

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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Transfer Agent

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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.

REPORT TO STOCKHOLDERS

**Nine Months Ended
September 30, 2012**

To Our Shareholders:

Third quarter and year-to-date (“YTD”) sales were \$49.8 million and \$127.8 million, respectively; as compared to 2011 third quarter and YTD sales of \$51.1 million and \$127.4 million, respectively. The residential portion of the business (on a yearly basis about 70% of the sales revenue) recorded increased sales for the quarter and YTD versus the prior year. The commercial portion of the business provides heating applications for large commercial, institutional and industrial facilities such as hospitals, factories, hotels, and schools. Year over year growth was experienced in commercial through the first half of this year. During the most recent quarter, however, the commercial businesses have slowed in line with general economic conditions. The Burnham Holdings strategy of industry diversification through independent subsidiaries with different products and markets has served us well as individual product demand changes with energy costs and the varying economic cycle. However, existing boilers will continue to be replaced over time due to age or operating costs, and the powerful lineup of high-efficiency residential and commercial products sold through our subsidiary companies, position them well in the market.

Financial Results

We are reporting income for the third quarter and YTD of \$1.9 million or \$0.42 per share, and \$1.1 million or \$0.25, respectively. These results compare favorably to 2011 quarter and YTD income of \$1.8 million or \$0.41 per share, and \$794 thousand or \$0.18 per share, respectively. The 2012 YTD gross profit percentage of sales was 21.5%, better than

last year’s nine months of 21.3% (the percentages for the third quarters were identical at 23.3%). The improvement in our gross profit margin reflects our efforts to continually and systematically adjust our product pricing to recover inflationary costs, while being cognizant of our competitive position in the market. Further improving our operating income was that selling, administrative, and general expenses were lower than the prior year for the quarter and YTD, in both dollars and as a percentage of sales. Our interest expense for the quarter and YTD was also slightly lower than the prior year for both periods. All of these results have been achieved despite the soft industry and economic environment.

Balance Sheet Condition

The Company’s balance sheet has appropriate levels of working capital consistent with the current business activity. A review of our Statement of Cash Flows attached, and specifically our cash usage related to operating activities (2012 usage of \$10.5 million compared to \$18.7 million last year), reflects our spending directives and the overall strength of the balance sheet. This improvement in our cash flow has enabled us to reduce our debt position by \$9 million to \$31.1 million, the lowest debt for a third quarter in ten years.

Dividends

As a reminder, the Board of Directors will evaluate the Company’s financial performance at its regular scheduled November 29th meeting for consideration of December dividends.

Douglas S. Brossman
President and CEO

Consolidated Balance Sheets

(In thousands) (December year-end audited, quarterly data unaudited (see Notes))	Period Ended		
	September 30, 2012	December 31, 2011	September 25, 2011
Assets			
Current Assets			
Cash, cash equivalents, and marketable securities	\$ 5,124	\$ 4,489	\$ 4,973
Trade and other accounts receivable, net	23,134	21,837	27,065
Inventories	52,673	41,385	55,310
Prepayments and other current assets	3,631	3,340	3,604
Total current assets	<u>84,562</u>	<u>71,051</u>	<u>90,952</u>
Property, plant and equipment, net	48,307	50,122	50,032
Deferred income taxes (5)	3,307	3,273	-
Other assets, net	22,335	22,394	22,064
Total Assets	<u>\$ 158,511</u>	<u>\$ 146,840</u>	<u>\$ 163,048</u>
Liabilities and Stockholders' Equity			
Current Liabilities			
Accounts payable and accrued expenses (including taxes)	\$ 27,350	\$ 27,141	\$ 28,326
Current portion of long-term liabilities	351	355	288
Total current liabilities	<u>27,701</u>	<u>27,496</u>	<u>28,614</u>
Long-term debt	31,138	16,204	39,934
Other postretirement liabilities (5)(6)	36,392	38,748	21,094
Deferred income taxes (5)	-	-	1,447
Total stockholders' equity (5)	63,280	64,392	71,959
Total Liabilities and Stockholders' Equity	<u>\$ 158,511</u>	<u>\$ 146,840</u>	<u>\$ 163,048</u>

Consolidated Statements of Cash Flows

	Nine Months Ended	
	September 30, 2012	September 25, 2011
OPERATING ACTIVITIES		
Net income	\$ 1,132	\$ 794
Depreciation and amortization	3,450	3,151
Other net adjustments	(1,117)	(1,121)
Pension and postretirement liabilities expense	1,026	740
Contributions to pension trust (6)	(3,350)	(2,500)
Changes in operating assets and liabilities	(11,643)	(19,778)
NET CASH USED IN OPERATING ACTIVITIES	<u>(10,502)</u>	<u>(18,714)</u>
NET CASH USED IN THE PURCHASE OF ASSETS	<u>(1,604)</u>	<u>(3,143)</u>
FINANCING ACTIVITIES		
Proceeds from borrowings	15,000	25,000
Principle payments on debt and lease obligations	(86)	(30)
Proceeds from exercise of stock options	255	181
Dividends paid	(2,428)	(2,286)
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>12,741</u>	<u>22,865</u>
CASH, CASH EQUIVALENTS, AND MARKETABLE SECURITIES		
Increase for period	635	1,008
Beginning of year	4,489	3,965
End of period	<u>\$ 5,124</u>	<u>\$ 4,973</u>

Consolidated Statements of Operations

(In thousands, except per share data) (Data is unaudited (see Notes))	Three months ended		Nine months ended	
	September 30, 2012	September 25, 2011	September 30, 2012	September 25, 2011
Net sales	\$ 49,828	\$ 51,050	\$ 127,811	\$ 127,374
Cost of goods sold	38,226	39,168	100,365	100,187
Gross profit	<u>11,602</u>	<u>11,882</u>	<u>27,446</u>	<u>27,187</u>
Selling, administrative and general expense	8,293	8,689	24,685	24,945
Operating income	<u>3,309</u>	<u>3,193</u>	<u>2,761</u>	<u>2,242</u>
Other income (expense)				
Mark-to-Market (4)	55	47	118	157
Interest income	8	5	30	7
Interest expense	(407)	(419)	(1,140)	(1,165)
Other Income (expense)	<u>(344)</u>	<u>(367)</u>	<u>(992)</u>	<u>(1,001)</u>
Income before taxes	2,965	2,826	1,769	1,241
Income tax expense	1,067	1,017	637	447
Net income	<u>\$ 1,898</u>	<u>\$ 1,809</u>	<u>\$ 1,132</u>	<u>\$ 794</u>
Basic and Diluted income per share	<u>\$ 0.42</u>	<u>\$ 0.41</u>	<u>\$ 0.25</u>	<u>\$ 0.18</u>
Dividends paid per share	<u>\$ 0.18</u>	<u>\$ 0.17</u>	<u>\$ 0.54</u>	<u>\$ 0.51</u>

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 September 30, 2012 includes 2,961,350 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 nine months of 2012 and 2011, the Company made voluntary pre-tax contributions of \$3.4 million and \$2.5 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.