MIDDLEBY CORP
Form 10-Q
November 08, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 29, 2007

or

o 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 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 x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act.
Large accelerated filer o Accelerated filer x Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No x

As of November 2, 2007, there were 16,730,888 shares of the registrant's common stock outstanding.

THE MIDDLEBY CORPORATION AND SUBSIDIARIES

QUARTER ENDED SEPTEMBER 29, 2007

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PART I. FINANCIAL INFORMATION
Item 1. Condensed Consolidated Financial Statements

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

	Sep. 29, 2007	Dec. 30, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	$ 7,616	$ 3,534
Accounts receivable, net of reserve for doubtful accounts of $6,483 and $5,101	69,698	51,580
Inventories, net	68,325	47,292
Prepaid expenses and other	8,156	3,289
Prepaid taxes	977	1,129
Current deferred taxes	11,449	10,851
Total current assets	166,221	117,675
Property, plant and equipment, net of accumulated depreciation of $39,825 and $37,006	36,141	28,534
Goodwill	129,241	101,258
Other intangibles	53,844	35,306
Other assets	1,849	2,249
Total assets	$ 387,296	$ 285,022
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ 16,765	$ 16,838
Accounts payable	32,825	19,689
Accrued expenses	84,236	69,636
Total current liabilities	133,826	106,163
Long-term debt	91,083	65,964
Long-term deferred tax liability	5,240	5,867
Other non-current liabilities	9,456	6,455
Stockholders' equity:		
Preferred stock, $0.01 par value; nonvoting; 2,000,000 shares authorized; none issued	—	—
Common stock, $0.005 par value; 47,500,000 shares authorized; 20,585,932 and 23,615,534 shares issued in 2007 and 2006, respectively	119	117
Paid-in capital	84,842	73,743
Treasury stock at cost; 3,855,044 shares in 2007 and 2006, respectively	(89,641)	(89,641)
Retained earnings	151,640	115,917
Accumulated other comprehensive income	732	437
Total stockholders' equity	147,691	100,573
Total liabilities and stockholders' equity	$ 387,296	$ 285,022

See accompanying notes

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

	Three Months Ended		Nine Months Ended	
	Sep. 29, 2007	Sep. 30, 2006	Sep. 29, 2007	Sep. 30, 2006
Net sales	$ 135,996	$ 103,239	$ 354,939	$ 304,837
Cost of sales	84,600	62,664	217,552	187,011
Gross profit	51,396	40,575	137,387	117,826
Selling expenses	13,507	10,009	36,575	30,901
General and administrative expenses	12,465	9,545	35,380	30,477
Income from operations	25,424	21,021	65,432	56,448
Net interest expense and deferred financing amortization	1,621	1,618	4,138	5,445
Other (income) expense, net	(316)	(37)	(1,053)	35
Earnings before income taxes	24,119	19,440	62,347	50,968
Provision for income taxes	10,063	7,263	24,989	19,650
Net earnings	$ 14,056	$ 12,177	$ 37,358	$ 31,318
Net earnings per share:				
Basic	$ 0.89	$ 0.80	$ 2.39	$ 2.05
Diluted	$ 0.83	$ 0.74	$ 2.22	$ 1.90
Weighted average number of shares				
Basic	15,743	15,290	15,632	15,258
Dilutive stock options[1, 2]	1,191	1,206	1,225	1,256
Diluted	16,934	16,496	16,857	16,514

[1] There were no anti-dilutive stock options excluded from common stock equivalents for the three and nine month periods ended September 29, 2007.

[2] There were 7,000 anti-dilutive stock options excluded from common stock equivalents in the three and nine months ended September 30, 2006.

See accompanying notes

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

	Nine Months Ended	
	Sep. 29, 2007	Sep. 30, 2006
Cash flows from operating activities-		
Net earnings	$ 37,358	$ 31,318
Adjustments to reconcile net earnings to cash provided by operating activities:		
Depreciation and amortization	4,850	3,643
Deferred taxes	1,417	249
Non-cash share-based compensation	5,540	3,416
Cash effects of changes in -		
Accounts receivable, net	(5,674)	(11,972)
Inventories, net	(2,992)	(3,145)
Prepaid expenses and other assets	(4,576)	3,186
Accounts payable	6,866	290
Accrued expenses and other liabilities	3,195	6,379
Net cash provided by (used in) operating activities	45,984	33,364
Cash flows from investing activities-		
Net additions to property and equipment	(1,689)	(1,236)
Acquisition of Alkar	—	(1,500)
Acquisition of Houno	(179)	(4,939)
Acquisition of Jade	(7,779)	—
Acquisition of Carter Hoffmann	(16,152)	—
Acquisition of MP Equipment	(15,193)	—
Acquisition of Wells Bloomfield	(28,805)	—
Net cash (used in) investing activities	(69,797)	(7,675)
Cash flows from financing activities-		
Net proceeds (repayments) under revolving credit facilities	36,750	(16,500)
Repayments under senior secured bank notes	(11,250)	(9,375)
Repayments under foreign bank loan	(822)	—
Repayments under note agreement	—	(2,145)
Net proceeds from stock issuances	3,121	1,284
Net cash provided by (used in) financing activities	27,799	(26,736)
Effect of exchange rates on cash and cash equivalents	94	121
Cash acquired in acquisition	2	43
Changes in cash and cash equivalents-		

Net increase (decrease) in cash and cash equivalents		**4,082**		**(883)**
Cash and cash equivalents at beginning of year		**3,534**		**3,908**
Cash and cash equivalents at end of quarter	**$**	**7,616**	**$**	**3,025**
Supplemental disclosure of cash flow information:				
Interest paid	**$**	**3,844**	**$**	**4,898**
Income tax payments	**$**	**24,815**	**$**	**8,557**

See accompanying notes

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THE MIDDLEBY CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 29, 2007
(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 2006 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 September 29, 2007 and December 30, 2006, and the results of operations for the three and nine months ended September 29, 2007 and September 30, 2006 and cash flows for the nine months ended September 29, 2007 and September 30, 2006.

B) Share-Based Compensation

Share-based compensation expense is calculated by estimating the fair value of market based stock awards and stock options at the time of grant and amortized over the stock options' vesting period. Share-based compensation expense was $2.2 million and $1.2 million for the third quarter of 2007 and 2006, respectively. Share-based compensation was $5.5 million and $3.4 million for the nine month periods ended September 29, 2007 and September 30, 2006, respectively.

C) Income Tax Contingencies

In July 2006, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 48 "Accounting for Uncertainty in Income Taxes" ("FIN 48"). This interpretation prescribes a comprehensive model for how a company should recognize, measure, present and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return. FIN 48 states that a tax benefit from an uncertain tax position may be recognized only if it is "more likely than not" that the position is sustainable, based on its technical merits. The tax benefit of a qualifying position is the largest amount of tax benefit that is greater than 50% likely of being realized upon settlement with a taxing authority having full knowledge of all relevant information. A tax benefit from an uncertain position was previously recognized if it was probable of being sustained. Under FIN 48, the liability for unrecognized tax benefits is classified as non-current unless the liability is expected to be settled in cash within 12 months of the reporting date. FIN 48 is effective as of the beginning of the first fiscal year beginning after December 15, 2006. The company adopted the provisions of FIN 48 on the first day of fiscal 2007 (December 31, 2006), as required.

The following table indicates the effect of the application of FIN 48 on individual line items in the Consolidated Balance Sheet as of the adoption date (dollars in thousands).

	Before FIN 48	Adjustment	After FIN 48
Accrued liabilities	$ 69,636	$ (5,395)	$ 64,241
Other non-current liabilities	$ 6,455	$ 7,030	$ 13,485
Retained earnings	$ 115,917	$ (1,635)	$ 114,282

The company operates in multiple taxing jurisdictions, both within the United States and outside of the United States, and faces audits from various tax authorities regarding transfer pricing, the deductibility of certain expenses, intercompany transactions as well as other matters. As of the adoption date, the total amount of liability for unrecognized tax benefits related to federal, state and foreign taxes was approximately $5.7 million (of which the entire amount would impact the effective tax rate if recognized) plus approximately $0.5 million of accrued interest and $0.8 million of penalties. As of September 29, 2007, the corresponding balance of liability for unrecognized tax benefits is approximately $6.0 million plus approximately $0.7 million of accrued interest and $0.8 million of penalties. The company recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense, which is consistent with reporting in prior periods.

The company is not currently under examination in any tax jurisdiction; however it remains subject to examination until the statute of limitations expires for the respective tax jurisdiction. Within specific countries, the company and its operating subsidiaries may be subject to audit by various tax authorities and may be subject to different statute of limitations expiration dates. A summary of the tax years that remain subject to examination in the company's major tax jurisdictions are:

United States – federal	2004 - 2006
United States – states	2003 - 2006
China	2006
Denmark	2006
Mexico	2006
Philippines	2004 - 2006
South Korea	2004 - 2006
Spain	2003 - 2006
Taiwan	2005 - 2006
United Kingdom	2006

The company does not anticipate that total unrecognized tax benefits will significantly change due to the settlement of audits and the expiration of statute of limitations prior to September 29, 2008.

2) Acquisitions and Purchase Accounting

Houno

On August 31, 2006, the company acquired the stock of Houno A/S ("Houno") located in Denmark for $4.9 million in cash. The company also assumed $3.7 million of debt included as part of the net assets of Houno.

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 fair value of the assets acquired and liabilities assumed has been recorded as goodwill in the financial statements.

The allocation of cash paid for the Houno acquisition is summarized as follows (in thousands):

	Aug. 31, 2006	Adjustments	Sep. 29, 2007
Current assets	$ 4,325	$ (287)	$ 4,038
Property, plant and equipment	4,371	—	4,371
Goodwill	1,287	799	2,086
Other intangibles	1,139	(199)	940
Other assets	92	—	92
Current liabilities	(3,061)	(134)	(3,195)
Long-term debt	(2,858)	—	(2,858)
Long-term deferred tax liability	(356)	—	(356)
Total cash paid	$ 4,939	$ 179	$ 5,118

The goodwill is subject to the nonamortization provisions of SFAS No. 142 from the date of acquisition. Other intangibles also includes $0.1 million allocated to backlog and $0.8 million allocated to developed technology which are amortized over periods of 1 month and 5 years, respectively. Goodwill and other intangibles of Houno are allocated to the Commercial Foodservice Equipment Group for segment reporting purposes. These assets are not deductible for tax purposes.

Jade

On April 1, 2007, the company completed its acquisition of the assets and operations of Jade Product Company ("Jade"), a leading manufacturer of commercial and residential cooking equipment from Maytag Corporation ("Maytag") for an aggregate purchase price of $7.4 million in cash. The purchase price is subject to adjustment based upon a working capital provision within the purchase agreement.

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 fair value of the assets acquired and liabilities assumed has been recorded as goodwill in the 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 finalization of the valuation of the assets and liabilities acquired.

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The preliminary allocation of cash paid for the Jade acquisition is summarized as follows (in thousands):

	Apr. 1, 2007	Adjustments	Sep. 29, 2007
Current assets	$ 6,727	$ (2,605)	$ 4,122
Property, plant and equipment	2,029	—	2,029
Goodwill	250	3,430	3,680
Other intangibles	1,590	—	1,590
Current liabilities	(3,205)	(437)	(3,642)
Total cash paid	$ 7,391	$ 388	$ 7,779

The goodwill and $1.4 million of other intangibles which are comprised of the tradename, associated with the Jade acquisition, are subject to the non-amortization provisions of SFAS No. 142 from the date of acquisition. Other intangibles of $0.2 million allocated to customer relationships are to be amortized over a periods of 10 years. Goodwill and other intangibles of Jade are allocated to the Commercial Foodservice Equipment Group for segment reporting purposes. These assets are expected to be deductible for tax purposes.

Carter-Hoffmann

On June 29, 2007, the company completed its acquisition of the assets and operations of Carter-Hoffmann ("Carter-Hoffmann"), a leading manufacturer of commercial cooking and warming equipment, from Carrier Commercial Refrigeration Inc., a subsidiary of Carrier Corporation, which is a unit of United Technologies Corporation, for an aggregate purchase price of $15.9 million in cash.

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 fair value of the assets acquired and liabilities assumed has been recorded as goodwill in the 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 finalization of the valuation of the assets and liabilities acquired.

The preliminary allocation of cash paid for the Carter-Hoffmann acquisition is summarized as follows (in thousands):

	Jun. 29, 2007	Adjustments	Sep. 29, 2007
Current assets	$ 7,912	$ (2,026)	$ 5,886
Property, plant and equipment	2,264	—	2,264
Goodwill	9,452	(900)	8,552
Other intangibles	—	3,910	3,910
Current liabilities	(3,646)	(760)	(4,406)
Other non-current liabilities	(54)	—	(54)
Total cash paid	$ 15,928	$ 224	$ 16,152

The goodwill and $2.3 million of other intangibles, which are comprised of the trade name, associated with the Carter-Hoffmann acquisition is subject to the non-amortization provisions of SFAS No. 142 from the date of acquisition. Other intangibles of $1.6 million allocated to customer relationships are to be amortized over a period of 4 years. Goodwill and other intangibles of Carter-Hoffmann are allocated to the Commercial Foodservice Equipment Group for segment reporting purposes. These assets are expected to be deductible for tax purposes.

MP Equipment

On July 2, 2007, the company completed its acquisition of the assets and operations of MP Equipment ("MP Equipment"), a leading manufacturer of food processing equipment for a purchase price of $15.0 million in cash. An additional deferred payment of $2.0 million is also due to the seller at the earlier of three years or upon the achievement of reaching certain profit targets. An additional contingent payment of $1.0 million is also payable if the business reaches certain target profits.

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 fair value of the assets acquired and liabilities assumed has been recorded as goodwill in the 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 finalization of the valuation of the assets and liabilities acquired.

The preliminary allocation of cash paid for the MP Equipment acquisition is summarized as follows (in thousands):

		Jul 2, 2007
Current assets	$	5,315
Property, plant and equipment		297
Goodwill		9,290
Other intangibles		6,420
Other assets		16
Current liabilities		(4,018)
Other non-current liabilities		(2,127)
Total cash paid	$	15,193

The goodwill and $3.3 million of other intangibles, which are comprised of the trade name, associated with the MP Equipment acquisition is subject to the non-amortization provisions of SFAS No. 142 from the date of acquisition. Other intangibles also includes $1.0 million allocated to backlog, $0.3 million allocated to developed technology and $1.9 million allocated to customer relationships which are to be amortized over periods of 6 months, 5 years and 5 years, respectively. Goodwill and other intangibles of MP Equipment are allocated to the Food Processing Equipment Group for segment reporting purposes. These assets are expected to be deductible for tax purposes.

Wells Bloomfield

On August 3, 2007, the company completed its acquisition of the assets and operations of Wells Bloomfield ("Wells Bloomfield"), a leading manufacturer of commercial cooking and beverage equipment from Carrier Commercial Refrigeration Inc., a subsidiary of Carrier Corporation, which is a unit of United Technologies Corporation, for an aggregate purchase price of $28.4 million in cash. The purchase price is subject to adjustment based upon a working capital provision within the purchase agreement.

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 fair value of the assets acquired and liabilities assumed has been recorded as goodwill in the 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 finalization of the valuation of the assets and liabilities acquired.

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The preliminary allocation of cash paid for the Wells Bloomfield acquisition is summarized as follows (in thousands):

	Aug. 3, 2007
Cash	$ 2
Current assets	15,133
Property, plant and equipment	3,961
Goodwill	5,835
Other intangibles	8,130
Other assets	21
Current liabilities	(4,277)
Other non-current liabilities	—
Total cash paid	$ 28,805

The goodwill and $5.0 million of other intangibles, which are comprised of the trade name, associated with the Wells Bloomfield acquisition is subject to the non-amortization provisions of SFAS No. 142 from the date of acquisition. Other intangibles of $3.1 million allocated to customer relationships are to be amortized over a period of 4 years. Goodwill and other intangibles of Wells Bloomfield are allocated to the Commercial Foodservice Equipment Group for segment reporting purposes. These assets are expected to be deductible for tax purposes.

3) Stock Split

On May 3, 2007, the company's Board of Directors authorized a two-for-one split of the company's common stock in the form of a stock dividend. The stock dividend was paid on June 15, 2007 to company shareholders of record as of June 1, 2007. The company's common stock began trading on a split-adjusted basis on June 18, 2007. All references in the accompanying consolidated condensed financial statements and notes thereto to net earnings per share and the number of shares have been adjusted to reflect this stock split.

4) 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 partially 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 requirement 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 pending litigation will have a material adverse effect on its financial condition, results of operations or cash flows of the company.

5) Recently Issued Accounting Standards

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements". This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. This statement does not require any new fair value measurements. This statement is effective for interim reporting periods in fiscal years beginning after November 15, 2007. 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 September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132(R)". One provision of SFAS No. 158 requires the measurement of the company's defined benefit plan's assets and its obligation to determine the funded status be made as of the end of the fiscal year. This provision of SFAS No. 158 is effective for fiscal years ending after December 15, 2008. The company does not anticipate that the impact from the adoption of this provision of SFAS No. 158 will be significant to its financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115. This statement permits entities to choose to measure many financial instruments and certain other items at fair value. This statement is effective for fiscal years beginning after November 15, 2007. 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.

6) 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	
	Sep. 29, 2007	Sep. 30, 2006	Sep. 29, 2007	Sep. 30, 2006
Net earnings.	$ 14,056	$ 12,177	$ 37,358	$ 31,318
Currency translation adjustment	320	90	596	354
Unrealized gain (loss) on interest rate swaps	(202)	(344)	(301)	(134)
Comprehensive income	$ 14,174	$ 11,923	$ 37,653	$ 31,538

Accumulated other comprehensive income is comprised of minimum pension liability of $(1.0) million, net of taxes of $(0.7) million, as of September 29, 2007 and December 30, 2006, foreign currency translation adjustments of $1.5 million as of September 29, 2007 and $0.9 million as of December 30, 2006, and an unrealized gain on interest rate swaps of $0.3 million, net of taxes of $0.2 million, as of September 29, 2007 and $0.6 million, net of taxes of $0.4 million, as of December 30, 2006.

7) 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 $14.1 million at September 29, 2007 and $16.9 million at December 30, 2006 and represented approximately 21% and 36% 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 September 29, 2007 and December 30, 2006 are as follows:

	Sep. 29, 2007	Dec. 30, 2006
	(in thousands)	
Raw materials and parts	$ 24,285	$ 15,795
Work-in-process	13,440	6,642
Finished goods	31,773	25,127
	69,498	47,564
LIFO adjustment	(1,172)	(272)
	$ 68,326	$ 47,292

8) Accrued Expenses

Accrued expenses consist of the following:

	Sep. 29, 2007	Dec, 30, 2006
	(in thousands)	
Accrued payroll and related expenses	$ 18,010	$ 16,564
Accrued customer rebates	13,383	13,119
Accrued warranty	12,453	11,292
Advance customer deposits	7,217	3,615
Accrued product liability and workers comp	6,425	4,361
Accrued commissions	4,696	2,471
Accrued professional services	3,159	2,523
Other accrued expenses	18,893	15,691
	$ 84,236	$ 69,636

9) 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 Sep. 29, 2007 (in thousands)	
Beginning balance	$	11,292
Warranty reserve related to acquisitions		1,454
Warranty expense		7,344
Warranty claims		(7,637)
Ending balance	$	12,453

10) Financing Arrangements

	Sep. 29, 2007		Dec. 30, 2006	
	(in thousands)			
Senior secured revolving credit line	$	66,850	$	30,100
Senior secured bank term loans		36,250		47,500
Foreign loan		4,748		5,202
Total debt	$	107,848	$	82,802
Less: Current maturities of long-term debt		16,765		16,838
Long-term debt	$	91,083	$	65,964

During the fourth quarter of 2005, the company amended its senior secured credit facility. Terms of the agreement currently provide for $36.3 million of term loans and $130.0 million of availability under a revolving credit line. As of September 29, 2007, the company had $103.1 million outstanding under its senior banking facility, including $66.8 million of borrowings under the revolving credit line. The company also had $5.1 million in outstanding letters of credit, which reduced the borrowing availability under the revolving credit line.

Borrowings under the senior secured credit facility are assessed at an interest rate of 1.0% above LIBOR for long-term borrowings or at the higher of the Prime rate and the Federal Funds Rate for short term borrowings. At September 29, 2007, the average interest rate on the senior debt amounted to 6.46%. 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 0.20% as of September 29, 2007.

In August 2006, the company completed its acquisition of Houno in Denmark. This acquisition was funded in part with locally established debt facilities with borrowings in Danish Krone. As of September 29, 2007, these facilities amounted to $4.7 million in U.S. dollars, including $1.6 million outstanding under a revolving credit facility, $2.2 million of a term loan and $0.9 million of a long term mortgage note. The interest rate on the revolving credit facility is assessed at 1.25% above Euro LIBOR, which amounted to 5.65% on September 29, 2007. The term loan matures in 2013 and the interest rate is assessed at 5.62%. The long-term mortgage note matures in March 2023 and is assessed interest at a fixed rate of 5.19%.

In December 2005, the company entered into a $3.2 million U.S. dollar secured term loan at its subsidiary in Spain. As of September 29, 2007, the company had fully repaid the borrowings under this loan.

The company has historically entered into interest rate swap agreements to effectively fix the interest rate on its outstanding debt. 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 notional amount of this swap as of September 29, 2007 was $36.3 million. In January 2006, the company entered into an interest rate swap agreement for a notional amount of $10.0 million maturing on December 21, 2009. This agreement swaps one-month LIBOR for a fixed rate of 5.03%.

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 September 29, 2007, the company was in compliance with all covenants pursuant to its borrowing agreements.

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 September 29, 2007 the company had no forward contracts outstanding.

Interest Rate: In January 2005, the company entered into an 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 September 29, 2007, the unamortized balance of the interest rate swap was $36.3 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 September 29, 2007, the fair value of this instrument was $0.4 million. The change in fair value of this swap agreement in the first nine months of 2007 was a loss of $0.4 million, net of taxes.

In January 2006, the company entered into another interest rate swap 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 5.03% and is in effect through December 2009. The company designated the swap a cash flow hedge at is inception and all changes in fair value of the swap are recognized in accumulated other comprehensive income. As of September 29, 2007, the fair value of this instrument was $0.1 million. The change in fair value of this swap agreement in the first nine months of 2007 was a gain of $0.1 million, net of taxes.

12) Segment Information

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

The Commercial Foodservice Equipment business group manufactures cooking equipment for the restaurant and institutional kitchen industry. This business segment has manufacturing facilities in California, Illinois, Michigan, Nevada, New Hampshire, North Carolina, Vermont, Denmark and the Philippines. The Commercial Foodservice Equipment group manufactures conveyor ovens, convection ovens, fryers, ranges, toasters, combi ovens, steamers, broilers, deck ovens, baking ovens, proofers, beverage systems and beverage dispensing equipment, counter-top cooking and warming equipment. This business segment's principal product lines include Middleby Marshall® and CTX® conveyor oven equipment, Blodgett® convection ovens, conveyor ovens, deck oven equipment, Blodgett Combi® cooking equipment, Blodgett Range® ranges, Nu-Vu® baking ovens and proofers, Pitco Frialator® fryer equipment, Southbend® ranges, convection ovens and heavy-duty cooking equipment, Toastmaster® toasters and counterline cooking and warming equipment, Jade Range® ranges and ovens, Carter Hoffmann® warming, holding and transporting equipment, Bloomfield® beverage systems and beverage dispensing equipment, Wells® convection ovens, counterline cooking equipment and ventless cooking systems, Houno® combi-ovens and baking ovens and MagiKitch'n® charbroilers and catering equipment.

The Food Processing Equipment business group manufactures cooking and packaging equipment for the food processing industry. This business segment has manufacturing facilities in Georgia and Wisconsin. Its principal products include Alkar® batch ovens, conveyorized ovens and continuous process ovens, RapidPak® food packaging machinery and MP Equipment® breading, battering, mixing, forming, and slicing equipment.

The International Distribution Division provides integrated sales, export management, distribution and installation services through its operations in China, India, Lebanon, Mexico, the Philippines, Russia, South Korea, Spain, Sweden, 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			
	Sep. 29, 2007		Sep. 30, 2006		Sep. 29, 2007		Sep. 30, 2006	
	Sales	Percent	Sales	Percent	Sales	Percent	Sales	Percent
Business Divisions:								
Commercial Foodservice	$ 109,667	80.6	$ 81,500	78.9	290,597	81.9	243,940	80.0
Food Processing	20,780	15.3	15,389	14.9	46,329	13.0	43,909	14.4
International Distribution(1)	15,059	11.1	14,023	13.6	43,156	12.2	41,602	13.6
Intercompany sales (2)	(9,510)	(7.0)	(7,673)	(7.4)	(25,143)	(7.1)	(24,614)	(8.0)
Total	$ 135,996	100.0%	$ 103,239	100.0%	$ 354,939	100.0%	$ 304,837	100.0%

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

(2) *Represents the elimination of sales from the Commercial Foodservice Equipment Group to the International Distribution Division.*

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

	Commercial Foodservice	Food Processing	International Distribution	Corporate and Other[2]	Eliminations[3]	Total
Three months ended September 29, 2007						
Net sales	$ 109,667	$ 20,780	$ 15,059	$ —	$ (9,510)	$ 135,996
Operating income	25,155	4,009	1,245	(5,267)	282	25,424
Depreciation expense	898	131	41	36	—	1,106
Net capital expenditures	508	53	52	7	—	620
Nine months ended September 29, 2007						
Net sales	$ 290,597	$ 46,329	$ 43,156	$ —	$ (25,143)	$ 354,939
Operating income	69,234	10,026	3,227	(17,748)	693	65,432
Depreciation expense	2,401	381	125	109	—	3,016
Net capital expenditures	1,436	65	107	81	—	1,689
Total assets	280,999	73,931	28,741	11,741	(8,116)	387,296
Long-lived assets[4]	166,241	43,948	456	10,430	—	221,075
Three months ended September 30, 2006						
Net sales	$ 81,500	$ 15,389	$ 14,023	$ —	$ (7,673)	$ 103,239
Operating income	22,032	3,302	694	(5,150)	143	21,021
Depreciation expense	657	132	63	32	—	884
Net capital expenditures	291	6	51	3	—	351
Nine months ended September 30, 2006						
Net sales	$ 243,940	$ 43,909	$ 41,602	$ —	$ (24,614)	$ 304,837
Operating income	64,205	5,866	2,558	(15,629)	(552)	56,448
Depreciation expense	2,020	408	133	30	—	2,591
Net capital expenditures	734	101	99	302	—	1,236
Total assets	206,447	48,318	26,960	7,856	(6,119)	283,462
Long-lived assets[4]	130,382	25,964	486	9,801	—	166,633

(1) *Non-operating expenses are not allocated to the operating segments. Non-operating expenses consist of interest expense and deferred financing amortization, foreign exchange gains and losses 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 Commercial Foodservice Equipment Group to the International Distribution Division.*

(4)

Long-lived assets of the Commercial Foodservice Equipment Group includes assets located in the Philippines which amounted to $1,937 and $2,009 in 2007 and 2006, respectively and assets located in Denmark which amounted to $1,645 in 2007 and $1,688 in 2006 .

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

	Three Months Ended		Nine Months Ended	
	Sep. 29, 2007	Sep. 30, 2006	Sep. 29, 2007	Sep. 30, 2006
United States and Canada	$ 109,291	$ 84,035	$ 286,832	$ 248,802
Asia	10,003	5,932	2,645	19,488
Europe and Middle East	11,994	9,028	35,266	23,770
Latin America	4,708	4,244	11,196	12,777
Net sales	$ 135,996	$ 103,239	$ 354,939	$ 304,837

13) Employee Retirement Plans

(a) Pension 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 September 30, 2002, further described below.

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 a change in control of the company or 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.

Contributions under the union plan are funded in accordance with provisions of The Employee Retirement Income Security Act of 1974. Expected contributions to be made in 2007 are $46,000, of which $46,000 was funded during the nine-month period ended September 29, 2007. Contributions to the directors' plan are based upon actual retirement benefits as they retire.

(b) 401K Savings Plans

The company maintains two separate defined contribution 401K savings plans covering all employees in the United States. These two plans separately cover the union employees at the Elgin, Illinois facility and all other remaining union and non-union employees in the United States. The company makes profit sharing contributions to the various plans in accordance with the requirements of the plan. Profit sharing contributions for the Elgin Union 401K savings plans are made in accordance with the agreement.

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; ability to protect trademarks, copyrights and other intellectual property; 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 company’s 2006 Annual Report on Form 10-K.

Net Sales Summary
(dollars in thousands)

	Three Months Ended				Nine Months Ended			
	Sep. 29, 2007		Sep. 30, 2006		Sep. 29, 2007		Sep. 30, 2006	
	Sales	Percent	Sales	Percent	Sales	Percent	Sales	Percent
Business Divisions:								
Commercial Foodservice	$ 109,667	80.6	$ 81,500	78.9	290,597	81.9	243,940	80.0
Food Processing	20,780	15.3	15,389	14.9	46,329	13.0	43,909	14.4
International Distribution(1)	15,059	11.1	14,023	13.6	43,156	12.2	41,602	13.6
Intercompany sales (2)	(9,510)	(7.0)	(7,673)	(7.4)	(25,143)	(7.1)	(24,614)	(8.0)
Total	$ 135,996	100.0%	$ 103,239	100.0%	$ 354,939	100.0%	$ 304,837	100.0%

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

(2) Represents the elimination of sales from the Commercial Foodservice Equipment 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	
	Sep. 29, 2007	Sep. 30, 2006	Sep. 29, 2007	Sep. 30, 2006
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	62.2	60.7	61.3	61.3
Gross profit	37.8	39.3	38.7	38.7
Selling, general and administrative expenses	19.1	18.9	20.3	20.2
Income from operations	18.7	20.4	18.4	18.5
Net interest expense and deferred financing amortization	1.2	1.6	1.2	1.8
Other (income) expense, net	(0.2)	–	(0.3)	–
Earnings before income taxes	17.7	18.8	17.5	16.7
Provision for income taxes	7.4	7.0	7.0	6.4
Net earnings	10.3%	11.8%	10.5%	10.3%

Three Months Ended September 29, 2007 Compared to Three Months Ended September 30, 2006

NET SALES. Net sales for the third quarter of fiscal 2007 were $136.0 million as compared to $103.2 million in the third quarter of 2006.

Net sales at the Commercial Foodservice Equipment Group amounted to $111.4 million in the third quarter of 2007 as compared to $82.6 million in the prior year quarter.

Net sales from the acquisitions of Houno, Jade, Carter-Hoffmann and Wells Bloomfield which were acquired on August 31, 2006. April 1, 2007, June 29, 2007 and August 3, 2007 respectively, accounted for an increase of $21.8 million during the third quarter of 2007.

Net sales of conveyor ovens were $0.4 million lower than the prior year third quarter due to a work stoppage that occurred at the Elgin, Illinois production facility that began on May 17, 2007 after the unionized workforce failed to ratify a final contract proposal of an expired collective bargaining agreement. On July 30, 2007, the company announced it had entered into a new collective bargaining agreement with its Elgin, Illinois unionized workforce bringing an end to the work stoppage.

Excluding the impact of acquisitions and the sales of conveyor ovens impacted by the work stoppage, net sales of commercial foodservice equipment increased $6.4 million driven by increased sales of combi-ovens, convection ovens, and ranges, reflecting the impact of new product introductions and price increases.

Net sales for the Food Processing Equipment Group amounted to $20.8 million in the third quarter of 2007 as compared to $15.4 million in the prior year quarter. Net sales of MP Equipment, which was acquired on July 2, 2007, accounted for an increase of $6.6 million. Excluding the impact of acquisitions, net sales of food processing equipment decreased $1.6 million due to acquisition integration initiatives put in place to eliminate low margin and unprofitable sales.

Net sales at the International Distribution Division increased by $1.0 million to $15.1 million, reflecting higher sales in Asia, Europe and Latin America.

GROSS PROFIT. Gross profit increased to $51.4 million in the third quarter of 2007 from $40.6 million in the prior year period, reflecting the impact of higher sales volumes. The gross margin rate was 37.8% in the third quarter of 2007 as compared to 39.3% in the prior year quarter. The net decrease in the gross margin rate reflects:

- Lower margins at the Elgin, Illinois manufacturing facility which was adversely impacted by the work stoppage.
- The adverse impact of steel costs which have risen significantly from the prior year quarter.
- Lower margins the newly acquired Jade, Carter-Hoffmann, MP Equipment and Wells Bloomfield operations which are in the process of being integrated within the company.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Combined selling, general, and administrative expenses increased from $19.6 million in the third quarter of 2006 to $26.0 million in the third quarter of 2007. As a percentage of net sales, operating expenses increased from 18.9% in the third quarter of 2006 to 19.1% in the third quarter of 2007. Selling expenses increased from $10.0 million in the third quarter of 2006 to $13.5 million in the third quarter of 2007, reflecting $3.1 million of incremental costs associated with the acquisitions of Houno, completed in August 2006, Jade completed on April 1, 2007, Carter-Hoffmann, completed June 29, 2007, MP Equipment, completed July 2, 2007 and Wells Bloomfield, completed August 3, 2007. General and administrative expenses increased from $9.5 million in the third quarter of 2006 to $12.5 million in the third quarter of 2007. General and administrative expenses reflects $2.1 million of costs associated with the acquired operations of Houno, Jade, Carter-Hoffmann, MP Equipment and Wells Bloomfield. Increased general and administrative costs also include increased incentive compensation costs.

NON-OPERATING EXPENSES. Interest and deferred financing amortization costs of $1.6 million in the third quarter of 2007 remained consistent with the third quarter of 2006, as the benefit of lower debt balances was offset in part by higher interest rates. Other income of $0.3 million in the third quarter of 2007 compared favorably to other income of less than $0.1 million in the prior year third quarter and was comprised primarily of foreign exchange gains.

INCOME TAXES. A tax provision of $10.1 million, at an effective rate of 42%, was recorded during the third quarter of 2007, as compared to a $7.3 million provision at a 37% effective rate in the prior year quarter. The 2007 third quarter provision included increased reserves for state tax audits and exposures.

Nine Months Ended September 29, 2007 Compared to Nine Months Ended September 30, 2006

NET SALES. Net sales for the nine-month period ended September 29, 2007 were $354.9 million as compared to $304.8 in the nine-month period ended September 30, 2006.

Net sales at the Commercial Foodservice Equipment Group amounted to $295.0 million in the nine-month period ended September 29, 2007 as compared to $247.7 million in the nine-month period ended September 30, 2006.

Net sales from the acquisitions of Houno, Jade, Carter-Hoffmann and Wells Bloomfield which were acquired on August 31, 2006, April 1, 2007, June 29, 2007 and August 3, 2007 respectively, accounted for an increase of $32.7 million during the first nine months of 2007.

Net sales of conveyor ovens increased $0.8 million in the nine-month period ended September 29, 2007 as compared to the nine-month period ended September 30, 2006. Net sales of conveyor ovens had increased $4.5 million in the first quarter of 2007 as compared to the 2006 first quarter due to increased sales of new product, and decreased $3.7 million in the combined second and third quarters due to a work stoppage that occurred at the Elgin, Illinois production facility that began on May 17, 2007 after the unionized workforce failed to ratify a final contract proposal of an expired collective bargaining agreement. On July 30, 2007, subsequent to the end of the second quarter the company announced it had entered into a new collective bargaining agreement with its Elgin, Illinois unionized workforce bringing an end to the work stoppage.

Excluding the impact of acquisitions and the decrease in sales of conveyor ovens impacted by the work stoppage, net sales of commercial foodservice equipment increased $26.7 million for the nine-month period ended September 29, 2007 compared to the nine-month period ended September 30, 2006. The net increase includes increased sales of combi-ovens, convection ovens, fryers and ranges, reflecting the impact of new product introductions and price increases.

Net sales for the Food Processing Equipment Group amounted to $46.3 million for the nine-month period ended September 29, 2007 as compared to $43.9 million for the prior year period. Net sales of MP Equipment, which was acquired on July 2, 2007, accounted for an increase of $6.6 million. Excluding the impact of acquisitions, net sales of food processing equipment decreased $4.2 million due to acquisition integration initiatives put in place to eliminate low margin and unprofitable sales.

Net sales at the International Distribution Division increased from $41.6 million for the nine-month period ended September 30, 2006 to $43.2 million for the nine-month period ended September 29, 2007, reflecting higher sales in Europe and Asia, which more than offset a decline in sales in Mexico. 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 $137.4 million for the nine-month period ended September 29, 2007 from $117.81 million in the nine-month period, ended September 30, 2006, reflecting the impact of higher sales volumes. The gross margin rate was 38.7% for the nine-month period ended September 29, 2007 and remained consistent with the nine-month period ended September 30, 2006. The gross margin rate reflects:

· Lower margins at the Elgin, Illinois manufacturing facility which was adversely impacted by the work stoppage.

· The adverse impact of steel costs which have risen significantly from the prior year quarter.

· Lower margins at the newly acquired Jade, Carter-Hoffmann, MP Equipment and Wells Bloomfield operations which are in the process of being integrated within the company.

· Improved margins at the Food Processing Equipment Group, which was acquired in December 2005, resulting from cost reduction initiatives and elimination of unprofitable sales.

· Increased sales volumes that benefited manufacturing efficiencies and provided for greater leverage of fixed manufacturing costs.

· Higher margins associated with new product sales.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Combined selling, general, and administrative expenses increased from $61.4 million in the nine-month period ended September 30, 2006 to $72.0 million in the nine-month period ended September 29, 2007. As a percentage of net sales, operating expenses increased from 20.2% in the nine-month period ended September 30, 2006, to 20.3% in the nine-month period ended September 29, 2007. Selling expenses increased from $30.9 million in the nine-month period ended September 30, 2006, to $36.6 million in the nine-month period ended September 29, 2007, reflecting $4.6 million of increased costs associated with the newly acquired operations of Houno, Jade, Carter-Hoffmann, MP Equipment and Wells Bloomfield and $1.3 million of higher commission costs associated with the increased sales volumes. General and administrative expenses increased from $30.5 million in the nine-month period ended September 30, 2006, to $35.4 million in the nine-month period ended September 29, 2007, which includes increased costs of $2.9 million associated with the newly acquired operations of Houno, Jade, Carter-Hoffmann, MP Equipment and Wells Bloomfield. General and administrative expenses also includes increased employee incentive performance costs.

NON-OPERATING EXPENSES. Interest and deferred financing amortization costs decreased to $4.1 million for the nine-month period ended September 29, 2007 from $5.4 million in the prior year period, as the benefit of lower debt balances were offset in part by higher interest rates. Other income was $1.1 million for the nine-month period ended September 29, 2007, which primarily consisted of foreign exchange gains, compared to other expense of less than $0.1 million for the nine-month period ended September 30, 2006.

INCOME TAXES. A tax provision of $25.0 million, at an effective rate of 40%, was recorded for the first nine months of 2007 as compared to a $19.6 million provision at a 39% effective rate in the prior year period.

Financial Condition and Liquidity

During the nine months ended September 29, 2007, cash and cash equivalents increased by $4.1 million to $7.6 million at September 29, 2007 from $3.5 million at December 30, 2006. Net borrowings increased from $82.8 million at December 30, 2006 to $107.8 million at September 29, 2007.

OPERATING ACTIVITIES. Net cash provided operating activities was $46.0 million for the nine-month period ended September 29, 2007 compared to $33.4 million for the nine-month period ended September 30, 2006.

During the nine months ended September 29, 2007, working capital levels increased due to the higher sales volumes and increased seasonal working capital needs. The changes in working capital included a $5.7 increase in accounts receivable, a $3.0 million increase in inventory, a $4.6 million increase in prepaid expenses and other assets, a $6.9 million increase in accounts payable and a $3.2 million increase in accrued expenses and non-current liabilities.

INVESTING ACTIVITIES. During the nine months ended September 29, 2007, net cash used in investing activities amounted to $69.8 million. This includes $0.2 million associated with the acquisition of Houno, $7.8 million associated with the acquisition of Jade, $16.2 million associated with the acquisition of Carter-Hoffmann, $15.2 million associated with the acquisition of MP Equipment, $28.8 million associated with the acquisition of Wells Bloomfield and $1.7 million of capital expenditures associated with additions and upgrades of production and marketing equipment.

FINANCING ACTIVITIES. Net cash flows provided by financing activities were $27.8 million during the nine months ended September 29, 2007. The net increase in debt includes $36.8 million in borrowings under the revolving credit facility, $11.3 million of repayments of the company's term loan and $0.8 million of repayments of foreign bank loans. The company also received $3.1 million of net proceeds from the exercise of employee stock options.

At September 29, 2007, 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.

Recently Issued Accounting Standards

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements". This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. This statement does not require any new fair value measurements. This statement is effective for interim reporting periods in fiscal years beginning after November 15, 2007. 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 September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132(R)". One provision of SFAS No. 158 requires the measurement of the company's defined benefit plan's assets and its obligation to determine the funded status be made as of the end of the fiscal year. This provision of SFAS No. 158 is effective for fiscal years ending after December 15, 2008. The company does not anticipate that the impact from the adoption of this provision of SFAS No. 158 will be significant to its financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115. This statement permits entities to choose to measure many financial instruments and certain other items at fair value. This statement is effective for fiscal years beginning after November 15, 2007. 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.

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 partially 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 pending litigation 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. The company initially recognizes the financial statement effects of a tax position when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. For tax positions that meet the more-likely-than-not recognition threshold, the company initially and subsequently measures it tax positions as the largest amount of tax benefit that is greater than 50 percent likely of being realized upon effective settlement with a taxing authority. As part of the company's calculation of the provision for taxes, the company has recorded liabilities on various tax positions that are currently under audit by the taxing authorities. The liabilities may change in the future upon effective settlement of the tax positions.

Contractual Obligations

The company's contractual cash payment obligations as of September 29, 2007 are set forth below (in thousands):

	Deferred Acquisition Costs	Long-term Debt	Operating Leases	Idle Facility Leases	Total Contractual Cash Obligations
Less than 1 year	$ —	$ 16,765	$ 2,271	$ 336	$ 19,372
1-3 years	2,000	88,307	3,434	766	94,507
3-5 years	—	111	785	882	1,778
After 5 years	—	2,665	—	1,289	3,954
	$ 2,000	$ 107,848	$ 6,490	$ 3,273	$ 119,611

Idle facility leases 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 projected benefit obligation of the company's defined benefit plans exceeded the plans' assets by $3.5 million at the end of 2006 as compared to $2.4 million at the end of 2005. The unfunded benefit obligations were comprised of a $0.7 million under funding of the company's union plan and $2.8 million of under funding of the company's director plans. The company does not expect to contribute to the director plans in 2007. The company made minimum contributions required by the Employee Retirement Income Security Act of 1974 ("ERISA") of $0.2 million in 2006 to the company's union plan. The company expects to continue to make minimum contributions of $0.2 million in 2007 to the union plan as required by ERISA.

The company has $5.1 million in outstanding letters of credit, which expire on September 29, 2008 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 29, 2008	$ —	$ 16,765
September 29, 2009	—	16,976
September 29, 2010	—	71,331
September 29, 2011	—	111
September 29, 2012	862	1,803
	$ 862	$ 106,986

During the fourth quarter of 2005, the company amended its senior secured credit facility. Terms of the agreement currently provide for $36 million of term loans and $130.0 million of availability under a revolving credit line. As of September 29, 2007, the company had $103.1 million outstanding under its senior banking facility, including $66.8 million of borrowings under the revolving credit line. The company also had $5.1 million in outstanding letters of credit, which reduced the borrowing availability under the revolving credit line.

Borrowings under the senior secured credit facility are assessed at an interest rate of 1.00% above LIBOR for long-term borrowings or at the higher of the Prime rate and the Federal Funds Rate for short-term borrowings. At September 29, 2007, the average interest rate on the senior debt amounted to 6.46%. 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 0.20% as of September 29, 2007.

In August 2006, the company completed its acquisition of Houno in Denmark. This acquisition was funded in part with locally established debt facilities with borrowings in Danish Krone. As of September 29, 2007 these facilities amounted to $4.7 million in U.S. dollars, including $1.6 million outstanding under a revolving credit facility, $2.2 million of a term loan and $0.9 million of a long term mortgage note. The interest rate on the revolving credit facility is assessed at 1.25% above Euro LIBOR, which amounted to 5.65% on September 29, 2007. The term loan matures in 2013 and the interest rate is assessed at 5.62%. The long-term mortgage note matures in March 2023 and is assessed interest at a fixed rate of 5.19%.

In December 2005, the company entered into a $3.2 million U.S. dollar secured term loan at its subsidiary in Spain. As of September 29, 2007, the company had fully repaid the borrowings remaining under this loan.

The company has historically entered into interest rate swap agreements to effectively fix the interest rate on its outstanding debt. 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 September 29, 2007 was $36.3 million. In January 2006, the company entered into an interest rate swap for a notional amount of $10.0 million maturing on December 31, 2009. This agreement swaps one-month LIBOR for a fixed rate of 5.03%.

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 September 29, 2007, the company was in compliance with all covenants pursuant to its borrowing agreements.

Financing Derivative Instruments

In January 2005, the company entered into an 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 interest rate swap has been designated a cash flow hedge, and in accordance with SFAS No. 133 the changes in fair value are recorded as a component of accumulated other comprehensive income. As of September 29, 2007, the fair value of this instrument was $0.4 million. The change in fair value of this swap agreement in the first nine months of 2007 was a loss of $0.4 million, net of $0.2 million of taxes. In January 2006, the company entered into an interest rate swap agreement for a notional amount of $10.0 million maturing on December 21, 2009. This agreement swaps one month LIBOR for a fixed rate of 5.03%. The interest rate swap has been designated a cash flow hedge, and in accordance with SFAS No. 133 the changes in fair value are recorded as a component of accumulated other comprehensive income. As of September 29, 2007, the fair value of this instrument was $0.1 million. The change in fair value of this swap agreement in the first nine months of 2007 was a gain of $0.1 million, net of less than $0.1 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. There was no forward contract outstanding at the end of the quarter.

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 September 29, 2007, 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 September 29, 2007, 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 nine months ended September 29, 2007, except as follows:

Item 1A. Risk Factors

There have been no material changes in the risk factors as set forth in the company's 2006 Annual Report on Form 10-K.

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

Issuer Purchases of Equity Securities

In July 1998, the company's Board of Directors adopted a stock repurchase program that authorized the purchase of common shares in open market purchases. As of September 29, 2007, 952,999 shares had been purchased under the 1998 stock repurchase program. No shares were repurchased by the company during the nine month period ended September 29, 2007.

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 8, 2007	By:	/s/ Timothy J. FitzGerald Timothy J. FitzGerald Vice President, Chief Financial Officer