Vulcan Materials CO
Form 10-Q
August 08, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended **June 30, 2012**

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number **001-33841**

VULCAN MATERIALS COMPANY

(Exact name of registrant as specified in its charter)

New Jersey	**20-8579133**
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification No.)
1200 Urban Center Drive, Birmingham, Alabama	**35242**
(Address of principal executive offices)	(zip code)

(205) 298-3000 (Registrant s telephone number including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

(Check one):

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer (Do not check if a smaller reporting company) ¨	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date:

Class	Shares outstanding at June 30, 2012
Common Stock, $1 Par Value	129,392,801

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VULCAN MATERIALS COMPANY

FORM 10-Q

QUARTER ENDED JUNE 30, 2012

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PART I FINANCIAL INFORMATION

ITEM 1
FINANCIAL STATEMENTS

VULCAN MATERIALS COMPANY AND SUBSIDIARY COMPANIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30	*December 31*	*June 30*
Unaudited, except for December 31	***2012***	*2011*	*2011*
in thousands, except per share data			
Assets			
Cash and cash equivalents	**$158,301**	$155,839	$106,744
Restricted cash	**0**	81	109
Accounts and notes receivable			
Accounts and notes receivable, gross	**397,506**	321,391	397,423
Less: Allowance for doubtful accounts	**(7,375)**	(6,498)	(7,641)
Accounts and notes receivable, net	**390,131**	314,893	389,782
Inventories			
Finished products	**266,265**	260,732	259,109
Raw materials	**24,457**	23,819	26,300
Products in process	**3,974**	4,198	4,930
Operating supplies and other	**39,910**	38,908	38,926
Inventories	**334,606**	327,657	329,265
Current deferred income taxes	**43,357**	43,032	45,704
Prepaid expenses	**24,840**	21,598	22,394
Total current assets	**951,235**	863,100	893,998
Investments and long-term receivables	**28,506**	29,004	37,251
Property, plant & equipment			
Property, plant & equipment, cost	**6,697,685**	6,705,546	6,739,908
Reserve for depreciation, depletion & amortization	**(3,419,174)**	(3,287,367)	(3,197,163)
Property, plant & equipment, net	**3,278,511**	3,418,179	3,542,745
Goodwill	**3,086,716**	3,086,716	3,097,016
Other intangible assets, net	**694,972**	697,502	694,509
Other noncurrent assets	**140,135**	134,813	121,736
Total assets	**$8,180,075**	$8,229,314	$8,387,255
Liabilities			
Current maturities of long-term debt	**$285,152**	$134,762	$5,230
Short-term borrowings	**0**	0	100,000
Trade payables and accruals	**171,834**	103,931	153,729
Other current liabilities	**159,481**	167,560	178,677
Total current liabilities	**616,467**	406,253	437,636
Long-term debt	**2,528,387**	2,680,677	2,785,843
Noncurrent deferred income taxes	**687,337**	732,528	756,557
Other noncurrent liabilities	**604,948**	618,239	535,136
Total liabilities	**4,437,139**	4,437,697	4,515,172
Other commitments and contingencies (Note 18)			
Equity			
Common stock, $1 par value	**129,393**	129,245	129,224
Capital in excess of par value	**2,560,824**	2,544,740	2,534,562
Retained earnings	**1,261,501**	1,334,476	1,376,026
Accumulated other comprehensive loss	**(208,782)**	(216,844)	(167,729)

Total equity	**3,742,936**	3,791,617	3,872,083
Total liabilities and equity	**$8,180,075**	$8,229,314	$8,387,255

The accompanying Notes to the Condensed Consolidated Financial Statements are an integral part of these statements.

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VULCAN MATERIALS COMPANY AND SUBSIDIARY COMPANIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Unaudited	*Three Months Ended June 30*		*Six Months Ended June 30*	
in thousands, except per share data	*2012*	*2011*	*2012*	*2011*
Net sales	**$648,890**	$657,457	**$1,148,741**	$1,113,773
Delivery revenues	**45,246**	44,514	**81,277**	75,398
Total revenues	**694,136**	701,971	**1,230,018**	1,189,171
Cost of goods sold	**542,951**	556,617	**1,020,844**	1,020,039
Delivery costs	**45,246**	44,514	**81,277**	75,398
Cost of revenues	**588,197**	601,131	**1,102,121**	1,095,437
Gross profit	**105,939**	100,840	**127,897**	93,734
Selling, administrative and general expenses	**61,914**	74,062	**126,826**	151,271
Gain on sale of property, plant & equipment and businesses, net	**13,152**	2,919	**19,678**	3,373
Recovery from legal settlement (Note 18)	**0**	0	**0**	25,546
Restructuring charges (Note 1)	**(4,551)**	(1,831)	**(5,962)**	(2,137)
Exchange offer costs (Note 1)	**(32,060)**	0	**(42,125)**	0
Other operating income (expense), net	**(904)**	(4,378)	**720**	(6,940)
Operating earnings (loss)	**19,662**	23,488	**(26,618)**	(37,695)
Other nonoperating income (expense), net	**(709)**	(20)	**2,391**	1,361
Interest expense, net	**53,687**	70,911	**105,954**	113,161
Loss from continuing operations before income taxes	**(34,734)**	(47,443)	**(130,181)**	(149,495)
Benefit from income taxes	**(17,749)**	(40,341)	**(56,145)**	(77,771)
Loss from continuing operations	**(16,985)**	(7,102)	**(74,036)**	(71,724)
Earnings (loss) on discontinued operations, net of tax	**(1,298)**	(1,037)	**3,700**	8,852
Net loss	**($18,283)**	($8,139)	**($70,336)**	($62,872)
Other comprehensive income, net of tax				
Reclassification adjustment for cash flow hedges	**955**	4,003	**1,893**	5,453
Amortization of pension and postretirement benefit plans actuarial loss and prior service cost	**3,084**	1,941	**6,168**	4,158
Other comprehensive income	**4,039**	5,944	**8,061**	9,611
Comprehensive loss	**($14,244)**	($2,195)	**($62,275)**	($53,261)
Basic earnings (loss) per share				
Continuing operations	**($0.13)**	($0.05)	**($0.57)**	($0.55)
Discontinued operations	**($0.01)**	($0.01)	**$0.03**	$0.06
Net loss per share	**($0.14)**	($0.06)	**($0.54)**	($0.49)
Diluted earnings (loss) per share				
Continuing operations	**($0.13)**	($0.05)	**($0.57)**	($0.55)
Discontinued operations	**($0.01)**	($0.01)	**$0.03**	$0.06
Net loss per share	**($0.14)**	($0.06)	**($0.54)**	($0.49)
Weighted-average common shares outstanding				
Basic	**129,676**	129,446	**129,634**	129,263
Assuming dilution	**129,676**	129,446	**129,634**	129,263
Dividends declared per share	**$0.01**	$0.25	**$0.02**	$0.50
Depreciation, depletion, accretion and amortization	**$84,116**	$92,137	**$169,283**	$182,723
Effective tax rate from continuing operations	**51.1%**	85.0%	**43.1%**	52.0%

The accompanying Notes to the Condensed Consolidated Financial Statements are an integral part of these statements.

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VULCAN MATERIALS COMPANY AND SUBSIDIARY COMPANIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited		*Six Months Ended*
		June 30
in thousands	*2012*	*2011*
Operating Activities		
Net loss	**($70,336)**	($62,872)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation, depletion, accretion and amortization	**169,283**	182,723
Net gain on sale of property, plant & equipment and businesses	**(31,014)**	(15,657)
Contributions to pension plans	**(2,248)**	(1,995)
Share-based compensation	**3,601**	8,849
Deferred tax provision	**(51,613)**	(92,031)
Cost of debt purchase	**0**	19,153
Changes in assets and liabilities before initial effects of business acquisitions and dispositions	**(20,033)**	(37,591)
Other, net	**(701)**	6,437
Net cash provided by (used for) operating activities	**(3,061)**	7,016
Investing Activities		
Purchases of property, plant & equipment	**(33,584)**	(51,512)
Proceeds from sale of property, plant & equipment	**26,069**	6,717
Proceeds from sale of businesses, net of transaction costs	**11,827**	12,284
Other, net	**49**	1,364
Net cash provided by (used for) investing activities	**4,361**	(31,147)
Financing Activities		
Net short-term payments	**0**	(185,500)
Payment of current maturities and long-term debt	**(105)**	(737,739)
Cost of debt purchase	**0**	(19,153)
Proceeds from issuance of long-term debt	**0**	1,100,000
Debt issuance costs	**0**	(17,904)
Proceeds from issuance of common stock	**0**	4,936
Dividends paid	**(2,590)**	(64,570)
Proceeds from exercise of stock options	**3,524**	3,232
Other, net	**333**	32
Net cash provided by financing activities	**1,162**	83,334
Net increase in cash and cash equivalents	**2,462**	59,203
Cash and cash equivalents at beginning of year	**155,839**	47,541
Cash and cash equivalents at end of period	**$158,301**	$106,744

The accompanying Notes to the Condensed Consolidated Financial Statements are an integral part of these statements.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: BASIS OF PRESENTATION

Vulcan Materials Company (the Company, Vulcan, we, our), a New Jersey corporation, is the nation s largest producer of construction aggregates, primarily crushed stone, sand and gravel; a major producer of asphalt mix and ready-mixed concrete and a leading producer of cement in Florida.

Our accompanying unaudited condensed consolidated financial statements were prepared in compliance with the instructions to Form 10-Q and Article 10 of Regulation S-X and thus do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. Our condensed consolidated balance sheet as of December 31, 2011 was derived from the audited financial statement at that date. In the opinion of our management, the statements reflect all adjustments, including those of a normal recurring nature, necessary to present fairly the results of the reported interim periods. Operating results for the three and six month periods ended June 30, 2012 are not necessarily indicative of the results that may be expected for the year ended December 31, 2012. For further information, refer to the consolidated financial statements and footnotes included in our most recent Annual Report on Form 10-K.

Due to the 2005 sale of our Chemicals business as presented in Note 2, the operating results of the Chemicals business are presented as discontinued operations in the accompanying Condensed Consolidated Statements of Comprehensive Income.

RECLASSIFICATIONS

Certain items previously reported in specific financial statement captions have been reclassified to conform with the 2012 presentation.

RESTRUCTURING CHARGES

In 2011, we substantially completed the implementation of a multi-year project to replace our legacy information technology systems with new ERP and Shared Services platforms. These platforms are helping us streamline processes enterprise-wide and standardize administrative and support functions while providing enhanced flexibility to monitor and control costs. Leveraging this significant investment in technology allowed us to reduce overhead and administrative staff, resulting in $2,137,000 of severance and related charges in the first six months of 2011 and $12,971,000 for the full year 2011. There were no significant charges related to this restructuring plan in 2012.

In 2012, our Board approved a Profit Enhancement Plan that further leverages our streamlined management structure and substantially completed ERP and Shared Services platforms to achieve cost reductions and other earnings enhancements. During the second quarter and for the first half of 2012, we incurred $4,551,000 and $5,962,000, respectively, of costs related to the implementation of this plan. We expect to recognize the total estimated $8,870,000 cost of this plan in 2012.

UNSOLICITED EXCHANGE OFFER

In December 2011, Martin Marietta Materials, Inc. (Martin Marietta) commenced an unsolicited exchange offer for all outstanding shares of our common stock at a fixed exchange ratio of 0.50 shares of Martin Marietta common stock for each Vulcan common share and indicated its intention to nominate a slate of directors to our Board. After careful consideration, including a thorough review of the offer with its financial and legal advisors, our Board unanimously determined that Martin Marietta s offer was inadequate, substantially undervalued Vulcan, was not in the best interests of Vulcan and its shareholders and had substantial risk.

In May 2012, the Delaware Chancery Court ruled and the Delaware Supreme Court affirmed that Martin Marietta had breached two confidentiality agreements between the companies, and enjoined Martin Marietta for a period of four months from pursuing its exchange offer for our shares, prosecuting its proxy contest, or otherwise taking steps to acquire control of our shares or assets and from any further violations of the two confidentiality agreements between the parties.

In response to Martin Marietta s actions, we incurred legal, professional and other costs as follows: second quarter of 2012 $32,060,000, first quarter of 2012 $10,065,000 and fourth quarter of 2011 $2,227,000. As of June 30, 2012, $8,087,000 of the costs incurred in 2012 were paid.

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CORRECTION OF PRIOR PERIOD FINANCIAL STATEMENTS

In preparation for an Internal Revenue Service (IRS) exam during 2011, we identified improper deductions and errors in the calculation of taxable income for items primarily associated with the 2007 acquisition of Florida Rock. These items have been voluntarily submitted to the IRS for use in their examination.

The errors arose during periods prior to 2009, did not impact earnings or cash flows for any years presented and are not material to previously issued financial statements. As a result, we did not amend previously filed financial statements but have restated the affected Condensed Consolidated Balance Sheet presented in this Form 10-Q. The correction of these errors resulted in adjustments to the following opening balances:

- an increase to current deferred income tax assets of $910,000
- an increase to prepaid income taxes of $735,000
- an increase to current income taxes payable of $16,676,000
- a decrease to noncurrent deferred income tax liabilities of $5,849,000
- a decrease to retained earnings of $9,182,000

A summary of the effects of the correction of the errors on our Condensed Consolidated Balance Sheet as of June 30, 2011, is presented in the table below:

	As of June 30, 2011		
in thousands	*As Reported*	*Correction*	*As Restated*
Balance Sheet			
Assets			
Current deferred income taxes	$44,794	$910	$45,704
Prepaid expenses	21,659	735	22,394
Total current assets	892,353	1,645	893,998
Total assets	$8,385,610	$1,645	$8,387,255
Liabilities			
Other current liabilities	$162,001	$16,676	$178,677
Total current liabilities	420,960	16,676	437,636
Noncurrent deferred income taxes	762,406	(5,849)	756,557
Total liabilities	$4,504,345	$10,827	$4,515,172
Equity			
Retained earnings	$1,385,208	($9,182)	$1,376,026
Total equity	3,881,265	(9,182)	3,872,083
Total liabilities and equity	$8,385,610	$1,645	$8,387,255

NOTE 2: DISCONTINUED OPERATIONS

In 2005, we sold substantially all the assets of our Chemicals business to Basic Chemicals, a subsidiary of Occidental Chemical Corporation. In addition to the initial cash proceeds, Basic Chemicals was required to make payments under two earn-out agreements subject to certain conditions. During 2007, we received the final payment under the ECU (electrochemical unit) earn-out, bringing cumulative cash receipts to its $150,000,000 cap.

Proceeds under the second earn-out agreement are based on the performance of the hydrochlorocarbon product HCC-240fa (commonly referred to as 5CP) from the closing of the transaction through December 31, 2012 (5CP earn-out). The primary determinant of the value for this earn-out is the level of growth in 5CP sales volume.

In March 2012, we received a payment of $11,336,000 under the 5CP earn-out related to performance during the year ended December 31, 2011. During the first quarter of 2011, we received $12,284,000 under the 5CP earn-out related to the year ended December 31, 2010. Through June 30, 2012, we have received a total of $66,327,000 under the 5CP earn-out, a total of $33,226,000 in excess of the receivable recorded on the date of disposition.

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We are liable for a cash transaction bonus payable annually to certain former key Chemicals employees based on prior year s 5CP earn-out results. We expect the 2012 payout will be $1,134,000 and have accrued this amount as of June 30, 2012. In comparison, we had accrued $1,228,000 as of June 30, 2011.

The financial results of the Chemicals business are classified as discontinued operations in the accompanying Condensed Consolidated Statements of Comprehensive Income for all periods presented. There were no net sales or revenues from discontinued operations during the six month periods ended June 30, 2012 and 2011. Results from discontinued operations are as follows:

	Three Months Ended June 30		Six Months Ended June 30	
in thousands	***2012***	*2011*	***2012***	*2011*
Discontinued Operations				
Pretax earnings (loss) from results	**($2,097)**	($1,719)	**($4,077)**	$3,587
Gain on disposal, net of transaction bonus	**0**	0	**10,203**	11,056
Income tax (provision) benefit	**799**	682	**(2,426)**	(5,791)
Earnings (loss) on discontinued operations,net of tax	**($1,298)**	($1,037)	**$3,700**	$8,852

The second quarter pretax losses from results of discontinued operations of $2,097,000 in 2012 and $1,719,000 in 2011 were due primarily to general and product liability costs, including legal defense costs, and environmental remediation costs associated with our former Chemicals business. The pretax loss from results of discontinued operations of $4,077,000 for the six months ended June 30, 2012 was also due primarily to general and product liability claims, including legal defense costs, and environmental remediation costs associated with our former Chemicals business. The pretax earnings from results of discontinued operations of $3,587,000 for the six months ended June 30, 2011 include a $7,500,000 pretax gain recognized on recovery from an insurer in lawsuits involving perchloroethylene. This gain was offset in part by general and product liability costs, including legal defense costs, and environmental remediation costs.

NOTE 3: EARNINGS PER SHARE (EPS)

We report two earnings per share numbers: basic and diluted. These are computed by dividing net earnings by the weighted-average common shares outstanding (basic EPS) or weighted-average common shares outstanding assuming dilution (diluted EPS) as set forth below:

	Three Months Ended June 30		Six Months Ended June 30	
in thousands	***2012***	2011	***2012***	2011
Weighted-average common shares outstanding	**129,676**	129,446	**129,634**	129,263
Dilutive effect of				
Stock options/SOSARs	**0**	0	**0**	0
Other stock compensation plans	**0**	0	**0**	0
Weighted-average common shares outstanding, assuming dilution	**129,676**	129,446	**129,634**	129,263

All dilutive common stock equivalents are reflected in our earnings per share calculations. Antidilutive common stock equivalents are not included in our earnings per share calculations. In periods of loss, shares that otherwise would have been included in our diluted weighted-average common shares outstanding computation are excluded. These excluded shares are as follows: three months ended June 30, 2012 341,000, three months ended June 30, 2011 291,000, six months ended June 30, 2012 372,000 and six months ended June 30, 2011 324,000.

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The number of antidilutive common stock equivalents for which the exercise price exceeds the weighted-average market price, are as follows:

	Three Months Ended June 30		Six Months Ended June 30	
in thousands	***2012***	*2011*	***2012***	*2011*
Antidilutive common stock equivalents	**5,054**	5,873	**5,053**	5,873

NOTE 4: INCOME TAXES

Our income tax provision and the corresponding annual effective tax rate are based on expected income, statutory tax rates, percentage depletion and tax planning alternatives available in the various jurisdictions in which we operate. For interim financial reporting, except in circumstances as described in the following paragraph, we estimate the annual effective tax rate based on projected taxable income for the full year and record a quarterly tax provision in accordance with the annual effective tax rate. As the year progresses, we refine the estimates of the year s taxable income as new information becomes available, including year-to-date financial results. This continual estimation process often results in a change to our annual effective tax rate for the year. When this occurs, we adjust the income tax provision during the quarter in which the change in estimate occurs so that the year-to-date income tax provision reflects the annual effective tax rate. Significant judgment is required in determining our annual effective tax rate and in evaluating our tax positions.

When projected taxable income for the full year is close to break-even, the annual effective tax rate becomes volatile and will distort the income tax provision for an interim period. When this happens, we calculate the interim income tax provision or benefit using the year-to-date effective tax rate in accordance with Accounting Standards Codification (ASC) 740-270-30- 18. This cut-off method results in an income tax provision or benefit based solely on the year-to-date pretax income or loss as adjusted for permanent differences on a pro rata basis.

We recognize an income tax benefit associated with an uncertain tax position when, in our judgment, it is more likely than not that the position will be sustained upon examination by a taxing authority. For a tax position that meets the more-likely-than-not recognition threshold, we initially and subsequently measure the income tax benefit as the largest amount that we judge to have a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority. Our liability associated with unrecognized tax benefits is adjusted periodically due to changing circumstances, such as the progress of tax audits, case law developments and new or emerging legislation. Such adjustments are recognized entirely in the period in which they are identified. Our income tax provision includes the net impact of changes in the liability for unrecognized income tax benefits and subsequent adjustments as we consider appropriate.

We recognize deferred tax assets and liabilities based on the differences between the financial statement carrying amounts and the tax basis of assets and liabilities. Deferred tax assets represent items to be used as a tax deduction or credit in future tax returns for which we have already properly recorded the tax benefit in the income statement. At least quarterly, we assess all positive and negative evidence to determine the likelihood that the deferred tax asset balance will be recovered from future taxable income. We take into account such factors as:

¡ cumulative losses in recent years

¡ taxable income in prior carryback years, if carryback is permitted under tax law

¡ future reversal of existing taxable temporary differences against deductible temporary differences

¡ future taxable income exclusive of reversing temporary differences

¡ the mix of taxable income in the jurisdictions in which we operate

- tax planning strategies

Deferred tax assets are reduced by a valuation allowance if, based on an analysis of the factors above, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

We recorded income tax benefits from continuing operations of $17,749,000 (51.1% effective tax rate) in the second quarter of 2012 using the cut-off method as described above, compared to $40,341,000 (85.0% effective tax rate) in the second quarter of 2011. The decrease in our income tax benefit resulted largely from applying the year-to-date effective tax rate in the second quarter of 2012 versus the annual effective tax rate in the second quarter of 2011. A catch-up entry was required in the second quarter of 2011 to record the income tax benefit consistent with the annual effective tax rate.

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We recorded income tax benefits from continuing operations of $56,145,000 (43.1% effective tax rate) for the six months ended June 30, 2012 compared to $77,771,000 (52.0% effective tax rate) for the six months ended June 30, 2011. The decrease in our income tax benefit resulted largely from applying the year-to-date effective tax rate for the first six months of 2012 versus the annual effective tax rate for the first six months of 2011.

NOTE 5: DERIVATIVE INSTRUMENTS

During the normal course of operations, we are exposed to market risks including fluctuations in interest rates, foreign currency exchange rates and commodity pricing. From time to time, and consistent with our risk management policies, we use derivative instruments to hedge against these market risks. We do not utilize derivative instruments for trading or other speculative purposes.

The accounting for gains and losses that result from changes in the fair value of derivative instruments depends on whether the derivatives have been designated and qualify as hedging instruments and the type of hedging relationship. The interest rate swap agreements described below were designated as either cash flow hedges or fair value hedges. The changes in fair value of our interest rate swap cash flow hedges are recorded in accumulated other comprehensive income (AOCI) and are reclassified into interest expense in the same period the hedged items affect earnings. The changes in fair value of our interest rate swap fair value hedges are recorded as interest expense consistent with the change in the fair value of the hedged items attributable to the risk being hedged.

Derivative instruments are recognized at fair value in the accompanying Condensed Consolidated Balance Sheets. Fair values of derivative instruments designated as hedging instruments are as follows:

			***Fair Value* [1]**	
in thousands	*Balance Sheet Location*	***June 30 2012***	*December 31 2011*	*June 30 2011*
Liabilities				
Interest rate swaps	Other noncurrent liabilities	**$0**	$0	$7,419
Total hedging instrument liabilities		**$0**	$0	$7,419

[1] *See Note 6 for further discussion of the fair value determination.*

CASH FLOW HEDGES

We use interest rate swap agreements designated as cash flow hedges to minimize the variability in cash flows of liabilities or forecasted transactions caused by fluctuations in interest rates. In December 2007, we issued $325,000,000 of floating-rate notes due in 2010 that bore interest at 3-month London Interbank Offered Rate (LIBOR) plus 1.25% per annum. Concurrently, we entered into a 3-year interest rate swap agreement in the stated amount of $325,000,000. Under this agreement, we paid a fixed interest rate of 5.25% and received 3-month LIBOR plus 1.25% per annum. Concurrent with each quarterly interest payment, the portion of this swap related to that interest payment was settled and the associated realized gain or loss was recognized. This swap agreement terminated December 15, 2010, coinciding with the maturity of the notes due in 2010.

Additionally, during 2007, we entered into fifteen forward starting interest rate swap agreements for a total stated amount of $1,500,000,000. Upon the 2007 and 2008 issuances of the related fixed-rate debt, we terminated and settled these forward starting swaps for cash payments of $89,777,000. Amounts in AOCI are being amortized to interest expense over the term of the related debt. For the 12-month period ending June 30, 2013, we estimate that $6,055,000 of the pretax loss in AOCI will be reclassified to earnings.

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The effects of changes in the fair values of derivatives designated as cash flow hedges on the accompanying Condensed Consolidated Statements of Comprehensive Income are as follows:

in thousands	*Location on Statement*	***Three Months Ended June 30*** ***2012***	*2011*	***Six Months Ended June 30*** ***2012***	*2011*
Cash Flow Hedges					
Loss reclassified from AOCI (effective portion)	Interest expense	**($1,605)**	($6,678)	**($3,180)**	($8,672)
FAIR VALUE HEDGES					

We use interest rate swap agreements designated as fair value hedges to minimize exposure to changes in the fair value of fixed-rate debt that results from fluctuations in the benchmark interest rates for such debt. In June 2011, we issued $500,000,000 of 6.50% fixed-rate notes due in 2016. Concurrently, we entered into interest rate swap agreements in the stated amount of $500,000,000. Under these agreements, we paid 6-month LIBOR plus a spread of 4.05% and received a fixed interest rate of 6.50%. Additionally, in June 2011, we entered into interest rate swap agreements on our $150,000,000 10.125% fixed-rate notes due in 2015. Under these agreements, we paid 6-month LIBOR plus a spread of 8.03% and received a fixed interest rate of 10.125%. In August 2011, we terminated and settled these interest rate swap agreements for $25,382,000 of cash proceeds. The $23,387,000 forward component of the settlement (cash proceeds less $1,995,000 of accrued interest) was added to the carrying value of the related debt and is being amortized as a reduction to interest expense over the remaining lives of the related debt using the effective interest method. During the three and six months ended June 30, 2012, $1,004,000 and $1,992,000, respectively, was amortized to earnings as a reduction to interest expense.

The effects of changes in the fair values of derivatives designed as fair value hedges on the accompanying Condensed Consolidated Statements of Comprehensive Income are as follows:

in thousands	*Location on Statement*	***Three Months Ended June 30*** ***2012***	*2011*	***Six Months Ended June 30*** ***2012***	*2011*
Fair Value Hedges					
Gain (loss) recognized in income - Interest rate swaps	Interest expense	**$0**	($7,419)	**$0**	($7,419)
Gain (loss) recognized in income - Fixed rate debt	Interest expense	**0**	7,419	**0**	7,419

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NOTE 6: FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as described below:

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Inputs that are derived principally from or corroborated by observable market data

Level 3: Inputs that are unobservable and significant to the overall fair value measurement

Our assets and liabilities subject to fair value measurements on a recurring basis are summarized below:

		Level 1	
	June 30	*December 31*	*June 30*
in thousands	***2012***	*2011*	*2011*
Fair Value Recurring			
Rabbi Trust			
Mutual funds	**$14,404**	$13,536	$14,836
Equities	**7,726**	7,057	8,413
Total	**$22,130**	$20,593	$23,249

		Level 2	
	June 30	*December 31*	*June 30*
in thousands	***2012***	*2011*	*2011*
Fair Value Recurring			
Interest rate swaps	**$0**	$0	($7,419)
Rabbi Trust			
Common/collective trust funds	**384**	2,192	1,368
Total	**$384**	$2,192	($6,051)

The Rabbi Trust investments provide funding for the executive nonqualified deferred compensation and excess benefit plans. The fair values of these investments are estimated using a market approach. The Level 1 investments include mutual funds and equity securities for which quoted prices in active markets are available. Investments in Level 2 common/collective trust funds are stated at estimated fair value based on the underlying investments in those funds. The underlying investments are comprised of short-term, highly liquid assets in commercial paper, short-term bonds and treasury bills.

Interest rate swaps are measured at fair value using quoted market prices or pricing models using prevailing market interest rates as of the measurement date. These interest rate swaps are more fully described in Note 5.

The carrying values of our cash equivalents, accounts and notes receivable, current maturities of long-term debt, short-term borrowings, trade payables and accruals, and other current liabilities approximate their fair values because of the short-term nature of these instruments. Additional disclosures for derivative instruments and interest-bearing debt are presented in Notes 5 and 10, respectively.

There were no assets or liabilities subject to fair value measurements on a nonrecurring basis in 2012 and 2011.

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NOTE 7: OTHER COMPREHENSIVE INCOME (OCI)

Comprehensive income includes charges and credits to equity from nonowner sources and comprises two subsets: net earnings and other comprehensive income. The components of other comprehensive income are presented in the accompanying Condensed Consolidated Statements of Comprehensive Income, net of applicable taxes.

Amounts in accumulated other comprehensive income (loss), net of tax, are as follows:

in thousands	***June 30 2012***	*December 31 2011*	*June 30 2011*
Accumulated Other Comprehensive Loss			
Cash flow hedges	**($30,093)**	($31,986)	($33,685)
Pension and postretirement plans	**(178,689)**	(184,858)	(134,044)
Total	**($208,782)**	($216,844)	($167,729)

Amounts reclassified from accumulated other comprehensive income (loss) to earnings, are as follows:

	Three Months Ended June 30		***Six Months Ended June 30***	
in thousands	***2012***	*2011*	***2012***	*2011*
Reclassification Adjustment for Cash Flow Hedges				
Interest expense	**$1,585**	$6,658	**$3,140**	$8,632
Benefit from income taxes	**(630)**	(2,655)	**(1,247)**	(3,179)
Total	**$955**	$4,003	**$1,893**	$5,453
Amortization of Pension and Postretirement Plan Actuarial Loss and Prior Service Cost				
Cost of goods sold	**$4,039**	$2,454	**$7,974**	$4,697
Selling, administrative and general expenses	**1,030**	761	**2,164**	1,545
Benefit from income taxes	**(1,985)**	(1,274)	**(3,970)**	(2,084)
Total	**$3,084**	$1,941	**$6,168**	$4,158
Total reclassifications from AOCI to earnings	**$4,039**	$5,944	**$8,061**	$9,611

NOTE 8: EQUITY

In February 2011, we issued 372,992 shares (368,527 shares net of acquired cash) of common stock in connection with a business acquisition as described in Note 13.

We periodically sell shares of common stock to the trustee of our 401(k) savings and retirement plan to satisfy the plan participants elections to invest in our common stock. The resulting cash proceeds provide a means of improving cash flow, increasing equity and reducing leverage. Under this arrangement, the stock issuances and resulting cash proceeds were as follows:

- six months ended June 30, 2012 no shares issued

- twelve months ended December 31, 2011 issued 110,881 shares for cash proceeds of $4,745,000

- six months ended June 30, 2011 issued 110,881 shares for cash proceeds of $4,745,000

No shares were held in treasury as of June 30, 2012, December 31, 2011 and June 30, 2011. As of June 30, 2012, 3,411,416 shares may be repurchased under the current purchase authorization of our Board of Directors.

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NOTE 9: BENEFIT PLANS

The following tables set forth the components of net periodic benefit cost:

PENSION BENEFITS	Three Months Ended June 30		Six Months Ended June 30	
in thousands	***2012***	*2011*	***2012***	*2011*
Components of Net Periodic Benefit Cost				
Service cost	**$5,588**	$5,191	**$11,175**	$10,381
Interest cost	**10,799**	10,650	**21,597**	21,192
Expected return on plan assets	**(12,195)**	(12,370)	**(24,390)**	(24,740)
Amortization of prior service cost	**68**	85	**137**	170
Amortization of actuarial loss	**4,881**	3,011	**9,763**	5,835
Net periodic pension benefit cost	**$9,141**	$6,567	**$18,282**	$12,838
Pretax reclassification from AOCI included in net periodic pension benefit cost	**$4,949**	$3,096	**$9,900**	$6,005

OTHER POSTRETIREMENT BENEFITS	Three Months Ended June 30		Six Months Ended June 30	
in thousands	***2012***	*2011*	***2012***	*2011*
Components of Net Periodic Benefit Cost				
Service cost	**$1,167**	$1,198	**$2,333**	$2,395
Interest cost	**1,562**	1,612	**3,124**	3,225
Amortization of prior service credit	**(168)**	(168)	**(337)**	
Interest and finance costs	(3,636)	(2,040)	(9,048)	(4,859)
Interest and finance costs – shareholders	-	(74)	-	(386)
Interest income	37	108	318	363
Loss on financial instruments	(1,574)	(1,411)	(4,335)	(1,411)
Foreign currency exchange (loss)/gain, net	(86)	(25)	4	(80)
	(5,259)	(3,442)	(13,061)	(6,373)
Net income before taxes	2,924	13,916	4,286	33,198
Income taxes	15	-	(16)	-
Net income	2,939	13,916	4,270	33,198
Less: Net loss/(income) attributable to the noncontrolling interest	-	67	(1,509)	67
	2,939	13,983	2,761	33,265

Net income attributable to Seanergy Maritime Holdings Corp. Shareholders				
Net income per common share				
Basic	0.03	0.57	0.03	1.44
Diluted	0.03	0.46	0.03	1.13
Weighted average common shares outstanding				
Basic	109,723,980	24,580,378	80,568,056	23,109,073
Diluted	109,723,980	30,386,931	80,568,056	29,420,518

Seanergy Maritime Holdings Corp.
Unaudited Condensed Consolidated Statements of Equity
For the nine months ended September 30, 2010 and 2009
(In thousands of US Dollars, except for share data, unless otherwise stated)

	Common stock # of Shares	Common stock Par Value	Additional paid-in capital	(Accumulated deficit)	Total Seanergy shareholders' equity	Noncontrolling interest	Total equity
Balance, December 31, 2008	22,361,227	2	166,361	(34,798)	131,565	-	131,565
Net income for the nine months ended September 30, 2009	-	-	-	19,283	19,283	-	19,283
Balance, September 30, 2009	22,361,227	2	166,361	(15,515)	150,848	-	150,848

	Common stock # of Shares	Common stock Par Value	Additional paid-in capital	(Accumulated deficit)	Total Seanergy shareholders' equity	Noncontrolling interest	Total equity
Balance, December 31, 2009	33,255,170	3	213,232	(4,746)	208,489	18,330	226,819
Issuance of common stock	26,945,000	3	28,523	-	28,526	-	28,526
Consolidation with subsidiaries acquired	24,761,905	2	37,516	-	37,518	(19,839)	17,679
Net income for the nine months ended September 30, 2010	-	-	-	2,761	2,761	1,509	4,270
Balance, September 30, 2010	84,962,075	8	279,271	(1,985)	277,294	-	277,294

Seanergy Maritime Holdings Corp.
Unaudited Condensed Consolidated Statements of Cash Flows
For the nine months ended September 30, 2010 and 2009
(In thousands of US Dollars)

	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Cash flows from operating activities:		
Net income	4,270	33,198
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	21,124	20,716
Amortization of deferred finance charges	550	542
Amortization of deferred dry-docking costs	2,389	397
Payments for dry-docking	(1,507)	(4,437)
Change in fair value of financial instruments	773	967
Amortization of acquired time charters	(240)	(42)
Gain on acquisition	-	(6,813)
Changes in operating assets and liabilities:		
(Increase) decrease in -		
Due from related parties	(22)	(3,098)
Inventories	(315)	1,137
Accounts receivable trade, net	(313)	232
Insurance claims	1,028	-
Other current assets	(107)	(320)
Prepaid expenses	-	(10)
Prepaid insurance expenses	138	48
Prepaid expenses and other current assets – related parties	(18)	1,587
Other non-current assets	-	(180)
Trade accounts and other payables	165	(3,912)
Due to underwriters	(19)	(343)
Accrued expenses	(1,184)	(958)
Accrued charges on convertible note due to shareholders	-	670
Premium amortization on convertible note due to shareholders	-	(379)
Accrued interest	(918)	227
Deferred revenue – related party	233	(2,846)
Deferred revenue	270	62
Net cash provided by operating activities	26,297	36,445
Cash flows from investing activities:		
Additions to vessels	-	(6)
Additions to office furniture and equipment	(31)	(15)
Acquisition of subsidiary, including cash acquired	17,923	36,374
Due to related party	(3,000)	-
Net cash provided by investing activities	14,892	36,353
Cash flows from financing activities:		
Deemed distribution upon acquisition of MCS	(2,064)	-
Net proceeds from issuance of common stock	28,526	-
Repayment of long term debt	(57,602)	(47,750)

Deferred finance charges	(841)	-
Noncontrolling interest contribution	-	10,000
Increase in restricted cash	(6,989)	(2,183)
Net cash (used in) financing activities	(38,970)	(39,933)
Net increase in cash and cash equivalents	2,219	32,865
Cash and cash equivalents at beginning of period	63,607	27,543
Cash and cash equivalents at end of period	65,826	60,408
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	7,659	4,089
Non cash investing activities due to related party	7,000	-
Issuance of common shares at fair value for the acquisition of BET	30,952	-

About Seanergy Maritime Holdings Corp.

Seanergy Maritime Holdings Corp., the successor to Seanergy Maritime Corp., is a Marshall Islands corporation with its executive offices in Athens, Greece. The Company is engaged in the transportation of dry bulk cargoes through the ownership and operation of dry bulk carriers.

The Company's initial fleet comprised two Panamax, two Supramax, one Handymax and one Handysize dry bulk carriers that Seanergy purchased and took delivery of in the third quarter of 2008 from companies associated with members of the Restis family. In August 2009, the Company acquired a controlling interest in BET, which owns four Capesize and one Panamax dry bulk carriers. In May 2010, the Company acquired a controlling interest in MCS, which owns nine Handysize dry bulk carriers. In September 2010, the Company completed the acquisition of the remaining 49% in MCS, and in October 2010 the Company completed the acquisition of the remaining 50% in BET.

Following the MCS and BET acquisitions, the Company has a wholly-owned operating fleet of 20 drybulk carriers (four Capesize, three Panamax, two Supramax, one Handymax and ten Handysize vessels) with a total carrying capacity of approximately 1,292,544 dwt and an average fleet age of 13 years.

The Company's common stock and warrants trade on the NASDAQ Global Market under the symbols "SHIP" and "SHIP.W", respectively.

Forward-Looking Statements

This press release contains forward-looking statements (as defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended) concerning future events and the Company's growth strategy and measures to implement such strategy. Words such as "expects," "intends," "plans," "believes," "anticipates," "hopes," "estimates," and variations of such words and similar expressions are intended to identify forward-looking statements. Although the Company believes that such expectations will prove to have been correct, these statements involve known and unknown risks and are based upon a number of assumptions and estimates, which are inherently subject to significant uncertainties and contingencies, many of which are beyond the control of the Company. Actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, the scope and timing of Securities and Exchange Commission ("SEC") and other regulatory agency review, competitive factors in the market in which the Company operates; risks associated with operations outside the United States; and other factors listed from time to time in the Company's filings with the SEC. The Company's filings can be obtained free of charge on the SEC's website at www.sec.gov. The Company expressly disclaims any obligations or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with respect thereto or any change in events, conditions or circumstances on which any statement is based.

For further information please contact:

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SEANERGY MARITIME HOLDINGS CORP.
(Registrant)

/s/ Dale Ploughman
By: Dale Ploughman
Chief Executive Officer

Dated: November 17, 2010

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