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.

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BURNHAM HOLDINGS, INC.

BURNHAM HOLDINGS, INC.

REPORT TO STOCKHOLDERS

Six Months Ended
July 2, 2017

Consolidated Statements of Operations

(In thousands, except per share data) (Data is unaudited (see Notes))	Three Months Ended		Six Months Ended	
	July 2, 2017	June 26, 2016	**July 2, 2017**	June 26, 2016
Net sales	**$ 33,988**	$ 34,560	**$ 69,770**	$ 67,745
Cost of goods sold	**27,287**	26,020	**56,753**	53,178
Gross profit	**6,701**	8,540	**13,017**	14,567
Selling, general and administrative expenses	**7,023**	7,201	**14,511**	14,824
Operating income	**(322)**	1,339	**(1,494)**	(257)
Other income (expense):				
(Loss) on sale of property	**(50)**		**(50)**	
Interest income	**20**	16	**32**	31
Interest expense	**(235)**	(250)	**(431)**	(456)
Other income (expense)	**(265)**	(234)	**(449)**	(425)
Income before income taxes	**(587)**	1,105	**(1,943)**	(682)
Income tax expense (benefit)	**(211)**	397	**(699)**	(246)
NET INCOME	**$ (376)**	$ 708	**$ (1,244)**	$ (436)
BASIC & DILUTED INCOME (LOSS) PER SHARE	**$ (0.09)**	$ 0.15	**$ (0.28)**	$ (0.10)
DIVIDENDS PAID	**$ 0.22**	$ 0.22	**$ 0.44**	$ 0.44

Consolidated Balance Sheets

(in thousands and data is unaudited (see Notes))	**July 2, 2017**	June 26, 2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**$ 5,418**	$ 5,573
Trade accounts receivable, less allowances	**17,438**	19,633
Inventories	**50,596**	56,346
Prepaid expenses and other current assets	**1,992**	1,977
TOTAL CURRENT ASSETS	**75,444**	83,529
PROPERTY, PLANT AND EQUIPMENT, net	**49,488**	47,043
DEFERRED INCOME TAXES (4)		
OTHER ASSETS, net	**22,277**	22,446
TOTAL ASSETS	**$ 147,209**	$ 153,018
LIABILITIES AND STOCKHOLDERS' EQUITY	**2017**	2016
CURRENT LIABILITIES		
Accounts and taxes payable & accrued expenses	**$ 19,204**	$ 19,861
Current portion of long-term liabilities	**157**	1,448
TOTAL CURRENT LIABILITIES	**19,361**	21,309
LONG-TERM DEBT	**25,358**	28,400
OTHER POSTRETIREMENT LIABILITIES (4)(5)	**17,006**	24,329
DEFERRED INCOME TAXES	**3,323**	432
STOCKHOLDERS' EQUITY		
Preferred Stock	**530**	530
Class A Common Stock	**3,487**	3,484
Class B Convertible Common Stock	**1,457**	1,461
Additional paid-in capital	**15,798**	15,675
Retained earnings	**108,814**	109,012
Accumulated other comprehensive income (loss) (4)	**(29,935)**	(33,617)
Treasury stock, at cost	**(17,990)**	(17,997)
TOTAL STOCKHOLDERS' EQUITY	**82,161**	78,548
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 147,209**	$ 153,018

Consolidated Statements of Cash Flows

(in thousands and data is unaudited (see Notes))	Six Months ended Jul 2, 2017	Jun 26, 2016
Net income	$ **(1,244)**	$ (436)
Loss on sale of property	**50**	
Depreciation and amortization	**2,045**	2,211
Pension and postretirement liabilities expense	**(197)**	(35)
Contributions to pension trust (Note 5)	**(975)**	(2,813)
Other net adjustments	**123**	(186)
Changes in operating assets and liabilities	**(4,052)**	(10,411)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**(4,250)**	(11,670)
Net cash used in the purchase of assets	**(5,828)**	(1,282)
Proceeds from borrowings	**9,834**	15,500
Proceeds from stock option exercise and Treasury activity, net	**122**	133
Dividends paid	**(2,023)**	(2,020)
INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	**(2,145)**	661
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR	**7,563**	4,912
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF QUARTER	$ **5,418**	$ 5,573

Notes To Financial Statements:

(1) 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.

(2) Common stock outstanding at July 2, 2017 includes 3,086,878 of Class A shares and 1,457,416 of Class B shares.

(3) 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 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.

(4) 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. For December 31, 2016 and 2015, 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 2016 Annual Report for more details).

(5) In the first halves of 2017 and 2016, the Company made voluntary pre-tax contributions of \$0.98 million and \$2.81 million, respectively to its defined benefit pension plan. These payments increased the trust assets available for benefit payments (reducing "Other postretirement liabilities"), and did not impact the Statements of Income.

(6) Unaudited results, forward looking statements, and certain significant estimates and risks. This note has been expanded to include items discussed in detail within the Annual Report.

Unaudited Results and Forward Looking Statements. The accompanying unaudited financial statements contain all adjustments that are necessary for a fair presentation of results for such periods and are consistent with policies and procedures employed in the audited year-end financial statements. These consolidated financial statements should be read in conjunction with the Annual Report for the period ended December 31, 2016. 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. We undertake no duty to update or revise these forward-looking statements.

Certain Significant Estimates and Risks. Certain estimates are determined using historical information along with assumptions about future events. Changes in assumptions for items such as warranties, pensions, medical cost trends, employment demographics and legal actions, as well as changes in actual experience, could cause these estimates to change. Specific risks, such as those included below, are discussed in the Company's Quarterly and Annual Reports in order to provide regular knowledge of relevant matters. Estimates and related reserves are more fully explained in the 2016 Annual Report.

Retirement Plans: The Company maintains a non-contributory defined benefit pension plan, covering both union and non-union employees, that has been closed to new hires for a number of years. Benefit accrual ceased in 2009, or earlier depending on the employee group, with the exception of a limited, closed group of union production employees. While not 100% frozen, these actions were taken to protect benefits for retirees and eligible employees, and have materially reduced the growth of the pension liability. Lancaster Metal Manufacturing, a Company subsidiary, also contributes to a separate union-sponsored multiemployer defined benefit pension plan that covers its collective bargaining employees. Variables such as future market conditions, investment returns, and employee experience could affect results.

(Note 6 continued on following page)

Note (6) Certain Significant Estimates and Risks (continued from previous page)

Medical Health Coverage: The Company and its subsidiaries are self-insured for most of the medical health insurance provided for its employee limiting maximum exposure per occurrence by purchasing third-party stop-loss coverage.

Retiree Health Benefits: The Company pays a fixed annual amount that assists a specific group of retirees in purchasing medical and/or prescription drug coverage from providers. Additionally, certain employees electing early retirement have the option of receiving access to an insured defined benefit plan at a yearly stipulated cost or receiving a fixed dollar amount to assist them in covering medical costs.

Insurance: The Company and its subsidiaries maintain insurance to cover product liability, general liability, workers' compensation, and property damage. Well-known and reputable insurance carriers provide current coverage. All policies and corresponding deductible levels are reviewed o an annual basis. Third-party administrators, approved by the Company and the insurance carriers, handle claims and attempt to resolve them to the benefit of both the Company and its insurance carriers. The Company reviews claims periodically in conjunction with administrators and adju recorded reserves as required.

General Litigation, including Asbestos: In the normal course of business, certain subsidiaries of the Company have been named, and may in future be named, as defendants in various legal actions including claims related to property damage and/or personal injury allegedly arising from products of the Company's subsidiaries or their predecessors. A number of these claims allege personal injury arising from exposure to asbestos containing material allegedly contained in certain boilers manufactured many years ago, or through the installation or removal of heating system The Company's subsidiaries, directly and/or through insurance providers, are vigorously defending all open asbestos cases, many of which invol multiple claimants and many defendants, which may not be resolved for several years. Asbestos litigation is a national issue with thousands of companies defending claims. While the large majority of claims have historically been resolved prior to the completion of trial, from time to time some claims may be expected to proceed to a potentially substantial verdict against subsidiaries of the Company. Any such verdict would be subject to a potential reduction or reversal of verdict on appeal, any set-off rights, and/or a reduction of liability following allocation of liability amc various defendants. For example, on July 23, 2013 and December 12, 2014, New York City State Court juries found numerous defendant companies, including a subsidiary of the Company, responsible for asbestos-related damages in cases involving multiple plaintiffs. The subsidiar whose share of the verdicts amounted to $42 million and $6 million, respectively, before offsets, filed post-trial motions and appeals seeking to reduce and/or overturn the verdicts, and granting of new trials. On February 9, 2015, the trial court significantly reduced the 2013 verdicts, reducing the subsidiary's liability from $42 million to less than $7 million. Additionally, on May 15, 2015, the trial court reduced the subsidiary's liability in the 2014 verdict to less than $2 million. On October 30, 2015, the subsidiary settled these verdicts for significantly less than the trial courts' reduced verdicts, with all such settled amounts being covered by applicable insurance. The Company believes, based upon its understanding of its available insurance policies and discussions with legal counsel, that all pending legal actions and claims, including asbestos should ultimately be resolved (whether through settlements or verdicts) within existing insurance limits and reserves, or for amounts not material the Company's financial position or results of operations. However, the resolution of litigation generally entails significant uncertainties, and no assurance can be given as to the ultimate outcome of litigation or its impact on the Company and its subsidiaries. Furthermore, the Company cannot predict the extent to which new claims will be filed in the future, although the Company currently believes that the great preponderance o future asbestos claims will be covered by existing insurance. There can be no assurance that insurers will be financially able to satisfy all pendin and future claims in accordance with the applicable insurance policies, or that any disputes regarding policy provisions will be resolved in favor c the Company.

Litigation Expense, Settlements, and Defense: The 2017 first half charges for all uninsured litigation of every kind, was $92 thousand. Expenses for legal counsel, consultants, etc., in defending these various actions and claims for the six months were approximately $60 thousan Prior year's settlements and expenses, including amounts for self-insured asbestos cases, are disclosed in the 2016 Annual Report.

Permitting Activities (excluding environmental): The Company's subsidiaries are engaged in various matters with respect to obtaining, amending or renewing permits required under various laws and associated regulations in order to operate each of its manufacturing facilities. Based on the information presently available, management believes it has all necessary permits and expects that all permit applications currentl pending will be routinely handled and approved.

Environmental Matters: The operations of the Company's subsidiaries are subject to a variety of Federal, State, and local environmental laws. Among other things, these laws require the Company's subsidiaries to obtain and comply with the terms of a number of Federal, State and local environmental regulations and permits, including permits governing air emissions, wastewater discharges, and waste disposal. The Company's subsidiaries periodically need to apply for new permits or to renew or amend existing permits in connection with ongoing or modified operations. addition, the Company generally tracks and tries to anticipate any changes in environmental laws that might relate to its ongoing operations. Th Company believes its subsidiaries are in material compliance with all environmental laws and permits.

As with all manufacturing operations in the United States, the Company's subsidiaries can potentially be responsible for response actions at disposal areas containing waste materials from their operations. In the past five years, the Company has not received any notice that it or its subsidiaries might be responsible for remedial clean-up actions under government supervision. However, two pre-2008 issues covered by insurance policies remain open as of this date and are fully disclosed in the year-end 2016 Annual Report. While it is not possible to be certain whether or how any new or old matters will proceed, the Company does not presently have reason to anticipate incurring material costs in connection with any matters.

To Our Shareholders:

Highlights of our second quarter and year-to-date (YTD) operating performance include the following:

- Sales in the second quarter were basically flat compared to last year, while on a YTD basis our sales of $69.8 million were 3.1% above the first half of 2016.
- Long-term debt was $25.4 million, $3.0 million less than the same period in 2016. Interest expense was reduced despite higher interest rates in 2017.
- Cash flow from operations was higher on a YTD basis, primarily as the result of lower inventories and accounts receivable.
- We completed the acquisition of our Thermal Solutions' facility in Lancaster, PA. Thermal Solutions immediately commenced construction on improvements to its new product de-velopment capabilities for high efficiency commercial boilers, and expansion of its product assembly operations to meet increased demand for larger commercial condensing products.
- On a combined basis, our sales of residential and commercial high efficiency condensing products were up more than 10% during the first half of 2017 compared to 2016.

Financial Results

Net sales in the second quarter and YTD were $34.0 million and $69.8 million, respectively, compared to $34.6 million and $67.7 million in the same periods in 2016. Sales of residential products increased by 3.9% in the first half as we experienced growth in both cast iron and high efficiency condensing boilers, in relatively flat boiler markets. While sales of commercial boiler products in total did not increase compared to last year, we did experience growth in the high efficiency condensing segment of the commercial boiler market.

Cost of goods sold ("COGS") as a percentage of sales for the second quarter and YTD in 2017 was 80.3% and 81.3%, respectively, compared to 75.3% and 78.5% for the same periods in 2016. COGS in 2017 was impacted unfavorably from planned lower operating rates at our Casting Solutions subsidiary, and lower margins on commercial product sales in response to competitive pricing pressure. Product pricing actions were implemented in the first half of the year to offset impacts from higher raw material prices. Selling, general and administrative expenses were lower in the second quarter and YTD, both in total dollar terms and as a percentage of sales compared to 2016. Net loss in the second quarter of 2017 was ($316) thousand compared to net income of $708 thousand in 2016. On a YTD basis, 2017 results reflect a net loss of ($1,244) thousand compared to a 2016 net loss of ($436) thousand. The year over year profit difference is primarily attributable to the revised operating schedule at Castings Solutions which we expect to normalize over the balance of the year. All manufacturing operations are scheduled to handle the normal pattern of increased demand typically seen through the second half of the year.

Balance Sheet Condition

The Company's balance sheet has appropriate levels of working capital to adequately support our current level of business activity. Long-term debt was lower this year at the end of the first half compared to last year ($25.4 million vs. $28.4 million), and continues at a favorable level in comparison to total capital. Net cash used in operations was lower this year in the first half by $7.4 million due to lower overall working capital requirements.

Douglas S. Brossman
President and CEO