GULFPORT ENERGY CORP
Form S-3
June 11, 2007
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**As filed with the Securities and Exchange Commission on June 11, 2007**

**Registration No. 333-**

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# SECURITIES AND EXCHANGE COMMISSION

**Washington, DC 20549**

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# FORM S-3

## REGISTRATION STATEMENT

***UNDER***

***THE SECURITIES ACT OF 1933***

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# GULFPORT ENERGY CORPORATION

**(Exact Name of Registrant as Specified in Its Charter)**

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| **Delaware** | **73-1521290** |
|---|---|
| **(State or Other Jurisdiction of Incorporation or Organization)** | **(I.R.S. Employer Identification Number)** |

**14313 North May Avenue, Suite 100**

**Oklahoma City, Oklahoma 73134**

**(405) 848-8807**

**(Address, Including Zip Code, and Telephone Number,**

**Including Area Code, of Registrant s Principal Executive Offices)**

**Benjamin E. Russ**

**General Counsel**

**14313 North May Avenue, Suite 100**

**Oklahoma City, Oklahoma 73134**

**(405) 242-4404**

**(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)**

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***Copies to:***

**Seth R. Molay, P.C.**

**Akin, Gump, Strauss, Hauer & Feld, L.L.P.**

**1700 Pacific Avenue, Suite 4100**

**Dallas, TX 75201**

**(214) 969-2800**

**(214) 969-4343 (facsimile)**

**Approximate date of commencement of proposed sale to the public:** From time to time after this Registration Statement becomes effective.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. ¨

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. x

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

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If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box. ¨

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. ¨

**CALCULATION OF REGISTRATION FEE**

| Title of Each Class of Securities to be Registered | Amount to be Registered (1)(2) | Proposed Maximum Offering Price Per Unit (2) | Proposed Maximum Aggregate Offering Price (2) | Amount of Registration Fee (3) |
|---|---|---|---|---|
| Debt securities (4) | | | | |
| Common stock, par value $0.01 per share (5) | | | | |
| **Total** | | | $ 100,000,000 | $ 3,070 |

(1) There are being registered an indeterminate principal amount or number of debt securities and common stock as shall have an aggregate offering price not to exceed $100,000,000. This registration statement shall also cover any additional securities to be offered or issued from stock splits, stock dividends, recapitalizations or similar transactions.

(2) Pursuant to General Instruction II.D. of Form S-3, the amount of securities to be registered for each class of securities, the proposed maximum offering price per unit for each class of securities and the proposed aggregate offering price of each class of securities are not specified.

(3) The registration fee has been calculated pursuant to Rule 457(o) of the rules and regulations under the Securities Act of 1933, as amended.

(4) For debt securities issued with an original issue discount, the amount to be registered is calculated as the initial accreted value of such debt securities.

(5) In addition to common stock that may be offered for cash, the registrant is registering hereunder such indeterminate number of shares of common stock as may be issuable upon conversion of the debt securities being registered hereunder to the extent any of such debt securities are by their terms convertible into common stock.

**The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

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**The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.**

**Prospectus**

**Subject to Completion, dated June 11, 2007**

# $100,000,000

## Common Stock

## Debt Securities

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We may offer and sell, from time to time in one or more offerings, shares of our common stock and debt securities that have an aggregate maximum offering price of $100,000,000. We may offer these securities separately or together, or in separate series. This prospectus provides you with a general description of the securities we may offer. Each time we sell shares of our common stock or debt securities, we will provide a supplement to this prospectus that contains specific information about the offering. The supplement may also add, update or change information contained in this prospectus. You should carefully read this prospectus, all prospectus supplements and all other documents incorporated by reference in this prospectus before you invest in our securities.

**Investing in our securities involves a high degree of risks. See Risk Factors beginning on page 2.**

Our common stock is quoted on The Nasdaq Global Select Market under the symbol GPOR. On June 8, 2007, the last reported sale price of our common stock on The Nasdaq Global Select Market was $19.17 per share.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

The date of this prospectus is .

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## ABOUT THIS PROSPECTUS

This prospectus is part of a shelf registration statement that we filed with the Securities and Exchange Commission, or SEC. Under this registration statement, we may sell any combination of the securities described in this prospectus from time to time in one or more offerings with an aggregate offering price of up to $100,000,000. This prospectus provides you with a general description of the securities we may offer. This prospectus does not contain all the information set forth in the registration statement as permitted by the rules of the SEC. Each time we sell securities, we will provide a supplement to this prospectus that will contain specific information about the terms of that offering. That prospectus supplement may also add, update or change information contained in this prospectus. Before purchasing any securities, you should carefully read both this prospectus and any applicable prospectus supplement, together with the additional information described in this prospectus under the headings Where You Can Find More Information and Information Incorporated by Reference.

You should rely only on the information contained in this prospectus and in any applicable prospectus supplement, including any information incorporated by reference. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should not assume that the information appearing in this prospectus, any prospectus supplement or any document incorporated by reference is accurate at any date other than as of the date of each such document. Our business, financial condition, results of operations and prospects may have changed since the date indicated on the cover page of such documents.

The distribution of this prospectus may be restricted by law in certain jurisdictions. You should inform yourself about and observe any of these restrictions. This prospectus does not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which the offer or solicitation is not authorized, or in which the person making the offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make the offer or solicitation.

When used in this prospectus or in any supplement to this prospectus, the terms Gulfport, the Company, we, our and us refer to Gulfport En Corporation and its subsidiaries, unless otherwise indicated or the context otherwise requires.

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated by reference in this prospectus include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. In some cases, you can identify forward-looking statements by terms such as may, will, should, could, would, expects, plans, anticipates, intends, believes, estimates, projects, predicts, potential and similar expressions intended to identify f statements. All statements, other than statements of historical facts, included in this prospectus and the documents incorporated by reference in this prospectus that address activities, events or developments that we expect or anticipate will or may occur in the future, including such things as estimated future net revenues from oil and gas reserves and the present value thereof, future capital expenditures (including the amount and nature thereof), business strategy and measures to implement strategy, competitive strength, goals, expansion and growth of our business and operations, plans, references to future success, reference to intentions as to future matters and other such matters are forward-looking statements. These statements are based on certain assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions and expected future developments as well as other factors we believe are appropriate in the

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circumstances. However, whether actual results and developments will conform with our expectations and predictions is subject to a number of risks and uncertainties, including those discussed under the heading Risk Factors in this prospectus and any prospectus supplement and those discussed in the documents we have incorporated by reference. Consequently, all of the forward-looking statements made in this prospectus, and the documents incorporated by reference in this prospectus, are qualified by these cautionary statements and we cannot assure you that the actual results or developments anticipated by us will be realized or, even if realized, that they will have the expected consequences to or effects on us, our business or operations. We have no intention, and disclaim any obligation, to update or revise any forward looking statements, whether as a result of new information, future results or otherwise.

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**OUR COMPANY**

We are an independent oil and natural gas exploration and production company with our principal properties located along the Louisiana Gulf Coast. Our operations are concentrated in two fields: West Cote Blanche Bay, or WCBB, and the Hackberry fields. We seek to achieve reserve and production growth and increase our cash flow through our annual drilling programs.

The WCBB field lies approximately five miles off the coast of Louisiana in a shallow bay with water depths averaging eight to ten feet. We own a 100% working interest (79.4% net revenue interest, or NRI), and are the operator, in depths above the base of the 13900 Sand which is located at 11,320 feet. In addition, we own a 40.4% non-operated working interest (30.0% NRI) in depths below the base of the 13900 Sand, which is operated by Chevron Corporation. Our leasehold interests at WCBB contain 5,668 gross acres.

The East Hackberry field is located along the western shore of Lake Calcasieu in Louisiana, 15 miles inland from the Gulf of Mexico. We own a 100% working interest (approximately 79% average NRI) in certain producing oil and natural gas properties situated in the East Hackberry field. We hold beneficial interests in approximately 4,150 acres, including the Erwin Heirs Block, which is located on land, and the adjacent State Lease 50 Block, which is located primarily in the shallow waters of Lake Calcasieu. In addition, we recently exercised our option to acquire additional acreage at the Hackberry field. The option will increase our acreage position significantly to approximately 7,450 acres, an increase of approximately 3,300 acres. State approval on the lease is pending.

The West Hackberry field is located on land and is five miles west of Lake Calcasieu in Cameron Parish, Louisiana, approximately 85 miles west of Lafayette and 15 miles inland from the Gulf of Mexico. We own a 100% working interest (approximately 87.5% NRI) in 592 acres within the West Hackberry field. Our leases at West Hackberry are located within two miles of one of the United States Department of Energy s Strategic Petroleum Reserves.

We also hold ownership interests in entities that operate in Southeast Asia, Canada and the Williston Basin area of western North Dakota and eastern Montana.

We were organized in June 1997. Our principal executive offices are located at 14313 North May Avenue, Suite 100, Oklahoma City, Oklahoma 73134, and our telephone number is (405) 848-8807. Our website address is *www.gulfportenergy.com*. Information contained on our website does not constitute a part of this prospectus.

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## RISK FACTORS

*Investing in our securities involves a high degree of risk. You should carefully consider the following risks and all other information contained or incorporated by reference in this prospectus before deciding to invest in our securities. Our business, financial condition or results of operations could be materially and adversely affected by any of these risks. The trading price of our common stock and our ability to meet our obligations under our debt securities could decline due to any of these risks, and you may lose all or part of your investment.*

### Risks Related to Our Business and Industry

***The volatility of oil and natural gas prices due to factors beyond our control greatly affects our profitability.***

Our revenues, operating results, profitability, future rate of growth and the carrying value of our oil and natural gas properties depend primarily upon the prevailing prices for oil and natural gas. Historically, oil and natural gas prices have been volatile and are subject to fluctuations in response to changes in supply and demand, market uncertainty and a variety of additional factors that are beyond our control, including:

- worldwide and domestic supplies of oil and natural gas;
- the level of prices, and expectations about future prices, of oil and natural gas;
- the cost of exploring for, developing, producing and delivering oil and natural gas;
- the expected rates of declining current production;
- weather conditions, including hurricanes, that can affect oil and natural gas operations over a wide area;
- the level of consumer demand;
- the price and availability of alternative fuels;
- technical advances affecting energy consumption;
- risks associated with operating drilling rigs;
- the availability of pipeline capacity;
- the price and level of foreign imports;
- domestic and foreign governmental regulations and taxes;

- the ability of the members of the Organization of Petroleum Exporting Countries to agree to and maintain oil price and production controls;

- political instability or armed conflict in oil and natural gas producing regions; and

- the overall economic environment.

These factors and the volatility of the energy markets make it extremely difficult to predict future oil and natural gas price movements with any certainty. For example, over the last three years, the West Texas Intermediate posted price for crude oil has ranged from a low of $30.83 per barrel, or bbl, in January 2004 to a high of $71.17 per bbl in July 2006. The Henry Hub spot market price of natural gas has ranged from a low of $4.20 per million British thermal units, or MMBtu, in October 2006 to a high of $13.93 per MMBtu in October 2005. Until recently, these prices have generally been at historically high levels. On June 4, 2007, the West Texas Intermediate posted price for crude oil was $62.90 per bbl for crude oil and the Henry Hub spot market price of natural gas was $6.565 per MMBtu. Any substantial decline in the price of oil and natural gas will likely have a material adverse effect on our operations, financial condition and level of expenditures for the development of our oil and natural gas reserves, and may result in write downs of oil and natural gas properties due to ceiling test limitations.

***Our success depends on finding, developing or acquiring additional reserves.***

Our future success depends upon our ability to find, develop or acquire additional oil and natural gas reserves that are economically recoverable. Our proved reserves will generally decline as reserves are depleted,

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except to the extent that we conduct successful exploration or development activities or acquire properties containing proved reserves, or both. To increase reserves and production, we undertake development, exploration and other replacement activities or use third parties to accomplish these activities. We make and expect to continue to make substantial capital expenditures in our business and operations for the development, production, exploration and acquisition of oil and natural gas reserves. To date, we have financed capital expenditures primarily with cash flow from operations, the issuance of equity securities and borrowings under our bank and other credit facilities. Our cash flow from operations and access to capital are subject to a number of variables, including:

- our proved reserves;
- the level of oil and natural gas we are able to produce from existing wells;
- the prices at which oil and natural gas are sold; and
- our ability to acquire, locate and produce new reserves.

We cannot assure you that we will have sufficient resources to undertake our exploration and development activity, production and acquisition of oil and natural gas reserves, that our exploratory projects or other replacement activities will result in significant additional reserves or that we will have success drilling productive wells at low finding and development costs. Furthermore, although our revenues may increase if prevailing oil and natural gas prices increase significantly, our finding costs for additional reserves could also increase.

***Our failure to successfully identify, complete and integrate future acquisitions of properties or businesses could reduce our earnings and slow our growth.***

There is intense competition for acquisition opportunities in our industry. Competition for acquisitions may increase the cost of, or cause us to refrain from, completing acquisitions. Our ability to complete acquisitions is dependent upon, among other things, our ability to obtain debt and equity financing and, in some cases, regulatory approvals. Completed acquisitions could require us to invest further in operational, financial and management information systems and to attract, retain, motivate and effectively manage additional employees. The inability to effectively manage the integration of acquisitions could reduce our focus on subsequent acquisitions and current operations, which, in turn, could negatively impact our earnings and growth. Our financial position and results of operations may fluctuate significantly from period to period, based on whether or not significant acquisitions are completed in particular periods.

***Our Canadian oil sands project is a complex undertaking and may not be completed on schedule or at budgeted cost or at all.***

During the third quarter of 2006, we purchased a 25% interest in Grizzly Oil Sands ULC, a Canadian unlimited liability company holding leases in the Athabasca region located in northern Alberta Province, Canada near Fort McMurray in the same area as existing oil sands projects. The remaining interests of Grizzly are owned by other entities controlled by Wexford, an affiliate of ours. As of December 31, 2006, our net investment in Grizzly was approximately $8.5 million. As of June 1, 2007, Grizzly had approximately 354,000 acres under lease. Grizzly drilled 62 core holes during the 2006/2007 winter delineation drilling season and tested three separate lease blocks with four drilling rigs. Core hole samples have been collected and sent to a lab to assess the quantity and thickness of the bitumen in place on our acreage. Future plans may include continuing to acquire leases, additional core hole drilling during the 2007/2008 winter drilling season, and possible construction of a 10,000 barrel per day steam assisted gravity drainage facility as soon as 2008, which could lead to initial production in 2009. Gross capital expenditures for such production facility are currently estimated to be between $225.0 million and $250.0 million. This is a complex project and financing has not yet been secured. There can be no assurance that this project can be completed on schedule, at our estimated cost or at all.

***Shortage of rigs, equipment, supplies or personnel may restrict our operations.***

The oil and natural gas industry is cyclical, and at the present time there is a shortage of drilling rigs, equipment, supplies and personnel. The costs and delivery times of rigs, equipment and supplies has increased as

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drilling activities have increased. In addition, demand for, and wage rates of, qualified drilling rig crews have risen with increases in the number of active rigs in service. In accordance with customary industry practice, we rely on independent third party service providers to provide most of the services necessary to drill new wells. Shortages of drilling rigs, equipment, supplies, personnel, trucking services, tubulars, fracing and completion services and production equipment could delay or restrict our exploration and development operations, which in turn could impair our financial condition and results of operations.

***We rely on a few key employees whose absence or loss could disrupt our operations resulting in a loss of revenues.***

Many key responsibilities within our business have been assigned to a small number of employees. The loss of their services, particularly the loss of Mike Liddell, our Chairman of the Board, James D. Palm, our Chief Executive Officer, Michael G. Moore, our Chief Financial Officer, or our two geophysicists, Stuart Maier and Randy Wilson, could disrupt our operations resulting in a loss of revenues. We do not have an employment contract with any of our executives, with the exception of Mr. Liddell, and our executives are not restricted from competing with us if they cease to be employed by us. Additionally, as a practical matter, any employment agreement we may enter into will not assure the retention of our employees. In addition, we do not maintain key person life insurance policies on any of our employees. As a result, we are not insured against any losses resulting from the death of our key employees.

***Estimates of oil and natural gas reserves are uncertain and may vary substantially from actual production.***

There are numerous uncertainties inherent in estimating quantities of proved reserves and in projecting future rates of production and timing of expenditures, including many factors beyond our control. The reserve information incorporated by reference in this prospectus represents only estimates based on reports prepared by Netherland, Sewell & Associates, Inc. as of December 31, 2006 with respect to our WCBB field and by our personnel with respect to our Hackberry fields and our overrides and non-operated interests. Petroleum engineering is not an exact science. Information relating to our proved oil and natural gas reserves is based upon engineering estimates. Estimates of economically recoverable oil and natural gas reserves and of future net cash flows necessarily depend upon a number of variable factors and assumptions, such as historical production from the area compared with production from other producing areas, future site restoration and abandonment costs, the assumed effects of regulations by governmental agencies and assumptions concerning future oil and natural gas prices, future operating costs, severance and excise taxes, capital expenditures and workover and remedial costs, all of which may in fact vary considerably from actual results. For these reasons, estimates of the economically recoverable quantities of oil and natural gas attributable to any particular group of properties, classifications of such reserves based on risk of recovery and estimates of the future net cash flows expected therefrom prepared by different engineers or by the same engineers at different times may vary substantially. Actual production, revenues and expenditures with respect to our reserves will likely vary from estimates, and such variances may be material.

The present value of future net revenues from our proved reserves is not necessarily the same as the current market value of our estimated oil and natural gas reserves. We base the estimated discounted future net revenue from our proved reserves on prices and costs in effect on the day of estimate. However, actual future net revenues from our oil and natural gas properties also will be affected by factors such as:

- actual prices we receive for oil and natural gas;
- the amount and timing of actual production;
- supply of and demand for oil and natural gas; and
- changes in governmental regulations or taxation.

The timing of both our production and our incurrence of costs in connection with the development and production of oil and natural gas properties will affect the timing of actual future net revenues from proved

reserves, and thus their actual present value. In addition, the 10% discount factor we use when calculating discounted future net cash flows may not be the most appropriate discount factor based on interest rates in effect from time to time and risks associated with us or the oil and natural gas industry in general.

***The marketability of our production is dependent upon gathering lines, transportation barges and other facilities that we do not control. When these facilities are unavailable, our operations can be interrupted and our revenues reduced.***

The marketability of our oil and natural gas production depends in part upon the availability, proximity and capacity of natural gas lines and transportation barges owned by third parties. In general, we do not control these facilities and our access to them may be limited or denied due to circumstances beyond our control. A significant disruption in the availability of these facilities could adversely impact our ability to deliver to market the oil and natural gas we produce and thereby cause a significant interruption in our operations. We are at particular risk with respect to oil and natural gas produced at our WCBB field, which is our largest field. In October 2006, for example, a natural gas line in this field operated by our natural gas purchaser was ruptured by a third party contractor, requiring the field to be shut in for approximately seven weeks until the line could be repaired. Further, we are dependent on our oil purchaser to provide the barges necessary to transport our oil production from the WCBB field. The increasing demand for transportation barges in the Louisiana Gulf Coast region has adversely impacted our ability to transport our oil production from the tank batteries in our field to shore for delivery. This has required us to shut in or curtail production from time to time as we have only limited storage capacity in the field. If, in the future, we are unable, for any sustained period, to implement acceptable delivery or transportation arrangements, we will be required to again shut in or curtail production from the field. Any such shut in or curtailment, or an inability to obtain favorable terms for delivery of the oil and natural gas produced from the field, would adversely affect our financial condition and results of operations.

***Substantially all of our producing properties are located in Louisiana, making us vulnerable to risks associated with operating in this region.***

Our operations are concentrated in Louisiana and our largest field, WCBB, is located approximately five miles off the coast of Louisiana in a shallow bay with water depths averaging eight to ten feet. As a result, we may be disproportionately exposed to the impact of delays or interruptions of production from this region caused by weather conditions such as fog or rain, hurricanes or other natural disasters, or lack of field infrastructure. Losses could occur for uninsured risks or in amounts in excess of any existing insurance coverage. We cannot assure you that we will be able to obtain and maintain adequate insurance at rates we consider reasonable or that any particular types of coverage will be available.

***Our identified drilling locations comprise an estimation of part of our future drilling plans over several years, making them susceptible to uncertainties that could materially alter the occurrence or timing of their drilling.***

We have identified over 200 drilling locations on our Louisiana properties. These drilling locations represent a significant part of our growth strategy. Our ability to drill and develop these locations depends on a number of uncertainties, including the availability of capital, oil and natural gas prices, inclement weather, costs and drilling results. Because of these uncertainties, we do not know if the numerous potential drilling locations we have identified will ever be drilled or if we will be able to produce oil or natural gas from these or any other potential drilling locations. As such, our actual drilling activities may materially differ from those presently identified, which could adversely affect our business.

***Operating hazards and uninsured risks may result in substantial losses.***

Our operations are subject to all of the hazards and operating risks inherent in drilling for and production of oil and natural gas, including the risk of fire, explosions, blowouts, pipe failure, abnormally pressured formations

and environmental hazards such as oil spills, gas leaks, ruptures or discharges of toxic gases. The occurrence of any of these events could result in substantial losses to us due to injury or loss of life, severe damage to or destruction of property, natural resources and equipment, pollution or other environmental damage, clean-up responsibilities, regulatory investigation and penalties and suspension of operations. For example, in October 2006, an accident occurred north of our production facilities in the WCBB field in southern Louisiana involving two contracted vessels that were performing work on our behalf in the field. A tugboat and two barges laden with construction materials ruptured an underwater natural gas pipeline and a subsequent fire damaged the vessels. Six fatalities resulted from the accident, which is currently under investigation by the National Transportation Safety Board and the United States Coast Guard. Several lawsuits relating to this incident have been filed against us, among other parties. Information with respect to this litigation is incorporated by reference in this prospectus from our reports that we file with the SEC. Litigation is inherently uncertain and its outcome cannot be predicted at this time; however, if this litigation is not resolved in a manner that is favorable to us, our financial condition and results of operations may be negatively impacted.

In accordance with customary industry practice, we historically have maintained insurance against some, but not all, of our business risks. We cannot assure you that our insurance will be adequate to cover any losses or liabilities we may suffer. We also cannot predict the continued availability of insurance, or its availability at premium levels that justify its purchase. In addition, we understand that insurance carriers are modifying or otherwise restricting insurance coverage or ceasing to provide certain types of insurance coverage in the Gulf Coast region. We may also be liable for environmental damage caused by previous owners of properties purchased by us, which liabilities may not be covered by insurance.

***Our operations are subject to various governmental regulations which require compliance that can be burdensome and expensive.***

Our oil and natural gas operations are subject to various federal, state and local governmental regulations that may be changed from time to time in response to economic and political conditions. Matters subject to regulation include discharge permits for drilling operations, drilling bonds, reports concerning operations, the spacing of wells, unitization and pooling of properties and taxation. From time to time, regulatory agencies have imposed price controls and limitations on production by restricting the rate of flow of oil and natural gas wells below actual production capacity to conserve supplies of oil and gas. In addition, the production, handling, storage, transportation, emission and disposal of oil and gas, by-products thereof and other substances and materials produced or used in connection with oil and natural gas operations are subject to regulation under federal, state and local laws and regulations relating to protection of human health and the environment. These laws and regulations have continually imposed increasingly strict requirements for water and air pollution control and waste management. Significant expenditures may be required to comply with governmental laws and regulations applicable to us. We believe the trend of more expansive and stricter environmental legislation and regulations will continue.

***We face extensive competition in our industry.***

The oil and natural gas industry is intensely competitive, and we compete with other companies that have greater resources. Many of these companies not only explore for and produce oil and natural gas, but also carry on midstream and refining operations and market petroleum and other products on a regional, national or worldwide basis. These competitors may be better positioned to take advantage of industry opportunities and to withstand changes affecting the industry, such as fluctuations in oil and natural gas prices and production, the availability of alternative energy sources and the application of government regulation.

***We depend upon two customers for the sale of most of our oil and natural gas production.***

The availability of a ready market for any oil and natural gas we produce depends on numerous factors beyond the control of our management, including but not limited to the extent of domestic production and

imports of oil, the proximity and capacity of gas pipelines, the availability of skilled labor, materials and equipment, the effect of state and federal regulation of oil and natural gas production and federal regulation of gas sold in interstate commerce. The oil and natural gas we produce in Louisiana is sold to purchasers who service the areas where our wells are located. We sell the majority of our oil to Shell Trading Company, or Shell. Shell takes custody of the oil at the outlet from our oil storage barge. At March 31, 2007, our production was being sold in accordance with the posted price for West Texas/New Mexico Intermediate crude plus Platt s trade month average P+ value, plus or minus the Platt s WII/LLS differential less $3.70 per Bbl for transportation. For the three months ended March 31, 2007 and the year ended December 31, 2006, we sold 99% and 100%, respectively, of our oil production to Shell and 70% and 96%, respectively, of our natural gas production to Chevron. During 2005, we sold 99% of our oil production to Shell and 88% of our natural gas production to Chevron. Our wells are not subject to any agreements that would prevent us from either selling our production on the spot market or committing such gas to a long-term contract; however, there can be no assurance that we will continue to have ready access to suitable markets for our future oil and natural gas production.

***Our method of accounting for oil and natural gas properties may result in impairment of asset value.***

We use the full cost method of accounting for oil and natural gas operations. Accordingly, all costs, including nonproductive costs and certain general and administrative costs associated with acquisition, exploration and development of oil and natural gas properties, are capitalized. Net capitalized costs are limited to the estimated future net revenues, after income taxes, discounted at 10% per year, from proven oil and natural gas reserves and the cost of the properties not subject to amortization. Such capitalized costs, including the estimated future development costs and site remediation costs, if any, are depleted by an equivalent units-of-production method, converting gas to barrels at the ratio of six Mcf of gas to one barrel of oil.

Companies that use the full cost method of accounting for oil and gas properties are required to perform a ceiling test each quarter. The test determines a limit, or ceiling, on the book value of the oil and gas properties. Net capitalized costs are limited to the lower of unamortized cost net of deferred income taxes or the cost center ceiling. The cost center ceiling is defined as the sum of (a) estimated future net revenues, discounted at 10% per annum, from proved reserves, based on unescalated year-end prices and costs, adjusted for any contract provisions or financial derivatives, if any, that hedge oil and natural gas revenue, and excluding the estimated abandonment costs for properties with asset retirement obligations recorded on the balance sheet, (b) the cost of properties not being amortized, if any, and (c) the lower of cost or market value of unproved properties included in the cost being amortized, less income tax effects related to differences between the book and tax basis of the oil and natural gas properties. If the net book value reduced by the related net deferred income tax liability exceeds the ceiling, an impairment or noncash writedown is required. A ceiling test impairment can give us a significant loss for a particular period. Once incurred, a write down of oil and natural gas properties is not reversible at a later date, even if oil or gas prices increase.

***Our use of 2-D and 3-D seismic data is subject to interpretation and may not accurately identify the presence of oil and natural gas, which could adversely affect the results of our drilling operations.***

Even when properly used and interpreted, 2-D and 3-D seismic data and visualization techniques are only tools used to assist geoscientists in identifying subsurface structures and hydrocarbon indicators and do not enable the interpreter to know whether hydrocarbons are, in fact, present in those structures. In addition, the use of 3-D seismic and other advanced technologies requires greater predrilling expenditures than traditional drilling strategies, and we could incur losses as a result of such expenditures. As a result, our drilling activities may not be successful or economical.

***We have hedged and may in the future hedge a portion of our production, which may result in our making cash payments or prevent us from receiving the full benefit of increases in prices for oil and gas.***

To reduce our exposure to short-term fluctuations in the price of oil and natural gas, we periodically enter into hedging arrangements. As of March 31, 2007, we had no hedging arrangements in place. We subsequently

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entered into agreements to hedge 3,000 barrels of production per day for the period of June 2007 through May 2008 at a weighted average daily price of $69.82 per barrel before transportation costs. Under these agreements we have hedged approximately 62% of our estimated production for June through December 2007. Such hedging arrangements may expose us to risk of financial loss in certain circumstances, including instances where production is less than expected or oil prices increase. Significant increases in oil prices could adversely affect our financial position. In addition, our hedging arrangements may limit the benefit to us of increases in the price of oil.

***A terrorist attack or armed conflict could harm our business.***

Terrorist activities, anti-terrorist efforts and other armed conflicts involving the United States or other countries may adversely affect the United States and global economies and could prevent us from meeting our financial and other obligations. If any of these events occur, the resulting political instability and societal disruption could reduce overall demand for oil and natural gas, potentially putting downward pressure on demand for our services and causing a reduction in our revenues. Oil and natural gas related facilities could be direct targets of terrorist attacks, and our operations could be adversely impacted if infrastructure integral to our customers operations is destroyed or damaged. Costs for insurance and other security may increase as a result of these threats, and some insurance coverage may become more difficult to obtain, if available at all.

***Conservation measures and technological advances could reduce demand for oil and natural gas.***

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, technological advances in fuel economy and energy generation devices could reduce demand for oil and natural gas. Management cannot predict the impact of the changing demand for oil and gas services and products, and any major changes may have a material adverse effect on our business, financial condition, results of operations and cash flows.

***We will be subject to the requirements of Section 404 of the Sarbanes-Oxley Act. If we are unable to timely comply with Section 404 or if the costs related to compliance are significant, our profitability, stock price and results of operations and financial condition could be materially adversely affected.***

Under current rules, we will be required to comply with the provisions of Section 404 of the Sarbanes-Oxley Act of 2002 as of December 31, 2007. Section 404 requires that we document and test our internal control over financial reporting and issue management s assessment of our internal control over financial reporting. This section also requires that our independent registered public accounting firm opine on those internal controls and management s assessment of those controls. We will be required to evaluate our existing controls against the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO. During the course of our ongoing evaluation and integration of the internal control over financial reporting, we may identify areas requiring improvement, and we may have to design enhanced processes and controls to address issues identified through this review.

We believe that the out-of-pocket costs, the diversion of management s attention from running the day-to-day operations and operational changes caused by the need to comply with the requirements of Section 404 of the Sarbanes-Oxley Act could be significant.

We cannot be certain at this time that we will be able to successfully complete the procedures, certification and attestation requirements of Section 404 or that we or our auditors will not identify material weaknesses in internal control over financial reporting. If we fail to comply with the requirements of Section 404 or if we or our auditors identify and report such material weakness, the accuracy and timeliness of the filing of our annual and quarterly reports may be materially adversely affected and could cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our common stock. In

addition, a material weakness in the effectiveness of our internal control over financial reporting could result in an increased chance of fraud and the loss of customers, reduce our ability to obtain financing and require additional expenditures to comply with these requirements, each of which could have a material adverse effect on our business, results of operations and financial condition.

**Risks Related to Our Common Stock**

***If our quarterly revenues and operating results fluctuate significantly, the price of our common stock may be volatile.***

Our revenues and operating results may in the future vary significantly from quarter to quarter. If our quarterly results fluctuate, it may cause our stock price to be volatile. We believe that a number of factors could cause these fluctuations, including:

- changes in oil and natural gas prices;
- changes in production levels;
- changes in governmental regulations and taxes;
- geopolitical developments;
- the level of foreign imports of oil and natural gas; and
- conditions in the oil and natural gas industry and the overall economic environment.

Because of the factors listed above, among others, we believe that our quarterly revenues, expenses and operating results may vary significantly in the future and that period-to-period comparisons of our operating results are not necessarily meaningful. You should not rely on the results of one quarter as an indication of our future performance. It is also possible that in some future quarters, our operating results will fall below our expectations or the expectations of market analysts and investors. If we do not meet these expectations, the price of our common stock may decline significantly.

***Our officers and directors together with our largest stockholder control a significant percentage of our common stock, and their interests may conflict with those of our other stockholders.***

As of June 1, 2007, our executive officers and directors, in the aggregate, beneficially owned approximately 4% of our outstanding common stock. Additionally, Charles E. Davidson beneficially owned approximately 41% of our outstanding common stock. As a result, these stockholders acting together are able to exercise significant influence over most matters requiring approval by our stockholders, including the election of directors and the approval of significant corporate transactions. Such a concentration of ownership may have the effect of delaying or preventing a change in control of us, including transactions in which stockholders might otherwise receive a premium for their shares over then current market prices.

***We can give no assurances as to the market for our common stock.***

Since July 14, 2006, our common stock has been listed on The NASDAQ Global Select Market under the symbol GPOR. From February 28, 2006 until that date, our common stock was listed on the NASDAQ National Market. Prior to that date, our common stock was traded on the NASD OTC Bulletin Board under the symbol GPOR.OB. There is a limited market for our shares. We cannot assure you that an active trading market will develop, or if it does, that it will be sustained.

***We do not currently pay dividends on our common stock and do not anticipate doing so in the future.***

We have paid no cash dividends on our common stock, and there can be no assurance that we will achieve sufficient earnings to pay cash dividends on our common stock in the future. We intend to retain any earnings to fund our operations. Therefore, we do not anticipate paying any cash dividends on our common stock in the foreseeable future. In addition, the terms of our credit agreement prohibit the payment of any dividends to the holders of our common stock.

***A change of control could limit our use of net operating losses.***

As of December 31, 2006, we had a net operating loss, or NOL, carry forward of approximately $95.9 million for federal income tax purposes. Transfers of our stock in the future could result in an ownership change. In such a case, our ability to use the NOLs generated through the ownership change date could be limited. In general, the amount of NOLs we could use for any tax year after the date of the ownership change would be limited to the value of our stock (as of the ownership change date) multiplied by the long-term tax-exempt rate.

***Future sales of our common stock may depress our stock price.***

Sales of a substantial number of shares of our common stock in the public market, or the perception that these sales may occur, could cause the market price of our common stock to decline. In addition, the sale of these shares could impair our ability to raise capital through the sale of common or preferred stock. As of June 1, 2007, there were 36,886,842 shares of our common stock issued and outstanding, excluding 97,889 shares of restricted stock awarded under our 2005 Stock Incentive Plan.

In addition, some of our current stockholders may have demand and/or piggyback registration rights in connection with future offerings of our common stock. Demand rights enable the holders to demand that their shares be registered and may require us to file a registration statement under the Securities Act at our expense. Piggyback rights require that we provide notice to the relevant holders of our stock if we propose to register any of our securities under the Securities Act, and grant such holders the right to include their shares in the registration statement.

***We could issue additional preferred stock which could be entitled to dividend, liquidation and other special rights and preferences not shared by holders of our common stock or which could have anti-takeover effects.***

We are authorized to issue up to 5,000,000 shares of preferred stock, par value $0.01 per share. Shares of preferred stock may be issued from time to time in one or more series as our board of directors, by resolution or resolutions, may from time to time determine, each such series to be distinctively designated. The voting powers, preferences and relative, participating, optional and other special rights, and the qualifications, limitations or restrictions, if any, of each such series of preferred stock may differ from those of any and all other series of preferred stock at any time outstanding, and, subject to certain limitations of our certificate of incorporation and the Delaware General Corporation Law, or DGCL, our board of directors may fix or alter, by resolution or resolutions, the designation, number, voting powers, preferences and relative, participating, optional and other special rights, and qualifications, limitations and restrictions thereof, of each such series preferred stock. The issuance of any such preferred stock could materially adversely affect the rights of holders of our common stock and, therefore, could reduce the value of our common stock.

In addition, specific rights granted to future holders of preferred stock could be used to restrict our ability to merge with, or sell our assets to, a third party. The ability of our board of directors to issue preferred stock could discourage, delay or prevent a takeover of us, thereby preserving control of the company by the current stockholders.

***Provisions in our organizational documents could delay or prevent a change in control of our company, even if that change would be beneficial to our stockholders.***

The existence of some provisions in our organizational documents could delay or prevent a change in control of our company, even if that change would be beneficial to our stockholders. Our certificate of incorporation and bylaws contain provisions that may make acquiring control of our company difficult.

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## USE OF PROCEEDS

We intend to use the net proceeds from the sale of the securities for general corporate purposes, including without limitation repaying or refinancing all or a portion of our existing short-term and long-term debt, making acquisitions of assets, businesses or securities, capital expenditures and for working capital. Pending the application of the net proceeds, we intend to invest our net proceeds in short-term, investment-grade securities, interest-bearing securities or guaranteed obligations of the United States or its agencies.

## RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our ratios of earnings to fixed charges for the periods indicated. We have calculated the ratio of earnings to fixed charges by dividing the sum of income from continuing operations plus fixed charges by fixed charges. Fixed charges consist of interest expense.

| | Three Months Ended March 31, | Year Ended December 31, | | | | |
|---|---|---|---|---|---|---|
| | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
| Ratio of earnings to fixed charges | 12.4 | 15.2 | 21.9 | 3.0 | 1.6 | 3.4 |

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## DESCRIPTION OF DEBT SECURITIES

The debt securities will be either senior debt securities or subordinated debt securities. The debt securities will be issued under one or more separate indentures between us and a trustee that is qualified to act under the Trust Indenture Act of 1939. The trustee for each series of debt securities will be identified in the applicable prospectus supplement. Any senior debt securities will be issued under a senior indenture and any subordinated debt securities will be issued under a subordinated indenture. Together, the senior indenture and the subordinated indenture are called indentures.

The following description is a summary of the material provisions of the indentures. It does not describe those agreements in their entirety. The forms of indentures are filed as exhibits to the registration statement of which this prospectus is a part. Any supplemental indentures will be filed by us from time to time by means of an exhibit to a Current Report on Form 8-K and will be available for inspection at the corporate trust office of the trustee, or as described below under Where You Can Find More Information and Information Incorporated By Reference. The indentures will be subject to, and governed by, the Trust Indenture Act of 1939. We will execute a supplemental indenture if and when we issue any debt securities. We urge you to read the indentures and any supplemental indenture because they, and not this description, define your rights as a holder of the debt securities.

Unless we state otherwise in the applicable prospectus supplement, the following is a description of the general terms of the debt securities that we may offer. If the terms of any series of debt securities differ from the terms described below, those terms will be described in the prospectus supplement relating to that series of debt securities.

### General

The senior debt securities will rank equally with all of our other senior and unsubordinated debt. The subordinated debt securities will have a junior position to all of our senior debt. The debt securities may be secured or unsecured obligations.

A prospectus supplement and a supplemental indenture relating to any series of debt securities being offered will include specific terms relating to the offering. These terms will include some or all of the following:

- the title and type of the debt securities;
- the currency or currency unit in which the debt securities will be payable;
- the total principal amount of the debt securities;
- the percentage of the principal amount at which the debt securities will be issued and any payments due if the maturity of the debt securities is accelerated;
- the dates on which the principal of the debt securities will be payable;
- the interest rate that the debt securities will bear (or, if they are floating rate securities, the basis for the interest rate) and the interest payment dates for the debt securities;
- any conversion or exchange provisions;

any optional redemption provisions;

any sinking fund or other provisions that would obligate us to repurchase or otherwise redeem some or all of the debt securities;

any provisions granting special rights to holders when a specified event occurs;

any changes to or additional events of default or covenants;

- any special tax implications of the debt securities, including provisions for original issue discount securities, if offered;
- any restriction on the declaration of dividends or restrictions requiring the maintenance of any asset ratio or the creation or maintenance of reserves;
- the names and duties of any co-trustees, calculation agents, paying agents or registrars for the debt securities; and
- any other terms of the debt securities.

None of the indentures will limit the amount of debt securities that may be issued by us. Each indenture will allow debt securities to be issued up to the principal amount that may be authorized by us and may be in any currency or currency unit designated by us.

Debt securities of a series may be issued in registered, bearer, coupon or global form.

**Denominations**

Unless the prospectus supplement for each issuance of debt securities states otherwise, the securities will be issued in denominations of $1,000 each or multiples thereof.

**Subordination**

Under the subordinated indenture, payment of the principal, interest and any premium on the subordinated debt securities will generally be subordinated and junior in right of payment to the prior payment in full of all of our senior debt, whether existing at the date of the subordinated indenture or subsequently incurred. The subordinated indenture will provide that no payment of principal, interest or any premium on the subordinated debt securities may be made in the event:

- of any insolvency, bankruptcy or similar proceeding involving us or our property, or
- we fail to pay the principal, interest, any premium or any other amounts on any senior debt when due.

The subordinated indenture will not limit the amount of senior debt that we may incur.

Unless we state otherwise in a prospectus supplement, Senior Debt will be defined in the subordinated indenture to include all notes or other unsecured evidences of indebtedness, including guarantees given by us, for money borrowed by us, including principal of and any interest or premium on such amounts, whether incurred on, before or after the date of the subordinated indenture, that is not expressed to be subordinate or junior in right of payment to any of our other indebtedness.

**Consolidation, Merger or Sale**

Each indenture generally will permit a consolidation or merger between us and another corporation. They also will permit the sale by us of all or substantially all of our property and assets. If this happens, the remaining or acquiring corporation will assume all of our responsibilities and liabilities under the indentures, including the payment of all amounts due on the debt securities and performance of the covenants in the indentures. However, we will consolidate or merge with or into any other corporation or sell all or substantially all of our assets only according to the terms and conditions of the indentures. The remaining or acquiring corporation will be substituted for us in the indentures with the same effect as if it had been an original party to the indentures. Thereafter, the successor corporation may exercise our rights and powers under any indenture, in our name or in its own name. Any act or proceeding required or permitted to be done by our board of directors or any of our officers may be done by the board or officers of the successor corporation. If we sell all or substantially all of our assets, we will be released from all our liabilities and obligations under any indenture and under the debt securities.

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**Modification of Indentures**

Under each indenture our rights and obligations and the rights of the holders may be modified with the consent of the holders of a majority in aggregate principal amount of the outstanding debt securities of each series affected by the modification. No modification of the principal or interest payment terms, and no modification reducing the percentage required for modifications, will be effective against any holder without its consent.

**Events of Default**

Event of Default when used in an indenture, could mean any of the following:

failure to pay the principal of or any premium on prescribed debt securities when due;

failure to deposit any sinking fund payment when due;

failure to pay interest when due on prescribed debt securities for 30 days;

failure to perform any other covenant in the indenture that continues for 90 days after being given written notice;

All financial and other information in this press release, other than financial and other information for specific subsidiaries where specifically mentioned, is on an unconsolidated basis for ICICI Bank Limited only unless specifically stated to be on a consolidated basis for ICICI Bank Limited and its subsidiaries. Please also refer to the statement of audited unconsolidated, consolidated and segmental results required by Indian regulations that has, along with this release, been filed with the stock exchanges in India where ICICI Bank's equity shares are listed and with the New York Stock Exchange and the US Securities Exchange Commission, and is available on our website www.icicibank.com.

Except for the historical information contained herein, statements in this release which contain words or phrases such as 'will', 'expected to', etc., and similar expressions or variations of such expressions may constitute 'forward-looking statements'. These forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results, opportunities and growth potential to differ materially from those suggested by the forward-looking statements. These risks and uncertainties include, but are not limited to, the actual growth in demand for banking and other financial products and services in the countries that we operate or where a material number of our customers reside, our ability to successfully implement our strategy, including our use of the Internet and other technology, our rural expansion, our exploration of merger and acquisition opportunities, our ability to integrate recent or future mergers or acquisitions into oour operations and manage the risks associated with such acquisitions to achieve our strategic and financial objectives, our ability to manage the increased complexity of

the risks we face following our rapid international growth, future levels of impaired loans, our growth and expansion in domestic and

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ICICI Bank Limited
ICICI Bank Towers
Bandra Kurla Complex
Mumbai 400 051

overseas markets, the adequacy of our allowance for credit and investment losses, technological changes, investment income, our ability to market new products, cash flow projections, the outcome of any legal, tax or regulatory proceedings in India and in other jurisdictions we are or become a party to, the future impact of new accounting standards, our ability to implement our dividend policy, the impact of changes in banking regulations and other regulatory changes in India and other jurisdictions on us, the bond and loan market conditions and availability of liquidity amongst the investor community in these markets, the nature or level of credit spreads, interest spreads from time to time, including the possibility of increasing credit spreads or interest rates, our ability to roll over our short-term funding sources and our exposure to credit, market and liquidity risks as well as other risks that are detailed in the reports filed by us with the United States Securities and Exchange Commission. ICICI Bank undertakes no obligation to update forward-looking statements to reflect events or circumstances after the date thereof.

This release does not constitute an offer of securities.

For further press queries please call Charudatta Deshpande at 91-22-2653 8208 or e-mail: charudatta.deshpande@icicibank.com.

For investor queries please call Ranju Sigtia at 91-22-2653 6198 or email at ir@icicibank.com.

1 crore = 10.0 million
US$ amounts represent convenience translations at US$1= Rs. 44.71

Item 2
ICICI Bank Limited
Registered Office: Landmark, Race Course Circle, Vadodara - 390 007.
Corporate Office: ICICI Bank Towers, Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051.
Web site: http://www.icicibank.com

AUDITED UNCONSOLIDATED FINANCIAL RESULTS

(Rs. in crore)

| Sr. No. | Particulars | Three months ended | | Nine months ended | | Year ended |
|---|---|---|---|---|---|---|
| | | December 31, 2010 | December 31, 2009 | December 31, 2010 | December 31, 2009 | March 31, 2010 |
| | | (Audited) | (Audited) | (Audited) | (Audited) | (Audited) |
| 1. | Interest earned (a)+(b)+(c)+(d) | 6,695.96 | 6,089.57 | 18,817.60 | 19,879.95 | 25,706.93 |
| | a) Interest/discount on advances/bills | 4,161.95 | 3,976.36 | 11,889.65 | 13,555.95 | 17,372.73 |
| | b) Income on investments | 2,121.23 | 1,691.33 | 5,695.91 | 4,895.42 | 6,466.35 |
| | c) Interest on balances with Reserve Bank of India and other inter-bank funds | 95.35 | 108.08 | 275.71 | 494.48 | 624.99 |
| | d) Others | 317.43 | 313.80 | 956.33 | 934.10 | 1,242.86 |
| 2. | Other income | 1,748.79 | 1,673.14 | 5,007.23 | 5,586.81 | 7,477.65 |
| 3. | TOTAL INCOME (1)+(2) | 8,444.75 | 7,762.71 | 23,824.83 | 25,466.76 | 33,184.58 |
| 4. | Interest expended | 4,384.22 | 4,031.48 | 12,310.43 | 13,800.53 | 17,592.57 |
| 5. | Operating expenses (e)+(f)+(g) | 1,717.92 | 1,362.39 | 4,771.78 | 4,332.94 | 5,859.83 |
| | e) Employee cost | 760.47 | 427.02 | 1,960.32 | 1,343.09 | 1,925.79 |
| | f) Direct marketing expenses | 40.46 | 31.31 | 111.75 | 79.71 | 125.48 |
| | g) Other operating expenses | 916.99 | 904.06 | 2,699.71 | 2,910.14 | 3,808.56 |
| 6. | TOTAL EXPENDITURE (4)+(5) (excluding provisions and contingencies) | 6,102.14 | 5,393.87 | 17,082.21 | 18,133.47 | 23,452.40 |
| 7. | OPERATING PROFIT (3)–(6) (Profit before provisions and contingencies) | 2,342.61 | 2,368.84 | 6,742.62 | 7,333.29 | 9,732.18 |
| 8. | Provisions (other than tax) and contingencies | 464.27 | 1,002.16 | 1,903.23 | 3,397.11 | 4,386.86 |

| | | | | | | |
|---|---|---|---|---|---|---|
| 9. | Exceptional items | .. | .. | .. | .. | .. |
| 10. | PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE TAX (7)–(8)–(9) | 1,878.34 | 1,366.68 | 4,839.39 | 3,936.18 | 5,345.32 |
| 11. | Tax expense (h)+(i) | 441.32 | 265.62 | 1,140.12 | 916.77 | 1,320.34 |
| | h) Current period tax | 570.33 | 463.13 | 1,580.53 | 1,258.47 | 1,600.78 |
| | i) Deferred tax adjustment | (129.01) | (197.51) | (440.41) | (341.70) | (280.44) |
| 12. | NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES (10)–(11) | 1,437.02 | 1,101.06 | 3,699.27 | 3,019.41 | 4,024.98 |
| 13. | Extraordinary items (net of tax expense) | .. | .. | .. | .. | .. |
| 14. | NET PROFIT/(LOSS) FOR THE PERIOD (12)–(13) | 1,437.02 | 1,101.06 | 3,699.27 | 3,019.41 | 4,024.98 |
| 15. | Paid-up equity share capital (face value Rs. 10/-) | 1,151.47 | 1,114.17 | 1,151.47 | 1,114.17 | 1,114.89 |
| 16. | Reserves excluding revaluation reserves | 54,277.68 | 51,126.33 | 54,277.68 | 51,126.33 | 50,503.48 |
| 17. | Analytical ratios | | | | | |
| | i) Percentage of shares held by Government of India | .. | .. | .. | .. | .. |
| | ii) Capital adequacy ratio | 19.98% | 19.40% | 19.98% | 19.40% | 19.41% |
| | iii) Earnings per share (EPS) | | | | | |
| | a) Basic EPS before and after extraordinary items, net of tax expenses (not annualised for quarter/period) (in Rs.) | 12.48 | 9.89 | 32.64 | 27.12 | 36.14 |
| | b) Diluted EPS before and after extraordinary items, net of tax expenses (not annualised for quarter/period) (in Rs.) | 12.41 | 9.84 | 32.48 | 27.01 | 35.99 |

(Rs. in crore)

| Sr. No. | Particulars | Three months ended December 31, 2010 (Audited) | Three months ended December 31, 2009 (Audited) | Nine months ended December 31, 2010 (Audited) | Nine months ended December 31, 2009 (Audited) | Year ended March 31, 2010 (Audited) |
|---|---|---|---|---|---|---|
| 18. | NPA Ratio1,2 | | | | | |
| | i) Gross non-performing advances (net of write-off) | 10,186.62 | 8,925.55 | 10,186.62 | 8,925.55 | 9,480.65 |
| | ii) Net non-performing advances | 2,872.74 | 4,356.83 | 2,872.74 | 4,356.83 | 3,841.11 |
| | iii) % of gross non-performing advances (net of write-off) to gross advances | 4.75% | 4.84% | 4.75% | 4.84% | 5.06% |
| | iv) % of net non-performing advances to net advances | 1.39% | 2.43% | 1.39% | 2.43% | 2.12% |
| 19. | Return on assets (annualised) | 1.46% | 1.27% | 1.31% | 1.13% | 1.13% |
| 20. | Public shareholding | | | | | |
| | i) No. of shares | 1,151,422,189 | 1,114,131,968 | 1,151,422,189 | 1,114,131,968 | 1,114,845,314 |
| | ii) Percentage of shareholding | 100 | 100 | 100 | 100 | 100 |
| 21. | Promoter and promoter group shareholding | | | | | |
| | i) Pledged/encumbered | | | | | |
| | a) No. of shares | .. | .. | .. | .. | .. |
| | b) Percentage of shares (as a % of the total shareholding of promoter and promoter group) | .. | .. | .. | .. | .. |
| | c) Percentage of shares (as a % of the total share capital of the bank) | .. | .. | .. | .. | .. |
| | ii) Non-encumbered | .. | .. | .. | .. | .. |
| | a) No. of shares | .. | .. | .. | .. | .. |
| | b) Percentage of shares (as a % of the total | .. | .. | .. | .. | .. |

| | | | | | |
|---|---|---|---|---|---|
| shareholding of promoter and promoter group) | | | | | |
| c) Percentage of shares (as a % of the total share capital of the bank) | .. | .. | .. | .. | .. |

1. At September 30, 2010, the gross non-performing advances (net of write-off) were Rs. 10,141.16 crore (June 30, 2010: Rs. 9,829.03 crore) and the net non-performing advances were Rs. 3,145.23 crore (June 30, 2010: Rs. 3,456.18 crore). At September 30, 2010, the percentage of gross non-performing advances (net of write-off) to gross advances (net of write-off) was 5.03% (June 30, 2010: 5.14%) and percentage of net non-performing advances to net advances was 1.62% (June 30, 2010: 1.87%).
2. At December 31, 2010, the percentage of gross non-performing customer assets to gross customer assets was 3.99% and net non-performing customer assets to net customer assets was 1.16%. Customer assets include advances and credit substitutes.

SUMMARISED UNCONSOLIDATED BALANCE SHEET

(Rs. in crore)

| Particulars | At December 31, 2010 | December 31, 2009 | March 31, 2010 |
|---|---|---|---|
| | (Audited) | (Audited) | (Audited) |
| Capital and Liabilities | | | |
| Capital | 1,151.47 | 1,114.17 | 1,114.89 |
| Reserves and surplus | 54,277.68 | 51,126.33 | 50,503.48 |
| Deposits | 217,746.83 | 197,652.94 | 202,016.60 |
| Borrowings (includes preference shares and subordinated debt) | 105,326.58 | 91,828.63 | 94,263.57 |
| Other liabilities | 14,394.40 | 14,506.28 | 15,501.17 |
| Total Capital and Liabilities | 392,896.96 | 356,228.35 | 363,399.71 |
| | | | |
| Assets | | | |
| Cash and balances with Reserve Bank of India | 18,134.62 | 18,044.05 | 27,514.29 |
| Balances with banks and money at call and short notice | 13,325.99 | 12,534.19 | 11,359.40 |
| Investments | 133,702.67 | 123,408.81 | 120,892.80 |
| Advances | 206,692.01 | 179,269.09 | 181,205.60 |
| Fixed assets | 4,730.73 | 3,301.55 | 3,212.69 |
| Other assets | 16,310.94 | 19,670.66 | 19,214.93 |
| Total Assets | 392,896.96 | 356,228.35 | 363,399.71 |

CONSOLIDATED FINANCIAL RESULTS

(Rs. in crore)

| Sr. No. | Particulars | Three months ended | | Nine months ended | | Year ended |
|---|---|---|---|---|---|---|
| | | December 31, 2010 | December 31, 2009 | December 31, 2010 | December 31, 2009 | March 31, 2010 |
| | | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Audited) |
| 1. | Total income | 15,415.85 | 14,176.84 | 43,415.71 | 43,387.75 | 59,599.77 |
| 2. | Net profit | 2,039.40 | 1,148.66 | 4,525.34 | 3,328.49 | 4,670.29 |
| 3. | Earnings per share (EPS) | | | | | |
| | a) Basic EPS (not annualised for quarter/period) (in Rs.) | 17.72 | 10.31 | 39.92 | 29.89 | 41.93 |
| | b) Diluted EPS (not annualised for quarter/period) (in Rs.) | 17.57 | 10.26 | 39.66 | 29.75 | 41.72 |

UNCONSOLIDATED SEGMENTAL RESULTS OF ICICI BANK LIMITED

(Rs. in crore)

| Sr. No. | Particulars | Three months ended | | Nine months ended | | Year ended |
|---|---|---|---|---|---|---|
| | | December 31, 2010 | December 31, 2009 | December 31, 2010 | December 31, 2009 | March 31, 2010 |
| | | (Audited) | (Audited) | (Audited) | (Audited) | (Audited) |
| 1. | Segment revenue | | | | | |
| a | Retail Banking | 3,969.36 | 4,272.94 | 11,740.92 | 13,706.20 | 17,724.41 |
| b | Wholesale Banking | 5,022.99 | 4,378.46 | 13,863.06 | 15,013.62 | 19,254.13 |
| c | Treasury | 6,189.25 | 5,556.84 | 17,305.39 | 19,323.85 | 24,797.80 |
| d | Other Banking | 126.48 | 68.50 | 330.96 | 307.62 | 437.57 |
| | Total revenue | 15,308.08 | 14,276.74 | 43,240.33 | 48,351.29 | 62,213.91 |
| | Less: Inter segment revenue | 6,863.33 | 6,514.03 | 19,415.50 | 22,884.53 | 29,029.33 |
| | Income from operations | 8,444.75 | 7,762.71 | 23,824.83 | 25,466.76 | 33,184.58 |
| 2. | Segmental results (i.e. Profit before tax) | | | | | |
| a | Retail Banking | (127.86) | (231.97) | (461.93) | (991.19) | (1,333.51) |
| b | Wholesale Banking | 1,306.60 | 1,067.92 | 3,447.12 | 2,593.55 | 3,645.10 |
| c | Treasury | 653.32 | 469.72 | 1,740.44 | 2,167.42 | 2,788.64 |
| d | Other Banking | 46.28 | 61.01 | 113.76 | 166.40 | 245.09 |
| | Total segment results | 1,878.34 | 1,366.68 | 4,839.39 | 3,936.18 | 5,345.32 |
| | Unallocated expenses | .. | .. | .. | .. | .. |
| | Profit before tax | 1,878.34 | 1,366.68 | 4,839.39 | 3,936.18 | 5,345.32 |
| 3. | Capital employed (i.e. Segment assets – Segment liabilities) | | | | | |
| a | Retail Banking | (82,322.44) | (41,176.77) | (82,322.44) | (41,176.77) | (44,905.31) |
| b | Wholesale Banking | 72,734.56 | 25,695.90 | 72,734.56 | 25,695.90 | 26,929.31 |
| c | Treasury | 58,225.70 | 61,258.48 | 58,225.70 | 61,258.48 | 63,238.40 |
| d | Other Banking | 632.94 | 637.38 | 632.94 | 637.38 | 470.63 |

| e | Unallocated | 6,158.39 | 5,798.51 | 6,158.39 | 5,798.51 | 5,885.34 |
|---|---|---|---|---|---|---|
| | Total | 55,429.15 | 52,240.50 | 55,429.15 | 52,240.50 | 51,618.37 |

Notes on segmental results:

1. The disclosure on segmental reporting has been prepared in accordance with Reserve Bank of India (RBI) circular no. DBOD.No.BP.BC.81/21.04.018/2006-07 dated April 18, 2007 on guidelines on enhanced disclosures on "Segmental Reporting" which is effective from the reporting period ended March 31, 2008.
2. "Retail Banking" includes exposures which satisfy the four criteria of orientation, product, granularity and low value of individual exposures for retail exposures laid down in Basel Committee on Banking Supervision document "International Convergence of Capital Measurement and Capital Standards: A Revised Framework".
3. "Wholesale Banking" includes all advances to trusts, partnership firms, companies and statutory bodies, which are not included under Retail Banking.
4. "Treasury" includes the entire investment portfolio of the Bank.
5. "Other Banking" includes hire purchase and leasing operations and other items not attributable to any particular business segment.

Notes:

1. The financial statements have been prepared in accordance with Accounting Standard (AS) 25 on 'Interim Financial Reporting'.
2. The Bank of Rajasthan Limited (Bank of Rajasthan), a banking company incorporated under the Companies Act, 1956 and licensed by RBI under the Banking Regulation Act, 1949 was amalgamated with ICICI Bank Limited (ICICI Bank) with effect from close of business of August 12, 2010 in terms of the Scheme of Amalgamation (the Scheme) approved by the Reserve Bank of India vide its order DBOD No. PSBD 2603/16.01.128/2010-11 dated August 12, 2010 under sub section (4) of section 44A of the Banking Regulation Act, 1949. The consideration for the amalgamation was 25 equity shares of ICICI Bank of the face value of Rs. 10/- each fully paid-up for every 118 equity shares of Rs. 10/- each of Bank of Rajasthan. Accordingly, ICICI Bank allotted 31,323,951 equity shares to the shareholders of Bank of Rajasthan on August 26, 2010 and 2,860,170 equity shares which were earlier kept in abeyance pending civil appeal, on November 25, 2010.
3. Insurance Regulatory and Development Authority (IRDA) has issued a clarification dated December 27, 2010 stating that the surplus arising on the non-participating policyholders' funds may be recognised in the profit and loss account on a quarterly basis instead of only at financial year-end. Consequent to this clarification, ICICI Prudential Life Insurance Company (ICICI Life) has transferred the surplus on the non-participating policyholders' funds in the profit and loss account during the nine months ended December 31, 2010 (9M-2011). Accordingly, the net profit after tax of ICICI Life of Rs. 512.69 crore for 9M-2011 and Rs. 613.68 crore for the quarter ended December 31, 2010 (Q3-2011) includes Rs. 519.86 crore on account of transfer of surplus from non-participating policyholders' funds for 9M-2011. The Bank's consolidated net profit after tax for 9M-2011 and for Q3-2011 includes Rs. 384.12 crore on account of transfer of surplus from non-participating policyholders' funds for 9M-2011.
4. The provision coverage ratio of the Bank at December 31, 2010, computed as per the RBI circular dated December 1, 2009, is 71.8% (September 30, 2010: 69.0%, June 30, 2010: 64.8% and March 31, 2010: 59.5%). The Bank has been permitted by RBI to achieve the stipulated level of 70% in a phased manner by March 31, 2011.
5. During the three months ended December 31, 2010, the Bank has allotted 642,482 equity shares of Rs. 10/- each pursuant to exercise of employee stock options.
6. Status of equity investors' complaints/grievances for the three months ended December 31, 2010:

| Opening balance | Additions | Disposals | Closing balance |
|---|---|---|---|
| 0 | 25 | 25 | 0 |

7. Previous period/year figures have been re-grouped/re-classified where necessary to conform to current period classification.
8. The above financial results have been approved by the Board of Directors at its meeting held on January 24, 2011.
9.

The above unconsolidated financial results for the three months and the nine months ended December 31, 2010 are audited by the statutory auditors, S.R. Batliboi & Co., Chartered Accountants. The unconsolidated financial results for the year ended March 31, 2010 have been audited by another firm of chartered accountants.

10. Rs. 1 crore = Rs. 10 million.

Place : Mumbai
Date : January 24, 2011

N. S. Kannan
Executive Director & CFO

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Item 3

Chartered Accountants

6th Floor, Express Towers
Nariman Point
Mumbia 400 021, India

Tel: +91 22 6657 9200
Fax: +91 22 2287 6401

Auditor's Report on Quarterly Financial Results of the Bank Pursuant to the Clause 41 of the Listing Agreement

To
Board of Directors of ICICI Bank Limited

1. We have audited the quarterly financial results of ICICI Bank Limited (the 'Bank') for the quarter ended December 31, 2010 and the year-to-date results for the period April 1, 2010 to December 31, 2010, attached herewith, being submitted by the Bank pursuant to the requirement of clause 41 of the Listing Agreement, except for the disclosures regarding 'Public Shareholding' and 'Promoter and Promoter Group Shareholding' which have been traced from disclosures made by the management and have not been audited by us. These quarterly financial results as well as the year-to-date financial results have been prepared from interim financial statements, which are the responsibility of the Bank's management and have been approved by the Board of Directors. Our responsibility is to express an opinion on these financial results based on our audit of such interim financial statements, which have been prepared in accordance with the recognition and measurement principles laid down in Accounting Standard (AS) 25, Interim Financial Reporting, issued pursuant to the Companies (Accounting Standards) Rules, 2006, (as amended) as per Section 211(3C) of the Companies Act, 1956 and other accounting principles generally accepted in India, subject to non-transfer of profit to various reserves, which is done at the end of the year.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial results are free of material misstatement(s). An audit includes examining, on a test basis, evidence supporting the amounts disclosed as financial results. An audit also includes assessing the accounting principles used and significant estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

3. We did not audit the financial statements of Singapore, Bahrain and Hong Kong branches, whose financial statements reflect total assets of Rs. 819,520.2 million as at December 31, 2010, the total revenue of Rs. 11,209 million for the quarter ended December 31, 2010 and Rs. 30,849.3 million for the nine months ended December 31, 2010 and net cash flows amounting to Rs. 63,150.3 million for the

quarter ended December 31, 2010 and Res. 54,216.7 for the nine months ended December 31, 2010. These financial statements have been audited by other auditors, duly qualified to act as auditors in the country of incorporation of the said branches, whose reports have been furnished to us, and our opinion is based solely on the report of other auditors.

4. In our opinion and to the best of our information and according to the explanations given to us these quarterly financial results as well as the year-to-date results:
   (i) have been presented in accordance with the requirements of clause 41 of the Listing Agreement in this regard; and
   (ii) give a true and fair view of the net profit for the quarter ended December 31, 2010 as well as the year to date results for the period from April 1, 2010 to December 31, 2010.

5. Further, read with paragraph 1 above, we also report that we have, on the basis of the books of account and other records and information and explanations given to us by the management, also verified the number of shares as well as percentage of shareholdings in respect of aggregate amount of public shareholdings, as furnished by the company in terms of clause 35 of the Listing Agreement and found the same to be correct.

S R Batliboi & Co.
For S.R. Batliboi & Co.
Firm registration number: 301003E
Chartered Accountants

/s/ Shrawan Jalan
per Shrawan Jalan
Partner
Membership No.: 102102
Mumbai; January 24, 2011

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5,755

Accrued profit sharing trust contributions

(488

)

(2,017

)

Accrued cash profit sharing and commissions

5,458

9,068

Other current assets

3,686

(220

)

Accrued liabilities

(791

)

3,856

Long-term liabilities

(1,159

)

(302

)

Accrued workers compensation

(595

)

771

Other noncurrent assets

(2,723

)

729

Net cash provided by operating activities

56,693

24,080

**Cash flows from investing activities**

Capital expenditures

(16,128
)
(23,515
)

| | | |
|---|---|---|
| Asset acquisitions, net of cash acquired | (56,003) | |
| Proceeds from sale of property and equipment | 6,937 | 3,205 |
| Loans repaid by related parties | 1,698 | 552 |
| Net cash used in investing activities | (63,496) | (19,758 |

)

**Cash flows from financing activities**

Repurchase of common stock

(53,208

)

Debt and line of credit borrowings

2,156

Repayment of debt and line of credit borrowings

(5,655

)

Debt issuance costs

(1,408

)

Issuance of common stock

2,184

154

Excess tax benefit of options exercised

99

(4

)

Dividends paid

(18,099

)

(17,309

)

Net cash used in financing activities

| | | |
|---|---|---|
| | (20,723) | (70,367) |
| Effect of exchange rate changes on cash and cash equivalents | 1,180 | (3,842) |
| Net decrease in cash and cash equivalents | (26,346) | (69,887 |

)

| | | |
|---|---|---|
| Cash and cash equivalents at beginning of period | | 213,817 |
| | | 335,049 |
| Cash and cash equivalents at end of period | $ | 187,471 |
| | $ | 265,162 |

**Noncash activity during the period**

Noncash capital expenditures

| | |
|---|---|
| $ | 520 |
| $ | 3,251 |
| Dividends declared but not paid | |
| | 6,040 |
| | 5,805 |
| Issuance of Company s common stock for compensation | |
| | 418 |
| | 204 |
| Non-cash contingent consideration | |
| | 786 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

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**Simpson Manufacturing Co., Inc. and Subsidiaries**

**Notes to Condensed Consolidated Financial Statements**

**(Unaudited)**

1. Basis of Presentation

*Principles of Consolidation*

The consolidated financial statements include the accounts of Simpson Manufacturing Co., Inc. and its subsidiaries (the Company ). Investments in 50% or less owned affiliates are accounted for using either cost or the equity method. All significant intercompany transactions have been eliminated.

*Interim Period Reporting*

The accompanying unaudited interim condensed consolidated financial statements have been prepared pursuant to the rules and regulations for reporting on Form 10-Q. Accordingly, certain information and footnotes required by accounting principles generally accepted in the United States of America ( GAAP ) have been condensed or omitted. These interim statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2011 (the 2011 Annual Report ).

The unaudited quarterly condensed consolidated financial statements have been prepared on the same basis as the audited annual consolidated financial statements and, in the opinion of management, contain all adjustments (consisting of only normal recurring adjustments) necessary to state fairly the financial information set forth therein, in accordance with GAAP. The year-end condensed consolidated balance sheet data were derived from audited financial statements, but do not include all disclosures required by GAAP. The Company s quarterly results fluctuate. As a result, the Company believes the results of operations for the interim periods are not necessarily indicative of the results to be expected for any future period.

*Revenue Recognition*

The Company recognizes revenue when the earnings process is complete, net of applicable provision for discounts, returns and incentives, whether actual or estimated, based on the Company s experience. This generally occurs when products are shipped to the customer in accordance with the sales agreement or purchase order, ownership and risk of loss pass to the customer, collectibility is reasonably assured and pricing is fixed or determinable. The Company s general shipping terms are F.O.B. shipping point, where title is transferred and revenue is recognized when the products are shipped to customers. When the Company sells F.O.B. destination point, title is transferred and the Company recognizes revenue on delivery or customer acceptance, depending on terms of the sales agreement. Service sales, representing after-market repair and maintenance, engineering activities, software license sales and services and lease income, though significantly less than 1% of net sales and not material to the consolidated financial statements, are recognized as the services are completed or the software products and services are

delivered. If actual costs of sales returns, incentives and discounts were to significantly exceed the recorded estimated allowance, the Company s sales would be adversely affected.

*Net Earnings Per Common Share*

Basic earnings per common share is computed based on the weighted average number of common shares outstanding. Potentially dilutive securities, using the treasury stock method, are included in the diluted per-share calculations for all periods when the effect of their inclusion is dilutive.

The following is a reconciliation of basic earnings per share ( EPS ) to diluted EPS:

| | Three Months Ended September 30, | | | | Nine Months Ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|
| **(in thousands, except per share amounts)** | | **2012** | | **2011** | | **2012** | | **2011** |
| Net income available to common stockholders | $ | 12,976 | $ | 19,380 | $ | 36,036 | $ | 45,951 |
| Basic weighted average shares outstanding | | 48,346 | | 48,253 | | 48,322 | | 49,247 |
| Dilutive effect of potential common stock equivalents stock options | | 44 | | 35 | | 63 | | 49 |
| Diluted weighted average shares outstanding | | 48,390 | | 48,288 | | 48,385 | | 49,296 |
| Earnings per common share: | | | | | | | | |
| Basic | $ | 0.27 | $ | 0.40 | $ | 0.75 | $ | 0.93 |
| Diluted | | 0.27 | | 0.40 | | 0.74 | | 0.93 |
| Potentially dilutive securities excluded from earnings per diluted share because their effect is anti-dilutive | | 1,709 | | 1,752 | | 1,714 | | 1,746 |

*Accounting for Stock-Based Compensation*

With the approval of the Company s stockholders on April 26, 2011, the Company adopted the Simpson Manufacturing Co., Inc. 2011 Incentive Plan (the 2011 Plan ). The 2011 Plan amended and restated in their entirety, and incorporated and superseded, both the Simpson Manufacturing Co., Inc. 1994 Stock Option Plan (the 1994 Plan ), which was principally for the Company s employees, and the Simpson Manufacturing Co., Inc. 1995 Independent Director Stock Option Plan (the 1995 Plan ), which was for its independent directors. Options previously granted under the 1994 Plan or the 1995 Plan will not be affected by the adoption of the 2011 Plan and will continue to be governed by the 1994 Plan or the 1995 Plan, respectively.

Under the 1994 Plan, the Company could grant incentive stock options and non-qualified stock options. The Company has, however, granted only non-qualified stock options under both the 1994 Plan and the 1995 Plan. The Company generally granted options under each of the 1994 Plan and the 1995 Plan once each year. The exercise price per share of each option granted in February 2011 under the 1994 Plan equaled the closing market price per share of the Company s common stock as reported by the New York Stock Exchange on the day preceding the day that the Compensation and Leadership Development Committee of the Company s Board of Directors met to approve the grant of the options. The exercise price per share under each option granted under the 1995 Plan was at the fair market value on the date specified in the 1995 Plan. Options vest and expire according to terms established at the grant date. Options granted under the 1994 Plan typically vest evenly over the requisite service period of four years and have a term of seven years. The vesting of options granted under the 1994 Plan will be accelerated if the grantee ceases to be employed by the Company after reaching age 60 or if there is a change in control of the Company. Options granted under the 1995 Plan were fully vested on the date of grant. Shares of common stock issued on exercise of stock options under the 1994 Plan and the 1995 Plan are registered under the Securities Act of 1933.

Under the 2011 Plan, the Company may grant incentive stock options, non-qualified stock options, restricted stock and restricted stock units, although the Company currently intends to award primarily restricted stock units and to a lesser extent, if at all, non-qualified stock options. The Company does not currently intend to award incentive stock options or restricted stock. Under the 2011 Plan, no more than 16.3 million shares of the Company s common stock may be issued (including shares already sold) pursuant to all awards under the 2011 Plan, including on exercise of options previously granted under the 1994 Plan and the 1995 Plan. Shares of common stock to be issued pursuant to the 2011 Plan are

registered under the Securities Act of 1933.

The following table represents the Company s stock option and restricted stock unit activity for the three and nine months ended September 30, 2012 and 2011:

| (in thousands) | Three Months Ended September 30, 2012 | Three Months Ended September 30, 2011 | Nine Months Ended September 30, 2012 | Nine Months Ended September 30, 2011 |
|---|---|---|---|---|
| Stock-based compensation expense recognized in operating expenses | $ 1,966 | $ 1,230 | $ 7,086 | $ 3,524 |
| Tax benefit of stock-based compensation expense in provision for income taxes | 691 | 449 | 2,462 | 1,267 |
| Stock-based compensation expense, net of tax | $ 1,275 | $ 781 | $ 4,624 | $ 2,257 |
| Fair value of shares vested | $ 2,043 | $ 1,287 | $ 7,048 | $ 3,405 |
| Proceeds to the Company from the exercise of stock-based compensation | $ 201 | $ | $ 2,184 | $ 154 |
| Tax effect from exercise of stock-based compensation, including shortfall tax benefits | $ (4) | $ | $ (60) | $ (71) |

| | At September 30, 2012 | At September 30, 2011 |
|---|---|---|
| Stock-based compensation cost capitalized in inventory | $ 354 | $ 166 |

The amounts included in cost of sales, research and development and other engineering, selling, or general and administrative expense depend on the job functions performed by the employees to whom the stock options and restricted stock units were awarded.

The assumptions used to calculate the fair value of options or restricted stock units granted are evaluated and revised, as necessary, to reflect market conditions and the Company s experience.

*Fair Value of Financial Instruments*

The Fair Value Measurements and Disclosures topic of the Financial Accounting Standards Board ( FASB ) Accounting Standards CodificationTM ( ASC ) establishes a valuation hierarchy for disclosure of the inputs used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument; Level 3 inputs are unobservable inputs based on the Company s assumptions used to measure assets and liabilities at fair value. A financial asset s or liability s classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

As of September 30, 2012, the Company s investments consisted of only United States Treasury securities and money market funds aggregating $85.2 million, which are the primary financial instruments, maintained in cash equivalents and carried at cost, approximating fair value, based on Level 1 inputs. The carrying amounts of trade receivables, accounts payable and accrued liabilities approximate fair value due to the short-term nature of these instruments. The fair value of the Company s line of credit is classified as Level 2 within the fair value hierarchy and is calculated based on borrowings with similar maturities, current remaining average life to maturity and current market conditions.

*Income Taxes*

The Company uses an estimated annual effective tax rate to measure the tax benefit or tax expense recognized in each interim period. The effective tax rate increases from the third quarter of 2011 to the third quarter of 2012 and the first nine months of 2011 to the first nine months of 2012 were primarily due to 2012 valuation allowances taken on foreign losses, primarily in the European segment and non-deductible acquisition costs. In 2011 release of valuation allowances related to the disposal of the North America segment s Keymark equity investment led to the lower effective tax rate.

The following table presents the Company s effective tax rates and income tax expense for the three and nine months ended September 30, 2012 and 2011:

| (in thousands, except percentage amounts) | Three Months Ended September 30, 2012 | Three Months Ended September 30, 2011 | Nine Months Ended September 30, 2012 | Nine Months Ended September 30, 2011 |
|---|---|---|---|---|
| Effective tax rate | 41.4% | 34.2% | 42.6% | 37.1% |
| Provision for income taxes | $ 9,069 | $ 10,052 | $ 26,788 | $ 27,069 |

*Acquisitions*

In January 2012, the Company purchased all of the shares of S&P Clever Reinforcement Company AG and S&P Clever International AG, both companies incorporated under the laws of Switzerland (collectively, S&P Clever ), for $58.1 million, subject to post-closing adjustments. S&P Clever manufactures and sells engineered materials to repair, strengthen and restore concrete and masonry construction and has operations in Switzerland, Germany, Portugal, Poland, The Netherlands and Austria. Payments under the purchase agreement included cash payments of $57.5 million and contingent consideration of $0.6 million payable over a three-year period if sales goals are met. As a result of the acquisition, the Company has increased its presence in the infrastructure, commercial and industrial construction market in Europe. The Company s provisional measurement of assets acquired and liabilities assumed included cash and cash equivalents of $6.8 million, other current assets of $9.9 million, non-current assets of $54.2 million, current liabilities of $12.6 million and non-current liabilities of $0.2 million. Included in non-current assets is goodwill of $26.1 million, which was assigned to the European segment and is not deductible for tax purposes, and intangible assets of $15.0 million, the amortization of which is deductible for tax purposes.

In March 2012, the Company purchased substantially all of the assets of CarbonWrap Solutions, L.L.C. ( CarbonWrap ) for $5.5 million, subject to post-closing adjustments. CarbonWrap develops fiber-reinforced polymer products primarily for infrastructure and transportation projects. Payments under the purchase agreement totaled $5.3 million in cash and contingent consideration of $0.2 million to be paid on resolution of specified post-closing contingencies to the principal officer of CarbonWrap, who is now employed by the Company. Goodwill of $3.6 million was assigned to the North American segment and is deductible for tax purposes. Intangible assets were valued at $1.6 million and are subject to tax-deductible amortization. Net tangible assets consisting of accounts receivable, inventory, equipment and prepaid expenses accounted for the balance of the purchase price.

Under the business combinations topic of the FASB ASC, the Company accounted for these acquisitions as business combinations and ascribed acquisition-date fair values to the acquired assets and assumed liabilities. Provisional fair value measurements were made in the first quarter of 2012 for acquired assets and assumed liabilities. Adjustments to those measurements may be made in subsequent periods, up to one year from

the acquisition date, as information necessary to complete the analysis is obtained. Fair value of intangible assets was based on Level 3 inputs. The Company expects the measurement process for each acquisition to be finalized within a year of its acquisition date.

Pro-forma financial information is not presented as it would not be materially different from the information presented in the Condensed Consolidated Statements of Operations.

*Recently Adopted Accounting Standards*

Effective January 1, 2012, the Company adopted the guidance codified in the *Comprehensive Income* topic of the FASB ASC, amending the comprehensive income guidance to eliminate the option to present components of other comprehensive income as part of the statement of stockholders equity. This amendment requires that all non-owner

changes in stockholders equity be presented in a single continuous statement or in two separate but consecutive statements. The Company has chosen to present comprehensive income in two separate consecutive statements. The implementation of this amended accounting guidance did not have a material effect on the Company s consolidated financial position and results of operations.

In July 2012, the FASB issued an amendment to the indefinite-lived intangible assets impairment guidance which provides an option for companies to use a qualitative approach to test indefinite-lived intangible assets for impairment if certain conditions are met. The amendment is effective for annual and interim indefinite-lived intangible assets impairment tests performed for fiscal years beginning after September 15, 2012, and early adoption is permitted. The early adoption and implementation of this amended accounting guidance did not have a material effect on the Company s consolidated financial position and results of operations.

*Recently Issued Accounting Standards*

Other recent authoritative guidance issued by the FASB (including technical corrections to the ASC), the American Institute of Certified Public Accountants and the Securities and Exchange Commission did not or is not expected to have a material effect on the Company s consolidated financial statements.

2. Trade Accounts Receivable, Net

Trade accounts receivable consisted of the following:

| (in thousands) | At September 30, 2012 | At September 30, 2011 | At December 31, 2011 |
|---|---|---|---|
| Trade accounts receivable | $ 111,726 | $ 100,877 | $ 78,642 |
| Allowance for doubtful accounts | (1,514) | (1,210) | (991) |
| Allowance for sales discounts and returns | (1,787) | (1,635) | (1,231) |
| | $ 108,425 | $ 98,032 | $ 76,420 |

3. Inventories

Inventories consisted of the following:

| (in thousands) | At September 30, 2012 | At September 30, 2011 | At December 31, 2011 |
|---|---|---|---|
| Raw materials | $ 66,508 | $ 71,908 | $ 77,364 |
| In-process products | 19,225 | 21,454 | 21,357 |
| Finished products | 86,288 | 78,780 | 81,408 |

| | | | |
|---|---|---|---|
| | $ 172,021 | $ 172,142 | $ 180,129 |

4. Property, Plant and Equipment, Net

Property, plant and equipment, net, consisted of the following:

| (in thousands) | At September 30, 2012 | 2011 | At December 31, 2011 |
|---|---|---|---|
| Land | $ 32,282 | $ 28,889 | $ 28,996 |
| Buildings and site improvements | 170,761 | 152,167 | 153,597 |
| Leasehold improvements | 5,047 | 3,736 | 3,820 |
| Machinery and equipment | 212,918 | 203,687 | 208,292 |
| | 421,008 | 388,479 | 394,705 |
| Less accumulated depreciation and amortization | (215,562) | (199,614) | (201,540) |
| | 205,446 | 188,865 | 193,165 |
| Capital projects in progress | 5,686 | 2,151 | 2,551 |
| | $ 211,132 | $ 191,016 | $ 195,716 |

5. Goodwill and Intangible Assets, Net

Goodwill was as follows:

| (in thousands) | At September 30, 2012 | 2011 | At December 31, 2011 |
|---|---|---|---|
| North America | $ 77,630 | $ 41,585 | $ 73,901 |
| Europe | 49,238 | 26,249 | 24,000 |
| Asia/Pacific | 1,944 | 1,854 | 1,948 |
| Total | $ 128,812 | $ 69,688 | $ 99,849 |

Intangible assets, net, were as follows:

| | At September 30, 2012 | | |
|---|---|---|---|
| (in thousands) | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| North America | $ 35,620 | $ (16,278) | $ 19,342 |
| Europe | 28,064 | (7,331) | 20,733 |
| Total | $ 63,684 | $ (23,609) | $ 40,075 |

| | At September 30, 2011 | | |
|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| North America | $ 24,022 | $ (12,746) | $ 11,276 |
| Europe | 14,567 | (5,591) | 8,976 |

| | | | |
|---|---|---|---|
| Total | $ 38,589 | $ (18,337) | $ 20,252 |

| | At December 31, 2011 | | |
|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| North America | $ 32,912 | $ (13,288) | $ 19,624 |
| Europe | 13,114 | (4,882) | 8,232 |
| Total | $ 46,026 | $ (18,170) | $ 27,856 |

Intangible assets consist primarily of customer relationships, patents, unpatented technology and non-compete agreements. Amortization expense for intangible assets during the three months ended September 30, 2012 and 2011, totaled $1.7 million and $1.0 million, respectively, and during the nine months ended September 30, 2012 and 2011, totaled $5.4 million and $3.2 million, respectively.

At September 30, 2012, estimated future amortization of intangible assets was as follows:

| **(in thousands)** | | |
|---|---|---|
| Final three months of 2012 | $ | 1,677 |
| 2013 | | 6,707 |
| 2014 | | 6,495 |
| 2015 | | 5,732 |
| 2016 | | 5,365 |
| 2017 | | 3,822 |
| Thereafter | | 10,277 |
| | $ | 40,075 |

The changes in the carrying amount of goodwill and intangible assets for the nine months ended September 30, 2012, were as follows:

| **(in thousands)** | | **Goodwill** | | **Intangible Assets** |
|---|---|---|---|---|
| Balance at December 31, 2011 | $ | 99,849 | $ | 27,856 |
| Acquisitions | | 29,607 | | 17,672 |
| Amortization | | | | (5,438) |
| Foreign exchange | | (644) | | (15) |
| Balance at September 30, 2012 | $ | 128,812 | $ | 40,075 |

6. Debt

The Company has revolving lines of credit with various banks in the United States and Europe. Total available credit at September 30, 2012, was $311.1 million, including revolving credit lines and an irrevocable standby letter of credit in support of various insurance deductibles.

The Company s primary credit facility is a revolving line of credit with $300.0 million in available credit. This credit facility will expire in July 2017. Amounts borrowed under this credit facility will bear interest at an annual rate equal to either, at the Company s option, (a) the rate for Eurocurrency deposits for the corresponding deposits of U.S. dollars appearing on Reuters LIBOR01screen page (the LIBOR Rate ), adjusted for any reserve requirement in effect, plus a spread of 0.60% to 1.45%, determined quarterly based on the Company s leverage ratio (at September 30, 2012, the LIBOR Rate was 0.21%), or (b) a base rate, plus a spread of 0.00% to 0.45%, determined quarterly based on the Company s leverage ratio. The base rate is defined in a manner such that it will not be less than the LIBOR Rate. The Company will pay fees for standby letters of credit at an annual rate equal to the LIBOR Rate plus the applicable spread described above, and will pay market-based fees for commercial letters of credit. The Company is required to pay an annual facility fee of 0.15% to 0.30% of the available commitments under the credit agreement, regardless of usage, with the applicable fee determined on a quarterly basis based on the Company s leverage ratio. The Company is also required to pay customary fees as specified in a separate fee agreement between the Company and Wells Fargo Bank, National Association, in its capacity as the Agent under the credit agreement.

The Company s borrowing capacity under other revolving credit lines and a term note totaled $11.1 million at September 30, 2012. The other revolving credit lines and term note charge interest ranging from 0.81% to 7.25%, have maturity dates from December 2012 to September 2020, and had outstanding balances totaling $0.2 million at September 30, 2012. No balances were outstanding on September 30, 2011, or December 31, 2011. The Company was in compliance with its financial covenants at September 30, 2012.

7. Commitments and Contingencies

Note 9 to the consolidated financial statements in the 2011 Annual Report provides information concerning commitments and contingencies. From time to time, the Company is involved in various legal proceedings and other matters arising in the normal course of business. The resolution of claims and litigation is subject to inherent uncertainty and could have a material adverse effect on the Company s financial condition, cash flows and results of operations.

The Company s policy with regard to environmental liabilities is to accrue for future environmental assessments and remediation costs when information becomes available that indicates that it is probable that the Company is liable for any related claims and assessments and the amount of the liability is reasonably estimable. The Company does not believe that these environmental matters will have a material adverse effect on the Company s financial condition, cash flows or results of operations.

Corrosion, hydrogen embrittlement, cracking, material hardness, wood pressure-treating chemicals, misinstallations, misuse, design and assembly flaws, manufacturing defects, environmental conditions or other factors can contribute to failure of fasteners, connectors, tools, anchors, adhesives and venting products. On occasion, some of the fasteners and connectors that the Company sells have failed, although the Company has not incurred any material liability resulting from those failures. The Company attempts to avoid such failures by establishing and monitoring appropriate product specifications, manufacturing quality control procedures, inspection procedures and information on appropriate installation methods and conditions. The Company subjects its products to extensive testing, with results and conclusions published in Company catalogues and on its websites.

*Pending Claims*

Four lawsuits (the Cases ) have been filed against the Company in the Hawaii First Circuit Court: *Alvarez v. Haseko Homes, Inc. and Simpson Manufacturing, Inc.*, Civil No. 09-1-2697-11 ( Case 1 ); *Ke Noho Kai Development, LLC v. Simpson Strong-Tie Company, Inc., and Honolulu Wood Treating Co., LTD.*, Case No. 09-1-1491-06 SSM ( Case 2 ); *North American Specialty Ins. Co. v. Simpson Strong-Tie Company, Inc. and K.C. Metal Products, Inc.*, Case No. 09-1-1490-06 VSM ( Case 3 ); and *Charles et al. v. Haseko Homes, Inc. et al. and Third Party Plaintiffs Haseko Homes, Inc. et al. v. Simpson Strong-Tie Company, Inc., et al.*, Civil No. 09-1-1932-08 ( Case 4 ). Case 1 was filed on November 18, 2009. Cases 2 and 3 were originally filed on June 30, 2009. Case 4 was filed on August 19, 2009. The Cases all relate to alleged premature corrosion of the Company s strap tie holdown products installed in buildings in a housing development known as Ocean Pointe in Honolulu, Hawaii, allegedly causing property damage. Case 1 is a putative class action brought by the owners of allegedly affected Ocean Pointe houses. Case 1 was originally filed as *Kai et al. v. Haseko Homes, Inc., Haseko Construction, Inc. and Simpson Manufacturing, Inc.*, Case No. 09-1-1476, but was voluntarily dismissed and then re-filed with a new representative plaintiff. Case 2 is an action by the builders and developers of Ocean Pointe against the Company, claiming that either the Company s strap tie holdowns are defective in design or manufacture or the Company failed to provide adequate warnings regarding the products susceptibility to corrosion in certain environments. Case 3 is a subrogation action brought by the insurance company for the builders and developers against the Company claiming the insurance company expended funds to correct problems allegedly caused by the Company s products. Case 4 is a putative class action brought, like Case 1, by owners of allegedly affected Ocean Pointe homes. In Case 4, Haseko Homes, Inc. ( Haseko ), the developer of the Ocean Pointe development, has brought a third party complaint against the Company alleging that any damages for which Haseko may be liable are actually the fault of the Company. None of the Cases alleges a specific amount of damages sought, although each of the Cases seeks compensatory damages, and Case 1 seeks punitive damages. Cases 1 and 4 have been consolidated. On July 13, 2012, the Court denied, without prejudice, a motion by the homeowner plaintiffs in Case 4 to certify a Fourth Amended Class Action Complaint. In addition, on July 13, 2012, the Court in Case 4 dismissed several claims that the homeowner plaintiffs had asserted against the Company. On October 1, 2012, the Court granted summary judgment in favor of the Company and against the homeowner plaintiffs with respect to additional claims the homeowner plaintiffs had asserted against the Company. The Company continues to investigate the facts underlying the claims asserted in the Cases, including, among other things, the cause of the alleged corrosion; the severity of any problems shown to exist; the buildings affected; the responsibility of the general contractor, various subcontractors and other construction professionals for the alleged damages; the amount, if any, of damages suffered; and the

costs of repair, if needed. At this time, the likelihood that the Company will be found liable for any property damage allegedly suffered and the extent of such liability, if any, are unknown. Management believes the Cases may not be resolved for an extended period. The Company intends to defend itself vigorously in connection with the Cases.

Based on facts currently known to the Company, the Company believes that all or part of the claims alleged in the Cases may be covered by its insurance policies. On April 19, 2011, an action was filed in the United States District Court for the District of Hawaii, *National Union Fire Insurance Company of Pittsburgh, PA v. Simpson Manufacturing Company, Inc., et al.,* Civil No. 11-00254 ACK. In this action, Plaintiff National Union Fire Insurance Company of Pittsburgh, Pennsylvania ( National Union ), which issued certain Commercial General Liability insurance policies to the Company, seeks declaratory relief in the Cases with respect to its obligations to defend or indemnify the Company, Simpson Strong-Tie Company Inc., and a vendor of the Company s strap tie holdown products. By Order dated November 7, 2011, all proceedings in the *National Union* action have been stayed. If the stay is lifted and the National Union action is not dismissed, the Company intends vigorously to defend all claims advanced by National Union.

On April 12, 2011, Fireman s Fund Insurance Company ( Fireman s Fund ), another of the Company s general liability insurers, sued Hartford Fire Insurance Company ( Hartford ), a third insurance company from whom the Company purchased general liability insurance, in the United States District Court for the Northern District of California, *Fireman s Fund Insurance Company v. Hartford Fire Insurance Company*, Civil No. 11 1789 SBA (the *Fireman s Fund* action ). The Company has intervened in the *Fireman s Fund* action and has moved to stay all proceedings in that action as well, pending resolution of the underlying Ocean Pointe Cases.

On November 21, 2011, the Company commenced a lawsuit against National Union, Fireman s Fund, Hartford and others in the Superior Court of the State of California in and for the City and County of San Francisco (the *San Francisco* coverage action ). In the *San Francisco* coverage action, the Company alleges generally that the separate pendency of the *National Union* action and the *Fireman s Fund* action presents a risk of inconsistent adjudications; that the San Francisco Superior Court has jurisdiction over all of the parties and should exercise jurisdiction at the appropriate time to resolve any and all disputes that have arisen or may in the future arise among the Company and its liability insurers; and that the *San Francisco* coverage action should also be stayed pending resolution of the underlying Ocean Pointe Cases. The Company intends to move for such a stay if necessary.

*Nishimura v. Gentry Homes, Ltd; Simpson Manufacturing Co., Inc.; and Simpson Strong-Tie Company, Inc.*, Civil no. 11-1-1522-07, was filed in the Circuit Court of the First Circuit of Hawaii on July 20, 2011. The case alleges premature corrosion of the Company s strap tie holdown products in a housing development at Ewa Beach in Honolulu, Hawaii. The case is a putative class action brought by owners of allegedly affected homes. The Complaint alleges that the Company s strap products and mudsill anchors are insufficiently corrosion resistant and/or fail to comply with Honolulu s building code. The Court has dismissed several of the claims the plaintiffs had asserted against the Company. The Company is currently investigating the claims asserted in the complaint, including, among other things: the existence and extent of the alleged corrosion, if any; the building code provisions alleged to be applicable and, if applicable, whether the products complied; the buildings affected; the responsibility of the general contractor, various subcontractors and other construction professionals for the alleged damages; the amount, if any, of damages suffered; and the costs of repair, if any are needed. At this time, the likelihood that the Company will be found liable for any damage allegedly suffered and the extent of such liability, if any, are unknown. The Company denies any liability of any kind and intends to defend itself vigorously in this case.

8. Stock-Based Incentive Plans

The Company currently has one stock-based incentive plan, which incorporates and supersedes its two previous plans (see Note 1 Basis of Presentation *Accounting for Stock-Based Compensation* ). Participants are granted stock-based awards only if the applicable Company-wide or profit-center operating goals, or both, established by the Compensation and Leadership Development Committee of the Board of Directors at the beginning of the year, are met. Certain participants may have additional goals based on strategic initiatives of the Company.

The fair value of each restricted stock unit award is estimated on the date of the award based on the closing market price of the underlying stock on the day preceding the date of the award. On January 30, 2012, 361,061 restricted stock units were awarded, including 8,550 awarded to the

Company s independent directors, at an estimated value of $33.23 per share, based on the closing price on January 27, 2012. The restrictions on these awards generally lapse one quarter on the date of the award and one quarter on each of the first, second and third anniversaries of the date of the award.

The following table summarizes the Company s unvested restricted stock unit activity for the nine months ended September 30, 2012:

| **Unvested Restricted Stock Units (RSUs)** | **Shares (in thousands)** | **Weighted-Average Price** | **Aggregate Intrinsic Value * (in thousands)** |
|---|---|---|---|
| Outstanding at January 1, 2012 | | $ | |
| Awarded | 361 | 33.23 | |
| Vested | (95) | 33.23 | |
| Forfeited | (1) | 33.23 | |
| Outstanding at September 30, 2012 | 265 | $ 33.23 | $ 7,593 |
| Outstanding and expected to vest at September 30, 2012 | 257 | $ 33.23 | $ 7,367 |

* The intrinsic value is calculated using the closing price per share of $28.62 as reported by the New York Stock Exchange on September 28, 2012.

The total intrinsic value of restricted stock units vested during the nine months ended September 30, 2012, was $3.1 million, based on the market value on the award date.

The fair value of each stock option award was estimated on the date of grant using the Black-Scholes option pricing model. Expected volatility is based on historical volatilities of the Company s common stock measured monthly over a term that is equivalent to the expected life of the award. The expected term of each award is estimated based on the Company s prior exercise experience and future expectations of the exercise and termination behavior of the grantees. The risk-free rate is based on the yield of United States Treasury zero-coupon bonds with maturities comparable to the expected life in effect at the time of grant. The dividend yield is based on the expected dividend yield on the grant date.

No stock options were granted in 2012.

Black-Scholes option pricing model assumptions for stock options granted in 2011 are as follows:

| **Number of Options Granted (in thousands)** | **Grant Date** | **Risk-Free Interest Rate** | **Dividend Yield** | **Expected Life** | **Volatility** | **Exercise Price** | **Weighted Average Fair Value** |
|---|---|---|---|---|---|---|---|
| **1994 Plan** | | | | | | | |
| 1,362 | 02/03/11 | 2.62% | 1.75% | 6.2 years | 39.0% | $29.66 to $32.63 | $ 10.33 |
| | | | | | | | |
| **1995 Plan** | | | | | | | |
| 30 | 02/15/11 | 2.92% | 1.76% | 6.6 years | 38.0% | $29.58 | $ 10.49 |

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The following table summarizes the Company s stock option activity for the nine months ended September 30, 2012:

| **Non-Qualified Stock Options** | **Shares (in thousands)** | | **Weighted-Average Exercise Price** | **Weighted-Average Remaining Contractual Life (in years)** | | **Aggregate Intrinsic Value * (in thousands)** |
|---|---|---|---|---|---|---|
| Outstanding at January 1, 2012 | 2,134 | $ | 31.15 | | | |
| Exercised | (90) | | 24.16 | | | |
| Forfeited | (24) | | 35.97 | | | |
| Outstanding at September 30, 2012 | 2,020 | $ | 31.41 | | $ | 846 |
| Outstanding and expected to vest at September 30, 2012 | 1,977 | $ | 31.45 | 4.0 | $ | 832 |
| Exercisable at September 30, 2012 | 1,100 | $ | 33.15 | 3.1 | $ | 590 |

* The intrinsic value represents the amount, if any, by which the fair market value of the underlying common stock exceeds the exercise price of the stock option, using the closing price per share of $28.62 as reported by the New York Stock Exchange on September 28, 2012.

The total intrinsic value of stock options exercised during the nine months ended September 30, 2012 and 2011, was $0.8 million and $40 thousand, respectively.

A summary of the status of unvested stock options as of September 30, 2012, and changes during the nine months ended September 30, 2012, are presented below:

| **Unvested Stock Options** | **Shares (in thousands)** | | **Weighted-Average Grant-Date Fair Value** |
|---|---|---|---|
| Unvested at January 1, 2012 | 1,242 | $ | 10.11 |
| Vested | (319) | | 9.86 |
| Forfeited | (3) | | 10.33 |
| Unvested at September 30, 2012 | 920 | $ | 10.19 |

As of September 30, 2012, $19.8 million of total unrecognized compensation cost was related to unvested stock-based compensation arrangements under the 2011 Incentive Plan. The portions of this cost related to stock options, and restricted stock units awarded through January 2012, are expected to be recognized over a weighted-average period of 2.3 years.

9. Segment Information

The Company is organized into three reportable segments. The segments are defined by the regions where the Company s products are manufactured, marketed and distributed to the Company s customers. The three regional segments are the North American segment, comprising

primarily the United States and Canada, the European segment, and the Asia/Pacific segment, comprising the Company s operations in China, Hong Kong, the South Pacific and the Middle East. These segments are similar in several ways, including the types of materials, the production processes, the distribution channels and the product applications.

The following table illustrates certain measurements used by management to assess the performance as of or for the following periods:

| (in thousands) | Three Months Ended September 30, 2012 | Three Months Ended September 30, 2011 | Nine Months Ended September 30, 2012 | Nine Months Ended September 30, 2011 |
|---|---|---|---|---|
| *Net Sales* | | | | |
| North America | $ 137,145 | $ 127,998 | $ 409,644 | $ 371,732 |
| Europe | 31,880 | 31,761 | 94,236 | 93,206 |
| Asia/Pacific | 2,851 | 2,370 | 7,958 | 7,062 |
| Administrative and all other | 237 | 237 | 712 | 713 |
| Total | $ 172,113 | $ 162,366 | $ 512,550 | $ 472,713 |
| | | | | |
| *Sales to Other Segments** | | | | |
| North America | $ 969 | $ 1,093 | $ 3,783 | $ 3,905 |
| Europe | 105 | | 258 | 250 |
| Asia/Pacific | 3,894 | 3,350 | 12,191 | 7,505 |
| Total | $ 4,968 | $ 4,443 | $ 16,232 | $ 11,660 |
| | | | | |
| *Income (Loss) from Operations* | | | | |
| North America | $ 22,102 | $ 23,594 | $ 66,558 | $ 69,463 |
| Europe | 1,172 | 2,801 | 889 | 3,997 |
| Asia/Pacific | (1,043) | (410) | (1,860) | (1,674) |
| Administrative and all other | (241) | (1,103) | (2,940) | (3,413) |
| Total | $ 21,990 | $ 24,882 | $ 62,647 | $ 68,373 |

* The sales to other segments are eliminated on consolidation.

| (in thousands) | At September 30, 2012 | At September 30, 2011 | At December 31, 2011 |
|---|---|---|---|
| *Total Assets* | | | |
| North America | $ 568,878 | $ 608,350 | $ 540,082 |
| Europe | 196,883 | 131,138 | 180,016 |
| Asia/Pacific | 31,067 | 28,349 | 29,306 |
| Administrative and all other | 82,168 | 87,632 | 86,683 |
| Total | $ 878,996 | $ 855,469 | $ 836,087 |

Cash collected by the Company s United States subsidiaries is routinely transferred into the Company s cash management accounts and, therefore, has been included in the total assets of Administrative and all other. Cash and cash equivalent balances in the Administrative and all other segment were $107.3 million, $177.5 million, and $68.5 million, as of September 30, 2012 and 2011, and December 31, 2011, respectively.

10. Plant Closure

In September 2012, the Company committed to a plan to close its heavy-duty anchor production facility in Ireland and to exit the heavy-duty mechanical anchor business in the Company s European segment. The Company expects that the closure to be completed as early as December 2012 or first quarter 2013. The facility produces heavy duty metric anchors used in commercial applications and sold mainly in Europe. After the facility is closed, the Company will continue to sell light and medium-duty anchor products in Europe and its other markets, including metric

anchors for commercial use. As a result of this decision, the Company recorded an employee severance obligation of $1.0 million in September 2012, representing the estimated minimum statutory amount due to employees that will be involuntarily terminated. Severance expense was allocated in the statement of operations on the same basis as employee labor cost with 85% allocated to cost of sales. It is likely that additional severance expense will be accrued after negotiations with employees or trade unions have concluded, although amounts are unknown at this time.

Long-lived assets include land, building, equipment and product code approvals. At September 30, 2012, the net book value of this land, building and equipment was $2.9 million and of these product code approvals was $1.2 million. These assets will either be sold to outside parties or be transferred to other branches within the Company. Future depreciation for assets expected to be transferred will not be revised. The Company has engaged an outside firm to assist in the sale and valuation of the assets for sale. While the facility is operating, gains or losses on the sale of long-lived assets will be recognized in the period sold. Long-lived assets to be disposed of are considered to be held and in use. Future depreciation for these assets will be revised to reflect the use of the assets over a shortened period. When the assets cease being used, the carrying amount will equal their expected salvage or net realizable value. During the quarter-ended September 30, 2012, the Company had not committed to sell any of these long-lived assets. The Company has not sufficiently progressed in its sale or valuation efforts to have a reasonable estimate of the fair value of held and in-use long-lived assets.

The Company has not yet estimated other closing liabilities, such as professional and consulting fees, environmental clean-up costs, and on-going maintenance and utility costs. Closing liabilities are accrued when a transaction or event has occurred that leaves little or no discretion to avoid future settlement of the liability. As of September 30, 2012, the Company had not accrued any closing liabilities because the conditions for accruing a liability were not met.

11. Subsequent Events

In October 2012, the Company s Board of Directors declared a cash dividend of $0.125 per share, estimated to total $6.0 million, to be paid on January 24, 2013, to stockholders of record on January 3, 2013. The Board of Directors also scheduled the Company s 2013 annual meeting of stockholders for Tuesday, April 23, 2013.

**Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations.**

*This document contains forward-looking statements, based on numerous assumptions and subject to risks and uncertainties. Although the Company believes that the forward-looking statements are reasonable, it does not and cannot give any assurance that its beliefs and expectations will prove to be correct. Many factors could significantly affect the Company s operations and cause the Company s actual results to be substantially different from the Company s expectations. See Part II, Item 1A - Risk Factors. Actual results might differ materially from results suggested by any forward-looking statements in this report. The Company does not have an obligation to publicly update any forward-looking statements, whether as a result of the receipt of new information, the occurrence of future events or otherwise.*

The following is a discussion and analysis of the consolidated financial condition and results of operations for the Company for the three months and nine months ended September 30, 2012. The following should be read in conjunction with the interim Condensed Consolidated Financial Statements and related Notes appearing elsewhere herein.

Results of Operations for the Three Months Ended September 30, 2012, Compared with the Three Months Ended September 30, 2011

Income from operations decreased 11.6% from $24.9 million in the third quarter of 2011 to $22.0 million in the third quarter of 2012. The following table illustrates the differences in the Company s operating results in the three months ended September 30, 2012, from the three months ended September 30, 2011, and the increases or decreases for each category by segment.

| | | Increase (Decrease) in Operating Segment | | | | |
|---|---|---|---|---|---|---|
| (in thousands) | Three Months Ended Sep. 30, 2011 | North America | Europe | Asia/ Pacific | Admin & All Other | Three Months Ended Sep. 30, 2012 |
| Net sales | $ 162,366 | $ 9,146 | $ 120 | $ 481 | $ | $ 172,113 |
| Cost of sales | 86,919 | 8,214 | 1,073 | 67 | 117 | 96,390 |
| Gross profit | 75,447 | 932 | (953) | 414 | (117) | 75,723 |
| Research and development and other engineering expense | 6,804 | 2,088 | (65) | 89 | | 8,916 |
| Selling expense | 18,633 | 1,830 | 277 | 196 | 5 | 20,941 |
| General and administrative expense | 25,174 | (1,506) | 397 | 756 | (978) | 23,843 |
| Loss (gain) on sale of assets | (46) | 7 | 66 | 6 | | 33 |
| Income from operations | 24,882 | (1,487) | (1,628) | (633) | 856 | 21,990 |
| Income in equity method investment, before tax | 4,471 | (4,471) | | | | |
| Interest income, net | 79 | (35) | 46 | 19 | (54) | 55 |
| Income before income taxes | 29,432 | (5,993) | (1,582) | (614) | 802 | 22,045 |
| Provision for income taxes | 10,052 | (1,905) | 1,350 | 114 | (542) | 9,069 |
| Net income | $ 19,380 | $ (4,088) | $ (2,932) | $ (728) | $ 1,344 | $ 12,976 |

The following table represents net sales by segment for the three months ended September 30, 2011 and 2012:

| (in thousands) | North America | Europe | Asia/ Pacific | Admin & All Other | Total |
|---|---|---|---|---|---|
| Three months ended: | | | | | |
| September 30, 2011 | $ 127,998 | $ 31,761 | $ 2,370 | $ 237 | $ 162,366 |
| September 30, 2012 | 137,145 | 31,880 | 2,851 | 237 | 172,113 |
| Increase | 9,147 | 119 | 481 | | 9,747 |
| Percentage increase | 7.1% | 0.4% | 20.3% | 0.0% | 6.0% |

The Admin & All Other column primarily includes expenses such as self-insured workers compensation claims, if any, for certain members of management, stock compensation for certain members of management, interest expense, foreign exchange gains or losses and income tax expense, as well as revenues and expenses related to real estate activities, such as rental income and depreciation expense on the Company s facility in Vacaville, California, which the Company has leased to a third party for a 10-year term expiring in August 2020.

For the third quarter of 2012, net sales increased 6.0% to $172.1 million compared to net sales of $162.4 million for the third quarter of 2011. The Company had net income of $13.0 million for the third quarter of 2012 compared to net income of $19.4 million for the third quarter of 2011, which included a $4.5 million gain on the sale of the Company s equity investment in Keymark. Diluted net income per common share was $0.27 for the third quarter of 2012 compared to diluted net income of $0.40 per common share for the third quarter of 2011.

The increase in the Company s third quarter 2012 net sales was due to sales of $8.8 million by businesses acquired since December 2011 and to increased volume. In the third quarter 2012, sales increased in North America, with an above-average increase in the United States, due in part to recent acquisitions. Sales in Europe were flat, due to sales from the European acquisition offset by decreases throughout the rest of the Company s European operations, particularly in France and the Nordic region, which were down 14% and 18%, respectively. The decrease in sales, apart from acquired businesses, was primarily due to economic uncertainty throughout most of Europe, which negatively affected sales volumes. Effects of foreign currency translation were not significant. Sales to contractor distributors and lumber dealers increased in the third quarter of 2012, compared to the third quarter of 2011, while sales to dealer distributors and to home centers decreased over the same period, although sales to the Company s largest customer increased 22.0% for the same periods. Wood construction product sales, including connectors, truss plates, fastening systems, fasteners and shearwalls, represented 85% of total Company sales in the third quarter of 2012, down from 89% in the third quarter of 2011. Concrete construction product sales, including adhesives, chemicals, mechanical anchors, powder actuated tools and reinforcing fiber materials, as a percentage of total sales increased to 15% in the third quarter of 2012, from 11% in the third quarter of 2011. The majority of sales from recent acquisitions were attributed to the European acquisition, and mostly in concrete construction products.

The following table represents gross profit by segment for the three months ended September 30, 2011 and 2012:

| (in thousands) | North America | Europe | Asia/ Pacific | Admin & All Other | Total |
|---|---|---|---|---|---|
| Three months ended: | | | | | |
| September 30, 2011 | $ 64,262 | $ 10,928 | $ 81 | $ 176 | $ 75,447 |
| September 30, 2012 | 65,194 | 9,975 | 495 | 59 | 75,723 |
| Increase (decrease) | 932 | (953) | 414 | (117) | 276 |
| Percentage increase (decrease) | 1.5% | (8.7)% | 511.1% | (66.5)% | 0.4% |

Gross profit increased slightly to $75.7 million in the third quarter of 2012 from $75.4 million in the third quarter of 2011. As a percentage of net sales, gross profit decreased from 46.5% in the third quarter of 2011 to 44.0% in the third quarter of 2012. The North American gross profit margin decreased from 50.2% in the third quarter of 2011 to 47.5% in the third quarter of 2012, as a result of higher material and labor costs as a percentage of sales, increased concrete construction product sales, which have a lower gross margin than wood construction product sales, and competitive price pressure. These costs increases were partly offset by lower factory overhead costs as a percentage of sales, which resulted from higher sales volume. The European gross profit margin decreased from 34.4% in the third quarter of 2011 to 31.3% in the third quarter of 2012, primarily due to higher material, labor and warehouse costs. Steel prices decreased slightly in the third quarter. Due to a number of factors that could affect supply, the Company is uncertain of steel pricing through the last quarter of 2012, but steel prices are expected to increase in 2013.

Unless otherwise noted, changes in operating expenses were mostly attributable to the North American segment. Research and development and engineering expense increased 31.0% from $6.8 million in the third quarter of 2011 to $8.9 million in the third quarter of 2012, including

increases in professional fees of $1.5 million primarily for truss software development costs and personnel costs of $0.9 million resulting from additional employees, partly due to the recent North American acquisitions, and an annual pay rate increase instituted in January 2012, which also applied to personnel in other departments. Selling expense increased 12.4% from $18.6 million in the third quarter of 2011 to $20.9 million in the third quarter of 2012, primarily due to increases in personnel costs of $1.1 million, mostly from the recent North American acquisitions, additional employees and increased pay rates, promotional costs of $0.9 million and professional and legal fees of $0.4 million. These increases were partly offset by a reduction in cash profit sharing of $0.8 million due to lower operating income. General and administrative expense

decreased 5.3% from $25.2 million in the third quarter of 2011 to $23.8 million in the third quarter of 2012. Professional and legal fees decreased $2.4 million, which was primarily due to a $1.1 million legal contingency recorded in 2011, and the balance due to acquisitions that were completed in 2011 and the first quarter of 2012, and cash profit sharing decreased $1.1 million due to lower operating income. These decreases were partly offset by increases in depreciation expense of $0.8 million and amortization expense of $0.7 million primarily due to recent acquisitions in both North America and Europe and to increased personnel costs of $0.5 million primarily due to the recent European acquisition, additional employees and increased pay rates.

The effective tax rate increased from 34.2% in the third quarter of 2011 to 41.1% in the third quarter of 2012, primarily due to $0.9 million in valuation allowances related to 2012 European operational losses, while in 2011 release of valuation allowances related to the disposal of the Keymark equity investment led to the lower effective tax rate.

Results of Operations for the Nine Months Ended September 30, 2012, Compared with the Nine Months Ended September 30, 2011

Income from operations decreased 8.4% from $68.4 million in the first nine months of 2011 to $62.6 million in the first nine months of 2012. The following table illustrates the differences in the Company s operating results in the nine months ended September 30, 2012, from the nine months ended September 30, 2011, and the increases or decreases for each category by segment.

| (in thousands) | Nine Months Ended Sep. 30, 2011 | Increase (Decrease) in Operating Segment | | | | Nine Months Ended Sep. 30, 2012 |
|---|---|---|---|---|---|---|
| | | North America | Europe | Asia/ Pacific | Admin & All Other | |
| Net sales | $ 472,713 | $ 37,912 | $ 1,030 | $ 895 | $ | $ 512,550 |
| Cost of sales | 256,819 | 27,708 | (204) | 371 | (418) | 284,276 |
| Gross profit | 215,894 | 10,204 | 1,234 | 524 | 418 | 228,274 |
| Research and development and other engineering expense | 19,743 | 7,381 | (79) | 111 | | 27,156 |
| Selling expense | 55,527 | 4,749 | 304 | 641 | 34 | 61,255 |
| General and administrative expense | 72,250 | 1,189 | 4,143 | (46) | (362) | 77,174 |
| Loss on sale of assets | 1 | 77 | (27) | 4 | (13) | 42 |
| Income from operations | 68,373 | (3,192) | (3,107) | (186) | 759 | 62,647 |
| Income in equity method investment, before tax | 4,389 | (4,389) | | | | |
| Interest income, net | 258 | (88) | 69 | 49 | (111) | 177 |
| Income before income taxes | 73,020 | (7,669) | (3,038) | (137) | 648 | 62,824 |
| Provision for income taxes | 27,069 | (1,287) | 1,064 | 382 | (440) | 26,788 |
| Net income | $ 45,951 | $ (6,382) | $ (4,102) | $ (519) | $ 1,088 | $ 36,036 |

The following table represents net sales by segment for the nine months ended September 30, 2011 and 2012:

| (in thousands) | North America | Europe | Asia/ Pacific | Admin & All Other | Total |
|---|---|---|---|---|---|
| Nine months ended: | | | | | |
| September 30, 2011 | $ 371,732 | $ 93,206 | $ 7,062 | $ 713 | $ 472,713 |

| | | | | | |
|---|---|---|---|---|---|
| September 30, 2012 | 409,644 | 94,236 | 7,958 | 712 | 512,550 |
| Increase | 37,912 | 1,030 | 896 | (1) | 39,837 |
| Percentage increase | 10.2% | 1.1% | 12.7% | 0.0% | 8.4% |

In the first nine months of 2012, net sales increased 8.4% to $512.6 million compared to net sales of $472.7 million for the first nine months of 2011 due in part to recent acquisitions. The Company had net income of $36.0 million for the first nine months of 2012 compared to net income of $46.0 million for the first nine months of 2011, which included a $4.5 million gain on the sale of the Company s equity investment in Keymark. Diluted net income per common share was $0.74 for the first nine months of 2012 compared to diluted net income of $0.93 per common share for the first nine months of 2011.

Sales in North America for the first nine months of 2012 increased, with an above-average increase in the United States, primarily due to increases in volume and recent acquisitions. Sales in the first nine months of 2012 in Europe increased slightly, due to the recent European acquisition, partly offset by decreases throughout the rest of the Company s European operations. Foreign currency translation effects were not significant. Sales to contractor distributors and lumber dealers had above-average increases in the first nine months of 2012 as compared to the same period in 2011, while sales to home centers decreased over the same period. Wood construction product sales represented 86% of total Company sales in the first nine months of 2012, down from 89% in the first nine months of 2011. Concrete product sales represented 14% of total sales in the first nine months of 2012, up from 11% in the first nine months of 2011, with increases in all geographic segments. Acquisitions since December 2011 contributed $23.5 million to sales in the first nine months of 2012, with the majority attributed to the European acquisition, and mostly in concrete construction products.

The following table represents gross profit by segment for the nine months ended September 30, 2011 and 2012:

| (in thousands) | North America | Europe | Asia/ Pacific | Admin & All Other | Total |
|---|---|---|---|---|---|
| Nine months ended: | | | | | |
| September 30, 2011 | $ 184,523 | $ 30,595 | $ 719 | $ 57 | $ 215,894 |
| September 30, 2012 | 194,727 | 31,829 | 1,243 | 475 | 228,274 |
| Increase | 10,204 | 1,234 | 524 | 418 | 12,380 |
| Percentage increase | 5.5% | 4.0% | 72.8% | 733.3% | 5.7% |

Gross profit increased to $228.3 million in the first nine months of 2012 from $215.9 million in the first nine months of 2011. As a percentage of net sales, gross profit decreased from 45.7% in the first nine months of 2011 to 44.5% in the first nine months of 2012. The North American segment gross profit margin decreased from 49.6% in the first nine months of 2011 to 47.5% in the first nine months of 2012, primarily due to higher material and labor costs as a percentage of sales, increased concrete construction product sales, which have a lower gross margin than wood construction product sales, and competitive price pressure. These cost increases were partly offset by lower factory overhead costs as a percentage of sales, which resulted from higher sales volume. The gross profit margin for the European segment increased to 33.8% in in the first nine months of 2012 from 32.8% in the first nine months of 2011, primarily due to lower material costs, partly offset by higher labor and factory overhead costs.

Unless otherwise noted, changes in operating expenses were mostly attributable to the North American segment. Research and development and engineering expense increased 37.5% from $19.7 million in the first nine months of 2011 to $27.2 million in the first nine months of 2012, including increases in professional fees of $5.2 million, primarily due to truss software development costs, and personnel costs of $1.8 million resulting from additional employees and a pay rate increase. These increases were partly offset by a reduction in cash profit sharing of $0.7 million due to lower operating income. Selling expense increased 10.3% from $55.5 million in the first nine months of 2011 to $61.3 million in the first nine months of 2012, primarily due to increases in personnel costs of $3.3 million, resulting from the recent North American acquisitions, additional employees and increased pay rates, increased equity-based compensation of $1.1 million and increased promotional costs of $1.0 million. General and administrative expense increased 6.8% from $72.3 million in the first nine months of 2011 to $77.2 million in the first nine months of 2012. Personnel costs increased $2.7 million primarily due to the recent European acquisition, additional employees and an increase in pay rates. Depreciation expense increased $2.2 million and amortization expense increased $2.2 million primarily due to recent acquisitions in both North America and Europe. The remaining increases in general and administrative expenses included $1.3 million in equity-based compensation, $0.5 million in computer hardware and license fees and $0.4 million reduction in foreign currency gains. These increases were partly offset by a reduction in cash profit sharing of $2.1 million due to lower operating income and a net decrease in professional and legal fees of $2.1 million although professional and legal fees increased by $0.7 million in Europe due to first quarter 2012 acquisition related activities.

The effective tax rate increased from 37.1% in the first nine months of 2011 to 42.6% in the first nine months of 2012, primarily due to 2012 non-deductible acquisition costs and valuation allowances taken on foreign losses, while in 2011 release of valuation allowances related to the disposal of the Keymark equity investment led to the lower effective tax rate.

Liquidity and Sources of Capital

As of September 30, 2012, working capital was $404.1 million as compared to $477.7 million at September 30, 2011, and $430.5 million at December 31, 2011. The decrease in working capital from December 31, 2011, was primarily due to decreases in cash and cash equivalents of $26.3 million, inventories of $8.1 million and assets held for sale of $6.8 million, and increases in accrued liabilities of $8.7 million, accrued cash profit sharing of $5.5 million, trade accounts payable of $2.2 million, and income taxes of $1.0 million. The decrease in cash and cash equivalents was primarily due to the recent European acquisition for $50.7 million, net of cash received of $6.8 million, and the recent North American acquisition for $5.3 million, net of contingent consideration of $0.2 million, partly offset by the sale of real estate in North America for $6.4 million, net of closing costs, which also accounted for the decrease in assets held for sale. Raw material inventories decreased 14.0% as compared to December 31, 2011, while in-process and finished goods inventories increased 2.7% over the same period. The increase in accrued liabilities was primarily due to the recent European acquisition, sales rebates, collected VAT/GST taxes exceeding taxes paid, a liability related to the acquisition of Canadian truss plate distribution rights, and other intangibles assets and termination expense related to the plant closing, while the increase to accrued cash profit sharing and accrued income taxes payable was due to higher operating profits in the third quarter of 2012, compared to the fourth quarter of 2011. The increase in trade accounts payable was primarily due to the recent European and North American acquisitions, employee compensation, and professional and consulting fees. The decrease in working capital from December 31, 2011, was partly offset by an increase in net trade accounts receivable of $32.0 million, which was primarily due to seasonal increases in net sales during the third quarter of 2012 compared to the fourth quarter of 2011. The balance of the change in working capital was due to the fluctuation of various other asset and liability accounts, none of which was individually material. The working capital change and changes in noncurrent assets and liabilities, combined with net income of $36.0 million and noncash expenses, primarily charges for depreciation, amortization, stock-based compensation and impairment of assets held for sale totaling $28.6 million, resulted in net cash provided by operating activities of $56.7 million. As of September 30, 2012, the Company had unused credit facilities available of $311.1 million, including a $300.0 million credit facility.

The Company s investing activities used cash of $63.5 million primarily due to the recent European acquisition for $50.7 million, net of contingent consideration of $0.6 million, and cash received of $6.8 million, the recent North American acquisition for $5.3 million, net of contingent consideration of $0.2 million, and capital expenditures of $16.1 million. The cash paid for these acquisitions and for capital assets was partly offset by the proceeds of the sale of North American real estate and other asset sales of $6.9 million. The Company s capital expenditures were primarily due to the continued construction of a manufacturing facility in Germany, improvement of various facilities in France and the United States and equipment purchases. The Company estimates that its full-year capital spending will be $22.0 to $24.0 million in 2012.

The Company s financing activities used net cash of $20.7 million. The primary uses of cash were payments of cash dividends in the amount of $18.1 million and repayment of $5.7 million of borrowings on credit facilities, including borrowings obtained through acquisition. Cash was provided from the issuance of the Company s common stock through the exercise of stock options totaling $2.2 million. In October 2012, the Company s Board of Directors declared a cash dividend of $0.125 per share, estimated to total $6.0 million, to be paid on January 24, 2013, to stockholders of record on January 3, 2013. The Company borrowed $2.2 million from its lines of credit during the first nine months of 2012, primarily for raw material purchases attributable to the recent European acquisition. The Company has $50.0 million remaining of its common stock repurchase authorization for 2012.

The Company believes that cash generated by operations and borrowings available under its credit facility will be sufficient for the Company s working capital needs and planned capital expenditures for the next 12 months. Depending, however, on the Company s future growth and possible acquisitions, it may become necessary to secure additional sources of financing, which may not be available on reasonable terms, or at all. The $300.0 million unsecured credit agreement will expire in July 2017.

A significant portion of the cash held by the Company is in foreign currencies. Cash held in foreign countries could be subject to additional taxation if it were repatriated to the United States. The Company has no plans to repatriate cash and cash equivalents held outside the United

States, as it is expected to be used to fund future international growth and acquisitions.

The Company believes that the effect of inflation on the Company has not been material in recent years, as general inflation rates have remained relatively low. Because, however, the Company s main raw material is steel, increases in steel prices may adversely affect the Company s gross margins if it cannot recover the higher costs through price increases.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

The Company has foreign exchange rate risk in its international operations, primarily Europe and Canada, and through purchases from foreign vendors. The Company does not currently hedge this risk. If the exchange rate were to change by 10% in any one country or currency where the Company has operations, the change in net income would not be material to the Company s operations as a whole. The translation adjustment resulted in increases in accumulated other comprehensive income of $4.1 million and $1.4 million for the three and nine months ended September 30, 2012. The translation adjustment in the third quarter of 2012 was primarily due to the effect of a weakening United States dollar in relation to all currencies. The translation adjustment in the first nine months of 2012 was primarily due to the effect of the weakening of the United States dollar in relation to most currencies, partly offset by the strengthening of the United States dollar in relation to a few European currencies.

**Item 4. Controls and Procedures.**

*Disclosure Controls and Procedures.* As of September 30, 2012, an evaluation of the effectiveness of the design and operation of the Company s disclosure controls and procedures was performed under the supervision and with the participation of the Company s management, including the chief executive officer ( CEO ) and the chief financial officer ( CFO ). Based on that evaluation, the CEO and the CFO concluded that the Company s disclosure controls and procedures were effective at the reasonable assurance level as of that date and that the Company s disclosure controls and procedures at that date were designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission s rules and forms, including ensuring that information required to be disclosed by the Company in such reports is accumulated and communicated to the Company s management, including the CEO and the CFO, as appropriate to allow timely decisions regarding required disclosures.

The Company s management, including the CEO and the CFO, does not, however, expect that the Company s disclosure controls and procedures or the Company s internal control over financial reporting will necessarily prevent all fraud and material errors. An internal control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. In addition, the design of a control system must reflect the facts that there are resource constraints and that the benefits of controls must be considered relative to their costs. The inherent limitations in an internal control system include the realities that judgments can be faulty and that breakdowns can occur because of simple error or mistake. Controls also can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of controls. The design of any system of internal control is also based in part on assumptions about the likelihood of future events, and there can be only reasonable, not absolute, assurance that any design will succeed in achieving its stated goals under all potential events and conditions. Over time, controls may become inadequate because of changes in circumstances, or the degree of compliance with the policies and procedures may deteriorate.

*Changes in Internal Control over Financial Reporting.* During the three months ended September 30, 2012, the Company made no changes to its internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

PART II    OTHER INFORMATION

**Item 1. Legal Proceedings.**

From time to time, the Company is involved in various legal proceedings and other matters arising in the normal course of business.

Four lawsuits (the Cases ) have been filed against the Company in the Hawaii First Circuit Court: *Alvarez v. Haseko Homes, Inc. and Simpson Manufacturing, Inc.*, Civil No. 09-1-2697-11 ( Case 1 ); *Ke Noho Kai Development, LLC v. Simpson Strong-Tie Company, Inc., and Honolulu Wood Treating Co., LTD.*, Case No. 09-1-1491-06 SSM ( Case 2 ); *North American Specialty Ins. Co. v. Simpson Strong-Tie Company, Inc. and K.C. Metal Products, Inc.*, Case No. 09-1-1490-06 VSM ( Case 3 ); and *Charles et al. v. Haseko Homes, Inc. et al. and Third Party Plaintiffs Haseko Homes, Inc. et al. v. Simpson Strong-Tie Company, Inc., et al.*, Civil No. 09-1-1932-08 ( Case 4 ). Case 1 was filed on November 18, 2009. Cases 2 and 3 were originally filed on June 30, 2009. Case 4 was filed on August 19, 2009. The Cases all relate to alleged premature corrosion of the Company s strap tie holdown products installed in buildings in a housing development known as Ocean Pointe in Honolulu, Hawaii, allegedly causing property damage. Case 1 is a putative class action brought by the owners of allegedly affected Ocean Pointe houses. Case 1 was originally filed as *Kai et al. v. Haseko Homes, Inc., Haseko Construction, Inc. and Simpson Manufacturing, Inc.*, Case No. 09-1-1476, but was voluntarily dismissed and then re-filed with a new representative plaintiff. Case 2 is an action by the builders and developers of Ocean Pointe against the Company, claiming that either the Company s strap tie holdowns are defective in design or manufacture or the Company failed to provide adequate warnings regarding the products susceptibility to corrosion in certain environments. Case 3 is a subrogation action brought by the insurance company for the builders and developers against the Company claiming the insurance company expended funds to correct problems allegedly caused by the Company s products. Case 4 is a putative class action brought, like Case 1, by owners of allegedly affected Ocean Pointe homes. In Case 4, Haseko Homes, Inc. ( Haseko ), the developer of the Ocean Pointe development, has brought a third party complaint against the Company alleging that any damages for which Haseko may be liable are actually the fault of the Company. None of the Cases alleges a specific amount of damages sought, although each of the Cases seeks compensatory damages, and Case 1 seeks punitive damages. Cases 1 and 4 have been consolidated. On July 13, 2012, the Court denied, without prejudice, a motion by the homeowner plaintiffs in Case 4 to certify a Fourth Amended Class Action Complaint. In addition, on July 13, 2012, the Court in Case 4 dismissed several claims that the homeowner plaintiffs had asserted against the Company. On October 1, 2012, the Court granted summary judgment in favor of the Company and against the homeowner plaintiffs with respect to additional claims the homeowner plaintiffs had asserted against the Company. The Company continues to investigate the facts underlying the claims asserted in the Cases, including, among other things, the cause of the alleged corrosion; the severity of any problems shown to exist; the buildings affected; the responsibility of the general contractor, various subcontractors and other construction professionals for the alleged damages; the amount, if any, of damages suffered; and the costs of repair, if needed. At this time, the likelihood that the Company will be found liable for any property damage allegedly suffered and the extent of such liability, if any, are unknown. Management believes the Cases may not be resolved for an extended period. The Company intends to defend itself vigorously in connection with the Cases.

Based on facts currently known to the Company, the Company believes that all or part of the claims alleged in the Cases may be covered by its insurance policies. On April 19, 2011, an action was filed in the United States District Court for the District of Hawaii, *National Union Fire Insurance Company of Pittsburgh, PA v. Simpson Manufacturing Company, Inc., et al.,* Civil No. 11-00254 ACK. In this action, Plaintiff National Union Fire Insurance Company of Pittsburgh, Pennsylvania ( National Union ), which issued certain Commercial General Liability insurance policies to the Company, seeks declaratory relief in the Cases with respect to its obligations to defend or indemnify the Company, Simpson Strong-Tie Company Inc., and a vendor of the Company s strap tie holdown products. By Order dated November 7, 2011, all proceedings in the *National Union* action have been stayed. If the stay is lifted and the National Union action is not dismissed, the Company intends vigorously to defend all claims advanced by National Union.

On April 12, 2011, Fireman s Fund Insurance Company ( Fireman s Fund ), another of the Company s general liability insurers, sued Hartford Fire Insurance Company ( Hartford ), a third insurance company from whom the Company purchased general liability insurance, in the United States District Court for the Northern District of California, *Fireman s Fund Insurance Company v. Hartford Fire Insurance Company*, Civil No. 11

1789 SBA (the *Fireman s Fund* action ). The Company has intervened in the *Fireman s Fund* action and has moved to stay all proceedings in that action as well, pending resolution of the underlying Ocean Pointe Cases.

On November 21, 2011, the Company commenced a lawsuit against National Union, Fireman s Fund, Hartford and others in the Superior Court of the State of California in and for the City and County of San Francisco (the *San Francisco* coverage action ). In the *San Francisco* coverage action, the Company alleges generally that the separate pendency of the *National Union* action and the *Fireman s Fund* action presents a risk of inconsistent adjudications; that the San Francisco Superior Court has jurisdiction over all of the parties and should exercise jurisdiction at the appropriate time to resolve any and all disputes that have arisen or may in the future arise among the Company and its liability insurers; and that the *San Francisco* coverage action should also be stayed pending resolution of the underlying Ocean Pointe Cases. The Company intends to move for such a stay if necessary.

*Nishimura v. Gentry Homes, Ltd; Simpson Manufacturing Co., Inc.; and Simpson Strong-Tie Company, Inc.*, Civil no. 11-1-1522-07, was filed in the Circuit Court of the First Circuit of Hawaii on July 20, 2011. The case alleges premature corrosion of the Company s strap tie holdown products in a housing development at Ewa Beach in Honolulu, Hawaii. The case is a putative class action brought by owners of allegedly affected homes. The Complaint alleges that the Company s strap products and mudsill anchors are insufficiently corrosion resistant and/or fail to comply with Honolulu s building code. The Court has dismissed several of the claims the plaintiffs had asserted against the Company. The Company is currently investigating the claims asserted in the complaint, including, among other things: the existence and extent of the alleged corrosion, if any; the building code provisions alleged to be applicable and, if applicable, whether the products complied; the buildings affected; the responsibility of the general contractor, various subcontractors and other construction professionals for the alleged damages; the amount, if any, of damages suffered; and the costs of repair, if any are needed. At this time, the likelihood that the Company will be found liable for any damage allegedly suffered and the extent of such liability, if any, are unknown. The Company denies any liability of any kind and intends to defend itself vigorously in this case.

**Item 1A. Risk Factors**

We are affected by risks specific to us, as well as risks that generally affect businesses operating in global markets. Some of the significant factors that could materially adversely affect our business, financial condition and operating results appear in Item 1A. Risk Factors of our most recent Annual Report on Form 10-K (available at www.simpsonmfg.com/docs/10K-2011.pdf or www.sec.gov).

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

In January 2012, the Board of Directors authorized the Company to repurchase up to $50.0 million of the Company s common stock. This replaced the $100.0 million repurchase authorization from February 2011. The authorization will remain in effect through the end of 2012. There were no purchases by the Company during the third quarter of 2012.

**Item 6. Exhibits.**

The following exhibits are either incorporated by reference into this report or filed with this report, as indicated below.

3.1 Certificate of Incorporation of Simpson Manufacturing Co., Inc., as amended, is incorporated by reference to Exhibit 3.1 of its Quarterly Report on Form 10-Q for the quarter ended September 30, 2007.

3.2 Bylaws of Simpson Manufacturing Co., Inc., as amended through December 13, 2010, are incorporated by reference to Exhibit 3.2 of its Current Report on Form 8-K dated December 16, 2010.

4.1 Amended Rights Agreement dated as of June 15, 2009, between Simpson Manufacturing Co., Inc. and Computershare Trust Company, N.A., which includes as Exhibit B the form of Rights Certificate, is incorporated by reference to Exhibit 4.1 of Simpson

Manufacturing Co., Inc. s Registration Statement on Form 8-A/A dated June 15, 2009.

4.2 Certificate of Designation, Preferences and Rights of Series A Participating Preferred Stock of Simpson Manufacturing Co., Inc., dated July 30, 1999, is incorporated by reference to Exhibit 4.2 of its Registration Statement on Form 8-A dated August 4, 1999.

4.3 Simpson Manufacturing Co., Inc. 401(k) Profit Sharing Plan for Salaried Employees is incorporated by reference to Exhibit 4.3 of Simpson Manufacturing Co., Inc. s Registration Statement on Form S-8, File Number 333-173811, dated April 29, 2011.

4.4 Simpson Manufacturing Co., Inc. 401(k) Profit Sharing Plan for Hourly Employees is incorporated by reference to Exhibit 4.4 of Simpson Manufacturing Co., Inc. s Registration Statement on Form S-8, File Number 333-173811, dated April 29, 2011.

10.1 Simpson Manufacturing Co., Inc. 1994 Stock Option Plan, as amended through February 13, 2008, is incorporated by reference to Exhibit 10.1 of Simpson Manufacturing Co., Inc. s Quarterly Report on Form 10-Q for the quarter ended June 30, 2008.

10.2 Simpson Manufacturing Co., Inc. 1995 Independent Director Stock Option Plan, as amended through November 18, 2004, is incorporated by reference to Exhibit 10.2 of Simpson Manufacturing Co., Inc. s Quarterly Report on Form 10-Q for the quarter ended June 30, 2008.

10.3 Simpson Manufacturing Co., Inc. Executive Officer Cash Profit Sharing Plan, as amended through February 25, 2008, is incorporated by reference to Exhibit 10.4 of Simpson Manufacturing Co., Inc. s Quarterly Report on Form 10-Q for the quarter ended June 30, 2008.

10.4 Credit Agreement, dated as of July 27, 2012, among Simpson Manufacturing Co., Inc. as Borrower, the Lenders party thereto, Wells Fargo Bank, National Association, in its separate capacities as Swing Line Lender and L/C issuer and as Administrative Agent, and Simpson Strong-Tie Company Inc., and Simpson Strong-Tie International, Inc. as Guarantors, is incorporated by reference to Exhibit 10.1 of Simpson Manufacturing Co., Inc. s Current Report on Form 8-K dated August 1, 2012.

10.5 Form of Indemnification Agreement between Simpson Manufacturing Co., Inc. and its directors and executive officers, as well as the officers of Simpson Strong-Tie Company Inc., is incorporated by reference to Exhibit 10.2 of Simpson Manufacturing Co., Inc. s Annual Report on Form 10-K for the year ended December 31, 2004.

10.6 Compensation of Named Executive Officers is incorporated by reference to Exhibit 10 of Simpson Manufacturing Co., Inc. s Current Report on Form 8-K dated January 30, 2012.

10.7 Compensation of Named Executive Officers is incorporated by reference to Simpson Manufacturing Co., Inc. s Schedule 14A Proxy Statement dated March 9, 2012.

10.8 Simpson Manufacturing Co., Inc. 2011 Incentive Plan is incorporated by reference to Exhibit A of Simpson Manufacturing Co., Inc. s Schedule 14A Proxy Statement dated March 9, 2012.

10.9 Share Purchase Agreement dated as of October 26, 2011, between Josef Scherer and Yvonne Scherer, owners of S&P Clever Reinforcement Company AG and S&P Reinforcement International AG, both companies incorporated under the laws of Switzerland, on the one hand, and Simpson Manufacturing Co., Inc., on the other hand, is incorporated by reference to Exhibit 10.9 of Simpson Manufacturing Co., Inc. s Quarterly Report on Form 10-Q for the quarter ended September 30, 2011.

10.10 Asset Purchase Agreement dated as of December 16, 2011, by and between Automatic Stamping, LLC, a North Carolina limited liability company, Automatic Stamping Auxiliary Services, LLC, a North Carolina limited liability company, and William H. Black, Jr., on the one hand, and Simpson Strong-Tie Company Inc., a California corporation, on the other hand, is incorporated by reference to Exhibit 10.10 of Simpson Manufacturing Co., Inc. s Annual Report on Form 10-K for the year ended December 31, 2011.

31. Rule 13a-14(a)/15d-14(a) Certifications are filed herewith.

32. Section 1350 Certifications are filed herewith.

99.1 Simpson Manufacturing Co., Inc. 1994 Employee Stock Bonus Plan, as amended through November 18, 2004, is incorporated by reference to Exhibit 99.1 of Simpson Manufacturing Co., Inc. s Annual Report on Form 10-K for the year ended December 31, 2007.

101 Financial statements from the quarterly report on Form 10-Q of Simpson Manufacturing Co., Inc. for the quarter ended September 30, 2012, formatted in XBRL, are filed herewith and include: (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Comprehensive Income, (iv) the Condensed Consolidated Statements of Stockholders Equity, (v) the Condensed Consolidated Statements of Cash Flows and (vi) the Notes to Condensed Consolidated Financial Statements.

**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.

**Simpson Manufacturing Co., Inc.**

(Registrant)

**DATE:** November 6, 2012

By /s/Brian J. Magstadt
Brian J. Magstadt
Chief Financial Officer
(principal accounting and financial officer)

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