

Corporate Data

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Common Stock

The Common Stock of Burnham Holdings, Inc. is traded under the symbol BURCA on the electronic Pink Sheets, and is listed by the OTC Markets Group, Inc., reporting service for over-the-counter stocks.

For further information contact:
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Inquiries about stock certificates, stock transfers, dividend payments or address changes should be directed to Fulton Financial at the above address.

Statements other than historical facts included or referenced in this Report are forward-looking statements subject to certain risks, trends and uncertainties that could cause actual results to differ materially from those projected. Careful consideration should be given to cautionary statements made in our 2011 Annual Report. We undertake no duty to update or revise these forward-looking statements.

[BURNHAM HOLDINGS, INC.](http://www.burnhamholdings.com)

BURNHAM HOLDINGS, INC.



**Six Months Ended
July 1, 2012**

To Our Shareholders:

Second quarter and year-to-date (“YTD”) sales were \$41.4 million and \$78.0 million, respectively; as compared to 2011 second quarter and YTD sales of \$40.0 million and \$76.3 million, respectively. These improved 2012 results continue the upward year on year sales trend Burnham Holdings experienced in the first quarter. This is encouraging in light of the current weak and unsettled economic conditions that have impacted the overall boiler and furnace industry. With a firm foundation based on our core principles and philosophy, Burnham Holdings is financially and operationally strong. Existing boilers will continue to be replaced over time due to age or operating costs, and our powerful lineup of high-efficiency residential and commercial products positions us well in the market. We produce top-quality, high-value equipment for virtually any application. As we approach the upcoming heating season, we are scheduling our manufacturing facilities for the normal pattern of higher demand in the second half.

Financial Results

We are reporting a second quarter gain of \$181 thousand or \$0.04 per share, and a YTD loss of \$(766) thousand or \$(0.17) per share (both results are the best for the Company since 2007). These results compare favorably to 2011 quarter and YTD losses of \$(31) thousand or \$(0.01) per share, and \$(1,015) thousand or \$(0.23) per share, respectively. YTD cost of goods sold (“COGS”) as a percentage of sales for 2012 was 79.7%, better than last year’s first half of 79.9% (the percentages for the second quarters were identical at 78.8%). This COGS percentage im-

provement reflects our efforts to continually and systematically match our product pricing and cost structure to remain competitive in the market, while maintaining our gross profit margins. YTD selling, administrative, and general (“SG&A”) expenses were slightly higher than the prior year in dollars, \$16.4 million versus \$16.3 million in 2011, but were lower as a percentage of sales (21.0% compared to 21.3%). For the quarter, 2012 SG&A was lower in both dollars and as a percentage. Our interest expense for the quarter and YTD was basically equal to the prior year.

Balance Sheet Condition

The Company’s balance sheet has appropriate levels of working capital consistent with current business activity. Our long-term debt of \$31.7 million was comprised of \$29.0 million of bank debt (\$3.5 million lower than last year with Cash also being \$500 thousand higher than last year) and \$2.7 million of interest rate derivatives. The Statement of Cash Flows presents less net cash being used in operations at \$12.7 million compared to prior year’s cash used of \$15.7 million, reflecting the Company’s stable balance sheet and spending directives.

Dividends

At its meeting on July 19, 2012, the Board of Directors declared a quarterly common stock dividend of \$0.18 per share payable August 28, 2012, with a record date of August 21, 2012.

Douglas S. Brossman
President and CEO

Consolidated Balance Sheets

(In thousands)	July 1, 2012	Period Ended December 31, 2011	June 26, 2011
(December year-end audited, quarterly data unaudited (see Notes))			
Assets			
Current Assets			
Cash, cash equivalents, and marketable securities	\$ 5,084	\$ 4,489	\$ 4,547
Trade and other accounts receivable, net	20,600	21,837	21,511
Inventories	52,266	41,385	52,534
Prepayments and other current assets	3,416	3,340	3,669
Total current assets	81,366	71,051	82,261
Property, plant and equipment, net	48,541	50,122	50,222
Deferred income taxes (5)	3,300	3,273	-
Other assets, net	22,353	22,394	22,090
Total Assets	\$ 155,560	\$ 146,840	\$ 154,573
Liabilities and Stockholders' Equity			
Current Liabilities			
Accounts payable and accrued expenses (including taxes)	\$ 24,521	\$ 27,141	\$ 25,458
Current portion of long-term liabilities	357	355	305
Total current liabilities	24,878	27,496	25,763
Long-term debt	31,681	16,204	34,112
Other postretirement liabilities (5)(6)	36,826	38,748	21,488
Deferred income taxes (5)	-	-	1,757
Total stockholders' equity (5)	62,175	64,392	71,453
Total Liabilities and Stockholders' Equity	\$ 155,560	\$ 146,840	\$ 154,573

Consolidated Statements of Cash Flows

	July 1, 2012	June 26, 2011
Six Months Ended		
OPERATING ACTIVITIES		
Net loss	\$ (766)	\$ (1,015)
Depreciation and amortization	2,338	2,116
Other net adjustments	(784)	(1,416)
Pension and postretirement liabilities expense	611	498
Contributions to pension trust (6)	(2,513)	(1,875)
Changes in operating assets and liabilities	(11,609)	(14,043)
NET CASH USED IN OPERATING ACTIVITIES	(12,723)	(15,735)
NET CASH USED IN THE PURCHASE OF ASSETS	(734)	(2,313)
FINANCING ACTIVITIES		
Proceeds from borrowings	15,500	20,000
Principle payments on debt and lease obligations	(57)	(18)
Proceeds from exercise of stock options	229	175
Dividends paid	(1,620)	(1,527)
NET CASH PROVIDED BY FINANCING ACTIVITIES	14,052	18,630
CASH, CASH EQUIVALENTS, AND MARKETABLE SECURITIES		
Increase for period	595	582
Beginning of year	4,489	3,965
End of period	\$ 5,084	\$ 4,547

Consolidated Statements of Operations

(In thousands, except per share data)	July 1, 2012	June 26, 2011	July 1, 2012	June 26, 2011
(Data is unaudited (see Notes))				
Net sales	\$ 41,386	\$ 40,049	\$ 77,983	\$ 76,324
Cost of goods sold	32,608	31,572	62,139	61,019
Gross profit	8,778	8,477	15,844	15,305
Selling, administrative and general expense	8,149	8,163	16,392	16,256
Operating income (loss)	629	314	(548)	(951)
Other income (expense)				
Mark-to-Market (4)	35	37	63	110
Interest income	7	2	22	2
Interest expense	(388)	(400)	(733)	(746)
Other Income (expense)	(346)	(361)	(648)	(634)
Gain (loss) before taxes	283	(47)	(1,196)	(1,585)
Tax expense (benefit)	102	(16)	(430)	(570)
Net gain (loss)	\$ 181	\$ (31)	\$ (766)	\$ (1,015)
Basic and Diluted gain (loss) per share	\$ 0.04	\$ (0.01)	\$ (0.17)	\$ (0.23)
Dividends paid per share	\$ 0.18	\$ 0.17	\$ 0.36	\$ 0.34

Notes:

- The accompanying unaudited financial statements contain adjustments that are necessary for a fair presentation of the interim results, and these adjustments are applied consistently for the periods presented. The results for any interim period are not necessarily indicative of results for the full year. These consolidated financial statements should be read in conjunction with the Annual Report for the period ended December 31, 2011.
- Basic earnings per share are based upon weighted average shares outstanding for the period. Diluted earnings per share assume the conversion of outstanding rights into common stock.
- Common stock outstanding at July 1, 2012 includes 2,959,575 of Class A shares and 1,522,959 of Class B shares.
- Mark-to-Market adjustments are a result of changes (non-cash) in the fair value of interest rate agreements. These agreements are used to exchange the interest rate stream on a portion of the variable rate debt for payments indexed to a fixed interest rate. These non-operational, non-cash charges reverse themselves over the term of the agreements.
- Accounting rules require that the funded status of pension and other postretirement benefits be recognized as a non-cash asset or liability, as the case may be, on the balance sheet of the Company. For December 31, 2011 and 2010, projected benefit obligations exceeded plan assets. The resulting non-cash presentation on the balance sheet is reflected in "Deferred income taxes", "Other postretirement liabilities", and "Accumulated other comprehensive income (loss)", a non-cash sub-section of "Stockholders' Equity" (See Note 10 of the 2011 Annual Report for more details).
- In the first half of 2012 and 2011, the Company made voluntary pre-tax contributions of \$2.5 million and \$1.9 million, respectively, to its defined pension plan. These payments increased the trust assets available for benefit payments (reducing "Other postretirement liabilities") and did not impact the Statement of Operations.