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.

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REPORT TO STOCKHOLDERS

Six Months Ended
June 27, 2021

Consolidated Statements of Cash Flows

(in thousands and data is unaudited (see Notes))	Six Months ended Jun 27, 2021	Jun 28, 2020
Net loss	$ (3,062)	$ (1,442)
Depreciation and amortization	2,257	2,196
Pension and postretirement liabilities expense	87	118
Contributions to pension trust (Note 5)	(375)	(960)
Other net adjustments	(328)	(1,452)
Changes in operating assets and liabilities	(3,826)	(10,285)
NET CASH USED IN OPERATING ACTIVITIES	(5,247)	(11,825)
Net cash used in the purchase of assets	(6,530)	(2,421)
Proceeds from borrowings	13,966	15,819
Proceeds from stock option exercise and Treasury activity, net	186	90
Principal payments on debt and lease obligations	-	-
Dividends paid	(2,051)	(2,033)
INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	324	(370)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF PERIOD	5,759	5,749
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF PERIOD	$ 6,083	$ 5,379

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 June 27, 2021 includes 3,246,186 of Class A shares and 1,338,638 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, 2020 and 2019, 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 2020 Annual Report for more details).

(5) For the first half of 2021 and 2020, the Company made voluntary pre-tax contributions of $0.375 million and $0.96 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 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 2020 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, 2020. 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 2020 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.

New Accounting Standard:

During February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, Leases (ASC 842). ASC 842 requires lessees to recognize the assets and liabilities that arise from all leases that exceed twelve months in duration on the balance sheet, regardless if they are operating or financing type leases. A lessee shall recognize on the balance sheet a liability to

(Note 6 continued on following page)

make future lease payments (the lease liability) and a right-of-use asset representing the value of the right to use the asset for the remaining term of the lease agreement. ASC 842 is effective for annual periods beginning after December 15, 2018, including interim periods. The Company adopted ASC 842 effective January 1, 2019 using the optional transition method described in ASU No. 2018-11, 'Leases - Targeted Improvements', which was issued in July, 2018. Under the optional transition method, the Company recognized any cumulative impact of initially applying ASC 842 as an adjustment to the opening balance of retained earnings as of January 1, 2019.

The Company balance sheets at June 27, 2021 and June 28, 2020 include total right-of-use asset values of $2,410 and $4,320, respectively; current liabilities of $(749) and $(1,119), respectively; and long-term liabilities of $(1,661) and $(3,201), respectively, related to future lease payments. Leases at all of the Company's subsidiaries have been classified as operating leases. Therefore, all lease payments made with respect to outstanding leases are reported as lease expense. For the first half ended June 27, 2021 and June 28, 2020, total lease expenses of $367 and $597, respectively, were included in the calculation of operating income. Lease accounting details are explained in greater detail in the 2020 Annual Report.

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 receive a fixed dollar amount based on years of employee service to assist them in covering medical costs. These obligations are accounted for within the financial statements.

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.

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 or removal of heating systems. The Company's subsidiaries, directly and/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 a potential reduction or reversal of verdict on appeal, any set-off rights, and/or a reduction of liability following allocation of liability among 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 subsidiary, 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 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 2021 first half charges for all uninsured litigation of every kind, were $119 thousand. Expenses for legal counsel, consultants, etc., in defending these various actions and claims for the first half were approximately $21 thousand. Prior year's settlements and expenses, including amounts for self-insured asbestos cases, are disclosed in the 2020 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, one issue covered by insurance policies remains open as of this date and is fully disclosed in the 2020 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.

Consolidated Statements of Income

(In thousands, except per share data)
(Data is unaudited (see Notes))

	Three Months Ended		Six Months Ended	
	June 27, 2021	June 28, 2020	June 27, 2021	June 28, 2020
Net sales	$ 43,553	$ 32,340	$ 87,556	$ 69,339
Cost of goods sold	39,185	26,263	76,193	56,754
Gross profit	4,368	6,077	11,363	12,585
Selling, general and administrative expenses	7,519	6,611	15,166	14,542
Operating loss	(3,151)	(534)	(3,803)	(1,957)
Other (expense) income:				
Interest and investment income (expense)	45	134	(4)	188
Non-service related pension credit	131	161	262	322
Interest expense	(246)	(238)	(431)	(425)
Other (expense) income	(70)	57	(173)	85
Loss before income taxes	(3,221)	(477)	(3,976)	(1,872)
Income tax benefit	(740)	(109)	(914)	(430)
NET LOSS	$ (2,481)	$ (368)	$ (3,062)	$ (1,442)
BASIC & DILUTED LOSS PER SHARE (Note 1)	$ (0.54)	$ (0.08)	$ (0.67)	$ (0.32)
COMMON STOCK DIVIDENDS PAID (Note 1)	$ 0.22	$ 0.22	$ 0.44	$ 0.44

Consolidated Balance Sheets

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

ASSETS	June 27, 2021	June 28, 2020
CURRENT ASSETS		
Cash and cash equivalents	$ 6,083	$ 5,379
Trade accounts receivable, less allowances	22,797	17,444
Inventories	53,235	60,582
Prepaid expenses and other current assets	4,547	1,192
TOTAL CURRENT ASSETS	86,662	84,597
PROPERTY, PLANT AND EQUIPMENT, net	56,516	52,438
OPERATING LEASE RIGHT OF USE ASSETS (Note 6)	2,410	4,320
OTHER ASSETS, net	12,200	11,290
TOTAL ASSETS	$ 157,788	$ 152,645
LIABILITIES AND STOCKHOLDERS' EQUITY	**2021**	2020
CURRENT LIABILITIES		
Accounts and taxes payable & accrued expenses	$ 23,805	$ 20,056
Current portion of long-term liabilities	147	$ 152
Current portion of operating lease liabilities (Note 6)	749	$ 1,119
TOTAL CURRENT LIABILITIES	24,701	21,327
LONG-TERM DEBT	32,566	31,336
LONG-TERM OPERATING LEASE LIABILITIES (Note 6)	1,661	3,201
OTHER POSTRETIREMENT LIABILITIES (Notes 4 and 5)	5,318	7,624
DEFERRED INCOME TAXES (Note 4)	6,721	5,952
STOCKHOLDERS' EQUITY		
Preferred Stock	530	530
Class A Common Stock	3,606	3,536
Class B Convertible Common Stock	1,338	1,407
Additional paid-in capital	16,286	16,115
Retained earnings	111,520	110,664
Accumulated other comprehensive income (loss) (Note 4)	(28,510)	(31,083)
Treasury stock, at cost	(17,949)	(17,964)
TOTAL STOCKHOLDERS' EQUITY	86,821	83,205
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 157,788	$ 152,645

To Our Shareholders:

Net sales in the second quarter and YTD were $43.6 million and $87.6 million, respectively, compared to $32.3 million and $69.3 million in 2020 as our businesses continued to recover from the impacts of the COVID-19 pandemic. Residential sales in the first half were significantly above last year (up 44.9%) and have returned to pre-pandemic levels ($65.5 million in the first half of 2021 versus $62.6 million in the first half of 2019). Commercial product sales continue to feel the impacts of the dramatic slowdown in non-residential construction design engineering work and job site closures that occurred during the pandemic. As expected, first half sales were down 8.6% below last year and 10.9% below the 2019 first half total. However, while shipments lag, strong Q2 bookings are driving up the commercial product backlog. The overall backlog was up $4.1 million at the end of the 2021 first half compared to last year, as delayed projects began to resume.

Cost of goods sold ("COGS") as a percentage of sales for the second quarter and YTD in 2021 was 90.0% and 87.0%, respectively, compared to 81.2% and 81.9% in 2020. All of our subsidiaries continued to experience cost inflation on a wide range of raw materials during the second quarter, which accounted for a significant portion of the increase in the COGS percentage. Multiple pricing actions have been taken by the subsidiaries to offset these component and raw material price increases and additional pricing actions will be taken as necessary. Supply chain issues are abundant and our supply chain teams have worked tirelessly to manage any number of material shortages and deliver delays. In addition to dealing with material cost inflation, our subsidiaries (along with a number of other manufacturing companies) have experienced difficulty in finding and retaining qualified employees to fully staff our manufacturing operations. This issue was particularly impactful at one of our subsidiaries, resulting in a significant increase in costs during the first half due to productivity and operational inefficiencies. Efforts have intensified to improve the attraction, training and retention of employees at all of our manufacturing operations.

Net loss in the second quarter of 2021 was $(2.48) million compared to $(368) thousand in 2020. In the first half, 2021 results were a net loss of $(3.06) million compared to a net loss of $(1.44) million in 2020, a decline of $(1.62) million. Loss per share was $(0.67) in the first half of 2020 compared to $(0.32) in 2020.

At its meeting on July 15, 2021, the Burnham Holdings, Inc. Board of Directors declared a regular quarterly common stock dividend of $0.22 per share payable August 18, 2021, with a record date of August 11, 2021.

Douglas S. Brossman

Chief Executive Officer