

BURNHAM HOLDINGS, INC. ANNOUNCES THIRD QUARTER AND NINE MONTHS RESULTS

Lancaster, PA

October 17, 2013

Burnham Holdings, Inc., (Pink Sheets: BURCA), the parent company of fourteen subsidiaries that are leading domestic manufacturers of boilers, and related HVAC products and accessories (including furnaces, radiators, and air conditioning systems), for residential, commercial and industrial applications, today reported its financial results for the period ended September 29, 2013.

Third quarter and YTD sales were \$48.3 million and \$125.6 million, respectively; as compared to 2012 third quarter and YTD sales of \$49.8 million and \$127.8 million, respectively. Third quarter earnings are income of \$2.7 million, \$0.60 per share; and a YTD loss of \$(451) thousand, \$(0.10) per share. The 2013 reported results include a second quarter charge of \$5 million related to a multiemployer pension withdrawal announced June 19, 2013 and discussed in Note 4; and a third quarter gain of \$1.3 million related to selling property in Lancaster, PA discussed in Note 3. Excluding the impacts of these one-time, non-operational items, YTD results would be income of \$1.9 million or \$0.43 per share, which is \$0.18 per share higher than prior year's \$0.25. The reported results for 2012 were a third quarter income of \$1.9 million, \$0.42 per share; and a 2012 YTD income of \$1.1 million, \$0.25 per share. YTD cost of goods sold ("COGS") as a percentage of sales for 2013 was 77.6%, better than last year's nine month COGS of 78.5%. This COGS percentage improvement reflects efforts to continually and systematically align product pricing and cost structure to remain competitive in the market, as well as a favorable product mix. YTD selling, administrative, and general expenses were equal to last year as a percentage of sales at 19.3%. Our interest expense for the quarter and YTD was lower because of the lower borrowing levels.

Our residential businesses performed well during these nine-months as compared to 2012. As discussed in our 2012 Annual Report and previous releases, sales of residential boilers were favorably influenced in late 2012 and early 2013 by carry-over demand resulting from Super Storm Sandy in October 2012. While we believe this recovery effort will continue through 2013 and beyond, recent levels of demand are more in line with our normal heating season patterns, which we expect to be lower than the high storm related demand experienced in late 2012. The commercial portion of our business has been challenged in 2013 as certain sectors of this market have yet to show signs of rebounding from their prior lows. With a firm foundation based on our core principles and philosophy, Burnham Holdings remains 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 every application.

The Company's balance sheet has appropriate levels of working capital consistent with current business activity. Our long-term debt of \$28.0 million was \$3.1 million lower than last year. The Statement of Cash Flows presents net cash used in operations of \$16.1 million compared to prior year's cash use of \$10.5 million. This increase in the use of funds for the nine-months results from the payment of higher income taxes (from the strong 2012 results), higher pension trust contributions, and other normal changes in working capital levels. Inventory levels have declined from the prior year levels as we optimize manufacturing schedules in light of the current market estimates, which are regularly evaluated and adjusted as needed.

Consistent with prior years, the Board of Directors will evaluate the Company's financial performance at its regular scheduled December 5th meeting for consideration of December dividends.

Consolidated Statements of Operations

(In thousands, except per share data)

(Data is unaudited (see Notes))

	Three Months Ended September		Nine Months Ended September	
	2013	2012	2013	2012
Net sales	\$ 48,347	\$ 49,828	\$ 125,567	\$ 127,811
Cost of goods sold	36,739	38,226	97,488	100,365
Gross profit	11,608	11,602	28,079	27,446
Selling, administrative and general expenses	8,383	8,293	24,264	24,685
Operating income	3,225	3,309	3,815	2,761
Other income (expense):				
Gain on sale of property (3)	1,274	-	1,274	-
Non-recurring expense (4)	-	-	(5,000)	-
Mark-to-market (5)	12	55	50	118
Interest income	12	8	74	30
Interest expense	(338)	(407)	(917)	(1,140)
Other income (expense)	960	(344)	(4,519)	(992)
Income (loss) before income taxes	4,185	2,965	(704)	1,769
Income tax expense (benefit)	1,507	1,067	(253)	637
NET INCOME (LOSS)	\$ 2,678	\$ 1,898	\$ (451)	\$ 1,132
BASIC & DILUTED INCOME (LOSS) PER SHARE	\$ 0.60	\$ 0.42	\$ (0.10)	\$ 0.25
DIVIDENDS PAID	\$ 0.20	\$ 0.18	\$ 0.60	\$ 0.54

Consolidated Balance Sheets

(in thousands and data is unaudited (see Notes))

	September 29 2013	September 30 2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,148	\$ 5,124
Trade accounts receivable, less allowances	24,957	23,134
Inventories	51,384	52,673
Prepaid expenses and other current assets	4,008	3,631
TOTAL CURRENT ASSETS	85,497	84,562
PROPERTY, PLANT AND EQUIPMENT, net	47,707	48,307
DEFERRED INCOME TAXES (6)	3,486	3,307
OTHER ASSETS, net	21,659	22,335
TOTAL ASSETS	\$ 158,349	\$ 158,511
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts and taxes payable & accrued expenses	\$ 30,638	\$ 27,350
Current portion of long-term liabilities	275	351
TOTAL CURRENT LIABILITIES	30,913	27,701
LONG-TERM DEBT	28,025	31,138
OTHER POSTRETIREMENT LIABILITIES (6)(7)	33,033	36,392
STOCKHOLDERS' EQUITY		
Preferred Stock	530	530
Class A Common Stock	3,451	3,419
Class B Convertible Common Stock	1,493	1,523
Additional paid-in capital	15,046	14,747
Retained earnings	98,127	95,007
Accumulated other comprehensive income (loss) (6)	(34,326)	(33,988)
Treasury stock, at cost	(17,943)	(17,958)
TOTAL STOCKHOLDERS' EQUITY	66,378	63,280
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 158,349	\$ 158,511

Consolidated Statements of Cash Flows

(in thousands and data is unaudited (see Notes))

Nine months ended September

	2013	2012
Net (loss) gain	\$ (451)	\$ 1,132
Gain on sale of property (3)	(1,274)	-
Non-recurring expense (4)	5,000	-
Depreciation and amortization	3,448	3,450
Pension and postretirement liabilities expense	1,243	1,026
Contributions to pension trust (7)	(5,511)	(3,350)
Other net adjustments	119	(1,117)
Changes in operating assets and liabilities	(18,713)	(11,643)
NET CASH USED IN OPERATING ACTIVITIES	(16,139)	(10,502)
Net cash used in the purchase of assets	(3,373)	(1,604)
Proceeds from sale of property, net (3)	1,302	-
Proceeds from borrowings	21,000	15,000
Proceeds from stock option exercise and Treasury shares issued	338	255
Principal payments on debt and lease obligations	(12)	(86)
Dividends paid	(2,708)	(2,428)
INCREASE IN CASH AND CASH EQUIVALENTS	408	635
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,740	4,489
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 5,148	\$ 5,124

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 September 29, 2013 includes 3,011,833 of Class A shares and 1,493,415 of Class B shares.
- (3) On July 23, 2013, a Company subsidiary sold property located in Lancaster, PA. to the Lancaster County Solid Waste Authority for \$1.35 million. The book value plus expenses of sale was \$76 thousand, resulting in a book gain of \$1.274 million. Some, or all, of the gain will be tax deferred as a 1033 Exchange transaction for Federal and State tax matters.
- (4) On June 18, 2013 the Company incurred a non-recurring expense of \$5 million as a result of a new union agreement at its subsidiary, Bryan Steam LLC in Peru, Indiana (previously announced on June 19th). This one-time, non-operational charge is a result of an agreement to withdraw from a multi-employer pension plan which had provided a defined benefit for these union employees. This decision results in what's called a "withdrawal liability expense" that accounting rules require to be expensed immediately regardless of benefit period covered or period over which the liability is actually paid.
- (5) 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.
- (6) 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, 2012 and 2011, 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 2012 Annual Report for more details).
- (7) In the nine months of 2013 and 2012, the Company made voluntary pre-tax contributions of \$5.5 million and \$3.35 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 Statement of Operations.
- (8) Interim periods, forward looking statements, and certain significant estimates and risks. This note has been expanded to include items discussed in detail within the Annual Report.

Interim Periods and Forward Looking Statements. The accompanying unaudited financial statements contain all adjustments that are necessary for a fair presentation of the interim results, and these adjustments are applied consistently for the periods covered. 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, 2012. 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 such items as warranties, pension assumptions, 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 to provide regular knowledge of relevant matters. Estimates and related reserves are more fully explained in the 2012 Annual Report.

(Note 8 continued on following page)

Note (8) Certain Significant Estimates and Risks (continued from previous page)

Retirement Plans: The Company maintains a non-contributory defined benefit pension plan covering substantially all employees. Steps have been taken over the past years to protect benefits for retirees and eligible employees. Lancaster Metal Manufacturing, a Company subsidiary, also contributes to a separate union-sponsored multiemployer-defined benefit pension plan that covers its collective bargaining employees (Bryan Steam, LLC had a similar plan but has withdrawn from the plan as noted in Note 3). Variables such as future market conditions, investment returns, and employee experience could affect results.

Medical Health Coverage: The Company and its subsidiaries are self-insured for most of the medical health insurance provided for its employees, 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 on 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 adjusts recorded reserves as required.

Warranty Litigation, Class Action: In 2010, two of the Company's subsidiaries were served with a class action lawsuit related generally to boiler products manufactured and sold by a predecessor to one of the Company's subsidiaries more than 10 years ago. This matter has now been discontinued as a class action and the litigation has been resolved.

General Litigation, including Asbestos: In the normal course of business, certain subsidiaries of the Company have been named, and may in the 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 of heating systems. The Company's subsidiaries, directly or through insurance providers, are vigorously defending all open asbestos cases, many of which involve 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 appeal, any set-off rights and/or issues involving allocation of liability among various defendants. For example, on July 23, 2013, a New York City State Court jury found numerous defendant companies, including a subsidiary of the Company, responsible for asbestos-related damages in cases involving multiple plaintiffs. The subsidiary, whose share of the verdict amounted to \$42 million before offsets, has filed post trial motions seeking to overturn the verdict, granting of a new trial, and/or reduction of the verdict. The Company believes, based upon its understanding of the insurance policies available 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 to 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 of future asbestos claims will be covered by existing insurance. There can be no assurance that insurers will be financially able to satisfy all pending and future claims in accordance with the applicable insurance policies, or that any disputes regarding policy provisions will be resolved in favor of the Company.

Litigation Expense, Settlements, and Defense: The 2013 six-month charges for all uninsured litigation of every kind, was \$103 thousand. That amount included two asbestos claims, while it is rare for an asbestos suit not to be covered by insurance, a few such claims exist, depending on the alleged time period of asbestos exposure. Expenses for legal counsel, consultants, etc., in defending these various actions and claims for the current six months were \$117 thousand. Prior year's settlements and expenses are disclosed in the 2012 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 currently 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. In addition, the Company generally tracks and tries to anticipate any changes in environmental laws that might relate to its ongoing operations. The 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 2012 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.