after December 15, 2001. The adoption of SFAS No. 144 did not have a material impact on the company's financial position, results of operations or cash flows.

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In April 2002, the FASB issued SFAS No. 145, Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13 and Technical Corrections. SFAS No. 145 eliminates the current requirement that gains and losses on debt extinguishment must be classified as extraordinary items in the income statement. Instead, such gains and losses will be classified as extraordinary items only if they are deemed to be unusual and infrequent. The changes related to debt extinguishment will be effective for fiscal years beginning after May 15, 2002, and the changes related to lease accounting will be effective for transactions occurring after May 15, 2002. The company will apply this guidance in beginning in fiscal 2003.

4) 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 comprehensive income were as follows (in thousands):

	Three Months Ended	
	Mar. 30, 2002	Mar. 31, 2001
Net earnings	\$ 1,040	\$ 549
Cumulative translation adjustment	70	68
Comprehensive income	<u>\$ 1,110</u>	<u>\$ 617</u>

Accumulated other comprehensive income (loss) is comprised of minimum pension liability of \$1.1 million as of March 30, 2002 and December 29, 2001, respectively, as well as foreign currency translation adjustments of \$0.1 million as of March 30, 2002 and December 29, 2001, respectively.

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5) Inventories

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Inventories composed of material, labor and overhead and are stated at the lower of cost or market. Costs for Blodgett inventory have been determined using the last-in, first-out (LIFO) method. Had the inventories been valued using the first-in, first-out (FIFO) method, the amount would not have differed materially from the amounts as determined using the LIFO method. Costs for Middleby 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 March 30, 2002 and December 29, 2001 are as follows:

	Mar. 30, 2002	Dec. 29, 2001
	(In thousands)	
Raw materials and parts	\$ 6,163	\$ 7,201
Work-in-process	5,201	5,355
Finished goods	16,282	16,559
	\$ 27,646	\$ 29,115

6) Accrued Expenses

Accrued expenses consist of the following:

	Mar. 30, 2002	Dec. 29, 2001
	(In thousands)	
Accrued payroll and related expenses	\$ 8,525	\$ 6,586
Accrued customer rebates	2,650	3,933
Accrued commissions	1,514	1,321
Accrued warranty	8,890	9,179
Accrued acquisition costs	1,075	3,200
Accrued severance and plant closures	5,036	6,497
Other accrued expenses	9,044	7,722
	\$ 36,734	\$ 38,438

8) Acquisition Integration

On December 21, 2001 the company established reserves through purchase accounting associated with \$4.0 million in severance related obligations and \$6.9 million in facility costs related to the acquired Blodgett business operations.

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Severance obligations of \$4.0 million were established in conjunction with reorganization initiatives established during 2001. During the first quarter of 2002, the company reduced headcount at the acquired Blodgett operations by 123 employees. This headcount reduction included most functional areas of the company and included a reorganization of the executive management structure. Reserves of \$6.9 million for facility closure costs predominately relate to lease obligations for three manufacturing facilities that were exited in 2001 and 2002. During the second

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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 July 2006. As part of the acquisition, reserves were established for exit of leased facilities in Williston and Shelburne, Vermont. The Williston lease extends through June 30, 2005 and the Shelburne lease extends through December 11, 2014. Total lease obligations under the three facilities are anticipated to amount to approximately \$15.0 million. The reserves are reflected net of anticipated sublease income associated with the three facilities.

A summary of the reserve balance activity is as follows (in thousands):

	Balance	Cash	Balance
	Dec 29, 2001	Payments	Mar 30, 2002
Severance obligations	\$ 3,947	\$ 1,407	\$ 2,540
Facility closure and lease obligations	6,928	23	6,905
Total	\$ 10,875	\$ 1,430	\$ 9,445

At this time, management believes the remaining reserve balance is adequate to cover the remaining costs identified at March 30, 2002.

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9) Financial Instruments

In June 1998, the FASB issued SFAS No. 133. 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 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 March 30, 2002 the company had forward contracts to purchase \$7.6 million U.S. Dollars with various foreign currencies, all of which mature in the next fiscal quarter. The fair value of these forward contracts were less than \$0.1 million at the end of the quarter.

Interest rate swap: On January 11, 2002, in accordance with the senior bank agreement, the company entered into an interest rate swap agreement with a notional amount of \$20.0 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 4.03% and is in effect through December 31, 2004. As of March 30, 2002, the fair value of this derivative financial instrument was \$(0.2) million. This net gain was recorded in earnings for the three-month period.

Stock warrant rights: In conjunction with subordinated senior notes issued in connection with the financing for the Blodgett acquisition, the company issued 362,226 stock warrant rights and 445,100 conditional stock warrant rights to the subordinated senior noteholder. The warrant rights allow the noteholder to purchase Middleby common stock at \$4.67 per share through their expiration on December 21, 2011. The conditional stock warrant rights are exercisable in the circumstance that the noteholder fails to achieve certain prescribed rates of return as defined per the note agreement. After March 15, 2007 or upon a Change in Control as defined per the note agreement, the subordinated senior noteholder has the ability to require the company to repurchase these warrant rights at the fair market value. The obligation pertaining to the repurchase of the warrant rights is recorded in Other Non-Current Liabilities at fair market value utilizing a Black-Scholes valuation model. As of March 30, 2002, the fair value of the warrant rights was assessed at \$3.0 million. The change in the fair value of the stock warrant rights

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during the first three months amounted to \$0.3 million and was recorded as a gain in the income statement for the three month period ended March 30, 2002. The company may experience volatility in earnings caused by fluctuations in the market value of the stock warrant rights resulting from changes in Middleby's stock price, interest rates, or other factors that are incorporated into the valuation of these financial instruments.

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10) 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, 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 conveyor oven product group include Middleby Marshall ovens, Blodgett ovens and CTX ovens. Principal product lines of the core cooking equipment product group include the Southbend product line of ranges, steamers, convection ovens, broilers and steam cooking equipment, the Blodgett product line of convection and combi ovens, MagiKitch'n charbroilers and catering equipment and the Pitco Frialator product line of fryers. 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 design, export management, distribution and installation services through its operations in China, India, Korea, Mexico, 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.

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

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

	Cooking Systems Group	International Distribution	Corporate and Other (2)	Eliminations (3)	Total
<i>Three months ended March 30, 2002</i>					
Net sales	\$52,320	\$6,846	\$79	\$(4,754)	\$54,491
Operating income (loss)	6,983	3	(2,115)	(150)	4,721
Depreciation expense	1,161	40	(2))	1,199
Capital expenditures	222	9	2		233
Total assets	187,431	14,370	17,429	(10,982)	208,248
Long-lived assets (4)	130,472	389	6,287		137,148

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Three months ended March 31, 2001

Net sales	\$23,659	\$5,365	\$	\$(4,277)) \$24,747
Operating income (loss)	2,564	(195)) (632)) 100	1,837
Depreciation expense	608	39	48		695
Capital expenditures	69	8	143		220
Total assets	56,259	15,851	15,109	(10,982)) 76,237
Long-lived assets (4)	18,797	584	13,318		32,699

(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 \$2,916 and \$3,187 in 2002 and 2001, 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	
	Mar. 30, 2002	Mar. 31, 2001
United States and Canada	\$ 44,023	\$ 17,825
Asia	3,883	3,198
Europe and Middle East	5,059	2,537
Latin America	1,526	1,187
Net Sales	\$ 54,491	\$ 24,747

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

Restatement

Subsequent to the issuance of the company's financial statements for the year ended December 29, 2001, it was determined that the stock warrant rights issued in conjunction with the subordinated senior notes should have been accounted for as a derivative financial instrument in accordance with the Statement of Financial Accounting Standard (SFAS) No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended, instead of as stockholders' equity, as the warrant rights contain a provision which provides the noteholder with the option to require the company to repurchase the warrant rights from the noteholder at their fair market value (Put Option) for cash or debt. Additionally, it was determined that the initial value assigned to the warrant rights was based upon assumptions utilizing the maturity of the notes as the expiry, rather than the 10 year life of the stock warrant rights. Management has determined that the initial value assigned to the stock warrant rights should be revalued based upon the 10 year life and reclassified from Shareholders' Equity to Other Non-Current Liabilities on the balance sheet due to the terms of the Put Option.

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In accordance with SFAS No. 133, this derivative financial instrument should be recorded at its fair market value. As a result the company determined that the stock right warrants should be adjusted to \$3.0 million as of March 30, 2002 and restated in the balance sheet as of that date. The change in fair market value during the first quarter of \$0.3 million was recorded as a gain in the restated income statement.

In addition, it has been determined that a deferred tax liability associated with the intangible assets acquired in connection with the Blodgett acquisition should have been recorded in accordance with SFAS No. 109, Accounting for Income Taxes. The impact of this revision had no effect on net earnings or earnings per share for the period ended March 30, 2002.

Additionally, on January 11, 2002 the company entered into an interest rate swap agreement with a \$20.0 million notional amount, as required by the senior bank agreement. Subsequent to the issuance of the company's financial statements for the first quarter ended March 30, 2002, it was determined that this derivative financial instrument did not qualify for hedge accounting treatment under SFAS No. 133. As a result, the company recorded the interest rate swap in other non-current liabilities at its fair value of \$0.2 million at March 30, 2002. The increase in the fair value of the interest rate swap from zero at inception to \$0.2 million at March 30, 2002 was recorded as a gain in the restated financial statements for the first quarter of 2002.

See Note 2 to the financial statements for summary of principle effects of restatement. The following discussion and analysis gives effect to the restatement.

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Acquisition

On December 21, 2001, the company completed its acquisition of Blodgett Holdings, Inc. (Blodgett) from Maytag Corporation.

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 allocation of the purchase price and acquisition costs to the assets acquired and liabilities assumed is subject to change pending additional information that may come to the attention of the company pertaining to the fair values of acquired assets and liabilities and the settlement of post-close adjustments to the purchase price with the seller. The difference between the purchase price and the fair value of the assets acquired and liabilities assumed was recorded as goodwill. Under SFAS No. 142, goodwill and certain other intangible assets with indefinite lives in conjunction with the Blodgett acquisition will be subject to the nonamortization provisions of this statement from the date of acquisition.

The consolidated financial statements include the operating results and the financial position of Blodgett for the period subsequent to its acquisition on December 21, 2001. The results of operations prior to and including December 21, 2001 are not reflected in the consolidated statements.

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; changes in the value of stock warrant rights issued in conjunction with the acquisition financing caused by fluctuations in Middleby's stock price and other valuation factors; 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; the ability to successfully integrate the acquired operations of Blodgett; and other risks detailed herein and from time-to-time in the company's SEC filings, including the 2001 report on Form 10-K/A.

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NET SALES SUMMARY

(dollars in thousands)

	Three months ended			
	March 30, 2002		March 31, 2001	
	Sales	Percent	Sales	Percent
<i>Business Divisions:</i>				
Cooking Systems Group:				
Core cooking equipment	\$ 36,632	67.2	% \$ 10,167	41.1
Conveyor oven equipment	12,086	22.2	9,178	37.1
Counterline cooking Equipment	2,511	4.6	2,815	11.3
International specialty Equipment	1,091	2.0	1,499	6.1
Cooking Systems Group	52,320	96.0	23,659	95.6
International Distribution Division (1)	6,846	12.6	5,365	21.7
Intercompany sales (2)	(4,675)	(8.6)	(4,277)	(17.3)
Total	\$ 54,491	100.0	% \$ 24,747	100.0

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

(2) Consists primarily of the elimination of sales to the company's International Distribution Division from Cooking Systems Group.

Results of Operations

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

	March 30, 2002		March 31, 2001	
Net sales	100.0	%	100.0	%
Cost of sales	67.2		67.0	
Gross profit	32.8		33.0	
Selling, general and administrative expenses	24.2		25.6	
Income from operations	8.6		7.4	
Interest expense and deferred financing amortization, net	5.6		0.6	
(Gain) loss on acquisition financing derivatives	(1.1)		
Other expense, net	0.4		0.8	
Earnings before income taxes	3.7		6.0	
Provision for income taxes	1.8		3.8	

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Net Earnings	1.9	%	2.2	%
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Three Months Ended March 30, 2002 Compared to Three Months Ended March 31, 2001

NET SALES. Net sales for the first quarter of fiscal 2002 were \$54.5 million as compared to \$24.7 million in the first quarter of 2001. The increase in net sales resulted from the incremental business associated with the acquired Blodgett operations. On a proforma basis in the first quarter of 2001 net sales for combined Middleby and Blodgett amounted to \$54.4 million. Net sales in the first quarter of 2002 increased slightly over the combined net sales of the prior year quarter, while the incoming order rate for the combined company increased approximately 4% as compared to the prior year period.

Net sales at the cooking Systems Group amounted to \$52.3 million in the first quarter of 2002 as compared to \$23.7 million in the prior year quarter. Core cooking equipment sales amounted to \$36.6 million as compared to \$10.2 million, primarily due to the addition of Blodgett product lines which amounted to \$27.9 million in the first quarter. Conveyor oven equipment sales amounted to \$12.1 million as compared to \$9.2 million in the prior year quarter. The increase in conveyor oven sales resulted from the addition of \$1.6 million in Blodgett conveyor ovens and \$1.3 million of increased sales of Middleby Marshall conveyor ovens resulting from sales of new product and increased demand from certain major pizza chains. Counterline cooking equipment sales decreased to \$2.5 million from \$2.8 million in the prior year. International specialty equipment sales decreased from \$1.5 million to \$1.1 million as a result of lower sales into the Philippines which has been impacted by a slowed economy and reduced foreign investment due in part to the political environment in that country.

Net sales at the International Distribution Division increased by \$1.5 million to \$6.8 million, due to the addition of Frialator International - a distribution operation in the United Kingdom, which was acquired as part of the Blodgett purchase. Net sales of Frialator International amounted to \$1.9 million.

GROSS PROFIT. Gross profit increased to \$17.9 million from \$8.2 million in the prior year period as a result of the increased sales volumes resulting from the acquisition. The gross margin rate was 32.8% in the quarter as compared to 33.0% in the prior year quarter. The acquired Blodgett operations gross margin rate was approximately 32.4% as compared to 33.3% for the Middleby operations, excluding Blodgett. Significant cost reduction measures were completed at the acquired Blodgett operations during the first quarter to achieve the 32.4% margin rate.

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SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Combined selling, general, and administrative expenses increased from \$6.3 million in the first quarter of 2001 to \$13.2 million in the first quarter of 2002. The increased expense reflects the incremental cost associated with the acquired Blodgett operations. As a percentage of net sales operating expenses amounted to 24.2% in the first quarter of 2002 versus 25.6% in the prior year reflecting improved leverage on the greater combined sales base.

NON-OPERATING EXPENSES. Interest and deferred financing amortization costs increased to \$3.1 million from \$0.2 million in the prior year as a result of increased interest expense associated with the debt incurred to finance the Blodgett acquisition. The gain on acquisition financing derivatives amounted to \$0.6 million and included \$0.4 million of a gain on the value assigned to stock right warrants and \$0.2 million associated with an increase in the value of the company's \$20.0 million interest rate swap agreement. Other expense of \$0.2 million in the current year remained consistent with the prior year quarter.

INCOME TAXES. A tax provision of \$1.0 million, at an effective rate of 48%, was recorded during the quarter, primarily associated with taxable income reported at the company's operations in the United States and Europe. No benefit was recognized for losses at international subsidiaries within Asia.

Financial Condition and Liquidity

During the three months ended March 30, 2002, cash and cash equivalents decreased by \$1.4 million to \$4.6 million at March 30, 2002 from \$6.0 million at December 29, 2001. Net borrowings decreased from \$96.2 million at December 29, 2001 to \$91.5 million at March 30, 2002.

OPERATING ACTIVITIES. Net cash provided by operating activities before changes in assets and liabilities was \$2.7 million in the three months ended March 30, 2002 as compared to \$1.9 million in the prior year period. Net cash provided by operating activities after changes in assets and liabilities was \$4.4 million as compared to net cash used of \$5.7 million in the prior year period. Cash provided by operating activities included \$0.8 million of borrowings on subordinated notes representing unpaid interest, which is added to the principal balance of the notes consistent with financing agreements.

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During the three months ended March 30, 2002, accounts receivable increased \$1.6 million due to increased sales. Inventories decreased \$1.5 million due to inventory reduction measures. Accounts payable increased \$2.4 million as vendor payments were managed to enhance cash flow. Accrued expenses and other liabilities decreased \$1.3 million primarily due to the payment of accrued customer rebates and accrued severance obligations associated with headcount reductions completed during the first quarter.

INVESTING ACTIVITIES. During the three months ending March 30, 2002, the company had capital expenditures of \$0.2 million associated with enhancements to existing manufacturing facilities.

FINANCING ACTIVITIES. Net borrowings decreased by \$4.7 million during the three months ending March 30, 2002. The repayment of debt included a \$1.5 million scheduled term loan payment and \$4.1 million in payments on the company's revolving credit facility.

At March 30, 2002, 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 June 2001, the Financial Accounting Standards Board issued SFAS No. 141 *Business Combinations*. This statement addresses financial accounting and reporting for business combinations initiated after June 30, 2001, superceding APB Opinion No. 16 *Business Combinations* and SFAS No. 38 *Accounting for Preacquisition Contingencies of Purchased Enterprises*. All business combinations in the scope of this statement are to be accounted for using the purchase method of accounting. The company has accounted for its acquisition of Blodgett Holdings, Inc. (Blodgett) in accordance with SFAS No. 141.

In June 2001, the FASB issued SFAS No. 142 *Goodwill and Other Intangible Assets*, superceding APB Opinion No. 17, *Intangible Assets*. This statement addresses how intangible assets that are acquired individually or with a group of other assets (excluding assets acquired in a business combination) should be accounted for in financial statements upon their acquisition. This statement also addresses how goodwill and other intangible assets should be accounted for after they have been initially recognized in the financial statements. In accordance with this statement, goodwill and certain other intangible assets with indefinite lives will no longer be amortized, but evaluated for impairment based upon financial tests related to the current value for the related assets. As a result there may be more volatility in reported income than under the previous standards because impairment losses are likely to occur irregularly and in varying amounts. The company has adopted this statement in the first quarter of fiscal 2002. Upon initial adoption of this statement, the company has determined no impairment of goodwill or other intangible assets had occurred. Goodwill of \$74.0 million and other intangible assets (trademarks) of \$26.3 million have been accounted for consistently with the nonamortization provisions of this statement. As of March 30, 2002, the company does not have any intangible assets subject to amortization. In the first three months of 2001, the company had recorded goodwill amortization, which reduced net income by \$135,000 from \$684,000 or \$0.08 per share for the quarter.

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In June 2001, the FASB issued SFAS No. 143 Accounting for Asset Retirement Obligations. This statement addresses financial accounting and reporting obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs, and requires that such costs be recognized as a liability when the recognition criteria in FASB Concepts Statement No. 5 Recognition and Measurement in the Financial Statements of Business Enterprises are met. This statement is effective for financial statements issued for fiscal years beginning after June 15, 2002. The company does not expect the adoption of this statement to have a material impact to the financial statements.

In August 2001, the FASB issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. SFAS No. 144 supercedes SFAS No. 121 and requires that one accounting model be used for long-lived assets to be disposed of by sale, whether previously held and used or newly acquired and broadens the presentation of discontinued operations to include more disposal transactions. This statement is effective for financial statements issued for fiscal years beginning after December 15, 2001. The adoption of SFAS No. 144 did not have a material impact on the company's financial position, results of operations or cash flows.

In April 2002, the FASB issued SFAS No. 145, Rescission of FASB Statements SFAS Nos. 4, 44 and 64, Amendment of FASB Statement No. 13 and Technical Corrections. SFAS No. 145 eliminates the current requirement that gains and losses on debt extinguishment must be classified as extraordinary items in the income statement. Instead, such gains and losses will be classified as extraordinary items only if they are deemed to be unusual and infrequent. The changes related to debt extinguishment will be effective for fiscal years beginning after May 15, 2002, and the changes related to lease accounting will be effective for transactions occurring after May 15, 2002. The company will apply this guidance beginning in fiscal 2003.

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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)	
March 30, 2003	\$ 12	\$ 11,000
March 30, 2004		9,875
March 30, 2005		9,125
March 30, 2006		15,825
March 30, 2007	42,641	3,000
	<u>\$42,653</u>	<u>\$48,825</u>

Fixed rate debt due in 2002 is comprised of capital lease obligations, which bear interest rates approximating 10%. Fixed rate obligations of \$42.7 million due in the twelve month period ending March 30, 2007 include \$22.0 million of subordinated senior notes which bear an interest rate of 15.5%, of which 2% is payable in kind, for which the unpaid interest will be added to the principal balance of the notes. The subordinated senior notes are reflected net of a debt discount of \$3.2 million, representing the unamortized balance of the prescribed value of warrants issued

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in connection with the notes. Additional fixed rate debt consists of approximately \$20.7 million of notes due to Maytag arising from the acquisition of Blodgett. The notes bear interest at an average rate of approximately 12.4%. The amount of notes due to Maytag is subject to change pending post closing purchase price adjustments as provided for under provisions of the purchase agreement.

Variable rate debt consists of \$9.8 million of borrowings under a \$27.5 million revolving credit facility and \$1.0 million outstanding in letters of credit, which become due in December 2005, and \$39.0 million in senior bank notes. As of March 30, 2002 the revolving credit facility had borrowing availability of \$22.3 million based upon the company's collateral base as determined per the senior bank agreement. The secured senior bank notes comprise two separate tranches of debt. The first tranche of debt for \$36.0 million is repaid on a quarterly basis over the four-year term ending December 2005. The second tranche of debt for \$3.0 million matures with a lump sum payment in December 2006. The secured revolving credit facility and \$36.0 million senior bank note bear interest at a rate of 3.25% above LIBOR, or 5.1 % as of March 29, 2002. The \$3.0 million senior bank note accrues interest at a rate of 4.5% above LIBOR, or 6.3% as of March 30, 2002.

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Acquisition Financing Derivative Instruments

On January 11, 2002, in accordance with the senior bank agreement, the company entered into an interest rate swap agreement, with a notional amount of \$20.0 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 4.03% and is in effect through December 31, 2004. As of March 30, 2002, the fair value of this derivative financial instrument amounted to \$0.2 million. This net gain has been recorded to income in the income statement for the first quarter.

In conjunction with subordinated senior notes issued in connection with the financing for the Blodgett acquisition, the company issued 362,226 stock warrant rights and 445,100 conditional stock warrant rights to the subordinated senior noteholder. The warrant rights allow the noteholder to purchase Middleby common stock at \$4.67 per share through their expiration on December 21, 2011. The conditional stock warrant rights are exercisable in the circumstance that the noteholder fails to achieve certain prescribed rates of return as defined per the note agreement. After March 15, 2007 or upon a Change in Control as defined per the note agreement, the subordinated senior noteholder has the ability to require the company to repurchase these warrant rights at the fair market value. The obligation pertaining to the repurchase of these warrant rights is recorded in Other Non-Current Liabilities at fair market value utilizing a Black-Scholes valuation model. As of March 30, 2002, the fair value of the warrant rights was assessed at \$3.0 million. The change in the fair value of the stock warrant rights during the first quarter amounted to \$0.3 million and was recorded as a gain in the income statement for the first quarter. The company may experience volatility in earnings caused by fluctuations in the market value of these instruments resulting from changes in Middleby's stock price, interest rates, or other factors that are incorporated into the valuation of these financial instruments.

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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 March 30, 2002 the fair value of which was less than \$0.1 million at the end of the quarter:

Sell

Purchase

Maturity

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1,000,000	Euro	\$ 882,200	U.S. Dollars	April 22, 2002
1,000,000	Euro	\$ 879,500	U.S. Dollars	June 19, 2002
500,000,000	South Korean Won	\$ 375,657	U.S. Dollars	April 22, 2002
600,000,000	South Korean Won	\$ 451,467	U.S. Dollars	April 10, 2002
40,000,000	Taiwan Dollar	\$1,128,987	U.S. Dollars	April 10, 2002
40,000,000	Taiwan Dollar	\$1,136,687	U.S. Dollars	May 1, 2002
1,409,900	British Pounds	\$2,000,000	U.S. Dollars	April 8, 2002
525,700	British Pounds	\$ 750,000	U.S. Dollars	April 19, 2002

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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 March 30, 2002, except as follows:

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits The following Exhibits are filed herewith:

Exhibit 99.1 - Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Exhibit 99.2 - Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

b) During the first quarter of 2002 the company filed: a report on Form 8-K, dated December 21, 2001, in response to Item 2, on January 7, 2002; an amendment to such report on Form 8-K/A on January 31, 2002; and a further amendment to such report on March 8, 2002 including the financial statements of Blodgett Holdings, Inc. pursuant to Rule 3-05 of Regulation S-X.

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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 March 28, 2003

By: /s/ David B. Baker

David B. Baker
Vice President,

Chief Financial Officer
and Secretary

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CERTIFICATIONS

I, Selim A. Bassoul, President and Chief Executive Officer (principal executive officer), certify that:

1. I have reviewed this quarterly report on Form 10-Q/A of The Middleby Corporation;
2. Based on my knowledge, this quarterly 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 quarterly report; and
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report.

Date: March 28, 2003

/s/ Selim A. Bassoul

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

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I, David B. Baker, Chief Financial Officer (principal financial officer), certify that :

1. I have reviewed this quarterly report on Form 10-Q/A of The Middleby Corporation;
2. Based on my knowledge, this quarterly 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 quarterly report; and
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report.

Date: March 28, 2003

/s/ David B. Baker

David B. Baker
Chief Financial Officer of The Middleby Corporation

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