

AMPCO PITTSBURGH CORP

Form 10-K

March 15, 2016

Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR- 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2015

Commission File Number 1-898

AMPCO-PITTSBURGH CORPORATION

Pennsylvania

(State of Incorporation)

25-1117717

I.R.S. Employer ID No.

726 Bell Avenue, Suite 301

Carnegie, PA 15106

(Address of principal executive offices)

(412) 456-4400

(Registrant's telephone number)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Common stock, \$1 par value

Name of each exchange on which registered

New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ü]

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

Large Accelerated Filer ____ Accelerated Filer ü Non-accelerated Filer ____ Smaller reporting company ____

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

The aggregate market value of the voting stock of Ampco-Pittsburgh Corporation held by non-affiliates on June 30, 2015 (based upon the closing price of the Registrant's Common Stock on the New York Stock Exchange on that date) was approximately \$126.5 million.

As of March 11, 2016, 12,216,578 common shares were outstanding.

Documents Incorporated by Reference: Part III of this report incorporates by reference certain information from the Proxy Statement for the 2016 Annual Meeting of Shareholders.

Table of Contents

TABLE OF CONTENTS

PART I

<u>Item 1. Business</u>	1
<u>Item 1a. Risk Factors</u>	4
<u>Item 1b. Unresolved Staff Comments</u>	7
<u>Item 2. Properties</u>	8
<u>Item 3. Legal Proceedings</u>	9
<u>Item 4. Mine Safety Disclosures</u>	12

PART II

<u>Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	12
<u>Item 6. Selected Financial Data</u>	14
<u>Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation</u>	14
<u>Item 7a. Quantitative and Qualitative Disclosures about Market Risk</u>	22
<u>Item 8. Financial Statements and Supplementary Data</u>	24
<u>Item 9. Changes In and Disagreements With Accountants On Accounting and Financial Disclosure</u>	60
<u>Item 9a. Controls and Procedures</u>	60
<u>Item 9b. Other Information</u>	62

PART III

<u>Item 10. Directors, Executive Officers and Corporate Governance</u>	62
<u>Item 11. Executive Compensation</u>	62
<u>Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholders Matters</u>	62
<u>Item 13. Certain Relationships and Related Transactions, and Director Independence</u>	62
<u>Item 14. Principal Accountant Fees and Services</u>	62

Part IV

<u>Item 15. Exhibits and Financial Statement Schedules</u>	63
<u>Signatures</u>	65

Table of Contents

FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 (the "Act") provides a safe harbor for forward-looking statements made by or on our behalf. Management's Discussion and Analysis of Financial Condition and Results of Operation and other sections of the Annual Report on Form 10-K as well as the consolidated financial statements and notes thereto may contain forward-looking statements that reflect our current views with respect to future events and financial performance.

All statements in this document other than statements of historical fact are statements that are, or could be, deemed forward-looking statements within the meaning of the Act. In this document, statements regarding future financial position, sales, costs, earnings, cash flows, other measures of results of operations, capital expenditures or debt levels and plans, objectives, outlook, targets, guidance or goals are forward-looking statements. Words such as may, intend, believe, expect, anticipate, estimate, project, forecast and other terms of similar meaning that refer to future events and trends are also generally intended to identify forward looking statements. Forward-looking statements speak only as of the date on which such statements are made, are not guarantees of future performance or expectations, and involve risks and uncertainties. For us, these risks and uncertainties include, but are not limited to, those described under Item 1A. Risk Factors of this Annual Report on Form 10-K. In addition, there may be events in the future that we are not able to predict accurately or control which may cause actual results to differ materially from expectations expressed or implied by forward-looking statements. Except as required by applicable law, we assume no obligation, and disclaim any obligation, to update forward-looking statements whether as a result of new information, events or otherwise.

PART I

ITEM 1. BUSINESS

GENERAL

Ampco-Pittsburgh Corporation (the "Corporation") was incorporated in Pennsylvania in 1929. The Corporation, individually or together with its consolidated subsidiaries, is also referred to herein as the "Registrant". The Corporation classifies its businesses in two segments: Forged and Cast Engineered Products and Air and Liquid Processing.

ACQUISITIONS

On July 29, 2015, the Corporation acquired business and assets of Alloys Unlimited & Processing, Inc. ("AUP"), a supplier of specialty tool, alloy, and carbon steel round bar, as well as a provider of precision saw cutting, machining, rough turning and boring, heat treating and trepanning services to customers nationwide. The purchase price was \$5 million and was funded by available cash. The business is now part of our Forged and Cast Engineered Products segment.

On March 3, 2016, the Corporation, through its indirect subsidiary Ampco UES Sub, Inc., completed an acquisition of Åkers AB and certain of its affiliated companies (collectively the "Åkers Group") from Altor Fund II GP Limited. The base purchase price paid by the Corporation for the Åkers Group was approximately \$75 million (subject to certain post-closing adjustments) and was payable \$29 million in cash, \$26 million in the form of a three-year note, and \$20 million in shares of common stock of the Corporation. The business is now part of our Forged and Cast Engineered Products segment and is expected to approximately double the sales of the segment.

With the acquisition of Åkers Group, the roll business of the Forged and Cast Engineered Products segment of the Corporation is now operating under the name "Union Electric Åkers". It constitutes the majority of the Forged and Cast Engineered Products segment.

FINANCIAL INFORMATION ABOUT SEGMENTS

The sales and operating profit of the Corporation's two segments and the identifiable assets attributable to both segments for the three years ended December 31, 2015 are set forth in Note 19 (Business Segments) of this Annual Report on Form 10-K.

NARRATIVE DESCRIPTION OF BUSINESS

Forged and Cast Engineered Products Segment

Union Electric Steel Corporation produces ingot and forged products that service a wide variety of industries globally. It specializes in the production of forged hardened steel rolls used in cold rolling by producers of steel, aluminum and other metals

Table of Contents

throughout the world. In addition, it produces ingot and open die forged products which are used in the gas and oil industry and the aluminum and plastic extrusion industries. Although currently representing a minor portion of the segment's business activity, sales of ingot and open die forged products are expected to grow and become a more significant portion of this segment's business activity. Union Electric Steel Corporation is headquartered in Carnegie, Pennsylvania with three manufacturing facilities in Pennsylvania, one in Indiana and one in Ohio. It is one of the largest producers of forged hardened steel rolls in the world. In addition to a few domestic competitors, several major European, South American and Asian manufacturers also compete in both the domestic and foreign markets. In 2007, a subsidiary of Union Electric Steel Corporation became a 49% partner in a joint venture in China to manufacture large forged backup rolls, principally in weights and sizes larger than those which can be made in the subsidiary's facilities in the United States.

Union Electric Steel UK Limited produces cast rolls for hot and cold strip mills, medium/heavy section mills and plate mills in a variety of iron and steel qualities. It is located in Gateshead, England and is a major supplier of cast rolls to the metalworking industry worldwide. It primarily competes with European, Asian and North and South American companies in both the domestic and foreign markets. Union Electric Steel UK Limited is a 25% partner in a Chinese joint venture which produces cast rolls.

The following entities became indirect subsidiaries of Union Electric Steel Corporation as a result of the acquisition of the Åkers Group.

Åkers Sweden AB produces cast rolls for hot strip finishing, roughing mills and plate mills and medium/heavy section mills in a variety of iron and steel qualities. It is located in Åkers Styckebruk, Sweden.

Åkers Valji Ravne d.o.o. produces forged rolls for cluster mills and Z-Hi mills, work rolls for narrow and wide strip and aluminum mills, back-up rolls for narrow strip mills, as well as leveling rolls and shafts. It is located in Ravne, Slovenia.

Shanxi Åkers TISCO Roll Co. Ltd., is a joint venture between TISCO and Åkers AB in which Åkers AB holds a 60% interest, produces cast hot strip mill work rolls. It is located in Taiyuan, Shanxi Province, China.

National Roll Company is a division of Åkers National Roll Co. that produces cast rolls for hot and cold strip mills, as well as plate mills. It is located in Avonmore, Pennsylvania.

Vertical Seal Company is a division of Åkers National Roll Co. that manufactures bearings, bushings, key and keyless bearing sleeves, as well as provides a number of services, including rebuild of mill spare parts, chock inspection and repair, and onsite inspections and installations. It is located in Pleasantville, Pennsylvania.

Air and Liquid Processing Segment

Aerofin Division of Air & Liquid Systems Corporation produces custom-engineered finned tube heat exchange coils and related heat transfer products for a variety of industries including fossil fuel and nuclear power generation, automotive, industrial process and HVAC, and is located in Lynchburg, Virginia.

Buffalo Air Handling Division of Air & Liquid Systems Corporation produces large custom air handling systems used in commercial, institutional and industrial buildings and is located in Amherst, Virginia.

Buffalo Pumps Division of Air & Liquid Systems Corporation manufactures a line of centrifugal pumps for the refrigeration, power generation and marine defense industries and is located in North Tonawanda, New York.

All three of the divisions in this segment are principally represented by a common independent sales organization and have several major competitors.

In both segments, the products are dependent on engineering, principally custom designed, and are sold to sophisticated commercial and industrial users located throughout the world.

The Forged and Cast Engineered Products segment has two international customers which constituted approximately 33% of its sales in 2015. The loss of both of these customers could have a material adverse effect on the segment.

Table of Contents

For additional information on the products produced and financial information about each segment, see Note 19 (Business Segments) of this Annual Report on Form 10-K.

Raw Materials

Raw materials used in both segments are generally available from many sources and neither segment is dependent upon any single supplier for any raw material. Substantial volumes of raw materials used by each segment are subject to significant variations in price. The Corporation's subsidiaries generally do not purchase or commit for the purchase of a major portion of raw materials significantly in advance of the time they require such materials but do make forward commitments for the supply of natural gas and certain commodities (copper and aluminum). See Note 11 (Derivative Instruments) of this Annual Report on Form 10-K.

Patents

While the Corporation and its subsidiaries hold some patents, trademarks and licenses, in the opinion of management they are not material to either segment, other than in protecting the goodwill associated with the names under which products are sold.

Backlog

The backlog of orders at December 31, 2015 was approximately \$142 million compared to a backlog of \$168 million at year-end 2014. Approximately 19% of the backlog is expected to be released after 2016.

Competition

The Corporation faces considerable competition from a large number of companies in both segments. The Corporation believes, however, that its subsidiaries are significant factors in each of the niche markets which they serve. Competition in both segments is based on quality, service, price and delivery. For additional information, see Business of this Annual Report on Form 10-K.

Research and Development

As part of an overall strategy to develop new markets and maintain leadership in each of the industry niches served, the Corporation's subsidiaries in both segments incur expenditures for research and development. The activities that are undertaken are designed to develop new products, improve existing products and processes, enhance product quality, adapt products to meet customer specifications and reduce manufacturing costs. In the aggregate, these expenditures approximated \$1.14 million in 2015, \$1.33 million in 2014 and \$1.41 million in 2013.

Environmental Protection Compliance Costs

Expenditures for environmental control matters were not material to either segment in 2015 and such expenditures are not expected to be material in 2016.

Employees

On December 31, 2015, the Corporation and its subsidiaries had 1,027 active employees.

FINANCIAL INFORMATION ABOUT GEOGRAPHIC AREAS

The Forged and Cast Engineered Products segment has manufacturing operations in England, Sweden and Slovenia; European sales and engineering support group in Belgium; and sales offices in Brazil, China, Canada, Egypt, Germany, Singapore, Slovenia, South Korea, Sweden, Taiwan and Turkey. For financial information relating to foreign and domestic operations see Note 19 (Business Segments) of this Annual Report on Form 10-K.

AVAILABLE INFORMATION

The Corporation files annual, quarterly and current reports, amendments to those reports, proxy statements and other information with the Securities and Exchange Commission (SEC). You may access and read the Corporation's filings without charge through the SEC's website at

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www.sec.gov. You may also read and copy any document the Corporation files at the SEC's Public Reference Room located at 100 F. Street, N.E., Room 1580, Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room.

Table of Contents

The Corporation's Internet address is www.ampcopittsburgh.com. The Corporation makes available, free of charge on its Internet website, access to these reports as soon as reasonably practicable after such material is filed with, or furnished to, the SEC. The information on the Corporation's website is not part of this Annual Report on Form 10-K.

EXECUTIVE OFFICERS

The name, age, position with the Corporation⁽¹⁾ and business experience for the past five years of the Executive Officers of the Corporation are as follows:

John S. Stanik (age 62). Mr. Stanik has served as the Corporation's Chief Executive Officer since January 2015. He previously worked at Calgon Carbon Corporation, an international company specializing in purification products, technologies and services, from 1991 through 2012 when he retired for personal reasons. Mr. Stanik served as President and Chief Executive Officer of Calgon Carbon from 2003 to 2012 and became its Chairman of the Board in 2007.

Rose Hoover (age 60). Ms. Hoover has been employed by the Corporation for more than thirty-five years. She has served as President and Chief Administrative Officer of the Corporation since August 2015; Senior Vice President and Chief Administrative Officer of the Corporation since May 2011; Senior Vice President of the Corporation since 2009 and prior to that served as Vice President Administration of the Corporation since 2006. She also served as Secretary of the Corporation for more than five years.

Marliss D. Johnson (age 51). Ms. Johnson has been Chief Financial Officer and Treasurer of the Corporation since May 2013. Prior to that, she was Vice President, Controller and Treasurer of the Corporation for more than ten years. Ms. Johnson is a Certified Public Accountant with fourteen years of experience with a major accounting firm prior to joining the Corporation.

Maria Trainor (age 41). Ms. Trainor has served as Vice President, General Counsel and Secretary of the Corporation since June 2015. Prior to joining the Corporation, Ms. Trainor was a partner at K&L Gates, LLP, a major international law firm, where she had practiced for nearly fourteen years.

Robert G. Carothers (age 66). Mr. Carothers has been employed by Union Electric Steel, a subsidiary of the Corporation, for more than forty years. He has served as Chairman, Chief Executive Officer, and President of the Corporation's Forged and Cast Engineered Products Segment since 2009 and prior to that served as President of Union Electric Steel since 1998.

Terrence W. Kenny (age 56). Mr. Kenny has been employed by the Corporation for almost thirty years. He has served as President of the Air and Liquid Processing Group since its organization in 2009 and prior to that served as Group Vice President of the Corporation for more than five years.

(1) Officers serve at the discretion of the Board of Directors and none of the listed individuals serves as a director of a public company, except Mr. Stanik is a director of the Corporation and F.N.B. Corporation.

ITEM 1A. RISK FACTORS

From time to time, important factors may cause actual results to differ materially from future expected results based on performance expressed or implied by any forward-looking statements made by us, including known and unknown risks, uncertainties and other factors, many of which are not possible to predict or control. Several of these factors are described from time to time in our filings with the Securities and Exchange Commission, but the factors described in filings are not the only risks that are faced.

Cyclical demand for products and economic downturns may reduce the demand for, and sales of, our products, which could adversely affect our margins and profitability.

A significant portion of the Forged and Cast Engineered Products segment's sales consists of rolling mill rolls to customers in the global steel industry which can be periodically impacted by economic or cyclical downturns. Such downturns, the timing and length of which are difficult to predict, may reduce the demand for, and sales of, our forged and cast steel rolls both in the United States and the rest of the world. Lower demand for rolls may also adversely impact profitability as other competing roll producers lower selling prices in the marketplace in order to fill their manufacturing capacity. Cancellation of orders or deferral of delivery of rolls may occur and produce an adverse impact on financial results. In addition, sales of non-roll product, consisting of open die forged product primarily for the gas and oil industries, are impacted by

fluctuations in global energy prices.

Table of Contents

Excess global capacity in steel industry could lower prices for our products, which would adversely affect our sales, margins and profitability, as well as collectability of receivables and salability of in-process inventory.

The global steel manufacturing capacity currently exceeds global consumption of steel products. Such excess capacity often results in manufacturers in certain countries exporting steel at prices significantly below their home market prices (often due to local government assistance or subsidies), which leads to global market destabilization and reduced sales and profitability of some of our and our subsidiaries customers, which, in turn, affects our sales and profit margins, as well as collectability of receivables and salability of in-process inventory.

Steel industry consolidation resulted in certain customers having increased buying power, which could put pressure on prices of our products and result in lower profit margins.

As a result of reduced demand for steel products, the steel industry has undergone structural change by way of consolidation and mergers. In certain markets, the resultant reduction in the number of steel plants and the increased buying power of the enlarged steel producing companies may put pressure on the selling prices and profit margins of rolls.

A reduction in the level of export sales, as well as other economic factors in foreign countries, may have an adverse impact on our financial results.

Exports are a significant proportion of our subsidiaries' sales. Historically, changes in foreign exchange rates, particularly in respect of the U.S. dollar, British pound and the euro, have impacted the export of our products and may do so again in the future. Other factors which may adversely impact export sales and operating results include political and economic instability, export controls, changes in tax laws and tariffs and new indigenous producers in overseas markets. A reduction in the level of export sales may have an adverse impact on our financial results. In addition, exchange rate changes may allow foreign roll suppliers to compete in our home markets.

Increases in the value of the U.S. dollar relative to other currencies may adversely affect our business, results of operations and financial condition.

Certain of our subsidiaries operate in foreign jurisdictions and, accordingly, earn revenues, pay expenses, own assets and incur liabilities in countries using currencies other than the U.S. dollar. Since our consolidated financial statements are presented in U.S. dollars, we must translate revenues and expenses into U.S. dollars at the average exchange rate during each reporting period, and assets and liabilities into U.S. dollars at the exchange rate in effect at the end of each reporting period. Therefore, increases or decreases in the value of the U.S. dollar against other major currencies will affect the translated value for revenue, expenses and balance sheet items denominated in foreign currencies and could materially affect our financial results expressed in U.S. dollars.

A downturn in capital spending in the United States and other jurisdictions may reduce demand for and sales of certain of our products, which would result in reduced profit margins.

Each of our businesses is susceptible to the general level of economic activity, particularly as it impacts industrial and construction capital spending. A downturn in capital spending in the United States and elsewhere may reduce demand for and sales of our subsidiaries' air handling, power generation and refrigeration equipment, and rolling mill rolls. Lower demand may also reduce profit margins due to our competitors and us striving to maximize manufacturing capacity by lowering prices.

Commodity price increases, as well as any reductions in electricity or gas supply, could adversely impact our production, which would result in lower profitability.

Our subsidiaries use certain commodities in the manufacture of their products. These include steel scrap, ferroalloys and energy. Any sudden price increase may cause a reduction in profit margins or losses where fixed-priced contracts have been accepted or increases cannot be obtained in future selling prices. In addition, there may be curtailment in electricity or gas supply which would adversely impact production. Shortage of critical materials while driving up costs may be of such severity as to disrupt production, all of which may impact sales and profitability.

We may not be able to realize the expected benefits from the acquisitions that we make, and we may experience difficulties in integrating the acquired businesses.

We have made in the past, and will continue to make, certain acquisitions and enter into joint ventures, which are intended to complement or expand our businesses. These acquisitions involve a variety of challenges and risks. We may encounter difficulties

Table of Contents

integrating acquired businesses with our operations or applying our internal control processes to these acquisitions. Other risks associated with acquisitions are the diversion of management's attention from other business concerns, the potential loss of key employees and customers of the acquired companies, the possible assumption of unknown liabilities, and potential disputes with the sellers. We may not be able to complete certain acquisitions due to antitrust laws and regulations in various jurisdictions. Additionally, we may not realize the degree of timing of benefits we anticipate when we first enter into a transaction. Any of the foregoing could adversely affect our business and results of operations.

A work stoppage or another industrial action on the part of any of our unions may be disruptive to our operations.

Our subsidiaries have several key operations which are subject to multi-year collective bargaining agreements with their hourly work forces. While we believe we have good relations with our unions, there is the risk of industrial action or work stoppage at the expiration of an agreement if contract negotiations break down, which may disrupt manufacturing and impact results of operations.

Dependence on certain equipment may cause an interruption in our production if such equipment is out of operation for an extended period of time, which would result in lower sales and profitability.

Our subsidiaries' principal business relies on certain unique equipment such as an electric arc furnace and a spin cast work roll machine. Although a comprehensive critical spare inventory of key components for this equipment is maintained, if any such unique equipment is out of operation for an extended period, it may result in a significant reduction in our sales and earnings.

The ultimate liability of our subsidiaries for claims alleging personal injury from exposure to asbestos-containing components historically used in certain products of our subsidiaries could have a material adverse effect on our consolidated financial condition or liquidity in the future.

Our subsidiaries, and in some cases, we, are defendants in numerous claims alleging personal injury from exposure to asbestos-containing components historically used in certain products of our subsidiaries. Through year-end 2015, our insurance has covered a substantial majority of our settlement and defense costs. We believe that the estimated costs net of anticipated insurance recoveries of our pending and future asbestos legal proceedings for the next ten years will not have a material adverse effect on our consolidated financial condition or liquidity. However, there can be no assurance that our subsidiaries or we will not be subject to significant additional claims in the future or that our subsidiaries' ultimate liability with respect to asbestos claims will not present significantly greater and longer lasting financial exposure than provided for in our consolidated financial statements. Similarly, although the Corporation believes that the assumptions employed in valuing its insurance coverage were reasonable, there are other assumptions that could have been employed that would have resulted in materially lower insurance recovery projections. The ultimate net liability with respect to such pending and any unasserted claims is subject to various uncertainties, including the following:

the number of claims that are brought in the future;

the costs of defending and settling these claims;

insolvencies among our insurance carriers and the risk of future insolvencies;

the possibility that adverse jury verdicts could require damage payments in amounts greater than the amounts for which we have historically settled claims;

possible changes in the litigation environment or federal and state law governing the compensation of asbestos claimants;

the risk that the bankruptcies of other asbestos defendants may increase our costs; and

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the risk that our insurance will not cover as much of our asbestos liabilities as anticipated. Because of the uncertainties related to such claims, it is possible that the ultimate liability could have a material adverse effect on our consolidated financial condition or liquidity in the future.

The loss of any of our key management or our inability to attract or retain qualified personnel may prevent us from our implementing our business strategy.

Our success is dependent on the management, experience and leadership skills of our senior management team and key employees. The loss of any of these individuals or an inability to attract, retain and maintain additional personnel with similar industry experience

Table of Contents

could prevent us from implementing our business strategy. We cannot assure you that we will be able to retain our existing senior management and key personnel or to attract additional qualified personnel when needed.

Potential attacks on information technology infrastructure and other cyber-based business disruptions could have a material adverse effect on our financial condition and results of operations.

We depend on integrated information technology (IT) systems to conduct our business. IT systems failures, including risks associated with upgrading our systems or in successfully integrating IT and other systems in connection with the integration of businesses we acquire, network disruptions and breaches of data security could disrupt our operations by impeding our processing of transactions, our ability to protect customer or company information and our financial reporting. Our computer systems, including our back-up systems, could be damaged or interrupted by power outages, computer and telecommunications failures, computer viruses, internal or external security breaches, events such as fires, earthquakes, floods, tornadoes and hurricanes, and/or errors by our employees. Cyber-based risks, in particular, are evolving and include both attacks to our IT infrastructure and attacks to the IT infrastructure of third parties in attempts to gain unauthorized access to our confidential or other proprietary information, or information relating to our employees, customers and other third parties. Although we have taken steps to address these concerns, there can be no assurance that a system failure or data security breach will not have a material adverse effect on our financial condition and results of operations.

We could be exposed to substantial liabilities resulting from non-compliance with domestic and international environmental laws and regulations.

We and our subsidiaries are subject to various domestic and international environmental laws and regulations that govern the discharge of pollutants and disposal of wastes and which may require that we and our subsidiaries investigate and remediate the effects of the release or disposal of materials at sites associated with past and present operations. We and our subsidiaries could incur substantial cleanup costs, fines and civil or criminal sanctions, third party property damage or personal injury claims as a result of violations or liabilities under these laws or non-compliance with environmental permits required at our facilities.

ITEM 1B. UNRESOLVED STAFF COMMENTS

The Corporation has no unresolved staff comments.

The location and general character of the principal locations in each segment, all of which are owned unless otherwise noted, are listed below. In addition, we have sales offices in the following countries: Belgium, Brazil, China, Egypt, France, Germany, Singapore, Slovenia, South Korea, Sweden, Turkey and Taiwan. See Note 4 (Property, Plant and Equipment) of this Annual Report on Form 10-K for disclosure of properties held as collateral.

Table of Contents

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Taiyuan, Shanxi, China

Alloys Unlimited and Processing, LLC

3760 Oakwood Avenue

Manufacturing facilities and
offices

69,800*

Austintown, Ohio 44515

AIR AND LIQUID PROCESSING SEGMENT

Air & Liquid Systems Corporation

Aerofin Division

4621 Murray Place

Lynchburg, VA 24506

Manufacturing facilities and
offices

146,000 on 15.3 acres

Brick, concrete and steel

Table of Contents

Company and Location	Principal Use	Approximate	Type of Construction
		Square Footage	
<i>Buffalo Air Handling Division</i> Zane Snead Drive Amherst, VA 24531	Manufacturing facilities and offices	89,000 on 19.5 acres	Metal and steel
<i>Buffalo Pumps Division</i> 874 Oliver Street N. Tonawanda, NY 14120	Manufacturing facilities and offices	94,000 on 9 acres	Metal, brick and cement block

**Facility is leased.*

The Corporation leases office space from Union Electric Steel Corporation. The Corporation subleases a portion of its offices space to Air & Liquid Systems Corporation for use as its headquarters. All of the owned facilities are adequate and suitable for their respective purposes.

The Forged and Cast Engineered Products segment's facilities operated within 65% to 75% of their normal capacity during 2015. The facilities of the Air and Liquid Processing segment operated within 60% to 70% of their normal capacity. Normal capacity is defined as capacity under approximately normal conditions with allowances made for unavoidable interruptions, such as lost time for repairs, maintenance, breakdowns, set-up, failure, supply delays, labor shortages and absences, Sundays, holidays, vacation, inventory taking, etc. The number of work shifts is also taken into consideration.

ITEM 3. LEGAL PROCEEDINGS**LITIGATION**

The Corporation and its subsidiaries are involved in various claims and lawsuits incidental to their businesses and are also subject to asbestos litigation as described below.

Asbestos Litigation

Claims have been asserted alleging personal injury from exposure to asbestos-containing components historically used in some products of predecessors of Air & Liquid Systems Corporation (Asbestos Liability). Those subsidiaries, and in some cases the Corporation, are defendants (among a number of defendants, often in excess of 50) in cases filed in various state and federal courts.

Asbestos Claims

The following table reflects approximate information about the claims for Asbestos Liability against the subsidiaries and the Corporation for the two years ended December 31, 2015 and 2014.

<i>(dollars in thousands)</i>	2015	2014
Total claims pending at the beginning of the period	8,457	8,319
New claims served	1,424	1,466
Claims dismissed	(3,339)	(1,094)
Claims settled	(330)	(234)
Total claims pending at the end of the period ⁽¹⁾	6,212	8,457
Gross settlement and defense costs (in 000's)	\$ 19,199	\$ 20,801
Average gross settlement and defense costs per claim resolved (in 000's)	\$ 5.23	\$ 15.66

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(1) Included as open claims are approximately 430 and 1,647 claims in 2015 and 2014, respectively, classified in various jurisdictions as inactive or transferred to a state or federal judicial panel on multi-district litigation, commonly referred to as the MDL.

A substantial majority of the settlement and defense costs reflected in the above table was reported and paid by insurers. Because claims are often filed and can be settled or dismissed in large groups, the amount and timing of settlements, as well as the number of open claims, can fluctuate significantly from period to period.

Table of Contents

Asbestos Insurance

The Corporation and its Air & Liquid Systems Corporation (Air & Liquid) subsidiary are parties to a series of settlement agreements (Settlement Agreements) with insurers that have coverage obligations for Asbestos Liability (the Settling Insurers). Under the Settlement Agreements, the Settling Insurers accept financial responsibility, subject to the terms and conditions of the respective agreements, including overall coverage limits, for pending and future claims for Asbestos Liability. The Settlement Agreements encompass the substantial majority of insurance policies that provide coverage for claims for Asbestos Liability.

The Settlement Agreements include acknowledgements that Howden North America, Inc. (Howden) is entitled to coverage under policies covering Asbestos Liability for claims arising out of the historical products manufactured or distributed by Buffalo Forge, a former subsidiary of the Corporation (the Products). The Settlement Agreements do not provide for any prioritization on access to the applicable policies or any sublimits of liability as to Howden or the Corporation and Air & Liquid, and, accordingly, Howden may access the coverage afforded by the Settling Insurers for any covered claim arising out of a Product. In general, access by Howden to the coverage afforded by the Settling Insurers for the Products will erode coverage under the Settlement Agreements available to the Corporation and Air & Liquid for Asbestos Liability.

On February 24, 2011, the Corporation and Air & Liquid filed a lawsuit in the United States District Court for the Western District of Pennsylvania against thirteen domestic insurance companies, certain underwriters at Lloyd's, London and certain London market insurance companies, and Howden. The lawsuit seeks a declaratory judgment regarding the respective rights and obligations of the parties under excess insurance policies that were issued to the Corporation from 1981 through 1984 as respects claims against the Corporation and its subsidiary for Asbestos Liability and as respects asbestos bodily-injury claims against Howden arising from the Products. The Corporation and Air & Liquid have reached Settlement Agreements with all but two of the defendant insurers in the coverage action. Those Settlement Agreements specify the terms and conditions upon which the insurer parties are to contribute to defense and indemnity costs for claims for Asbestos Liability. One of the Settlement Agreements entered into by the Corporation and Air & Liquid also provided for the dismissal of claims, without prejudice, regarding two upper-level excess policies issued by one of the insurers. The Court has entered Orders dismissing all claims in the action filed against each other by the Corporation and Air & Liquid, on the one hand, and by the settling insurers, on the other. Howden also reached an agreement with eight domestic insurers addressing asbestos-related bodily injury claims arising from the Products, and claims as to those insurers and Howden have been dismissed. Various counterclaims, cross claims and third party claims have been filed in the litigation and remain pending although only two domestic insurers and Howden remain in the litigation as to the Corporation and Air & Liquid. On September 27, 2013, the Court issued a memorandum opinion and order granting in part and denying in part cross motions for summary judgment filed by the Corporation and Air & Liquid, Howden, and the insurer parties still in the litigation. On February 26, 2015, the Court issued final judgment. One insurer filed a notice of appeal from the judgment to the U.S. Court of Appeals to the Third Circuit; as a result, several other insurers, Howden, the Corporation, and Air & Liquid filed notices of case appeal. The appeals are presently pending, and the parties have been involved in a mediation through the Third Circuit's mediator's office.

Asbestos Valuations

In 2006, the Corporation retained Hamilton, Rabinovitz & Associates, Inc. (HR&A), a nationally recognized expert in the valuation of asbestos liabilities, to assist the Corporation in estimating the potential liability for pending and unasserted future claims for Asbestos Liability. HR&A was not requested to estimate asbestos claims against the inactive subsidiary in dissolution, which the Corporation believes are immaterial. Based on this analysis, the Corporation recorded a reserve for Asbestos Liability claims pending or projected to be asserted through 2013 as of December 31, 2006. HR&A's analysis has been periodically updated since that time. Most recently, the HR&A analysis was updated in 2014, and additional reserves were established by the Corporation as of December 31, 2014 for Asbestos Liability claims pending or projected to be asserted through 2024. The methodology used by HR&A in its projection in 2014 of the operating subsidiaries' liability for pending and unasserted potential future claims for Asbestos Liability, which is substantially the same as the methodology employed by HR&A in prior estimates, relied upon and included the following factors:

HR&A's interpretation of a widely accepted forecast of the population likely to have been exposed to asbestos;

epidemiological studies estimating the number of people likely to develop asbestos-related diseases;

HR&A's analysis of the number of people likely to file an asbestos-related injury claim against the subsidiaries and the Corporation based on such epidemiological data and relevant claims history from January 1, 2012 to December 8, 2014;

Table of Contents

an analysis of pending cases, by type of injury claimed and jurisdiction where the claim is filed;

an analysis of claims resolution history from January 1, 2012 to December 8, 2014 to determine the average settlement value of claims, by type of injury claimed and jurisdiction of filing; and

an adjustment for inflation in the future average settlement value of claims, at an annual inflation rate based on the Congressional Budget Office's ten year forecast of inflation.

Using this information, HR&A estimated in 2014 the number of future claims for Asbestos Liability that would be filed through the year 2024, as well as the settlement or indemnity costs that would be incurred to resolve both pending and future unasserted claims through 2024. This methodology has been accepted by numerous courts.

In conjunction with developing the aggregate liability estimate referenced above, the Corporation also developed an estimate of probable insurance recoveries for its Asbestos Liabilities. In developing the estimate, the Corporation considered HR&A's projection for settlement or indemnity costs for Asbestos Liability and management's projection of associated defense costs (based on the current defense to indemnity cost ratio), as well as a number of additional factors. These additional factors included the Settlement Agreements then in effect, policy exclusions, policy limits, policy provisions regarding coverage for defense costs, attachment points, prior impairment of policies and gaps in the coverage, policy exhaustions, insolvencies among certain of the insurance carriers, and the nature of the underlying claims for Asbestos Liability asserted against the subsidiaries and the Corporation as reflected in the Corporation's asbestos claims database, as well as estimated erosion of insurance limits on account of claims against Howden arising out of the Products. In addition to consulting with the Corporation's outside legal counsel on these insurance matters, the Corporation consulted with a nationally-recognized insurance consulting firm it retained to assist the Corporation with certain policy allocation matters that also are among the several factors considered by the Corporation when analyzing potential recoveries from relevant historical insurance for Asbestos Liabilities. Based upon all of the factors considered by the Corporation, and taking into account the Corporation's analysis of publicly available information regarding the credit-worthiness of various insurers, the Corporation estimated the probable insurance recoveries for Asbestos Liability and defense costs through 2024. Although the Corporation believes that the assumptions employed in the insurance valuation were reasonable and previously consulted with its outside legal counsel and insurance consultant regarding those assumptions, there are other assumptions that could have been employed that would have resulted in materially lower insurance recovery projections.

Based on the analyses described above, the Corporation's reserve at December 31, 2014 for the total costs, including defense costs, for Asbestos Liability claims pending or projected to be asserted through 2024 was \$189 million of which approximately 64% was attributable to settlement costs for unasserted claims projected to be filed through 2024 and future defense costs. The reserve at December 31, 2015 was \$170 million. While it is reasonably possible that the Corporation will incur additional charges for Asbestos Liability and defense costs in excess of the amounts currently reserved, the Corporation believes that there is too much uncertainty to provide for reasonable estimation of the number of future claims, the nature of such claims and the cost to resolve them beyond 2024. Accordingly, no reserve has been recorded for any costs that may be incurred after 2024.

The Corporation's receivable at December 31, 2014 for insurance recoveries attributable to the claims for which the Corporation's Asbestos Liability reserve has been established, including the portion of incurred defense costs covered by the Settlement Agreements in effect through December 31, 2014, and the probable payments and reimbursements relating to the estimated indemnity and defense costs for pending and unasserted future Asbestos Liability claims, was \$141 million (\$125 million at December 31, 2015).

The following table summarizes activity relating to insurance recoveries for each of the years ended December 31, 2015 and 2014.

	2015	2014
Insurance receivable - asbestos, beginning of the year	\$ 140,651	\$ 110,741
Settlement and defense costs paid by insurance carriers	(15,228)	(17,159)
Changes in estimated coverage	0	47,069
Insurance receivable - asbestos, end of the year	\$ 125,423	\$ 140,651

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The insurance receivable recorded by the Corporation does not assume any recovery from insolvent carriers and a substantial majority of the insurance recoveries deemed probable was from insurance companies rated A (excellent) or better by A.M. Best Corporation.

Table of Contents

There can be no assurance, however, that there will not be further insolvencies among the relevant insurance carriers, or that the assumed percentage recoveries for certain carriers will prove correct. The difference between insurance recoveries and projected costs is not due to exhaustion of all insurance coverage for Asbestos Liability. The Corporation and the subsidiaries have substantial additional insurance coverage which the Corporation expects to be available for Asbestos Liability claims and defense costs that the subsidiaries and it may incur after 2024. However, this insurance coverage also can be expected to have gaps creating significant shortfalls of insurance recoveries as against claims expense, which could be material in future years.

The amounts recorded by the Corporation for Asbestos Liabilities and insurance receivables rely on assumptions that are based on currently known facts and strategy. The Corporation's actual expenses or insurance recoveries could be significantly higher or lower than those recorded if assumptions used in the Corporation's or HR&A's calculations vary significantly from actual results. Key variables in these assumptions are identified above and include the number and type of new claims to be filed each year, the average cost of disposing of each such new claim, average annual defense costs, compliance by relevant parties with the terms of the Settlement Agreements, the resolution of remaining coverage issues with insurance carriers, and the solvency risk with respect to the relevant insurance carriers. Other factors that may affect the Corporation's Asbestos Liability and ability to recover under its insurance policies include uncertainties surrounding the litigation process from jurisdiction to jurisdiction and from case to case, reforms that may be made by state and federal courts, and the passage of state or federal tort reform legislation.

The Corporation intends to evaluate its estimated Asbestos Liability and related insurance receivables as well as the underlying assumptions on a regular basis to determine whether any adjustments to the estimates are required. Due to the uncertainties surrounding asbestos litigation and insurance, these regular reviews may result in the Corporation incurring future charges; however, the Corporation is currently unable to estimate such future charges. Adjustments, if any, to the Corporation's estimate of its recorded Asbestos Liability and/or insurance receivables could be material to operating results for the periods in which the adjustments to the liability or receivable are recorded, and to the Corporation's liquidity and consolidated financial position.

ENVIRONMENTAL

The Corporation is currently performing certain remedial actions in connection with the sale of real estate previously owned and appropriate reserves have been established.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

The shares of common stock of Ampco-Pittsburgh Corporation are traded on the New York Stock Exchange (symbol AP). Cash dividends have been paid on common shares in every year since 1965.

Quarter	2015 Per Share			2014 Per Share		
	Common Stock Price		Dividends Declared	Common Stock Price		Dividends Declared
	High	Low		High	Low	
First	\$ 19.44	\$ 16.19	\$ 0.18	\$ 20.91	\$ 16.45	\$ 0.18
Second	17.63	14.51	0.18	23.73	18.71	0.18
Third	15.80	10.55	0.18	24.90	19.62	0.18
Fourth	12.57	9.66	0.18	22.28	16.75	0.18
Year	19.44	9.66	0.72	24.90	16.45	0.72

The number of registered shareholders at December 31, 2015 and 2014 equaled 373 and 400, respectively.

Table of Contents

STOCK PERFORMANCE GRAPH

Comparison of Five Year Cumulative Total Return

Standard & Poors 500, NYSE Composite and Morningstar's Steel Industry

(Performance results through December 31, 2015)

COMPARISON OF CUMULATIVE TOTAL RETURN*

Assumes \$100 invested at the close of trading on the last trading day preceding January 1, 2010 in Ampco-Pittsburgh Corporation common stock, Standard & Poors 500 Index, NYSE Composite Index and Morningstar's Steel Industry group.

**Cumulative total return assumes reinvestment of dividends.*

In the above graph, the Corporation has used Morningstar's Steel Industry group for its peer comparison. The diversity of products produced by subsidiaries of the Corporation makes it difficult to match to any one product-based peer group. Although not totally comparable, the Steel Industry group was chosen because the largest percentage of the Corporation's sales is to the global steel industry.

Historical stock price performance shown on the above graph is not necessarily indicative of future price performance.

Table of Contents**ITEM 6. SELECTED FINANCIAL DATA**

	Year Ended December 31,				
(dollars, except per share amounts, and shares outstanding in thousands)	2015	2014	2013	2012	2011
Net sales	\$ 238,480	\$ 272,858	\$ 281,050	\$ 292,905	\$ 344,816
Net income (loss) ⁽¹⁾	1,373	(1,187)	12,437	8,355	21,309
Total assets	506,156	536,409	502,673	533,179	531,632
Shareholders' equity	211,423	205,148	234,995	192,093	192,872
Net income (loss) per common share:					
Basic ⁽¹⁾	0.13	(0.11)	1.20	0.81	2.07
Diluted	0.13	(0.11)	1.20	0.80	2.05
Per common share:					
Cash dividends declared	0.72	0.72	0.72	0.72	0.72
Shareholders' equity	20.25	19.68	22.65	18.57	18.68
Market price at year end	10.26	19.25	19.45	19.98	19.34
Weighted average common shares outstanding	10,435	10,405	10,358	10,338	10,319
Number of registered shareholders	373	400	423	454	487
Number of employees	1,027	1,076	1,109	1,178	1,240

(1) Net income (loss) includes:

2015 After-tax asbestos-related proceeds of \$9,316 or \$0.89 per common share received from two insurance carriers in rehabilitation (see Note 17 to Consolidated Financial Statements).

2014 An after-tax charge of \$2,916 or \$0.28 per common share for estimated costs of asbestos-related litigation through 2024 net of estimated insurance recoveries (see Note 17 to Consolidated Financial Statements).

2013 An after-tax credit of \$10,621 or \$1.03 per common share for estimated additional insurance recoveries expected to be available to satisfy asbestos liabilities through 2022 resulting from settlement agreements reached with various insurance carriers (see Note 17 to Consolidated Financial Statements) offset by an after-tax charge of \$4,165 or \$0.40 per common share to recognize an other-than-temporary impairment of our investment in a forged roll joint venture company (see Note 2 to Consolidated Financial Statements) for a net increase to net income of \$6,456 or \$0.63 per common share.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

(in thousands, except per share amounts)

EXECUTIVE OVERVIEW

Ampco-Pittsburgh Corporation and its subsidiaries (the Corporation) manufacture and sell highly engineered, high performance specialty metal products and customized equipment utilized by industry throughout the world. We operate in two business segments the Forged and Cast Engineered Products segment and the Air and Liquid Processing segment.

The Forged and Cast Engineered Products segment consists of Union Electric Steel Corporation (Union Electric Steel or UES) and Union Electric Steel UK Limited (UES-UK). Union Electric Steel produces ingot and forged products that service a wide variety of industries globally. It specializes in the production of forged hardened steel rolls used in cold rolling by producers of steel, aluminum and other metals throughout the world. In addition, it produces ingot and open die forged products (other forging products) which are used in the gas and oil industry and the aluminum and plastic extrusion industries. UES is headquartered in

Table of Contents

Carnegie, Pennsylvania and has three manufacturing facilities in Pennsylvania, one in Indiana and one in Ohio. It is one of the largest producers of forged hardened steel rolls in the world. In addition to a few domestic competitors, several major European, South American and Asian manufacturers also compete in both the domestic and foreign markets. UES-UK produces cast rolls for hot and cold strip mills, medium/heavy section mills and plate mills in a variety of iron and steel qualities. Located in Gateshead, England, it is a major supplier of cast rolls to the metalworking industry worldwide and primarily competes with European, Asian and North and South American companies in both domestic and foreign markets.

The Air and Liquid Processing segment includes Aerofin, Buffalo Air Handling and Buffalo Pumps, all divisions of Air & Liquid Systems Corporation (Air and Liquid), a wholly-owned subsidiary of the Corporation. Aerofin produces custom-engineered finned tube heat exchange coils and related heat transfer products for a variety of industries including OEM/Commercial, fossil fuel, nuclear power generation and industrial process. Buffalo Air Handling produces large custom-designed air handling systems for institutional (e.g., hospital, university), pharmaceutical and general industrial building markets. Buffalo Pumps manufactures centrifugal pumps for the fossil fuel power generation, marine defense and industrial refrigeration industries. The segment has operations in Virginia and New York with headquarters in Carnegie, Pennsylvania. The segment distributes a significant portion of its products through a common independent group of sales offices located throughout the United States and Canada.

In July 2015, a subsidiary of Union Electric Steel acquired the business and assets of Alloys Unlimited & Processing, Inc. (AUP), a supplier of specialty tool, alloy, and carbon steel round bar. The acquisition provides diversification and growth opportunities for our Forged and Cast Engineered Products group and increased ability to provide quick turnaround and emergency supply to customers.

On March 3, 2016, Union Electric Steel acquired Åkers AB and certain of its affiliated companies (excluding Åkers AB's operations in France and Belgium) from Altor Fund II GP Limited. The business is a part of the Forged and Cast Engineered Products segment. Åkers AB has been a leader in the production of forged and cast rolls since 1806. The acquisition adds roll production facilities in Sweden, the United States, Slovenia, and China; 14 sales offices; and a service capability in the United States. It enables cast roll production in the United States, forged roll production in Europe, and a low-cost product alternative for customers. The base purchase price of \$75,000 (which is subject to certain post-closing adjustments) was payable \$29,000 in cash, \$26,000 in the form of a three-year note, and \$20,000 in shares of common stock of the Corporation. Future consolidated financial statements of the Corporation will include the results of operations of the acquired entities from the date of acquisition.

The Forged and Cast Engineered Products segment has been operating at levels significantly below capacity due to an overall reduction in demand for roll product. Market conditions in the United States, Europe and other world regions remain difficult due to weaknesses in our customer base, which is suffering from excess steelmaking capacity and an over-supply of rolls worldwide. The strengthening of the U.S. dollar and British pound against most major currencies has further hampered opportunity. With the global steelmaking industry operating below capacity, customer emphasis has been on roll cost versus performance. Accordingly, pricing has suffered and profit margins have decreased. Demand for rolls was weak and pricing pressure was fierce in 2015. We do not anticipate improvement in the steel market in 2016 but believe a slow turnaround should begin in 2017. While currently representing a minor portion of the segment's business activity, ongoing efforts to diversify our customer base have resulted in expansion of our other forging products. Although being affected by weak demand as a result of the falloff in crude oil pricing, sales of other forging products have offset some of the effects of constraints currently affecting the roll market and utilizing available production capacity.

Union Electric Steel MG Roll Co., Ltd (UES-MG), the Chinese joint venture company in which a subsidiary of UES holds a 49% interest, principally manufactures and sells forged backup rolling mill rolls of a size and weight currently not able to be produced by UES. Similar to UES, the joint venture has been adversely impacted by the global economy, resulting in significantly depressed pricing, reduced demand and excess roll inventories with its potential customer base in China. Losses have been incurred since 2009, in which we have recognized our share (49%) in our consolidated statements of operations, and are expected to continue through 2016 and into 2017. Additionally, the overall financial strength of the joint venture remains weak with a significant reliance on the 51% partner or entities controlled by the 51% partner to provide financing and working capital. We will continue to monitor the carrying value of this investment (\$1,757 at December 31, 2015) to determine if future charges are necessary.

For the Air and Liquid Processing segment, business activity in the specialty centrifugal pump industry continues to be strong while a decline in the fossil-fueled power generation market and industrial markets is negatively affecting our heat exchange business. The downturn in the fossil-fueled power generation market is due to a falloff in spending for coal-fired power plants while the industrial markets are being impacted by lower spending in the industrial replacement market and increased competition. Demand for custom air

Table of Contents

handling systems has improved while competitive pricing pressures continue. The focus for this segment is to grow revenues, increase margins, strengthen engineering and manufacturing capabilities, and revise the sales and marketing approach.

CONSOLIDATED RESULTS OF OPERATIONS OVERVIEW**The Corporation**

	2015		2014		2013	
Net Sales:						
Forged and Cast Engineered Products	\$	152,267	64%	\$ 179,388	66%	\$ 187,286 67%
Air and Liquid Processing		86,213	36%	93,470	34%	93,764 33%
Consolidated	\$	238,480	100%	\$ 272,858	100%	\$ 281,050 100%
Income (Loss) from Operations:						
Forged and Cast Engineered Products	\$	(3,444)		\$ 4,380		\$ 13,936
Air and Liquid Processing ⁽¹⁾		23,166		4,222		24,945
Corporate costs		(14,675)		(8,522)		(9,914)
Consolidated	\$	5,047		\$ 80		\$ 28,967
Backlog:						
Forged and Cast Engineered Products	\$	106,582	75%	\$ 131,118	78%	\$ 159,344 81%
Air and Liquid Processing		35,243	25%	36,830	22%	38,117 19%
Consolidated	\$	141,825	100%	\$ 167,948	100%	\$ 197,461 100%

(1) Income (loss) from operations for the Air and Liquid Processing segment for 2015 includes pre-tax asbestos-related proceeds of \$14,333 received from two insurance carriers in rehabilitation whereas 2014 includes a pre-tax charge of \$4,487 for estimated costs of asbestos-related litigation through 2024 net of estimated insurance recoveries and 2013 includes a pre-tax credit of \$16,340 for estimated additional insurance recoveries expected to be available to satisfy asbestos liabilities through 2022 resulting from settlement agreements reached with various insurance carriers (see Note 17 to Consolidated Financial Statements).

Consolidated net sales for 2015 declined when compared to 2014 and 2013 primarily due to a lower volume of shipments and weaker pricing for our Forged and Cast Engineered Products group. Sales for the Air and Liquid Processing group decreased in 2015 against the two previous years principally as a result of a lower level of shipments to the fossil-fueled utility and industrial markets. A discussion of sales and backlog for the Corporation's two segments is included below.

Operating income for 2015 includes asbestos-related proceeds of \$14,333 received from two insurance carriers in rehabilitation whereas 2014 includes a pre-tax charge of \$4,487 for estimated additional costs of asbestos-related litigation through 2024 net of estimated insurance recoveries and 2013 includes a pre-tax credit of \$16,340 for estimated additional insurance recoveries expected to be available to satisfy asbestos liabilities through 2022. Corporate expenses are greater in the current year due to acquisition-related costs of \$3,383, a pension curtailment charge of \$949 (see Note 7 to Consolidated Financial Statements) and centralization of back office functions which transferred approximately \$1,600 of employee-related costs from the operating entities to Corporate. The decrease in corporate expenses in 2014 from 2013 is primarily due to lower employee-related expenses including pension and other post-retirement benefit costs.

Gross margin, excluding depreciation, as a percentage of net sales, was 17.8%, 19.9% and 22.7% for 2015, 2014 and 2013, respectively. The decrease over the years is primarily attributable to our Forged and Cast Engineered Products segment which has been adversely impacted by a lower volume of shipments, a reduction in the level of production and ongoing price concessions to remain competitive. For 2014 compared to 2013, the impact to gross margin is somewhat offset by lower pension and other postretirement benefit costs of approximately \$3,927.

Selling and administrative expenses totaled \$39,510 (16.6% of net sales), \$37,380 (13.7% of net sales) and \$39,682 (14.1% of net sales) for 2015, 2014 and 2013, respectively. The increase in 2015 from 2014 is principally attributable to acquisition-related costs of \$3,383 and charges associated with the curtailment of the U.S. defined benefit plan of \$949 offset by collection of accounts receivable previously written off of approximately \$750 and lower commissions of \$539. The decrease in 2014 from 2013 is principally related to lower pension and other postretirement costs of \$1,216 and commissions of \$878.

Table of Contents

The credit for asbestos litigation in 2015 represents asbestos-related proceeds received from two insurance carriers in rehabilitation which, because of their potential insolvency, were not included in the insurance receivable previously recorded. The charge for asbestos litigation in 2014 represents an extension of the estimated costs of pending and future asbestos claims, net of additional insurance recoveries, from 2022 to the end of 2024. The credit for asbestos litigation in 2013 represents the estimated additional insurance recoveries expected to be available to satisfy asbestos liabilities through 2022 resulting from settlement agreements reached with various insurance carriers in 2013. The claims result from alleged personal injury from exposure to asbestos-containing components historically used in some products manufactured by certain companies which now operate as divisions of the Air and Liquid Processing segment. See Note 17 to Consolidated Financial Statements.

Other income (expense) fluctuated primarily as a result of changes in foreign exchange losses and charges related to operations discontinued years ago. Losses on foreign exchange transactions approximated \$(324), \$(488) and \$(227) for 2015, 2014 and 2013, respectively, and charges related to operations discontinued years ago equaled \$(144), \$(443) and \$(1,412), respectively.

Our U.S. federal statutory income tax rate equals 35% which compares to an effective income tax rate of 58.3%, 85.9% and 21.4% for 2015, 2014 and 2013, respectively. The effective income tax rate for 2015 is higher than our federal statutory income rate due to the non-deductibility of acquisition-related costs, state income taxes and a lower statutory income tax rate in jurisdictions where foreign operations incurred a net loss (thereby generating less of a tax benefit). The effective income tax rate for 2014 is greater than our federal statutory income tax rate due to a reduction in current year earnings, which caused permanent adjustments to have a greater impact on the overall effective income tax rate, and the revaluation of deferred income tax assets associated with decreases in the state income tax rates for New York and Indiana. The effective income tax rate for 2013 was lower than our federal statutory income tax rate due to beneficial permanent differences for our domestic operations and tax benefit related to the impairment charge recognized on our investment in a forged roll joint venture company.

Equity losses in the Chinese joint venture represent Union Electric Steel's share (49%) of the losses of UES-MG and, for 2013, the impairment charge we recognized on our investment in the joint venture company (see Note 2 to Consolidated Financial Statements).

As a result of the above, for 2015, we earned \$1,373, or \$0.13 per common share, which includes an after-tax credit of \$5,088, or \$0.49 per common share, for the net benefit of proceeds received from insurance carriers in rehabilitation offset by acquisition-related costs and curtailment charges. For 2014, we lost \$1,187, or \$0.11 per common share, which includes an after-tax charge of \$2,916, or \$0.28 per common share, for estimated costs of asbestos-related litigation through 2024 net of estimated insurance recoveries. For 2013, we earned \$12,437, or \$1.20 per common share, which includes an after-tax credit of \$10,621, or \$1.03 per common share, for estimated additional insurance recoveries expected to be available to satisfy asbestos liabilities through 2022 resulting from settlement agreements reached with various insurance carriers offset by an after-tax charge of \$4,165, or \$0.40 per common share, to recognize an other-than-temporary impairment of our investment in a forged roll joint venture company for a net increase to net income of \$6,456, or \$0.63 per common share.

Forged and Cast Engineered Products

	2015	2014	2013
Net sales	\$ 152,267	\$ 179,388	\$ 187,286
Operating (loss) income	\$ (3,444)	\$ 4,380	\$ 13,936
Backlog	\$ 106,582	\$ 131,118	\$ 159,344

For 2015, net sales continued to decline primarily as a result of an ongoing decrease in the volume of traditional roll shipments (approximately \$56,000 over the two year period) partially offset by an increase in shipments of other forging products (approximately \$21,000 over the two year period).

The decrease in the volume of shipments impacted operating results by \$4,800 and \$3,000 for 2015 and 2014, respectively. Weaker margins and an under-recovery of costs resulting from lower production levels further affected earnings by approximately \$7,200 and \$4,500 for the same periods. Lower freight and commission costs offset the impact by approximately \$1,100 and \$1,850 for 2015 and 2014, respectively. Additionally, collection of accounts receivable written off in the previous year of approximately \$750 and centralization of back office functions, which transferred approximately \$1,400 of employee-related costs from the segment to

Table of Contents

Corporate, also benefited earnings in 2015 versus 2014. Operating income for 2013 includes receipt of \$1,500 of insurance proceeds for lost margin on rolls damaged in an earlier year and a reduction of warranty-related provisions as a result of improved quality.

The weighted-average exchange rate used to translate sales of our U.K. operations from the British pound to the U.S. dollar for 2014 was higher than the rate for 2015 and 2013. As a result, 2014 sales were more than 2015 and 2013 by approximately \$4,000 and \$2,900, respectively. The impact from the change in the weighted-average exchange rates to operating income was not significant.

Backlog at the end of 2015 decreased from earlier years due to a combination of lower demand from roll customers who continue to operate below capacity causing shipments to outpace new orders, larger customers placing orders quarter by quarter versus annually, and the strong U.S. dollar and British pound against major international currencies, especially the euro. As of December 31, 2015, approximately \$26,346 of the backlog is expected to be released after 2016.

Air and Liquid Processing

	2015	2014	2013
Net sales	\$ 86,213	\$ 93,470	\$ 93,764
Operating income	\$ 23,166	\$ 4,222	\$ 24,945
Backlog	\$ 35,243	\$ 36,830	\$ 38,117

For 2015, net sales for the segment decreased approximately 8% when compared to 2014 and 2013. The most significant impact came from the sale of heat exchange coils which fell by approximately 23% over the two year period due to a lower volume of shipments to the fossil-fueled utility and industrial markets which are being impacted by reduced demand and increased competition. Net sales of air handling units and pumps were comparable between the periods.

Operating income fluctuated between the periods primarily as a result of asbestos-related items. For 2015, operating income includes \$14,333 of proceeds received from two insurance carriers in rehabilitation which, because of their potential insolvency, were not included in the insurance receivable previously recorded. By comparison, operating income for 2014 includes a pre-tax charge of \$4,487 for estimated costs of asbestos-related litigation through 2024 net of estimated insurance recoveries and, for 2013, a pre-tax credit of \$16,340 for the estimated additional insurance recoveries expected to be available to satisfy asbestos liabilities through 2022 resulting from settlement agreements reached with various insurance carriers during the year. Despite lower sales for the segment in 2015, operating income benefited from a better product mix, cost containment and centralization of back office functions which transferred approximately \$200 of employee-related costs from the segment to Corporate.

Backlog at the end of 2015 declined from the previous two years due to a fall-off in orders for heat exchange coils primarily for the fossil-fueled utility and industrial markets. Although still less than two years ago, backlog for air handling units and pumps improved during the current year helping to offset the shortfall for coils. The majority of the year-end backlog is scheduled to ship in 2016.

LIQUIDITY AND CAPITAL RESOURCES

Net cash flows provided by operating activities for 2015 equaled \$20,505 compared to \$19,975 and \$37,774 for 2014 and 2013, respectively. In 2015, we received asbestos-related proceeds of \$14,333 from two insurance carriers in rehabilitation. In 2014 and 2013, we adjusted our asbestos-related liabilities and/or receivables which resulted in an additional charge (credit) for asbestos litigation being recognized. While the additional charge (credit) impacted earnings, it did not affect cash flows by the same amount. Instead, the asbestos liability, net of insurance recoveries, will be paid over a number of years and will generate tax benefits. Net asbestos-related payments, including reimbursement of past costs, equaled \$3,971, \$3,642 and \$(985) in 2015, 2014 and 2013, respectively, and are expected to approximate \$4,000 in 2016. Contributions to our pension and other postretirement plans approximated \$2,600 in 2015, \$2,500 in 2014 and \$7,400 in 2013 (of which \$5,000 were voluntary contributions). As a result of voluntary contributions and relief provided by *Moving Ahead for Progress in the 21st Century* (MAP-21) and subsequently the *Highway and Transportation Funding Act of 2014* (HAFITA), which reduces funding requirements for single-employer defined benefit plans, no minimum contributions are required for 2016. Additional voluntary contributions may be made however. Net cash flows provided by operating activities for 2015 benefitted from a decrease in accounts receivable attributable to lower sales in the fourth quarter of 2015 versus the fourth quarter of 2014 offset by an increase in days sales outstanding attributable to the mix of customers, slower payments by customers, and longer payment terms granted to customers.

Table of Contents

Net cash flows used in investing activities were \$14,299, \$13,219 and \$11,926 in 2015, 2014 and 2013, respectively, the majority of which represents capital expenditures for our Forged and Cast Engineered Products group and purchase of AUP for approximately \$5,000. As of December 31, 2015, anticipated future capital expenditures approximate \$9,341, the majority of which will be spent in 2016.

Net cash outflows from financing activities represent primarily the payment of dividends of \$0.72 per common share. Additionally, stock options were exercised in 2014 and 2013 resulting in proceeds from the issuance of common stock and excess tax benefits.

The effect of exchange rate changes on cash and cash equivalents is primarily attributable to the fluctuation of the British pound against the U.S. dollar.

As a result of the above, cash and cash equivalents decreased by \$1,976 in 2015 and ended the year at \$95,122 (of which \$10,785 is held by foreign operations) in comparison to \$97,098 and \$97,910 at December 31, 2014 and 2013, respectively. Repatriation of foreign funds may result in the Corporation accruing and paying additional income tax; however, the majority of foreign funds is currently deemed to be permanently reinvested and no additional provision for income tax has been made. Funds on hand and funds generated from future operations are expected to be sufficient to finance our operational and capital expenditure requirements. We also maintain short-term lines of credit in excess of the cash needs of our businesses which had availability at December 31, 2015 of approximately \$8,100 (including £2,500 in the United Kingdom and 400 in Belgium).

We had the following contractual obligations outstanding as of December 31, 2015:

	Total	Payments Due by Period				
		<1 year	1 3 years	3 5 years	>5 years	Other
Industrial Revenue Bonds ⁽¹⁾	\$ 13,311	\$ 0	\$ 0	\$ 4,120	\$ 9,191	\$ 0
Operating Lease Obligations	2,623	581	760	472	810	0
Capital Expenditures	9,341	9,341	0	0	0	0
Pension and Other Postretirement Benefit Obligations ⁽²⁾	50,873	2,647	10,889	19,968	17,369	0
Purchase Obligations ⁽³⁾	4,554	3,605	949	0	0	0
Unrecognized Tax Benefits ⁽⁴⁾	315	0	0	0	0	315
Total	\$ 81,017	\$ 16,174	\$ 12,598	\$ 24,560	\$ 27,370	\$ 315

(1) Represents principal only. Interest is not included since it is variable; interest rates averaged less than 1% in the current year. The Industrial Revenue Bonds begin to mature in 2020; however, if the bonds are unable to be remarketed they will be refinanced under a separate facility. See Note 6 to Consolidated Financial Statements.

(2) Represents estimated contributions to our pension and other postretirement plans. Actual required contributions are contingent on a number of variables including future investment performance of the plans' assets and may differ from these estimates. Contributions to the U.S. defined benefit plan are based on the projected funded status of the plan including anticipated normal costs, amortization of unfunded liabilities and an 8% expected return on plan assets. A significant portion of the U.S. defined benefit plan was frozen as of December 31, 2015. With respect to the U.K. defined benefit plan, the Trustees and UES-UK have agreed to a recovery plan that estimates the amount of employer contributions, based on U.K. regulations, necessary to eliminate the funding deficit of the plan over an agreed period. See Note 7 to Consolidated Financial Statements.

(3) Represents primarily commitments by one of our Forged and Cast Engineered Products subsidiaries for the purchase of natural gas through 2017 covering approximately 49% of anticipated needs. See Note 11 to Consolidated Financial Statements.

(4) Represents uncertain tax positions. Amount included as Other represents portion for which the period of cash settlement cannot be reasonably estimated. See Note 13 to Consolidated Financial Statements.

With respect to environmental matters, we are currently performing certain remedial actions in connection with the sale of real estate previously owned. Environmental exposures are difficult to assess and estimate for numerous reasons including lack of reliable data, the multiplicity of possible solutions, the years of remedial and monitoring activity required and the identification of new sites. However, we believe the potential liability for all environmental proceedings of approximately \$300 accrued at December 31, 2015 is considered adequate based on information

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known to date (see Note 18 to Consolidated Financial Statements).

The nature and scope of our business brings us into regular contact with a variety of persons, businesses and government agencies in the ordinary course of business. Consequently, we and certain of our subsidiaries from time to time are named in various legal actions. Generally, we do not anticipate that our financial condition or liquidity will be materially affected by the costs of known, pending or

Table of Contents

threatened litigation. However, claims have been asserted, principally against Air and Liquid, alleging personal injury from exposure to asbestos-containing components historically used in some products and there can be no assurance that future claims will not present significantly greater and longer lasting financial exposure than presently contemplated (see Note 17 to Consolidated Financial Statements).

OFF-BALANCE SHEET ARRANGEMENTS

Our off-balance sheet arrangements include operating leases, capital expenditures and purchase obligations disclosed in the contractual obligations table and the letters of credit unrelated to the Industrial Revenue Bonds as discussed in Note 8 to the Consolidated Financial Statements.

EFFECTS OF INFLATION

While inflationary and market pressures on costs are likely to be experienced, it is anticipated that ongoing improvements in manufacturing efficiencies and cost savings efforts will mitigate the effects of inflation on 2016 operating results. The ability to pass on increases in the price of commodities to the customer is contingent upon current market conditions with us potentially having to absorb some portion to all of the increase. Product pricing for the Forged and Cast Engineered Products segment is reflective of current costs with a majority of orders subject to a variable-index surcharge program which helps to protect the segment and its customers against the volatility in the cost of certain raw materials. Additionally, long-term labor agreements exist at each of the key locations (see Note 8 to Consolidated Financial Statements). Finally, commitments have been executed for natural gas usage and certain commodities (copper and aluminum) to cover a portion of orders in the backlog (see Note 11 to Consolidated Financial Statements).

APPLICATION OF CRITICAL ACCOUNTING POLICIES

We have identified critical accounting policies that are important to the presentation of our financial condition, changes in financial condition and results of operations and involve the most complex or subjective assessments. Critical accounting policies relate to accounting for pension and other postretirement benefits, assessing recoverability of long-lived assets, litigation and income taxes.

Accounting for pension and other postretirement benefits involves estimating the cost of benefits to be provided well into the future and attributing that cost over the time period each employee works. To accomplish this, input from our actuary is evaluated and extensive use is made of assumptions about inflation, long-term rate of return on plan assets, longevity, rates of increases in compensation, employee turnover and discount rates. The curtailment of the U.S. defined benefit plan in 2015 will help to mitigate the volatility in net periodic pension cost resulting from changes in these assumptions to a certain extent.

The expected long-term rate of return on plan assets is an estimate of average rates of earnings expected to be earned on funds invested or to be invested to provide for the benefits included in the projected benefit obligation. Since these benefits will be paid over many years, the expected long-term rate of return is reflective of current investment returns and investment returns over a longer period. Also, consideration is given to target and actual asset allocations, inflation and real risk-free return. We believe the expected long-term rate of return of 8% for our domestic plan and 5.40% for our foreign plan to be reasonable. Actual returns on plan assets for 2015 and 2014, respectively, approximated (2.27)% and 6.93% for our domestic plan and 3.43% and 12.40% for our foreign plan. Because of deteriorating conditions in the financial markets during 2015, with both the Dow and S&P 500 reporting their worst years since the markets collapsed in 2008, we do not believe current investment returns to be indicative of future returns.

The discount rates used in determining future pension obligations and other postretirement benefits for each of our plans are based on rates of return for high-quality fixed-income investments currently available and expected to be available during the period to maturity of pension and other postretirement benefits. High-quality fixed-income investments are defined as those investments which have received one of the two highest ratings given by a recognized rating agency with maturities of 10+ years. We believe the assumed discount rates of 4.40% for our domestic plan, 4.20% for our other postretirement benefits plan and 3.65% for our foreign plan as of December 31, 2015 to be reasonable.

We believe that the amounts recorded in the accompanying consolidated financial statements related to pension and other postretirement benefits are based on appropriate assumptions although actual outcomes could differ. A percentage point decrease in the expected long-term rate of return would increase annual pension expense by approximately \$1,900. A 1/4 percentage point decrease in the discount rate would increase projected and accumulated benefit obligations by approximately \$10,000. Conversely, an increase in the expected long-term rate of return would decrease annual pension expense and an increase in the discount rate would

Table of Contents

decrease projected and accumulated benefit obligations. The actual increase in the discount rates at December 31, 2015 from December 31, 2014 (from 4.10% to 4.40% for our domestic plans, 4.00% to 4.20% for our other postretirement benefits plan and 3.50% to 3.65% for our foreign plan) decreased projected and accumulated benefit obligations and increased the funded status of the plans by approximately \$11,000 as of December 31, 2015. See Note 7 to Consolidated Financial Statements.

Property, plant and equipment are reviewed for recoverability whenever events or circumstances indicate the carrying amount of the long-lived assets may not be recoverable. If the undiscounted cash flows generated from the use and eventual disposition of the assets are less than their carrying value, then the asset value may not be fully recoverable potentially resulting in a write-down of the asset value. Estimates of future cash flows are based on expected market conditions over the remaining useful life of the primary asset(s). Accordingly, assumptions are made about pricing, volume and asset-resale values. Actual results may differ from these assumptions.

We believe the amounts recorded in the accompanying consolidated financial statements for property, plant and equipment are recoverable and are not impaired as of December 31, 2015.

Litigation and loss contingency accruals are made when it is determined that it is probable that a liability has been incurred and the amount can be reasonably estimated. Specifically, we and certain of our subsidiaries are involved in various claims and lawsuits incidental to their businesses. In addition, claims have been asserted, principally against Air and Liquid, alleging personal injury from exposure to asbestos-containing components historically used in some products manufactured by certain companies which now operate as divisions of Air & Liquid Systems. To assist us in determining whether an estimate could be made of the potential liability for pending and unasserted future claims for Asbestos Liability along with applicable insurance coverage, and the amounts of any estimates, we hire a nationally-recognized asbestos-liability expert and insurance consultant. Based on their analyses, reserves for probable and reasonably estimable costs of Asbestos Liabilities including defense costs and receivables for the insurance recoveries that are deemed probable are established. These amounts rely on assumptions which are based on currently known facts and strategy.

In 2014, we undertook a review of Asbestos Liability claims, defense costs and the likelihood for insurance recoveries. Key variables in these assumptions are summarized in Note 17 to the Consolidated Financial Statements and include the number and type of new claims to be filed each year, the average cost of disposing of each new claim, average annual defense costs, the resolution of coverage issues with insurance carriers, and the solvency risk with respect to the relevant insurance carriers. Other factors that may affect the Asbestos Liability and our ability to recover under our insurance policies include uncertainties surrounding the litigation process from jurisdiction to jurisdiction and from case to case, reforms that may be made by state and federal courts, and the passage of state or federal tort reform legislation. Actual expenses or insurance recoveries could be significantly higher or lower than those recorded if assumptions used in the calculations vary significantly from actual results.

We intend to evaluate the estimated Asbestos Liability and related insurance receivables as well as the underlying assumptions on a regular basis to determine whether any adjustments to the estimates are required. Due to the uncertainties surrounding asbestos litigation and insurance, these regular reviews may result in the incurrence of future charges; however, we are currently unable to estimate such future charges. Adjustments, if any, to our estimate of recorded Asbestos Liability and/or insurance receivables could be material to our operating results for the periods in which the adjustments to the liability or receivable are recorded, and to our liquidity and consolidated financial position.

Accounting for income taxes includes our evaluation of the underlying accounts, permanent and temporary differences, our tax filing positions and interpretations of existing tax law. A valuation allowance is recorded against deferred income tax assets to reduce them to the amount that is more likely than not to be realized. In doing so, assumptions are made about the future profitability of our operations and the nature of that profitability. Actual results may differ from these assumptions. If we determined we would not be able to realize all or part of the deferred income tax assets in the future, an adjustment to the valuation allowance would be established resulting in a charge to net income (loss). Likewise, if we determined we would be able to realize deferred income tax assets in excess of the net amount recorded, we would release a portion of the existing valuation allowance resulting in a credit to net income (loss). As of December 31, 2015, we have net deferred income tax assets approximating \$20,569.

We do not recognize a tax benefit in the financial statements related to a tax position taken or expected to be taken in a tax return unless it is more likely than not that the tax authorities will sustain the tax position solely on the basis of the position's technical merits. Consideration is given primarily to legislation and statutes, legislative intent, regulations, rulings and case law as well as their applicability to the facts and circumstances of the tax position when assessing the sustainability of the tax position. In the event a tax

Table of Contents

position no longer meets the more likely than not criteria, we would reverse the tax benefit by recognizing a liability and recording a charge to earnings. Conversely, if we subsequently determined that a tax position meets the more likely than not criteria, we would recognize the tax benefit by reducing the liability and recording a credit to earnings. As of December 31, 2015, based on information known to date, we believe the amount of unrecognized tax benefits of \$315 for tax positions taken or expected to be taken in a tax return which may be challenged by the tax authorities is adequate.

See Note 13 to the Consolidated Financial Statements.

RECENTLY IMPLEMENTED ACCOUNTING PRONOUNCEMENTS

In November 2015, the Financial Accounting Standards Board (FASB) issued ASU 2015-17, *Balance Sheet Classification of Deferred Taxes*, which requires deferred income tax liabilities and assets be classified as noncurrent in the balance sheet. The guidance becomes effective January 1, 2017; however, early adoption is permitted. Accordingly, we adopted the provisions of ASU 2015-17 as of December 31, 2015, which resulted in a reclassification of deferred income tax assets of \$5,477 from current to noncurrent in our December 31, 2014 consolidated balance sheet.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which provides a common revenue standard for U.S. GAAP and IFRS. The guidance establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a company's contracts with customers. It requires companies to apply a five-step model when recognizing revenue relating to the transfer of goods or services to customers in an amount that reflects the consideration that the company expects to be entitled to receive for those goods and services. It also requires comprehensive disclosures regarding revenue recognition. The guidance becomes effective January 1, 2018. We are currently evaluating the impact the guidance will have on our financial position, operating results and liquidity.

In July 2015, the FASB issued ASU 2015-11, *Simplifying the Measurement of Inventory*, which revises the measurement of inventory at the lower of cost or market. Currently, market could be replacement cost, net realizable value, or net realizable value less an approximately normal profit margin. In accordance with ASU 2015-11, an entity will measure inventory at the lower of cost and net realizable value which is defined as the estimated selling price in the ordinary course of business less reasonably predictable costs of completion, disposal and transportation. The amendment does not apply to inventory that is measured using last-in, first out (LIFO). The guidance becomes effective January 1, 2017 with earlier application permitted. We do not expect the guidance will have a significant impact on our financial position, operating results and liquidity.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires lessees to recognize assets and liabilities on the balance sheet for the rights and obligations created by all leases with a term of more than one year. Accounting by lessors will remain similar to existing generally accepted accounting principles. The guidance becomes effective January 1, 2019. We are currently evaluating the impact the guidance will have on our financial position, operating results and liquidity.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We view our primary market risk exposures to be changes in foreign currency exchange rates and commodity prices. To manage certain foreign currency exchange exposures, our policy is to hedge a portion of our foreign currency denominated sales and receivables, primarily U.S. sales denominated in euros and U.K. sales denominated in U.S. dollars and euros. Although strengthening of the U.S. dollar could result in a lower volume of exports from the United States and at reduced margins, exports of our foreign operation may increase and gross margins might improve. Additionally, strengthening of the British pound could result in a lower volume of exports from the United Kingdom and at reduced margins; however, exports for our domestic operations may increase and gross margins might improve. A weakening of the euro, as compared to the U.S. dollar and British pound, could result in a lower volume of exports and at reduced margins.

To reduce the effect of price changes for certain of our raw materials and energy, we enter into contracts for particular commodities (copper and aluminum) and purchase a portion of our energy usage in advance. Based on estimated annual purchases, a 10% fluctuation in commodity prices (including electricity, natural gas, steel scrap and ferroalloys) would have impacted 2015 and 2014 by approximately \$6,500 and \$7,500, respectively. There is no guarantee that fluctuations in commodity prices will be limited to 10%. The ability to pass on increases in the price of commodities to the customer is contingent upon current market conditions with us

Table of Contents

potentially having to absorb a portion to all of such increase. However, a sales price surcharge mechanism is in place with a majority of the customers of our Forged and Cast Engineered Products segment which helps to protect against the volatility in the cost of certain raw materials.

See also Note 11 to the Consolidated Financial Statements.

Table of Contents**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA****CONSOLIDATED BALANCE SHEETS**

(in thousands, except par value)		December 31,	
		2015	2014
Assets			
Current assets:			
Cash and cash equivalents		\$ 95,122	\$ 97,098
Receivables, less allowance for doubtful accounts of \$983 in 2015 and \$1,374 in 2014		44,877	54,863
Inventories		59,734	54,713
Insurance receivable asbestos		17,000	17,000
Other current assets		2,949	3,105
Total current assets		219,682	226,779
Property, plant and equipment, net		146,913	149,839
Insurance receivable asbestos		108,423	123,651
Deferred income tax assets		20,569	25,532
Investments in joint ventures		3,097	3,914
Other noncurrent assets		7,472	6,694
		\$ 506,156	\$ 536,409
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable		\$ 13,959	\$ 16,721
Accrued payrolls and employee benefits		9,183	8,250
Industrial Revenue Bond debt		13,311	13,311
Asbestos liability current portion		21,000	21,000
Other current liabilities		23,880	22,208
Total current liabilities		81,333	81,490
Employee benefit obligations		63,702	81,216
Asbestos liability		148,849	168,048
Other noncurrent liabilities		849	507
Total liabilities		294,733	331,261
Commitments and contingent liabilities (Note 8)			
Shareholders' equity:			
Common stock par value \$1; authorized 20,000 shares; issued and outstanding 10,440 shares in 2015 and 10,426 shares in 2014		10,440	10,426
Additional paid-in capital		128,840	127,526
Retained earnings		129,742	135,949
Accumulated other comprehensive loss		(57,599)	(68,753)
Total shareholders' equity		211,423	205,148
		\$ 506,156	\$ 536,409

See Notes to Consolidated Financial Statements.

Table of Contents**CONSOLIDATED STATEMENTS OF OPERATIONS**

<i>(in thousands, except per share amounts)</i>	For The Year Ended December 31,		
	2015	2014	2013
Net sales	\$ 238,480	\$ 272,858	\$ 281,050
Operating costs and expenses:			
Costs of products sold (excluding depreciation)	196,091	218,597	217,342
Selling and administrative	39,510	37,380	39,682
Depreciation	11,787	11,818	11,342
(Credit) charge for asbestos litigation	(14,333)	4,487	(16,340)
Loss on disposition of assets	378	496	57
	233,433	272,778	252,083
Income from operations	5,047	80	28,967
Other income (expense):			
Investment-related income	174	171	89
Interest expense	(226)	(236)	(245)
Other net	(475)	(907)	(1,631)
	(527)	(972)	(1,787)
Income (loss) before income taxes and equity losses in Chinese joint venture	4,520	(892)	27,180
Income tax (provision) benefit	(2,633)	766	(5,813)
Equity losses in Chinese joint venture (including an impairment charge of \$6,407 in 2013)	(514)	(1,061)	(8,930)
Net income (loss)	\$ 1,373	\$ (1,187)	\$ 12,437
Net income (loss) per common share:			
Basic	\$ 0.13	\$ (0.11)	\$ 1.20
Diluted	0.13	(0.11)	1.20
Weighted average number of common shares outstanding:			
Basic	10,435	10,405	10,358
Diluted	10,447	10,405	10,406

See Notes to Consolidated Financial Statements.

Table of Contents**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

<i>(in thousands)</i>	For The Year Ended December 31,		
	2015	2014	2013
Net income (loss)	\$ 1,373	\$ (1,187)	\$ 12,437
Other comprehensive income (loss), net of income tax where applicable:			
Adjustments for changes in:			
Foreign exchange translation	(3,967)	(4,703)	1,820
Unrecognized employee benefit costs (including effects of foreign currency translation)	10,713	(21,392)	28,678
Unrealized holding (losses) gains on marketable securities	(239)	88	431
Fair value of cash flow hedges	(475)	(323)	(251)
Reclassification adjustments for items included in net income (loss):			
Amortization of unrecognized employee benefit costs	4,740	3,458	5,643
Realized gains from sale of marketable securities	(53)	(111)	(57)
Realized losses from settlement of cash flow hedges	435	95	246
Other comprehensive income (loss)	11,154	(22,888)	36,510
Comprehensive income (loss)	\$ 12,527	\$ (24,075)	\$ 48,947
<i>See Notes to Consolidated Financial Statements.</i>			

Table of Contents**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**

<i>(in thousands, except per share amounts)</i>	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance January 1, 2013	\$ 10,346	\$ 124,464	\$ 139,658	\$ (82,375)	\$ 192,093
Stock-based compensation		996			996
Comprehensive income:					
Net income			12,437		12,437
Other comprehensive income				36,510	36,510
Comprehensive income					48,947
Issuance of common stock including excess tax benefits of \$5	27	392			419
Cash dividends (\$0.72 per share)			(7,460)		(7,460)
Balance, December 31, 2013	10,373	125,852	144,635	(45,865)	234,995
Stock-based compensation		835			835
Comprehensive loss:					
Net loss			(1,187)		(1,187)
Other comprehensive loss				(22,888)	(22,888)
Comprehensive loss					(24,075)
Issuance of common stock including excess tax benefits of \$60	53	839			892
Cash dividends (\$0.72 per share)			(7,499)		(7,499)
Balance December 31, 2014	10,426	127,526	135,949	(68,753)	205,148
Stock-based compensation		1,103			1,103
Comprehensive income:					
Net income			1,373		1,373
Other comprehensive income				11,154	11,154
Comprehensive income					12,527
Issuance of common stock including excess tax benefits of \$0	14	211			225
Cash dividends (\$0.72 per share)			(7,580)		(7,580)
Balance December 31, 2015	\$ 10,440	\$ 128,840	\$ 129,742	\$ (57,599)	\$ 211,423

See Notes to Consolidated Financial Statements.

Table of Contents**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands)	For The Year Ended December 31,		
	2015	2014	2013
Cash flows from operating activities:			
Net income (loss)	\$ 1,373	\$ (1,187)	\$ 12,437
Adjustments to reconcile net income (loss) to net cash flows from operating activities:			
Depreciation	11,787	11,818	11,342
Charge (credit) for asbestos litigation	0	4,487	(16,340)
Deferred income tax provision	(2,302)	(4,556)	111
Pension and other post retirement expense in excess of contributions	4,972	5,248	6,491
Stock-based compensation	1,328	1,102	1,196
Equity losses in Chinese joint venture (including an impairment charge of \$6,407 in 2013)	514	1,061	8,930
Provisions for bad debts and inventories	862	2,343	155
Provision for warranties net of settlements	(159)	(36)	204
Excess tax benefits from the exercise of stock options	0	(60)	(5)
Loss on disposition of assets	378	496	57
Other net	577	51	51
Changes in assets/liabilities:			
Receivables	9,391	(6,863)	4,196
Inventories	(4,527)	7,125	7,060
Other assets, including insurance receivable asbestos	15,300	18,161	28,179
Accounts payable	(3,003)	1,588	(183)
Accrued payrolls and employee benefits	452	(938)	(2,045)
Other liabilities, including asbestos liability	(16,438)	(19,865)	(24,062)
Net cash flows provided by operating activities	20,505	19,975	37,774
Cash flows from investing activities:			
Purchases of property, plant and equipment	(9,407)	(13,309)	(11,805)
Purchase of Alloys Unlimited & Processing, Inc.	(5,000)	0	0
Purchases of long-term marketable securities	(631)	(843)	(921)
Proceeds from the sale of long-term marketable securities	728	748	782
Other	11	185	18
Net cash flows used in investing activities	(14,299)	(13,219)	(11,926)
Cash flows from financing activities:			
Dividends paid	(7,512)	(7,489)	(7,455)
Proceeds from the issuance of common stock	0	581	214
Excess tax benefits from the exercise of stock options	0	60	5
Net cash flows used in financing activities	(7,512)	(6,848)	(7,236)
Effect of exchange rate changes on cash and cash equivalents	(670)	(720)	409
Net (decrease) increase in cash and cash equivalents	(1,976)	(812)	19,021
Cash and cash equivalents at beginning of year	97,098	97,910	78,889
Cash and cash equivalents at end of year	\$ 95,122	\$ 97,098	\$ 97,910
Supplemental disclosures of cash flow information:			
Income tax payments	\$ 3,247	\$ 3,418	\$ 2,905
Interest payments	225	237	246
Non-cash investing activities:			
Purchases of property, plant and equipment in accounts payable	\$ 329	\$ 387	\$ 884

See Notes to Consolidated Financial Statements.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share and per share amounts)

Description of Business

Ampco-Pittsburgh Corporation and its subsidiaries (the Corporation) manufacture and sell highly engineered, high performance specialty metal products and customized equipment utilized by industry throughout the world. It operates in two business segments.

The *Forged and Cast Engineered Products* segment consists of Union Electric Steel Corporation (Union Electric Steel or UES) and Union Electric Steel UK Limited (UES-UK). Union Electric Steel produces ingot and forged products that service a wide variety of industries globally. It specializes in the production of forged hardened steel rolls used in cold rolling by producers of steel, aluminum and other metals throughout the world. In addition, it produces ingot and open die forged products (other forging products) which are used in the gas and oil industry and the aluminum and plastic extrusion industries. In July 2015, UES acquired the business and assets (principally comprised of receivables, inventories and property, plant and equipment) of Alloys Unlimited & Processing, Inc. (AUP), a supplier of specialty tool, alloy, and carbon steel round bar for approximately \$5,000. The consolidated financial statements of the Corporation include the results of operations of AUP from the date of acquisition. UES is headquartered in Carnegie, Pennsylvania and has three manufacturing facilities in Pennsylvania, one in Indiana and one in Ohio. It is one of the largest producers of forged hardened steel rolls in the world. UES-UK produces cast rolls for hot and cold strip mills, medium/heavy section mills and plate mills in a variety of iron and steel qualities. Located in Gateshead, England, it is a major supplier of cast rolls to the metalworking industry worldwide and primarily competes with European, Asian and North and South American companies in both domestic and foreign markets.

The *Air and Liquid Processing* segment includes Aerofin, Buffalo Air Handling and Buffalo Pumps, all divisions of Air & Liquid Systems Corporation (Air and Liquid), a wholly-owned subsidiary of the Corporation. Aerofin produces custom-engineered finned tube heat exchange coils and related heat transfer products for a variety of industries including OEM/Commercial, fossil fuel, nuclear power generation and industrial process. Buffalo Air Handling produces large custom-designed air handling systems for institutional (e.g., hospital, university), pharmaceutical and general industrial building markets. Buffalo Pumps manufactures centrifugal pumps for the fossil fuel power generation, marine defense and industrial refrigeration industries. The segment has operations in Virginia and New York with headquarters in Carnegie, Pennsylvania. The segment distributes a significant portion of its products through a common independent group of sales offices located throughout the United States and Canada.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Corporation's accounting policies conform to accounting principles generally accepted in the United States of America. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to estimates and assumptions include valuing the assets and obligations related to employee benefit plans, assessing the carrying value of long-lived assets, accounting for loss contingencies associated with claims and lawsuits and accounting for income taxes. Actual results could differ from those estimates. A summary of the significant accounting policies followed by the Corporation is presented below. Certain amounts for the preceding periods have been reclassified for comparative purposes.

Consolidation

All subsidiaries are wholly owned and are included in the consolidated financial statements of the Corporation. Intercompany accounts and transactions are eliminated. Investments in joint ventures where the Corporation owns 20% to 50% of the voting stock and has the ability to exercise significant influence over the operating and financial policies of the joint venture are accounted for using the equity method of accounting. Investments in joint ventures whereby the Corporation does not have the ability to exercise significant influence over the operating and financial policies of the joint venture are accounted for using the cost method of accounting. Investments in joint ventures are reviewed for impairment whenever events or circumstances indicate the carrying amount of the investment may not be recoverable. If the estimated fair value of the investment is less than the carrying amount and such decline is determined to be other than temporary, then the investment may not be fully recoverable potentially resulting in a write-down of the investment value.

Table of Contents

Cash and Cash Equivalents

Securities with purchased original maturities of three months or less are considered to be cash equivalents. The Corporation maintains cash and cash equivalents at various financial institutions which may exceed federally insured amounts.

Inventories

Inventories are valued at the lower of cost or market. Cost includes the cost of raw materials, direct labor and overhead for those items manufactured but not yet sold or for which title has not yet transferred. Fixed production overhead is allocated to inventories based on normal capacity of the production facilities. In periods of abnormally high production, the amount of fixed overhead allocated to each unit of production is decreased so that inventories are not measured above cost. The amount of fixed overhead allocated to inventories is not increased as a consequence of abnormally low production or idle plant. Costs for abnormal amounts of spoilage, handling costs and freight costs are charged to expense when incurred. Cost of domestic raw materials, work-in-process and finished goods inventories is primarily determined by the last-in, first-out (LIFO) method. Cost of domestic supplies and foreign inventories is determined primarily by the first-in, first-out (FIFO) method.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost with depreciation computed using the straight-line method over the following estimated useful lives: land improvements 15 to 20 years, buildings 25 to 50 years and machinery and equipment 3 to 25 years. Expenditures that extend economic useful lives are capitalized. Routine maintenance is charged to expense. Gains or losses are recognized on retirements or disposals. Property, plant and equipment are reviewed for impairment whenever events or circumstances indicate the carrying amount of the asset may not be recoverable. If the undiscounted cash flows generated from the use and eventual disposition of the assets are less than their carrying value, then the asset value may not be fully recoverable potentially resulting in a write-down of the asset value. Estimates of future cash flows are based on expected market conditions over the remaining useful life of the primary asset(s). Proceeds from government grants are recorded as a reduction in the purchase price of the underlying assets and amortized against depreciation over the lives of the related assets.

Product Warranty

Provisions for product warranties are recognized at the time the underlying sale is recorded. The provision is based on historical experience as a percentage of sales adjusted for potential claims when a liability is probable and for known claims.

Employee Benefit Plans

Funded Status

If the fair value of the plan assets exceeds the projected benefit obligation, the over-funded projected benefit obligation is recognized as an asset (prepaid pensions) on the consolidated balance sheet. Conversely, if the projected benefit obligation exceeds the fair value of the plan assets, the under-funded projected benefit obligation is recognized as a liability (employee benefit obligations) on the consolidated balance sheet. Gains and losses arising from the difference between actuarial assumptions and actual experience and unamortized prior service costs are recorded as a separate component of accumulated other comprehensive loss and presented net of income tax.

Net Periodic Pension and Other Postretirement Costs

Net periodic pension and other postretirement costs includes service cost, interest cost, expected rate of return on the market-related value of plan assets, amortization of prior service costs and recognized actuarial gains or losses. When actuarial gains or losses exceed 10% of the greater of the projected benefit obligation or the market-related value of plan assets, they are amortized to net periodic pension and other postretirement costs over the average remaining service period of employees expected to receive benefits under the plan. When the actuarial gains or losses are less than 10% of the greater of the projected benefit obligation or the market-related value of plan assets, they are included in net periodic pension and other postretirement costs indirectly as a result of lower/higher interest costs arising from a decrease/increase in the projected benefit obligation. The market-related value of plan assets is determined using a five-year moving average which recognizes 20% of unrealized gains and losses each year.

Other Comprehensive Income (Loss)

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Other comprehensive income (loss) includes changes in assets and liabilities from non-owner sources including foreign currency translation adjustments, unamortized prior service costs and unrecognized actuarial gains and losses associated with employee benefit

Table of Contents

plans, unrealized holding gains and losses on securities designated as available for sale and changes in the fair value of derivatives designated and effective as cash flow hedges. Certain components of other comprehensive income (loss) are presented net of income tax. Foreign currency translation adjustments exclude the effect of income tax since earnings of non-U.S. subsidiaries are deemed to be reinvested for an indefinite period of time.

Reclassification adjustments are amounts which are realized during the year and, accordingly, are deducted from other comprehensive income (loss) in the period in which they are included in net income (loss) or when a transaction no longer qualifies as a cash flow hedge. Foreign currency translation adjustments are included in net income (loss) upon sale or upon complete or substantially complete liquidation of an investment in a foreign entity. With respect to employee benefit plans, unamortized prior service costs are included in net income (loss) either immediately upon curtailment of the employee benefit plan or over the average remaining service period of employees expected to receive benefits and unrecognized actuarial gains and losses are included in net income (loss) indirectly as a result of lower/higher interest costs arising from a decrease/increase in the projected benefit obligation. Unrealized holding gains and losses on securities are included in net income (loss) when the underlying security is sold. Changes in the fair value of derivatives are included in net income (loss) when the projected sale occurs or, if a foreign currency purchase contract, over the estimated useful life of the underlying asset.

Revenue Recognition

Revenue from sales is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable, and collectability is reasonably assured. Persuasive evidence of an arrangement identifies the final understanding between the parties as to the specific nature and terms of the agreed-upon transaction that creates enforceable obligations. It can be in the form of an executed purchase order from the customer, sales agreement issued by the Corporation or a similar arrangement deemed to be normal and customary business practice for that particular customer or class of customer (collectively, a sales agreement).

Delivery and performance is considered to have occurred when the customer has taken title and assumed the risks and rewards of ownership of the product. Typically this occurs when the product is shipped to the customer (i.e., FOB shipping point), delivered to the customer (i.e., FOB destination), or, for foreign sales, in accordance with trading guidelines known as Incoterms. Incoterms are standard trade definitions used in international contracts and are developed, maintained and promoted by the ICC Commission on Commercial Law and Practice.

The sales price required to be paid by the customer is fixed or determinable from the sales agreement. It is not subject to refund or adjustment except for a variable-index surcharge provision which increases or decreases, as applicable, the selling price of a rolling mill roll for corresponding changes in the published index cost of certain raw materials. The variable-index surcharge is recognized as revenue when the corresponding revenue for the inventory is recognized. Likelihood of collectability is assessed prior to acceptance of an order. There are no customer-acceptance provisions other than customer inspection and testing prior to shipment. Post-shipment obligations are insignificant.

Amounts billed to the customer for shipping and handling are recorded within net sales and the related costs are recorded within costs of products sold (excluding depreciation). Amounts billed for taxes assessed by various government authorities (e.g. sales tax, value-added tax, etc.) are excluded from the determination of net income and instead are recorded as a liability until remitted to the government authority.

Foreign Currency Translation

Assets and liabilities of the Corporation's foreign operations are translated at year-end exchange rates and the statements of operations are translated at the average exchange rates for the year. Gains or losses resulting from translating foreign currency financial statements are accumulated as a separate component of accumulated other comprehensive loss until the entity is sold or substantially liquidated.

Derivative Instruments

Derivative instruments which include forward exchange (for foreign currency sales and purchases) and futures contracts are recorded on the consolidated balance sheet as either an asset or a liability measured at their fair value. The accounting for changes in the fair

Table of Contents

value of a derivative depends on the use of the derivative. To the extent that a derivative is designated and effective as a cash flow hedge of an exposure to future changes in value, the change in the fair value of the derivative is deferred in accumulated other comprehensive loss. Any portion considered to be ineffective, including that arising from the unlikelihood of an anticipated transaction to occur, is reported as a component of earnings (other income/expense) immediately.

Upon occurrence of the anticipated sale, the foreign currency sales contract designated and effective as a cash flow hedge is de-designated as a fair value hedge and the change in fair value previously deferred in accumulated other comprehensive loss is reclassified to earnings (net sales) with subsequent changes in fair value recorded as a component of earnings (other income/expense). Upon occurrence of the anticipated purchase, the foreign currency purchase contract is settled and the change in fair value deferred in accumulated other comprehensive loss is reclassified to earnings (depreciation expense) over the life of the underlying assets. Upon settlement of a futures contract, the change in fair value deferred in accumulated other comprehensive loss is reclassified to earnings (costs of products sold, excluding depreciation) when the corresponding inventory is sold and revenue is recognized. To the extent that a derivative is designated and effective as a hedge of an exposure to changes in fair value, the change in the derivative's fair value will be offset in the statement of operations by the change in the fair value of the item being hedged and is recorded as a component of earnings (other income/expense). Cash flows associated with the derivative instruments are recorded as a component of operating activities on the consolidated statement of cash flows.

The Corporation does not enter into derivative transactions for speculative purposes and, therefore, holds no derivative instruments for trading purposes.

Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. A hierarchy of inputs is used to determine fair value measurements with three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities and are considered the most reliable evidence of fair value. Level 2 inputs are observable prices that are not quoted on active exchanges. Level 3 inputs are unobservable inputs used for measuring the fair value of assets or liabilities.

Legal Costs

Legal costs expected to be incurred in connection with loss contingencies are accrued when such costs are probable and estimable.

Income Taxes

Income taxes are recognized during the year in which transactions enter into the determination of financial statement income. Deferred income tax assets and liabilities are recognized for the future tax consequences of temporary differences between the book carrying amount and the tax basis of assets and liabilities including net operating loss carryforwards. Unremitted earnings of the Corporation's non-U.S. subsidiaries and affiliates are deemed to be permanently reinvested and, accordingly, no deferred income tax liability is recorded. A valuation allowance is provided against a deferred income tax asset when it is more likely than not the asset will not be realized. Similarly, if a determination is made that it is more likely than not the deferred income tax asset will be realized, the related valuation allowance would be reduced and a benefit to earnings would be recorded. Penalties and interest are recognized as a component of the income tax provision.

Tax benefits are recognized in the financial statements for tax positions taken or expected to be taken in a tax return when it is more likely than not that the tax authorities will sustain the tax position solely on the basis of the position's technical merits. Consideration is given primarily to legislation and statutes, legislative intent, regulations, rulings and case law as well as their applicability to the facts and circumstances of the tax position when assessing the sustainability of the tax position. In the event a tax position no longer meets the more likely than not criteria, the tax benefit is reversed by recognizing a liability and recording a charge to earnings. Conversely, if a tax position subsequently meets the more likely than not criteria, a tax benefit would be recognized by reducing the liability and recording a credit to earnings.

Earnings Per Common Share

Basic earnings per common share is computed by dividing net income (loss) by the weighted average number of common shares outstanding for the period. The computation of diluted earnings per common share is similar to basic earnings per common share.

Table of Contents

except that the denominator is increased to include the dilutive effect of the net additional common shares that would have been outstanding assuming exercise of outstanding stock awards, calculated using the treasury stock method. The computation of diluted earnings per share would not assume the exercise of an outstanding stock award if the effect on earnings per common share would be antidilutive. Similarly, the computation of diluted earnings per share would not assume the exercise of outstanding stock awards if the Corporation incurred a net loss since the effect on earnings per common share would be antidilutive. The weighted average number of common shares outstanding assuming exercise of dilutive stock awards was 10,447,066 for 2015, 10,404,744 for 2014 and 10,406,478 for 2013. Weighted-average outstanding stock awards excluded from the diluted earnings per common share calculation, since the effect would have been antidilutive, were 1,138,287 for 2015, 1,242,545 for 2014 and 781,325 for 2013.

Recently Implemented Accounting Pronouncements

In November 2015, the Financial Accounting Standards Board (FASB) issued ASU 2015-17, *Balance Sheet Classification of Deferred Taxes*, which requires deferred income tax liabilities and assets be classified as noncurrent in the balance sheet. The guidance becomes effective January 1, 2017; however, early adoption is permitted. Accordingly, we adopted the provisions of ASU 2015-17 as of December 31, 2015, which resulted in a reclassification of deferred income tax assets of \$5,477 from current to noncurrent in our December 31, 2014 consolidated balance sheet.

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which provides a common revenue standard for U.S. GAAP and IFRS. The guidance establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a company's contracts with customers. It requires companies to apply a five-step model when recognizing revenue relating to the transfer of goods or services to customers in an amount that reflects the consideration that the company expects to be entitled to receive for those goods and services. It also requires comprehensive disclosures regarding revenue recognition. The guidance becomes effective January 1, 2018. The Corporation is currently evaluating the impact the guidance will have on its financial position, operating results and liquidity.

In July 2015, the FASB issued ASU 2015-11, *Simplifying the Measurement of Inventory*, which revises the measurement of inventory at the lower of cost or market. Currently, market could be replacement cost, net realizable value, or net realizable value less an approximately normal profit margin. In accordance with ASU 2015-11, an entity will measure inventory at the lower of cost and net realizable value which is defined as the estimated selling price in the ordinary course of business less reasonably predictable costs of completion, disposal and transportation. The amendment does not apply to inventory that is measured using last-in, first out (LIFO). The guidance becomes effective January 1, 2017 with earlier application permitted. The Corporation does not expect the guidance will have a significant impact on its financial position, operating results and liquidity.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires lessees to recognize assets and liabilities on the balance sheet for the rights and obligations created by all leases with a term of more than one year. Accounting by lessors will remain similar to existing generally accepted accounting principles. The guidance becomes effective January 1, 2019. The Corporation is currently evaluating the impact the guidance will have on its financial position, operating results and liquidity.

NOTE 2 INVESTMENTS IN JOINT VENTURES:

In 2007, a subsidiary of UES entered into an agreement with Maanshan Iron & Steel Company Limited (Maanshan) to form a joint venture company in China. UES owns 49% of the joint venture company and Maanshan owns 51%. Both companies contributed cash for their respective interests (which equated to \$14,700 for UES). The joint venture company principally manufactures and sells forged backup rolling mill rolls of a size and weight currently not able to be produced by UES. A significant portion of its sales have been to Maanshan or entities controlled by Maanshan. Additionally, the majority of its raw materials is purchased from Maanshan or entities controlled by Maanshan. UES has not guaranteed any of the obligations of the joint venture; accordingly, its maximum exposure of loss is limited to its investment. Since UES is the minority shareholder and allocation of earnings and voting rights is proportional to ownership interests, UES is not considered the primary beneficiary and, accordingly, accounts for its 49% interest in the joint venture under the equity method of accounting.

Losses of the joint venture approximated \$(1,050), \$(2,165) and \$(4,203) for the twelve month period ended September 30, 2015, 2014 and 2013, respectively, of which the Corporation has recognized its share (49%) in its consolidated statements of operations.

Table of Contents

The joint venture has been adversely impacted by the global economy, with significantly depressed pricing, reduced demand and excess roll inventories of its potential customer base in China all hindering profitability. Losses have been incurred since 2009, in which we have recognized our share (49%) in our consolidated statements of operations, and are expected to continue through 2016 and into 2017. In the fourth quarter of 2013, the Corporation, with the help of outside consultants and appraisers, concluded that the estimated fair value of its investment was less than its carrying amount and that the decline was other than temporary. Accordingly, the Corporation recognized an impairment charge of \$6,407 reducing the carrying amount of its investment to \$3,670. The carrying amount of the investment at December 31, 2015 is \$1,757. The overall financial strength of the joint venture remains weak with a significant reliance on the 51% partner or entities controlled by the 51% partner to provide financing and working capital. The Corporation will continue to monitor the carrying value of the investment to determine if additional impairment charges are necessary.

Assets, liabilities and shareholders' equity of the joint venture as of September 30, 2015 and 2014 are summarized below. The differences between the carrying amount of the investment and the value of the underlying equity in the net assets of the joint venture relates primarily to the impairment charge recognized in 2013 and elimination of 49% of the profit (intercompany profit) on the sale of technology from UES to the joint venture in earlier years which will be recognized when realized outside of the controlled group.

	2015	2014
Assets:		
Current assets (includes receivables from related parties of \$935 and \$524, respectively)	\$ 8,332	\$ 10,743
Noncurrent assets	28,993	32,948
	\$ 37,325	\$ 43,691
Liabilities and Shareholders' Equity:		
Current liabilities (include liabilities to related parties of \$17,230 and \$22,039, respectively)	\$ 17,455	\$ 22,156
Shareholders' equity	19,870	21,535
	\$ 37,325	\$ 43,691

The Corporation also has a 25% investment in a Chinese cast roll joint venture company which is recorded at cost, or \$1,340. The Corporation does not participate in the management or daily operation of the joint venture company, has not guaranteed any of its obligations and has no ongoing responsibilities to it. Dividends may be declared by the Board of Directors of the joint venture company after allocation of after-tax profits to various funds equal to the minimum amount required under Chinese law. No dividends were declared or received in 2015, 2014 or 2013.

NOTE 3 INVENTORIES:

	2015	2014
Raw materials	\$ 18,314	\$ 15,076
Work-in-progress	21,583	20,544
Finished goods	9,897	8,201
Supplies	9,940	10,892
	\$ 59,734	\$ 54,713

At December 31, 2015 and 2014, approximately 60% and 52%, respectively, of the inventories was valued using the LIFO method. The LIFO reserve approximated \$(24,647) and \$(23,299) at December 31, 2015 and 2014, respectively. During each of the years, inventory quantities decreased for various locations resulting in a liquidation of LIFO layers which were at lower costs. The effect of the liquidations was to decrease costs of products sold (excluding depreciation) by approximately \$216, \$2,196 and \$1,803 for 2015, 2014 and 2013, respectively, which increased net income by approximately \$141 or \$0.01 per common share for 2015 and \$1,172 or \$0.11 per common share for 2013 and reduced net loss by approximately \$1,427 or \$0.14 per common share for 2014.

Table of Contents**NOTE 4 PROPERTY, PLANT AND EQUIPMENT:**

	2015	2014
Land and land improvements	\$ 5,223	\$ 5,209
Buildings	44,570	44,610
Machinery and equipment	266,358	259,406
Construction-in-process	3,566	2,374
Other	7,774	8,716
	327,491	320,315
Accumulated depreciation	(180,578)	(170,476)
	\$ 146,913	\$ 149,839

Land and buildings of UES-UK equal to approximately \$2,993 (£2,022) at December 31, 2015 are held as collateral by the trustees of the UES-UK defined benefit pension plan (see Note 7).

NOTE 5 OTHER CURRENT LIABILITIES:

	2015	2014
Customer-related liabilities	\$ 12,195	\$ 11,539
Income taxes payable	3,256	1,717
Accrued sales commissions	1,506	1,623
Other	6,923	7,329
	\$ 23,880	\$ 22,208

Customer-related liabilities include liabilities for product warranty claims and deposits received on future orders. The following summarizes changes in the liability for product warranty claims for the year ended December 31:

	2015	2014	2013
Balance at the beginning of the year	\$ 6,672	\$ 6,899	\$ 6,625
Satisfaction of warranty claims	(2,452)	(2,335)	(1,908)
Provision for warranty claims	2,293	2,300	2,112
Other, primarily impact from changes in foreign currency exchange rates	(155)	(192)	70
Balance at the end of the year	\$ 6,358	\$ 6,672	\$ 6,899

NOTE 6 BORROWING ARRANGEMENTS:

The Corporation maintains short-term lines of credit of approximately \$8,100 (including £2,500 in the United Kingdom and 400 in Belgium). No amounts were outstanding under these lines of credit as of December 31, 2015 and 2014.

As of December 31, 2015, the Corporation had the following Industrial Revenue Bonds (IRBs) outstanding: (1) \$4,120 tax-exempt IRB maturing in 2020, interest at a floating rate which averaged 0.08% during the current year; (2) \$7,116 taxable IRB maturing in 2027, interest at a floating rate which averaged 0.18% during the current year; and (3) \$2,075 tax-exempt IRB maturing in 2029, interest at a floating rate which averaged 0.10% during the current year. The IRBs are remarketed periodically at which time interest rates are reset. The IRBs are secured by letters of credit of equivalent amounts. The letter of credit agreements require, among other things, maintenance of a minimum net worth and prohibit a leverage ratio in excess of a stipulated amount. The Corporation was in compliance with the applicable bank covenants as of December 31, 2015.

Despite principal not beginning to become due until 2020, the IRBs can be put back to the Corporation on short notice if, although considered remote by the Corporation and its bankers, the bonds cannot be remarketed. At that time, the bondholders can seek reimbursement from the letters of credit. As provided by a separate agreement with the Corporation's bank, funding of the letters of credit, if so drawn against, would be satisfied with equal and immediate borrowings under a separate IRB Standby Letter of Credit facility (the Facility). The Facility expires on August 1, 2017 and is expected to be renewed annually to provide for a continual term.

Table of Contents

of greater than one year. However, the Facility includes language regarding material adverse change to the Corporation's business which could result in it being called or cancelled at the bank's discretion; accordingly, the IRBs remain classified as a current liability. The availability under the Facility is \$13,566, equal to the letters of credit, and as of December 31, 2015 no amounts were outstanding.

NOTE 7 PENSION AND OTHER POSTRETIREMENT BENEFITS:

Pension Plans

The Corporation has a qualified defined benefit pension plan covering substantially all of its U.S. employees. Effective July 1, 2015, the plan was amended to freeze benefit accruals and participation in the plan for non-union hourly and salaried participants and, effective January 1, 2016, for employees of the Union Electric Steel Carnegie Steelworkers Location, and replace it with employer contributions of a 3% base contribution and a matching contribution of up to 4% to the defined contribution plan. For 2015, employer contributions to the defined contribution plan totaled \$882 and are expected to approximate \$1,892 in 2016. The plan changes resulted in a remeasurement of the plan liability, reducing the liability by approximately \$10,306, and curtailment losses of \$1,303. Additionally, during 2015, the plan was amended to permit lump sum distributions to deferred vested participants and deferred beneficiaries who were not offered a lump sum in 2014.

The defined benefit pension plan is covered by the Employee Retirement Income Security Act of 1974 (ERISA); accordingly, the Corporation's policy is to fund at least the minimum actuarially computed annual contribution required under ERISA. Although no minimum contributions were required for any of the three years, voluntary contributions of \$5,000 were made in 2013. Additionally, due to voluntary contributions and relief provided by *Moving Ahead for Progress in the 21st Century* (MAP-21) and, subsequently, the *Highway and Transportation Funding Act of 2014* (HAFTA), which reduces funding requirements for single-employer defined benefit plans, no minimum contributions are required for 2016; however, voluntary contributions may be made. Estimated benefit payments for subsequent years are \$9,434 for 2016, \$9,772 for 2017, \$10,039 for 2018, \$10,274 for 2019, \$10,500 for 2020 and \$54,600 for 2021–2025. The fair value of the plan's assets as of December 31, 2015 and 2014 approximated \$139,376 and \$157,048, respectively, in comparison to accumulated benefit obligations of \$173,243 and \$186,870 for the same periods.

Employees of UES-UK participate in a defined benefit pension plan that was curtailed effective December 31, 2004 and replaced with a defined contribution pension plan. The UES-UK plans are non-U.S. plans and therefore are not covered by ERISA. Instead, the Trustees and UES-UK have agreed to a recovery plan that estimates the amount of employer contributions at £1,123 annually through October 2021, based on U.K. regulations, necessary to eliminate the funding deficit of the plan with such estimates subject to change based on the future investment performance of the plan's assets. The U.S. dollar equivalent of employer contributions to the defined benefit pension plan approximated \$1,715, \$1,849 and \$1,764 in 2015, 2014 and 2013, respectively, and are expected to approximate \$1,662 in 2016. The fair value of the plan's assets as of December 31, 2015 and 2014 approximated \$49,628 (£33,528) and \$50,533 (£32,437), respectively, in comparison to accumulated benefit obligations of \$63,750 (£43,069) and \$70,523 (£45,268) for the same periods. Estimated benefit payments for subsequent years are \$1,434 for 2016, \$2,116 for 2017, \$1,548 for 2018, \$2,503 for 2019, \$2,837 for 2020 and \$13,894 for 2021–2025. Contributions to the defined contribution pension plan approximated \$382, \$407 and \$316 in 2015, 2014 and 2013, respectively, and are expected to approximate \$315 in 2016.

The Corporation also maintains nonqualified defined benefit pension plans for selected executives in addition to the benefits provided under the Corporation's qualified defined benefit pension plan. The objectives of the nonqualified plans are to provide supplemental retirement benefits or restore benefits lost due to limitations set by the Internal Revenue Service. The assets of the nonqualified plans are held in a grantor tax trust known as a Rabbi trust and are subject to claims of the Corporation's creditors, but otherwise must be used only for purposes of providing benefits under the plans. No contributions were made to the trust in 2013–2015 and none are expected in 2016. The fair market value of the trust at December 31, 2015 and 2014, which is included in other noncurrent assets, was \$3,663 and \$4,280, respectively. Changes in the fair market value of the trust are recorded as a component of other comprehensive income (loss). The plan is treated as a non-funded pension plan for financial reporting purposes. Accumulated benefit obligations approximated \$5,676 and \$4,294 at December 31, 2015 and 2014, respectively. Estimated benefit payments for subsequent years, which would represent employer contributions, are approximately \$360 for 2016, \$387 for 2017, \$414 for 2018, \$433 for 2019, \$461 for 2020 and \$2,516 for 2021–2025.

Employees at one location participate in a multi-employer plan, *I.A.M. National Pension Fund*, in lieu of the Corporation's defined benefit pension plan. A multi-employer plan generally receives contributions from two or more unrelated employers pursuant to one

Table of Contents

or more collective bargaining agreements. The assets contributed by one employer may be used to fund the benefits provided to employees of other employers in the plan because the plan assets, once contributed, are not restricted to individual employers. The latest report of summary plan information (for the 2014 plan year) provided by *I.A.M. National Pension Fund* indicates:

More than 1,750 employer locations contribute to the plan

Approximately 275,000 employees participate in the plan

Assets of approximately \$10.9 billion and a funded status in excess of 100%.

Less than 100 of the Corporation's employees participate in the plan and contributions are based on a rate per hour. The Corporation's contributions to the plan equaled \$236, \$233 and \$230 in 2015, 2014 and 2013, respectively, and represent less than five percent of total contributions to the plan by all contributing employers. Contributions are expected to approximate \$284 in 2016.

Other Postretirement Benefits

The Corporation provides postretirement health care benefits principally to the bargaining groups of one subsidiary. The plan covers participants and their spouses and/or dependents who retire under the existing pension plan on other than a deferred vested basis and at the time of retirement have also rendered 15 or more years of continuous service irrespective of age. During 2014, effective January 1, 2015, the plan was modified and existing coverage for the bargaining groups was replaced with monthly reimbursements. The plan change resulted in a remeasurement of the plan liability as of May 1, 2014, reducing the liability by approximately \$8,914. Additionally, during 2015, the plan was further amended to provide monthly reimbursement for a 5-year period, which further reduced the plan liability by approximately \$4,437. Retiree life insurance continues to be provided to substantially all retirees. The Corporation also provides health care and life insurance benefits to former employees of certain discontinued operations. This obligation had been estimated and provided for at the time of disposal. The Corporation's postretirement health care and life insurance plans are not funded or subject to any minimum regulatory funding requirements. Estimated benefit payments for subsequent years, which would represent employer contributions, are approximately \$624 for 2016, \$635 for 2017, \$659 for 2018, \$672 for 2019, \$687 for 2020, and \$3,058 for 2021 - 2025.

Table of Contents**Reconciliations**

The following provides a reconciliation of projected benefit obligations, plan assets, the funded status of the plans and the amounts recognized in the consolidated balance sheets for the Corporation's defined benefit plans calculated using a measurement date as of the end of the respective years.

	U.S. Pension		Foreign Pension		Other Postretirement	
	Benefits ^(a)		Benefits		Benefits	
	2015	2014	2015	2014	2015	2014
Change in projected benefit obligations:						
Projected benefit obligations at January 1	\$ 205,399	\$ 181,606	\$ 70,523	\$ 60,830	\$ 13,739	\$ 20,129
Service cost	2,743	3,683	0	0	384	505
Interest cost	7,990	8,762	2,394	2,695	474	688
Plan amendments	447	163	0	0	(4,437)	(8,914)
Plan settlements ^(b)	(5,494)	(9,304)	0	0	0	0
Plan curtailment	(10,306)	0	0	0	0	0
Foreign currency exchange rate changes	0	0	(3,413)	(4,351)	0	0
Actuarial (gain) loss	(9,880)	29,023	(4,005)	13,993	(1,433)	1,920
Participant contributions	0	0	0	0	79	386
Benefits paid from plan assets	(8,772)	(8,494)	(1,749)	(2,644)	0	0
Benefits paid by the Corporation	(324)	(40)	0	0	(689)	(975)
Projected benefit obligations at December 31	\$ 181,803	\$ 205,399	\$ 63,750	\$ 70,523	\$ 8,117	\$ 13,739
Change in plan assets:						
Fair value of plan assets at January 1	\$ 157,048	\$ 164,085	\$ 50,533	\$ 48,536	\$ 0	\$ 0
Actual return on plan assets	(3,406)	10,761	1,701	5,936	0	0
Foreign currency exchange rate changes	0	0	(2,572)	(3,144)	0	0
Corporate contributions	324	40	1,715	1,849	610	589
Participant contributions	0	0	0	0	79	386
Plan settlements ^(b)	(5,494)	(9,304)	0	0	0	0
Gross benefits paid	(9,096)	(8,534)	(1,749)	(2,644)	(689)	(975)
Fair value of plan assets at December 31	\$ 139,376	\$ 157,048	\$ 49,628	\$ 50,533	\$ 0	\$ 0
Funded status of the plans:						
Fair value of plan assets	\$ 139,376	\$ 157,048	\$ 49,628	\$ 50,533	\$ 0	\$ 0
Less benefit obligations	181,803	205,399	63,750	70,523	8,117	13,739
Funded status at December 31	\$ (42,427)	\$ (48,351)	\$ (14,122)	\$ (19,990)	\$ (8,117)	\$ (13,739)

(a) Includes the nonqualified defined benefit pension plan.

(b) Represents lump sum payments.

	U.S. Pension		Foreign Pension		Other Postretirement	
	Benefits		Benefits		Benefits	
	2015	2014	2015	2014	2015	2014
Amounts recognized in the balance sheets:						
Employee benefit obligations:						
Accrued payrolls and employee benefits ^(a)	\$ (352)	\$ (73)	\$ 0	\$ 0	\$ (612)	\$ (791)
Employee benefit obligations ^(b)	(42,075)	(48,278)	(14,122)	(19,990)	(7,505)	(12,948)
	\$ (42,427)	\$ (48,351)	\$ (14,122)	\$ (19,990)	\$ (8,117)	\$ (13,739)
Accumulated other comprehensive loss: ^(c)						
Net actuarial loss	\$ 53,163	\$ 64,387	\$ 27,594	\$ 32,989	\$ 2,570	\$ 4,029
Prior service cost	237	1,464	0	0	(12,097)	(8,331)
	\$ 53,400	\$ 65,851	\$ 27,594	\$ 32,989	\$ (9,527)	\$ (4,302)

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- (a) *Recorded as a current liability in the consolidated balance sheet.*
- (b) *Recorded as a noncurrent liability in the consolidated balance sheet.*
- (c) *Amounts are pre-tax.*

Table of Contents

Amounts included in accumulated other comprehensive loss as of December 31, 2015 expected to be recognized in net periodic pension and other postretirement costs in 2016 include:

	U.S. Pension Benefits	Foreign Pension Benefits	Other Postretirement Benefits
Net actuarial loss	\$ 3,338	\$ 755	\$ 149
Prior service cost (credit)	31	0	(1,030)
	\$ 3,369	\$ 755	\$ (881)

Investment Policies and Strategies

The investment policies and strategies are determined and monitored by the Board of Directors for the U.S. pension plan and by the Trustees (as appointed by UES-UK and the employees of UES-UK) for the foreign pension plan, each of whom employ their own investment managers to manage the plan's assets in accordance with the policy guidelines. Pension assets are invested with the objective of maximizing long-term returns while minimizing material losses to meet future benefit obligations as they become due. Investments in equity securities are primarily in common stocks of publicly-traded U.S. and international companies across a broad spectrum of industry sectors. Investments in fixed-income securities are principally A-rated or better bonds with maturities of less than ten years, preferred stocks and convertible bonds. The Corporation believes there are no significant concentrations of risk associated with the Plans' assets.

Attempts to minimize risk include allowing temporary changes to the allocation mix in response to market conditions, diversifying investments among asset categories (e.g., equity securities, fixed-income securities, alternative investments, cash and cash equivalents) and within these asset categories (e.g., economic sector, industry, geographic distribution, size) and consulting with independent financial and legal counsels to assure that the investments and their expected returns and risks are consistent with the goals of the Board of Directors or Trustees.

With respect to the U.S. pension plan, the following investments are prohibited unless otherwise approved by the Board of Directors: stock of the Corporation, futures and options except for hedging purposes, unregistered or restricted stock, warrants, margin trading, short-selling, real estate excluding public or real estate partnerships, and commodities including art, jewelry and gold. The foreign pension plan invests in specific funds. Any investments other than those specifically identified would be considered prohibited.

The following summarizes target asset allocations (within +/-5% considered acceptable) and major asset categories. Certain investments are classified differently for target asset allocation purposes and external reporting purposes.

	U.S. Pension Benefits			Foreign Pension Benefits		
	Target Allocation	Percentage of Plan Assets		Target Allocation	Percentage of Plan Assets	
	Dec. 31, 2015	2015	2014	Dec. 31, 2015	2015	2014
Equity Securities	65%	58%	64%	44%	46%	44%
Fixed-Income Securities	15%	19%	18%	35%	33%	35%
Alternative Investments	15%	13%	16%	21%	21%	21%
Other (primarily cash and cash equivalents)	5%	10%	2%	0%	0%	0%

Fair Value Measurement of Plan Assets

Equity securities and mutual funds are actively traded on exchanges and price quotes for these investments are readily available. Similarly, corporate debt and preferred securities consist of fixed-income securities of U.S. and U.K. corporations and price quotes for these investments are readily available. Common collective trust and commingled funds are not traded publicly, but the underlying assets (such as stocks and bonds) held in these funds are traded on active markets and the prices for the underlying assets are readily observable. For securities not actively traded, the fair value may be based on third-party appraisals, discounted cash flow analysis, benchmark yields and inputs that are currently observable in markets for similar securities.

Table of Contents**Investment Strategies**

The significant investment strategies of the various funds are summarized below.

Fund	Investment Strategy	Primary Investment Objective
Temporary Investment Funds	Invests primarily in a diversified portfolio of investment grade money market instruments.	Achieve a market level of current income while maintaining stability of principal and liquidity.
Various Equity Funds	Each fund maintains a diversified holding in common stock of applicable companies (e.g. common stock of small capitalization companies if a small-cap fund, common stock of medium capitalization companies if a mid-cap fund, common stock of foreign corporations if an international fund, etc.).	Outperform the fund's related index.
Various Growth and Value Funds Domestic	Invests primarily in common stocks and other equity securities or in common collective funds which invest in common stocks and other equity securities, generally traded on a major U.S. exchange.	Exceed the return of the applicable Russell or S&P Index over a market cycle.
Various Growth and Value Funds International	Invests primarily in common stocks and other equity securities or in common collective funds which invest in common stocks and other equity securities of issuers organized or conducting business in countries other than the United States.	For the U.S. Plan to exceed the return of the corresponding Morgan Stanley Index over a market cycle.
Return Funds	Invests primarily in a diversified portfolio of fixed-income securities of varying maturities or in commingled funds which invest in a diversified portfolio of fixed-income securities of varying maturities.	For the U.K. Plan to outperform the applicable FTSE index over a market cycle. For the U.S. Plan to outperform either the Barclays Capital U.S. Aggregate Index or US Corporate High Yield Index, as applicable, over a prescribed period.
Alternative Investments Managed Funds	Invests in equities and equity-like asset classes and strategies, (such as public equities, venture capital, private equity, real estate, natural resources and hedged strategies) and fixed-income securities.	For the U.K. Plan to outperform the applicable FTSE index over a prescribed period. Generate a minimum annual inflation adjusted return of 5% and outperform a traditional 70/30 equities/bond portfolio.
Alternative Investments Hedge and Absolute Return Funds	Invests in a diversified portfolio of alternative investment styles and strategies.	Generate long-term capital appreciation while maintaining a low correlation with the traditional global financial markets.

Table of Contents**Categories of Plan Assets**

Asset categories based on the nature and risks of the U.S. Pension Benefit Plan's assets as of December 31, 2015 are summarized below.

	Quoted Prices in Active Markets for Identical Inputs (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Equity Securities:				
U.S.				
Capital goods	\$ 1,531	\$ 0	\$ 0	\$ 1,531
Chemicals	1,811	0	0	1,811
Commercial property	906	0	0	906
Commercial services	925	0	0	925
Common collective trust funds	0	31,291	0	31,291
Electronics	785	0	0	785
Food processing	2,856	0	0	2,856
Health care	1,815	0	0	1,815
Limited partnerships - public equity	4,173	0	0	4,173
Manufacturing	1,536	0	0	1,536
Oil & gas	1,499	0	0	1,499
Retail	706	0	0	706
Technology	1,674	0	0	1,674
Transportation	484	0	0	484
Wholesale distribution	789	0	0	789
Other (represents 13 business sectors)	5,695	0	0	5,695
International				
Bank & financial services	1,525	0	0	1,525
Common collective trust funds	0	3,078	0	3,078
Engineering & construction	729	0	0	729
Oil & gas	807	0	0	807
Real estate	937	0	0	937
Technology	265	0	0	265
Other (represents 9 business sectors)	2,391	0	0	2,391
Total Equity Securities	33,839	34,369	0	68,208
Fixed-Income Securities:				
Commingled funds	0	14,697	0	14,697
Preferred (represents 5 business sectors)	6,689	0	0	6,689
Other (represents 4 business sectors)	0	1,280	0	1,280
Total Fixed-Income Securities	6,689	15,977	0	22,666
Alternative Investments:				
Managed funds ^(a)	0	0	32,210	32,210
Hedge and absolute return funds	0	0	4,967	4,967
Total Alternative Investments	0	0	37,177	37,177
Other (primarily cash and cash equivalents):				
Mutual funds	1,836	0	0	1,836
Commingled funds	0	1,005	0	1,005
Other ^(b)	8,484	0	0	8,484
Total Other	10,320	1,005	0	11,325
	\$ 50,848	\$ 51,351	\$ 37,177	\$ 139,376

(a) Includes approximately 38% in equity and equity-like asset securities, 43% in alternative investments (real assets, commodities and resources, absolute return funds) and 19% in fixed income securities and cash and cash equivalents.

(b) *Includes accrued receivables and pending broker settlements.*

Table of Contents

Asset categories based on the nature and risks of the U.S. Pension Benefit Plan's assets as of December 31, 2014 are summarized below.

	Quoted Prices in Active Markets for Identical Inputs (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Equity Securities:				
U.S.				
Capital goods	\$ 1,684	\$ 0	\$ 0	\$ 1,684
Chemicals	2,424	0	0	2,424
Commercial property	1,012	0	0	1,012
Commercial services	1,210	0	0	1,210
Common collective trust funds	0	34,871	0	34,871
Electronics	1,050	0	0	1,050
Engineering & construction	778	0	0	778
Food processing	3,423	0	0	3,423
Health care	1,345	0	0	1,345
Limited partnerships - public equity	6,482	0	0	6,482
Manufacturing	2,224	0	0	2,224
Oil & gas	2,503	0	0	2,503
Retail	935	0	0	935
Technology	2,022	0	0	2,022
Transportation	926	0	0	926
Wholesale distribution	927	0	0	927
Other (represents 10 business sectors)	5,681	0	0	5,681
International				
Bank & financial services	1,790	0	0	1,790
Common collective trust funds	0	6,364	0	6,364
Engineering & construction	600	0	0	600
Oil & gas	1,422	0	0	1,422
Real estate	1,321	0	0	1,321
Technology	965	0	0	965
Other (represents 9 business sectors)	3,106	0	0	3,106
Total Equity Securities	43,830	41,235	0	85,065
Fixed-Income Securities:				
Commingled funds	0	16,533	0	16,533
Preferred (represents 5 business sectors)	7,242	0	0	7,242
Other (represents 6 business sectors)	0	2,035	0	2,035
Total Fixed-Income Securities	7,242	18,568	0	25,810
Alternative Investments:				
Managed funds ^(a)	0	0	33,602	33,602
Hedge and absolute return funds	0	0	8,592	8,592
Total Alternative Investments	0	0	42,194	42,194
Other (primarily cash and cash equivalents):				
Mutual funds	237	0	0	237
Commingled funds	0	1,081	0	1,081
Other ^(b)	2,661	0	0	2,661
Total Other	2,898	1,081	0	3,979
	\$ 53,970	\$ 60,884	\$ 42,194	\$ 157,048

(a) Includes approximately 43% in equity and equity-like asset securities, 50% in alternative investments (real assets, commodities and resources, absolute return funds) and 7% in fixed income securities and cash and cash equivalents.

(b) Includes accrued receivables and pending broker settlements.

Table of Contents

Asset categories based on the nature and risks of the Foreign Pension Benefit Plan's assets as of December 31, 2015 are summarized below.

	Quoted Prices in Active Markets for Identical Inputs (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Equity Securities:				
Commingled Funds (U.K.)	\$ 0	\$ 3,697	\$ 0	\$ 3,697
Commingled Funds (International)	0	18,930	0	18,930
Total Equity Securities	0	22,627	0	22,627
Fixed-Income Securities:				
Commingled Funds (U.K.)	0	16,298	0	16,298
Alternative Investments:				
Hedge and Absolute Return Funds	0	0	10,571	10,571
Cash and cash equivalents	132	0	0	132
	\$ 132	\$ 38,925	\$ 10,571	\$ 49,628

Asset categories based on the nature and risks of the Foreign Pension Benefit Plan's assets as of December 31, 2014 are summarized below.

	Quoted Prices in Active Markets for Identical Inputs (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Equity Securities:				
Commingled Funds (U.K.)	\$ 0	\$ 3,848	\$ 0	\$ 3,848
Commingled Funds (International)	0	18,449	0	18,449
Total Equity Securities	0	22,297	0	22,297
Fixed-Income Securities:				
Commingled Funds (U.K.)	0	17,366	0	17,366
Alternative Investments:				
Hedge and Absolute Return Funds	0	0	10,799	10,799
Cash and cash equivalents	71	0	0	71
	\$ 71	\$ 39,663	\$ 10,799	\$ 50,533

The table below sets forth a summary of changes in the fair value of the Level 3 plan assets for U.S. and foreign pension plans for the year ended December 31, 2015.

	Alternative Investments		
	U.S. Pension Benefits	Foreign Pension Benefits	
Fair value as of January 1, 2015	\$ 8,592	\$ 33,602	\$ 10,799
Contributions	5,900	0	0
Withdrawals	(9,843)	(2,424)	0
Realized gains (losses)	2,334	(19)	0
Change in net unrealized (losses) gains	(2,016)	1,051	320
Other, primarily impact from changes in foreign currency exchange rates	0	0	(548)
Fair value as of December 31, 2015	\$ 4,967	\$ 32,210	\$ 10,571

Table of Contents

The table below sets forth a summary of changes in the fair value of the Level 3 plan assets for U.S. and foreign pension plans for the year ended December 31, 2014.

	Alternative Investments		
	U.S. Pension Benefits		Foreign Pension Benefits
Fair value as of January 1, 2014	\$ 8,389	\$ 32,433	\$ 11,041
Withdrawals	(200)	(2,550)	(181)
Realized gains	66	821	0
Change in net unrealized gains	337	2,898	615
Other, primarily impact from changes in foreign currency exchange rates	0	0	(676)
Fair value as of December 31, 2014	\$ 8,592	\$ 33,602	\$ 10,799

Net Periodic Pension and Other Postretirement Benefit Costs

The actual return on the fair value of plan assets is included in determining the funded status of the plans. In determining net periodic pension costs, the expected long-term rate of return on the market-related value of plan assets is used. Differences between the actual return on plan assets and the expected long-term rate of return on plan assets are classified as part of unrecognized actuarial gains or losses and are recorded as a component of accumulated other comprehensive loss on the consolidated balance sheet. When these gains or losses exceed 10% of the greater of the projected benefit obligation or the market-related value of plan assets, they are amortized to net periodic pension and other postretirement costs over the average remaining service period of employees expected to receive benefits under the plans. When the gains or losses are less than 10% of the greater of the projected benefit obligation or the market-related value of plan assets, they are included in net periodic pension and other postretirement costs indirectly as a result of lower/higher interest costs arising from a decrease/increase in the projected benefit obligation.

Net periodic pension and other postretirement benefit costs include the following components for the year ended December 31:

	U.S. Pension Benefits			Foreign Pension Benefits			Other Postretirement Benefits		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
Service cost	\$ 2,743	\$ 3,683	\$ 4,424	\$ 0	\$ 0	\$ 0	\$ 384	\$ 505	\$ 943
Interest cost	7,990	8,762	8,070	2,394	2,695	2,551	474	688	926
Expected return on plan assets	(10,996)	(10,747)	(9,368)	(2,681)	(3,157)	(2,485)	0	0	0
Amortization of prior service cost (credit)	371	854	640	0	0	0	(672)	(441)	85
Amortization of actuarial loss	5,440	4,183	7,146	845	599	687	26	104	241
Curtailment loss	1,303	0	0	0	0	0	0	0	0
Net cost	\$ 6,851	\$ 6,735	\$ 10,912	\$ 558	\$ 137	\$ 753	\$ 212	\$ 856	\$ 2,195

Assumptions

Assumptions are reviewed on an annual basis. The expected long-term rate of return on plan assets is an estimate of average rates of earnings expected to be earned on funds invested or to be invested to provide for the benefits included in the projected benefit obligation. Since these benefits will be paid over many years, the expected long-term rate of return is reflective of current investment returns and investment returns over a longer period. Consideration is also given to target and actual asset allocations, inflation and real risk-free return. The discount rates used in determining future pension obligations and other postretirement benefits for each of the plans are based on rates of return on high-quality fixed-income investments currently available and expected to be available during the period to maturity of the pension and other postretirement benefits. High-quality fixed-income investments are defined as those investments which have received one of the two highest ratings given by a recognized rating agency with maturities of 10+ years.

Table of Contents

The discount rates and weighted-average wage increases used to determine the benefit obligations as of December 31, 2015 and 2014 are summarized below. The change in discounts rates decreased plan benefit obligations and increased the funded status of the plans by approximately \$11,000 as of December 31, 2015 in comparison to December 31, 2014.

	U.S. Pension Benefits		Foreign Pension Benefits		Other Postretirement Benefits	
	2015	2014	2015	2014	2015	2014
Discount rate	4.40%	4.10%	3.65%	3.50%	4.20%	4.00%
Wage increases	3.00%	4.00%	n/a	n/a	n/a	n/a

In addition, the assumed health care cost trend rate at December 31, 2015 for other postretirement benefits is 6% for 2016 gradually decreasing to 4.75% in 2019. In selecting rates for current and long-term health care assumptions, the Corporation considers known health care cost increases, the design of the benefit programs, the demographics of its active and retiree populations and expectations of inflation rates in the future. A one percentage point increase or decrease in the assumed health care cost trend rate would result in an inconsequential change to the postretirement benefit obligation at December 31, 2015 and the annual benefit expense for 2015.

The following assumptions were used to determine net periodic pension and other postretirement benefit costs for the year ended December 31:

	U.S. Pension Benefits			Foreign Pension Benefits			Other Postretirement Benefits		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
Discount rate	4.00/4.10%	5.00%	4.25%	3.50%	4.50%	4.50%	4.00%	5.00%	4.25%
Expected long-term rate of return	8.00%	8.00%	8.00%	5.40%	6.50%	6.09%	n/a	n/a	n/a
Wages increases	4.00%	4.00%	4.00%	n/a	n/a	n/a	n/a	n/a	n/a

NOTE 8 COMMITMENTS AND CONTINGENT LIABILITIES:

Outstanding standby and commercial letters of credit as of December 31, 2015 approximated \$19,694, the majority of which serves as collateral for the IRBs.

Approximately 55% of the Corporation's employees are covered by collective bargaining agreements that have expiration dates ranging from December 2016 to November 2019. Collective bargaining agreements expiring in 2016 (which are one-year agreements representing approximately 43% of covered employees) will be negotiated with the intent to secure mutually beneficial, long-term arrangements.

See Note 11 regarding derivative instruments, Note 17 regarding litigation and Note 18 for environmental matters.

NOTE 9 STOCK-BASED COMPENSATION:

In May 2011, the shareholders of the Corporation approved the adoption of the 2011 Omnibus Incentive Plan (Incentive Plan) which authorizes the issuance of up to 1,000,000 shares of the Corporation's common stock for grants of equity-based compensation. Awards under the Incentive Plan may include incentive non-qualified stock options, stock appreciation rights, restricted shares and restricted stock units, performance awards, other stock-based awards or short-term cash incentive awards. Unexercised portions of terminated or forfeited awards are available for new awards. The Incentive Plan is administered by the Compensation Committee of the Board of Directors who has the authority to determine, within the limits of the express provisions of the Incentive Plan, the individuals to whom the awards will be granted; the nature, amount and terms of such awards; and the objectives and conditions for earning such awards.

The Incentive Plan also provides for annual grants of shares of the Corporation's common stock to non-employee directors following the Corporation's annual shareholder meeting. Each annual director award will be for a number of shares having a fair market value equal to \$25 and will fully vest as of the grant date. The number of shares of common stock issued to non-employee directors was 14,310 shares in 2015, 12,500 shares in 2014 and 11,656 shares in 2013.

Table of Contents

In 2015, the Compensation Committee granted restricted stock units (RSUs) and performance-based restricted stock units (PSUs) to select individuals in lieu of stock options. Each RSU represents the right to receive one share of common stock of the Corporation at a future date after the RSU has become earned and vested, subject to the terms and conditions of the RSU award agreement. The RSUs vest over a three-year period. The PSUs can be earned depending upon the achievement of a performance condition, a market condition and a time-vesting condition as follows: (1) achievement of a targeted basic earnings per share during the performance period of 2015 through 2017, (2) achievement of a three-year cumulative relative total shareholder return as ranked against other companies included in the Corporation's peer group and (3) remaining continuously employed with the Corporation through December 31, 2017. Earlier vesting of the stock units is permitted under certain conditions, such as upon a change of control of the Corporation.

A total of 90,836 RSUs and 26,263 unvested PSUs were granted during 2015. The weighted-average grant date fair value was \$15.72 for the RSUs and \$15.89 for the PSUs. The determination of the fair value of these awards takes into consideration the likelihood of achievement of the market condition. Compensation expense for PSUs is also based on the probability of achieving the targeted basic earnings per share and will be adjusted for subsequent changes in the estimated or actual outcome of the performance condition.

In 2014 and 2013, the Compensation Committee granted non-qualified stock options. No stock options were granted during 2015. Options granted under the Incentive Plan have a ten-year life and vest over a three-year period. Options previously granted under earlier incentive plans have a ten-year life with one-third vesting at the date of grant, one-third vesting on the first anniversary date of the date of grant and one-third vesting on the second anniversary date of the date of grant. The exercise prices are equal to the closing prices of the Corporation's common stock on the New York Stock Exchange on the dates of grant. The fair value of the options as of the dates of grant was calculated using the Black-Scholes option-pricing model based on the assumptions outlined below.

	Grant Date	
	2014	2013
Options granted	176,000	173,750
Exercise price	\$ 20.00	\$ 17.16
Assumptions:		
Expected life in years	6	6
Risk-free interest rate	1.98%	1.26%
Expected annual dividend yield	3.60%	4.20%
Expected forfeiture rate	8.00%	5.00%
Expected volatility	53.02%	52.68%
Grant date fair value	\$ 7.40	\$ 5.82
Resulting stock-based compensation expense	\$ 1,199	\$ 961

A summary of stock options outstanding and exercisable and activity for the year ended December 31, 2015 is as follows:

	Shares Under Options	Weighted Average Exercise Price	Remaining Contractual Life In Years	Intrinsic Value
Outstanding at January 1, 2015	1,202,169	\$ 24.25	6.0	\$ 778
Granted	0	N/A		
Exercised	0	N/A		
Forfeited	(188,833)	25.43		
Outstanding at December 31, 2015	1,013,336	\$ 24.03	5.2	\$ 0
Exercisable at December 31, 2015	867,586	\$ 24.86	4.7	\$ 0
Vested or expected to vest at December 31, 2015	1,013,336	\$ 24.03	5.2	\$ 0

Stock-based compensation expense, including expense for shares to be issued to non-employee directors, approximated \$1,328, \$1,102 and \$1,196 for 2015, 2014 and 2013, respectively. The related income tax benefit recognized in the consolidated statements of operations was \$465, \$386 and \$419 for the respective years. Unrecognized compensation expense equaled \$1,701 at December 31, 2015 and is expected to be recognized over a weighted average period of 2 years.

Table of Contents**NOTE 10 ACCUMULATED OTHER COMPREHENSIVE LOSS:**

Net change and ending balances for the various components of other comprehensive income (loss) and for accumulated other comprehensive loss as of and for the year ended December 31, 2013, 2014 and 2015 are summarized below.

	Foreign Currency Translation Adjustments	Unrecognized Components of Employee Benefit Plans	Unrealized Holding Gains (Losses) on Securities	Derivatives	Accumulated Other Comprehensive Loss
Balance at January 1, 2013	\$ (1,543)	\$ (81,783)	\$ 633	\$ 318	\$ (82,375)
Net Change	1,820	34,321	374	(5)	36,510
Balance at December 31, 2013	277	(47,462)	1,007	313	(45,865)
Net Change	(4,703)	(17,934)	(23)	(228)	(22,888)
Balance at December 31, 2014	(4,426)	(65,396)	984	85	(68,753)
Net Change	(3,967)	15,453	(292)	(40)	11,154
Balance at December 31, 2015	\$ (8,393)	\$ (49,943)	\$ 692	\$ 45	\$ (57,599)

The following summarizes the line items affected on the consolidated statements of operations for components reclassified from accumulated other comprehensive loss for each of the years ended December 31. Amounts in parentheses represent credits to net income (loss).

	2015	2014	2013
Amortization of unrecognized employee benefit costs:			
Costs of products sold (excluding depreciation)	\$ 3,604	\$ 3,601	\$ 5,691
Selling and administrative	3,354	1,524	2,241
Other expense	355	174	867
Total before income tax	7,313	5,299	8,799
Income tax provision	(2,573)	(1,841)	(3,156)
Net of income tax	\$ 4,740	\$ 3,458	\$ 5,643
Realized gains on sale of marketable securities:			
Selling and administrative	\$ (82)	\$ (171)	\$ (87)
Income tax provision	29	60	30
Net of income tax	\$ (53)	\$ (111)	\$ (57)
Realized gains/losses from settlement of cash flow hedges:			
Net sales (foreign currency sales contracts)	\$ (17)	\$ 33	\$ 0
Depreciation (foreign currency purchase contracts)	(27)	(27)	(27)
Costs of products sold (excluding depreciation) (futures contracts copper and aluminum)	751	146	419
Total before income tax	707	152	392
Income tax provision	(272)	(57)	(146)
Net of income tax	\$ 435	\$ 95	\$ 246

Table of Contents

The income tax expense (benefit) associated with the various components of other comprehensive income (loss) for each of the years ended December 31 is summarized below. Foreign currency translation adjustments exclude the effect of income taxes since earnings of non-U.S. subsidiaries are deemed to be reinvested for an indefinite period of time.

	2015	2014	2013
Income tax expense (benefit) associated with changes in:			
Unrecognized employee benefit costs	\$ (4,731)	\$ 10,265	\$ (15,890)
Unrealized holding losses/gains on marketable securities	134	(47)	(232)
Fair value of cash flow hedges	294	206	149
Income tax expense (benefit) associated with reclassification adjustments:			
Amortization of unrecognized employee benefit costs	(2,573)	(1,841)	(3,156)
Realized gains from sale of marketable securities	29	60	30
Realized losses from settlement of cash flow hedges	(272)	(57)	(146)

NOTE 11 DERIVATIVE INSTRUMENTS:

Certain operations of the Corporation are subject to risk from exchange rate fluctuations in connection with sales in foreign currencies. To minimize this risk, foreign currency sales contracts are entered into which are designated as cash flow or fair value hedges. As of December 31, 2015, approximately \$11,566 of anticipated foreign-denominated sales has been hedged which are covered by fair value contracts settling at various dates through April 2017. The fair value of assets held as collateral for the fair value contracts as of December 31, 2015 approximated \$800.

Additionally, certain divisions of the Air and Liquid Processing segment are subject to risk from increases in the price of commodities (copper and aluminum) used in the production of inventory. To minimize this risk, futures contracts are entered into which are designated as cash flow hedges. At December 31, 2015, approximately 57% or \$2,100 of anticipated copper purchases over the next nine months and 56% or \$400 of anticipated aluminum purchases over the next six months are hedged.

The Corporation previously entered into foreign currency purchase contracts to manage the volatility associated with euro-denominated progress payments to be made for certain machinery and equipment. As of December 31, 2010, all contracts had been settled and the underlying fixed assets were placed in service.

No portion of the existing cash flow or fair value hedges is considered to be ineffective, including any ineffectiveness arising from the unlikelihood of an anticipated transaction to occur. Additionally, no amounts have been excluded from assessing the effectiveness of a hedge.

At December 31, 2015, the Corporation has purchase commitments covering 49% or \$2,799 of anticipated natural gas usage through 2017 for one of its subsidiaries. The commitments qualify as normal purchases and, accordingly, are not reflected on the consolidated balance sheet. Purchases of natural gas under previously existing commitments approximated \$2,452, \$2,190 and \$2,694 for 2015, 2014 and 2013, respectively.

The Corporation does not enter into derivative transactions for speculative purposes and, therefore, holds no derivative instruments for trading purposes.

Table of Contents

The change in fair value reclassified or expected to be reclassified from accumulated other comprehensive loss to earnings is summarized below. All amounts are pre-tax.

			Estimated to be Reclassified in the Next 12 Months	Year Ended December 31,		
Location of Gain (Loss) in Statements of Operations				2015	2014	2013
Foreign currency sales contracts	cash	Net sales				
flow hedges			\$ 5	\$ 17	\$ (33)	\$ 0
Foreign currency purchase contracts		Depreciation	27	27	27	27
Futures contracts	copper and aluminum	Costs of products sold (excluding depreciation)	(330)	(751)	(146)	(419)

Losses on foreign exchange transactions included in other expense approximated \$(324), \$(488) and \$(227) for 2015, 2014 and 2013, respectively.

NOTE 12 FAIR VALUE:

The following summarizes financial assets and liabilities reported at fair value on a recurring basis in the accompanying consolidated balance sheets at December 31:

2015	Quoted Prices in Active Markets for	Significant Other Observable	Significant Unobservable	Total
	Identical Inputs	Inputs	Inputs	
	(Level 1)	(Level 2)	(Level 3)	
Investments				
Other noncurrent assets	\$ 3,663	\$ 0	\$ 0	\$ 3,663
Foreign currency exchange contracts				
Other current assets	0	378	0	378
Other noncurrent assets	0	39	0	39
Other current liabilities	0	374	0	374
Other noncurrent liabilities	0	49	0	49
2014				
Investments				
Other noncurrent assets	\$ 4,280	\$ 0	\$ 0	\$ 4,280
Foreign currency exchange contracts				
Other current assets	0	544	0	544
Other noncurrent assets	0	19	0	19
Other current liabilities	0	623	0	623
Other noncurrent liabilities	0	40	0	40

The investments held as other noncurrent assets represent assets held in the Rabbi trust for the purpose of providing benefits under the non-qualified defined benefit pension plan. The fair value of the investments is based on quoted prices of the investments in active markets. The fair value of foreign currency exchange contracts is determined based on the fair value of similar contracts with similar terms and remaining maturities. The fair value of futures contracts is based on market quotations. The fair value of the variable-rate IRB debt approximates its carrying value. Additionally, the fair value of trade receivables and trade payables approximates their carrying value.

Table of Contents**NOTE 13 INCOME TAXES:**

Income (loss) before income taxes and equity losses in Chinese joint venture is comprised of the following:

	2015	2014	2013
Domestic	\$ 6,000	\$ (1,182)	\$ 25,269
Foreign	(1,480)	290	1,911
	\$ 4,520	\$ (892)	\$ 27,180

At December 31, 2015, the Corporation has state net operating loss carryforwards of \$22,540, which begin to expire in 2018, foreign net operating loss carryforwards of \$23 which begin to expire in 2026 and capital loss carryforwards of \$893 which do not expire.

The income tax provision consisted of the following:

	2015	2014	2013
Current:			
Federal	\$ 4,577	\$ 3,458	\$ 5,535
State	378	210	139
Foreign	(20)	122	28
	4,935	3,790	5,702
Deferred:			
Federal	(2,203)	(4,678)	(488)
State	197	54	133
Foreign	(296)	101	622
Reversal of valuation allowance	0	(33)	(156)
	(2,302)	(4,556)	111
	\$ 2,633	\$ (766)	\$ 5,813

In 2014 and 2013, the income tax provision was affected by the reversal of valuation allowances previously provided against deferred income tax assets associated with state net operating loss carryforwards.

The difference between statutory U.S. federal income tax and the Corporation's effective income tax was as follows:

	2015	2014 ⁽¹⁾	2013 ⁽¹⁾
Computed at statutory rate	\$ 1,402	\$ (683)	\$ 6,388
Tax differential on non-U.S. earnings	106	128	(340)
State income taxes	226	(227)	741
Manufacturers deduction (I.R.C. Section 199)	(433)	(359)	(566)
Meals and entertainment	136	224	205
Tax credits	(243)	(12)	(145)
Reversal of valuation allowance	0	(33)	(156)
Change in tax rates	224	301	(472)
Change in uncertain tax positions	91	(80)	(172)
Acquisition-related costs	981	0	0
Other net	143	(25)	330
	\$ 2,633	\$ (766)	\$ 5,813

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(1) Certain reclassifications have been made to the prior year columns to conform to the current year presentation.

Table of Contents

Deferred income tax assets and liabilities as of December 31, 2015 and 2014 are summarized below. Unremitted earnings of the Corporation's non-U.S. subsidiaries and affiliates are deemed to be permanently reinvested and, accordingly, no deferred income tax liability has been recorded. It is not practical to estimate the income tax effect that might be incurred if cumulative prior year earnings not previously taxed in the United States were remitted to the United States.

	2015	2014
Assets:		
Employment related liabilities	\$ 9,644	\$ 10,726
Pension liability foreign	2,822	4,041
Pension liability domestic	12,934	15,849
Liabilities related to discontinued operations	704	733
Capital loss carryforwards	223	253
Asbestos-related liability	16,356	18,252
Net operating loss state	1,445	2,029
Inventory related	4,292	3,458
Impairment charge associated with investment in UES-MG	2,298	2,344
Other	3,311	3,546
Gross deferred income tax assets	54,029	61,231
Valuation allowance	(2,481)	(3,254)
	51,548	57,977
Liabilities:		
Depreciation	(29,223)	(30,429)
Mark-to-market adjustment derivatives	(40)	(23)
Other	(1,716)	(1,993)
Gross deferred income tax liabilities	(30,979)	(32,445)
Net deferred income tax assets	\$ 20,569	\$ 25,532

The following summarizes changes in unrecognized tax benefits for the year ended December 31:

	2015	2014	2013
Balance at the beginning of the year	\$ 52	\$ 270	\$ 442
Gross increases for tax positions taken in the current year	0	0	8
Gross increases for tax positions taken in prior years	283	2	12
Gross decreases in tax positions due to lapse in statute of limitations	(20)	(61)	0
Gross decreases for tax positions taken in prior years	0	(17)	(192)
Gross decreases for tax settlements with taxing authorities	0	(142)	0
Balance at the end of the year	\$ 315	\$ 52	\$ 270

If the unrecognized tax benefits were recognized, \$65 would reduce the Corporation's effective income tax rate. The amount of penalties and interest recognized in the consolidated balance sheets as of December 31, 2015 and 2014 and in the consolidated statements of operations for 2015, 2014 and 2013 is insignificant. Unrecognized tax benefits of \$97 are to expire due to the lapse in the statute of limitations within the next 12 months.

The Corporation is subject to taxation in the United States, various states and foreign jurisdictions, and remains subject to examination by tax authorities for tax years 2012-2015. The combined Indiana income tax returns for 2010-2013 are under examination by the Indiana Department of Revenue which started during the first quarter of 2015. The examination is still ongoing as of December 31, 2015.

Table of Contents**NOTE 14 OPERATING LEASES:**

The Corporation leases certain factory and office space and certain office equipment. Operating lease expense was \$1,043 in 2015, \$995 in 2014 and \$945 in 2013. Operating lease payments for subsequent years are \$581 for 2016, \$431 for 2017, \$329 for 2018, \$278 for 2019, \$194 for 2020 and \$810 thereafter. The reduction between operating lease expense and future years' payment is primarily due to expiration of the Corporation's office lease for its headquarters and subsequent relocation to an existing facility in Carnegie, Pennsylvania.

NOTE 15 RESEARCH AND DEVELOPMENT COSTS:

Expenditures relating to the development of new products, identification of products or process alternatives and modifications and improvements to existing products and processes are expensed as incurred. These expenses approximated \$1,137 for 2015, \$1,328 for 2014 and \$1,413 for 2013.

NOTE 16 RELATED PARTIES:

In the ordinary course of business, the Corporation purchases industrial supplies from a subsidiary of The Louis Berkman Company (LB Co.). Certain directors of the Corporation are either officers, directors and/or shareholders of LB Co. Purchases from LB Co. approximated \$1,270 in 2015, \$1,358 in 2014 and \$1,489 in 2013. In addition, LB Co. paid the Corporation approximately \$72 in 2015, \$100 in 2014 and \$150 in 2013 for certain administrative services. The net amount payable to LB Co. approximated \$93 and \$28 at December 31, 2015 and 2014, respectively.

NOTE 17 LITIGATION:

The Corporation and its subsidiaries are involved in various claims and lawsuits incidental to their businesses and are also subject to asbestos litigation as described below.

Asbestos Litigation

Claims have been asserted alleging personal injury from exposure to asbestos-containing components historically used in some products of predecessors of Air & Liquid Systems Corporation (Asbestos Liability). Those subsidiaries, and in some cases the Corporation, are defendants (among a number of defendants, often in excess of 50) in cases filed in various state and federal courts.

Asbestos Claims

The following table reflects approximate information about the claims for Asbestos Liability against the subsidiaries and the Corporation for the two years ended December 31, 2015 and 2014:

	2015	2014
Total claims pending at the beginning of the period	8,457	8,319
New claims served	1,424	1,466
Claims dismissed	(3,339)	(1,094)
Claims settled	(330)	(234)
Total claims pending at the end of the period ⁽¹⁾	6,212	8,457
Gross settlement and defense costs (in 000 \$)	\$ 19,199	\$ 20,801
Average gross settlement and defense costs per claim resolved (in 000 \$)	\$ 5.23	\$ 15.66

(1) Included as open claims are approximately 430 and 1,647 claims in 2015 and 2014, respectively, classified in various jurisdictions as inactive or transferred to a state or federal judicial panel on multi-district litigation, commonly referred to as the MDL.

A substantial majority of the settlement and defense costs reflected in the above table was reported and paid by insurers. Because claims are often filed and can be settled or dismissed in large groups, the amount and timing of settlements, as well as the number of open claims, can fluctuate significantly from period to period.

Table of Contents

Asbestos Insurance

The Corporation and its Air & Liquid Systems Corporation (Air & Liquid) subsidiary are parties to a series of settlement agreements (Settlement Agreements) with insurers that have coverage obligations for Asbestos Liability (the Settling Insurers). Under the Settlement Agreements, the Settling Insurers accept financial responsibility, subject to the terms and conditions of the respective agreements, including overall coverage limits, for pending and future claims for Asbestos Liability. The Settlement Agreements encompass the substantial majority of insurance policies that provide coverage for claims for Asbestos Liability.

The Settlement Agreements include acknowledgements that Howden North America, Inc. (Howden) is entitled to coverage under policies covering Asbestos Liability for claims arising out of the historical products manufactured or distributed by Buffalo Forge, a former subsidiary of the Corporation (the Products). The Settlement Agreements do not provide for any prioritization on access to the applicable policies or any sublimits of liability as to Howden or the Corporation and Air & Liquid, and, accordingly, Howden may access the coverage afforded by the Settling Insurers for any covered claim arising out of a Product. In general, access by Howden to the coverage afforded by the Settling Insurers for the Products will erode coverage under the Settlement Agreements available to the Corporation and Air & Liquid for Asbestos Liability.

On February 24, 2011, the Corporation and Air & Liquid filed a lawsuit in the United States District Court for the Western District of Pennsylvania against thirteen domestic insurance companies, certain underwriters at Lloyd's, London and certain London market insurance companies, and Howden. The lawsuit seeks a declaratory judgment regarding the respective rights and obligations of the parties under excess insurance policies that were issued to the Corporation from 1981 through 1984 as respects claims against the Corporation and its subsidiary for Asbestos Liability and as respects asbestos bodily-injury claims against Howden arising from the Products. The Corporation and Air & Liquid have reached Settlement Agreements with all but two of the defendant insurers in the coverage action. Those Settlement Agreements specify the terms and conditions upon which the insurer parties are to contribute to defense and indemnity costs for claims for Asbestos Liability. One of the Settlement Agreements entered into by the Corporation and Air & Liquid also provided for the dismissal of claims, without prejudice, regarding two upper-level excess policies issued by one of the insurers. The Court has entered Orders dismissing all claims in the action filed against each other by the Corporation and Air & Liquid, on the one hand, and by the settling insurers, on the other. Howden also reached an agreement with eight domestic insurers addressing asbestos-related bodily injury claims arising from the Products, and claims as to those insurers and Howden have been dismissed. Various counterclaims, cross claims and third party claims have been filed in the litigation and remain pending although only two domestic insurers and Howden remain in the litigation as to the Corporation and Air & Liquid. On September 27, 2013, the Court issued a memorandum opinion and order granting in part and denying in part cross motions for summary judgment filed by the Corporation and Air & Liquid, Howden, and the insurer parties still in the litigation. On February 26, 2015, the Court issued final judgment. One insurer filed a notice of appeal from the judgment to the U.S. Court of Appeals to the Third Circuit; as a result, several other insurers, Howden, the Corporation, and Air & Liquid filed notices of case appeal. The appeals are presently pending, and the parties have been involved in a mediation through the Third Circuit's mediator's office.

Asbestos Valuations

In 2006, the Corporation retained Hamilton, Rabinovitz & Associates, Inc. (HR&A), a nationally recognized expert in the valuation of asbestos liabilities, to assist the Corporation in estimating the potential liability for pending and unasserted future claims for Asbestos Liability. HR&A was not requested to estimate asbestos claims against the inactive subsidiary in dissolution, which the Corporation believes are immaterial. Based on this analysis, the Corporation recorded a reserve for Asbestos Liability claims pending or projected to be asserted through 2013 as of December 31, 2006. HR&A's analysis has been periodically updated since that time. Most recently, the HR&A analysis was updated in 2014, and additional reserves were established by the Corporation as of December 31, 2014 for Asbestos Liability claims pending or projected to be asserted through 2024. The methodology used by HR&A in its projection in 2014 of the operating subsidiaries' liability for pending and unasserted potential future claims for Asbestos Liability, which is substantially the same as the methodology employed by HR&A in prior estimates, relied upon and included the following factors:

HR&A's interpretation of a widely accepted forecast of the population likely to have been exposed to asbestos;

epidemiological studies estimating the number of people likely to develop asbestos-related diseases;

HR&A's analysis of the number of people likely to file an asbestos-related injury claim against the subsidiaries and the Corporation based on such epidemiological data and relevant claims history from January 1, 2012 to December 8, 2014;

Table of Contents

an analysis of pending cases, by type of injury claimed and jurisdiction where the claim is filed;

an analysis of claims resolution history from January 1, 2012 to December 8, 2014 to determine the average settlement value of claims, by type of injury claimed and jurisdiction of filing; and

an adjustment for inflation in the future average settlement value of claims, at an annual inflation rate based on the Congressional Budget Office's ten year forecast of inflation.

Using this information, HR&A estimated in 2014 the number of future claims for Asbestos Liability that would be filed through the year 2024, as well as the settlement or indemnity costs that would be incurred to resolve both pending and future unasserted claims through 2024. This methodology has been accepted by numerous courts.

In conjunction with developing the aggregate liability estimate referenced above, the Corporation also developed an estimate of probable insurance recoveries for its Asbestos Liabilities. In developing the estimate, the Corporation considered HR&A's projection for settlement or indemnity costs for Asbestos Liability and management's projection of associated defense costs (based on the current defense to indemnity cost ratio), as well as a number of additional factors. These additional factors included the Settlement Agreements then in effect, policy exclusions, policy limits, policy provisions regarding coverage for defense costs, attachment points, prior impairment of policies and gaps in the coverage, policy exhaustions, insolvencies among certain of the insurance carriers, and the nature of the underlying claims for Asbestos Liability asserted against the subsidiaries and the Corporation as reflected in the Corporation's asbestos claims database, as well as estimated erosion of insurance limits on account of claims against Howden arising out of the Products. In addition to consulting with the Corporation's outside legal counsel on these insurance matters, the Corporation consulted with a nationally-recognized insurance consulting firm it retained to assist the Corporation with certain policy allocation matters that also are among the several factors considered by the Corporation when analyzing potential recoveries from relevant historical insurance for Asbestos Liabilities. Based upon all of the factors considered by the Corporation, and taking into account the Corporation's analysis of publicly available information regarding the credit-worthiness of various insurers, the Corporation estimated the probable insurance recoveries for Asbestos Liability and defense costs through 2024. Although the Corporation believes that the assumptions employed in the insurance valuation were reasonable and previously consulted with its outside legal counsel and insurance consultant regarding those assumptions, there are other assumptions that could have been employed that would have resulted in materially lower insurance recovery projections.

Based on the analyses described above, the Corporation's reserve at December 31, 2014 for the total costs, including defense costs, for Asbestos Liability claims pending or projected to be asserted through 2024 was \$189,048 of which approximately 64% was attributable to settlement costs for unasserted claims projected to be filed through 2024 and future defense costs. The reserve at December 31, 2015 was \$169,849. While it is reasonably possible that the Corporation will incur additional charges for Asbestos Liability and defense costs in excess of the amounts currently reserved, the Corporation believes that there is too much uncertainty to provide for reasonable estimation of the number of future claims, the nature of such claims and the cost to resolve them beyond 2024. Accordingly, no reserve has been recorded for any costs that may be incurred after 2024.

The Corporation's receivable at December 31, 2014 for insurance recoveries attributable to the claims for which the Corporation's Asbestos Liability reserve has been established, including the portion of incurred defense costs covered by the Settlement Agreements in effect through December 31, 2014, and the probable payments and reimbursements relating to the estimated indemnity and defense costs for pending and unasserted future Asbestos Liability claims, was \$140,651 (\$125,423 at December 31, 2015).

The following table summarizes activity relating to insurance recoveries for each of the years ended December 31, 2015 and 2014.

	2015	2014
Insurance receivable - asbestos, beginning of the year	\$ 140,651	\$ 110,741
Settlement and defense costs paid by insurance carriers	(15,228)	(17,159)
Changes in estimated coverage	0	47,069
Insurance receivable - asbestos, end of the year	\$ 125,423	\$ 140,651

The insurance receivable recorded by the Corporation does not assume any recovery from insolvent carriers and a substantial majority of the insurance recoveries deemed probable was from insurance companies rated A- (excellent) or better by A.M. Best Corporation.

Table of Contents

There can be no assurance, however, that there will not be further insolvencies among the relevant insurance carriers, or that the assumed percentage recoveries for certain carriers will prove correct. The difference between insurance recoveries and projected costs is not due to exhaustion of all insurance coverage for Asbestos Liability. The Corporation and the subsidiaries have substantial additional insurance coverage which the Corporation expects to be available for Asbestos Liability claims and defense costs that the subsidiaries and it may incur after 2024. However, this insurance coverage also can be expected to have gaps creating significant shortfalls of insurance recoveries as against claims expense, which could be material in future years.

The amounts recorded by the Corporation for Asbestos Liabilities and insurance receivables rely on assumptions that are based on currently known facts and strategy. The Corporation's actual expenses or insurance recoveries could be significantly higher or lower than those recorded if assumptions used in the Corporation's or HR&A's calculations vary significantly from actual results. Key variables in these assumptions are identified above and include the number and type of new claims to be filed each year, the average cost of disposing of each such new claim, average annual defense costs, compliance by relevant parties with the terms of the Settlement Agreements, the resolution of remaining coverage issues with insurance carriers, and the solvency risk with respect to the relevant insurance carriers. Other factors that may affect the Corporation's Asbestos Liability and ability to recover under its insurance policies include uncertainties surrounding the litigation process from jurisdiction to jurisdiction and from case to case, reforms that may be made by state and federal courts, and the passage of state or federal tort reform legislation.

The Corporation intends to evaluate its estimated Asbestos Liability and related insurance receivables as well as the underlying assumptions on a regular basis to determine whether any adjustments to the estimates are required. Due to the uncertainties surrounding asbestos litigation and insurance, these regular reviews may result in the Corporation incurring future charges; however, the Corporation is currently unable to estimate such future charges. Adjustments, if any, to the Corporation's estimate of its recorded Asbestos Liability and/or insurance receivables could be material to operating results for the periods in which the adjustments to the liability or receivable are recorded, and to the Corporation's liquidity and consolidated financial position.

NOTE 18 ENVIRONMENTAL MATTERS:

The Corporation is currently performing certain remedial actions in connection with the sale of real estate previously owned. Environmental exposures are difficult to assess and estimate for numerous reasons including lack of reliable data, the multiplicity of possible solutions, the years of remedial and monitoring activity required, and identification of new sites. In the opinion of management and in consideration of advice from the Corporation's consultants, the potential liability for all environmental proceedings of approximately \$300 at December 31, 2015 is considered adequate based on information known to date.

NOTE 19 BUSINESS SEGMENTS:

The Corporation organizes its business into two operating segments: Forged and Cast Engineered Products and Air and Liquid Processing. Summarized financial information concerning the Corporation's reportable segments is shown in the following tables. Corporate assets included under Identifiable Assets represent primarily cash and cash equivalents and other items not allocated to reportable segments. Long-lived assets exclude deferred income tax assets. Corporate costs are comprised of operating costs of the corporate office and other costs not allocated to the segments. Effective May 1, 2015, the Corporation completed an internal reorganization of its back office functions which resulted in certain employees of the segments becoming employees of the Corporation and associated costs (approximately \$1,600 for the year ended December 31, 2015) being recorded as other expense, including corporate costs in the following table. Other expense, including corporate costs also includes corporate's portion of the curtailment charge incurred in connection with freezing the U.S. defined benefit pension plan. The accounting policies are the same as those described in Note 1.

	Income (Loss) Before Income			Taxes and Equity Losses in		
	Net Sales			Chinese Joint Venture		
	2015	2014	2013	2015	2014	2013
Forged and Cast Engineered Products	\$ 152,267	\$ 179,388	\$ 187,286	\$ (3,444)	\$ 4,380	\$ 13,936
Air and Liquid Processing ⁽¹⁾	86,213	93,470	93,764	23,166	4,222	24,945
Total Reportable Segments	238,480	272,858	281,050	19,722	8,602	38,881
Corporate costs, including other income (expense)				(15,202)	(9,494)	(11,701)

\$ 238,480	\$ 272,858	\$ 281,050	\$ 4,520	\$ (892)	\$ 27,180
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Table of Contents

	Capital Expenditures			Depreciation Expense			Identifiable Assets ⁽²⁾		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
Forged and Cast Engineered Products	\$ 8,608	\$ 12,884	\$ 11,016	\$ 10,468	\$ 10,303	\$ 9,976	\$ 228,718	\$ 260,384	\$ 263,012
Air and Liquid Processing	494	356	757	1,262	1,444	1,300	183,024	197,518	168,977
Corporate	305	69	32	57	71	66	94,414	78,507	70,684
	\$ 9,407	\$ 13,309	\$ 11,805	\$ 11,787	\$ 11,818	\$ 11,342	\$ 506,156	\$ 536,409	\$ 502,673

	Net Sales ⁽³⁾			Long-Lived Assets ⁽⁴⁾			Income (Loss) Before Income Taxes and Equity Losses in Chinese Joint Venture		
Geographic Areas:	2015	2014	2013	2015	2014	2013	2015	2014	2013
United States ⁽¹⁾	\$ 126,417	\$ 143,493	\$ 134,695	\$ 236,707	\$ 252,739	\$ 213,332	\$ 5,855	\$ (1,471)	\$ 26,137
Foreign	112,063	129,365	146,355	29,198	31,359	35,723	(1,335)	579	1,043
	\$ 238,480	\$ 272,858	\$ 281,050	\$ 265,905	\$ 284,098	\$ 249,055	\$ 4,520	\$ (892)	\$ 27,180

	Net Sales by Product Line		
	2015	2014	2013
Forged and cast engineered products ⁽⁵⁾	\$ 152,267	\$ 179,388	\$ 187,286
Heat exchange coils	32,745	39,109	42,364
Centrifugal pumps	33,120	32,983	32,341
Air handling systems	20,348	21,378	19,059
	\$ 238,480	\$ 272,858	\$ 281,050

(1) Income (loss) before income taxes for the Air and Liquid Processing segment for 2015 includes pre-tax asbestos-related proceeds of \$14,333 received from two insurance carriers in rehabilitation whereas 2014 includes a pre-tax charge of \$4,487 for estimated costs of asbestos-related litigation through 2024 net of estimated insurance recoveries and 2013 includes a pre-tax credit of \$16,340 for estimated additional insurance recoveries expected to be available to satisfy asbestos liabilities through 2022 resulting from settlement agreements reached with various insurance carriers.

(2) Identifiable assets for the Forged and Cast Engineered Products segment include investments in joint ventures of \$3,097, \$3,914 and \$5,010 at December 31, 2015, 2014 and 2013, respectively. The change in the identifiable assets of the Air and Liquid Processing segment relates primarily to the movement in asbestos-related insurance receivables, the balances of which equaled \$125,423, \$140,651 and \$110,741 at December 31, 2015, 2014 and 2013, respectively.

(3) Net sales are attributed to countries based on location of the customer. Sales to individual countries were less than 10% of consolidated net sales each of the years.

(4) Foreign long-lived assets represent primarily investments in joint ventures of \$3,097, \$3,914 and \$5,010 at December 31, 2015, 2014 and 2013, respectively, and assets of the U.K. operations. Long-lived assets of the U.S. include noncurrent asbestos-related insurance receivables of \$108,423, \$123,651 and \$86,241 for 2015, 2014 and 2013, respectively.

(5) For the Forged and Cast Engineered Products segment, two customers accounted for 33% of its net sales for 2015, 29% of its net sales for 2014 and 26% of its net sales for 2013.

NOTE 20 SUBSEQUENT EVENT:

On March 3, 2016, Union Electric Steel acquired Åkers AB and certain of its affiliated companies (excluding Åkers AB's operations in France and Belgium) from Altor Fund II GP Limited. The business is a part of the Forged and Cast Engineered Products segment. The acquisition adds roll production facilities in Sweden, the United States, Slovenia, and China; 14 sales offices; and a service capability in the United States. It enables cast roll production in the United States, forged roll production in Europe, and a low-cost product alternative for customers. The base purchase price of \$75,000 (which is subject to certain post-closing adjustments) was payable \$29,000 in cash, \$26,000 in the form of a three-year note, and \$20,000 in shares of common stock of the Corporation. Future consolidated financial statements of the Corporation will

include the results of operations of the acquired entities from the date of acquisition.

Table of Contents**QUARTERLY INFORMATION UNAUDITED**

<i>(in thousands, except per share amounts)</i>	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2015				
Net sales	\$ 65,087	\$ 59,973	\$ 58,094	\$ 55,326
Gross profit ^(a)	13,043	11,776	9,439	8,131
Net income (loss) ^(b)	72	(520)	(1,511)	3,332
Net income (loss) per common share:				
Basic ^(b)	0.01	(0.05)	(0.14)	0.32
Diluted ^(b)	0.01	(0.05)	(0.14)	0.32
Comprehensive income (loss) ^(c)	3,692	2,789	(2,250)	8,296
2014				
Net sales	\$ 62,913	\$ 69,949	\$ 65,409	\$ 74,587
Gross profit ^(a)	12,850	14,541	12,165	14,705
Net income (loss) ^(d)	78	1,121	(343)	(2,043)
Net income (loss) per common share:				
Basic ^(d)	0.01	0.11	(0.03)	(0.20)
Diluted ^(d)	0.01	0.11	(0.03)	(0.20)
Comprehensive income (loss) ^(e)	1,298	7,992	(2,701)	(30,664)

(a) Gross profit excludes depreciation.

(b) Fourth quarter of 2015 includes an after-tax credit of \$6,140 or \$0.59 per common share for the net benefit of proceeds received from an insurance carrier in rehabilitation offset by acquisition-related costs.

(c) First quarter of 2015 includes a net-of-tax adjustment to recognize the effect of a plan amendment to the other postretirement benefit plan of \$4,163. Fourth quarter of 2015 includes a net-of-tax adjustment to reflect the funded status of the various pension and other postretirement benefit plans of \$5,231.

(d) Fourth quarter of 2014 includes an after-tax charge of \$2,916 or \$0.28 per common share for estimated costs of asbestos-related litigation through 2024 net of estimated insurance recoveries.

(e) Second quarter of 2014 includes a net-of-tax adjustment to recognize the effect of a plan amendment to the other postretirement benefit plan of \$4,776. Fourth quarter of 2014 includes a net-of-tax adjustment to reflect the funded status of the various pension and other postretirement benefit plans of \$(27,252).

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Ampco-Pittsburgh Corporation

We have audited the accompanying consolidated balance sheets of Ampco-Pittsburgh Corporation and subsidiaries (the Corporation) as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income (loss), shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2015. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Ampco-Pittsburgh Corporation and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Corporation's internal control over financial reporting as of December 31, 2015, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 15, 2016 expressed an unqualified opinion on the Corporation's internal control over financial reporting.

Pittsburgh, Pennsylvania
March 15, 2016

Table of Contents

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

The Corporation did not experience any changes in, or disagreements with its accountants on, accounting and financial disclosure during the period covered.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures. An evaluation of the effectiveness of the Corporation's disclosure controls and procedures as of the end of the period covered by this report was carried out under the supervision, and with the participation, of management, including the principal executive officer and principal financial officer. Disclosure controls and procedures are defined under Securities and Exchange Commission (SEC) rules as controls and other procedures that are designed to ensure that information required to be disclosed by a company in the reports that it files under the Exchange Act is recorded, processed, summarized and reported within required time periods. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. Based on that evaluation, the Corporation's management, including the principal executive officer and principal financial officer, has concluded that the Corporation's disclosure controls and procedures were effective at the reasonable assurance level as of December 31, 2015.

Management's Annual Report on Internal Control Over Financial Reporting. The Corporation's management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Effective internal control over financial reporting can only provide reasonable assurance that the objectives of the control process are met. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore it is possible to design into the process safeguards to reduce, though not eliminate, this risk. Further, the design of internal control over financial reporting includes the consideration of the benefits of each control relative to the cost of the control.

Management assessed the effectiveness of internal control over financial reporting as of December 31, 2015. In making this assessment, management used the criteria set forth in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on those criteria and management's assessment, management, including the principal executive officer and principal financial officer, concluded that the Corporation's internal control over financial reporting was effective as of December 31, 2015.

The Corporation's independent registered public accounting firm, Deloitte & Touche LLP, has issued an attestation report on the Corporation's internal control over financial reporting which is included herein.

Changes in Internal Control Over Financial Reporting. There were no changes in the Corporation's internal control over financial reporting during the quarter ended December 31, 2015 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Ampco-Pittsburgh Corporation

We have audited the internal control over financial reporting of Ampco-Pittsburgh Corporation and subsidiaries (the Corporation) as of December 31, 2015, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Corporation's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2015 of the Corporation and our report dated March 15, 2016 expressed an unqualified opinion on those financial statements.

Pittsburgh, Pennsylvania
March 15, 2016

Table of Contents

ITEM 9B. OTHER INFORMATION

None

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information about the Corporation's directors required by Item 401 of Regulation S-K and not otherwise set forth below is contained under the caption "Proposal 1: Election of Directors" in the Corporation's definitive Proxy Statement for the 2016 Annual Meeting of Shareholders (the "Proxy Statement") which the Company anticipates filing with the Securities and Exchange Commission, pursuant to Regulation 14A, not later than 120 days after the end of the Corporation's fiscal year, and is incorporated herein by reference. The information required by Item 401 of Regulation S-K regarding executive officers is set forth in Part I, Item 1 of this report under "Executive Officers."

The information required by Item 405 of Regulation S-K is contained under the caption "Security Ownership of Certain Beneficial Owners and Management" of the Proxy Statement and is incorporated by reference.

The Corporation and its subsidiaries have adopted a Code of Business Conduct and Ethics that applies to all of their officers, directors and employees, as well as an additional Code of Ethics that applies to the Corporation's Chief Executive Officer and Chief Financial Officer, are available on the Corporation's website at www.ampcopittsburgh.com.

The information required by Items 407(c)(3), (d)(4) and (d)(5) of Regulation S-K is included under the captions "Corporate Governance," "Director Nominating Procedures" and "Board Committees and Related Matters," "Audit Committee" of the Proxy Statement and is incorporated by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required for this Item 11 is contained in the Proxy Statement under the captions "Director Compensation," "Compensation Discussion and Analysis," "Potential Payments upon Change in Control," "Compensation Committee Interlocks and Insider Participation" and "Compensation Committee Report."

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDERS MATTERS

The information required by Item 201(d) of Regulation S-K relating to securities authorized for issuance under equity compensation plans is contained under the caption "Outstanding Equity Awards at Fiscal Year End" of the Proxy Statement and is incorporated by reference.

The information required by Item 403 of Regulation S-K is contained under the captions "Security Ownership of Certain Beneficial Owners and Management" of the Proxy Statement and is incorporated by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by Item 404(a) of Regulation S-K is contained under the caption "Certain Relationships and Related Transactions" in the Proxy Statement and is incorporated by reference.

The information required by Item 407(a) of Regulation S-K is contained under the caption "Corporate Governance," "Board Independence" of the Proxy Statement and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by Item 14 is contained in the Proxy Statement under the caption "Ratification of the Appointment of Deloitte & Touche as the Independent Registered Public Accounting Firm for 2016" is incorporated herein.

Table of Contents**PART IV****ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES****THE FOLLOWING DOCUMENTS ARE FILED AS PART OF THIS REPORT:****1. Financial Statements**

Consolidated Balance Sheets

Consolidated Statements of Operations

Consolidated Statements of Comprehensive Income (Loss)

Consolidated Statements of Shareholders' Equity

Consolidated Statements of Cash Flows

Notes to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

2. Financial Statement Schedules

The following additional financial data should be read in conjunction with the consolidated financial statements in this Annual Report on Form 10-K. Schedules not included with this additional financial data have been omitted because they are not applicable or the required information is shown in the financial statements or notes thereto:

	Schedule Number	Page Number
Index to Ampco-Pittsburgh Corporation Financial Data		67
Report of Independent Registered Public Accounting Firm		68
Valuation and Qualifying Accounts	II	69

3. Exhibits*Exhibit No.***(3) Articles of Incorporation and By-laws**

a. Articles of Incorporation, as corrected by a Certificate of Correction filed on January 20, 2016

Incorporated by reference to the Quarterly Report on Form 10-Q for the quarter ended March 31, 1983; the Quarterly Report on Form 10-Q for the quarter ended March 31, 1984; the Quarterly Report on Form 10-Q for the quarter ended March 31, 1985; the Quarterly Report on Form 10-Q for the quarter ended March 31, 1987; the Registration Statement on Form 8-A dated September 30, 1998.

b. Amended and Restated By-laws

Incorporated by reference to Form 8-K dated December 23, 2015.

(10) Material Contracts

- a. 1988 Supplemental Executive Retirement Plan, as amended and restated December 17, 2008, and further amended on July 1, 2015, incorporated by reference to the 2008 Annual Report on Form 10-K and Quarterly Report on Form 10-Q filed on August 10, 2015.
- b. Ampco-Pittsburgh Corporation 2008 Omnibus Incentive Plan, incorporated by reference to the Proxy Statement dated March 6, 2008.
- c. Ampco-Pittsburgh Corporation 2011 Omnibus Incentive Plan, incorporated by reference to the Proxy Statement dated March 22, 2011.
- d. Retirement and Consulting Agreement between Ampco-Pittsburgh Corporation and Robert A. Paul effective January 1, 2015, incorporated by reference to the 2014 Annual Report on Form 10-K.
- e. Offer Letter between the Corporation and John S. Stanik dated November 25, 2014, incorporated by reference to the 2014 Annual Report on Form 10-K filed on March 16, 2015.

Table of Contents

- f. Change in Control Agreement between Ampco-Pittsburgh Corporation and John S. Stanik dated January 31, 2015, incorporated by reference to the 2014 Annual Report on Form 10-K filed on March 16, 2015.
- g. Change in Control Agreement between Ampco-Pittsburgh Corporation and Maria Trainor, incorporated by reference to the Quarterly Report on Form 10-Q filed on August 10, 2015.
- h. Amendment No. 1 to Amended and Restated Union Electric Steel Corporation Retirement Restoration Plan for Robert G. Carothers, effective as of July 1, 2015, incorporated by reference to the Quarterly Report on Form 10-Q filed on August 10, 2015.
- i. Amended and Restated Change in Control Agreements between Ampco-Pittsburgh Corporation and certain officers of Ampco-Pittsburgh Corporation and certain of its subsidiaries, incorporated by reference to the Quarterly Report on Form 10-Q filed on November 6, 2015.
- j. Share Sale and Purchase Agreement, dated as of December 2, 2015, by and between, inter alia, Åkers Holdings AB and Ampco-Pittsburgh Corporation, incorporated by reference to Current Report on Form 8-K filed on December 8, 2015.
- k. Amendment to Retirement and Consulting Agreement between Ampco-Pittsburgh Corporation and Robert A. Paul, dated March 2, 2016.
- l. Addendum to Share Sale and Purchase Agreement, dated March 1, 2016, among Ampco-Pittsburgh Corporation, Ampco UES Sub, Inc., Altor Fund II GP Limited, and Åkers Holding AB, incorporated by reference to Current Report on Form 8-K filed on March 7, 2016.
- m. Second Addendum to Share Sale and Purchase Agreement, dated March 3, 2016, among Ampco-Pittsburgh Corporation, Ampco UES Sub, Inc., Altor Fund II GP Limited, and Åkers Holding AB, incorporated by reference to Current Report on Form 8-K filed on March 7, 2016.
- n. Converting Note, issued by Ampco-Pittsburgh Corporation to Svenska Handelsbanken AB (publ) on March 3, 2016, incorporated by reference to Current Report on Form 8-K filed on March 7, 2016.
- o. Promissory Note, issued by Ampco-Pittsburgh Corporation to Altor Fund II GP Limited on March 3, 2016, incorporated by reference to Current Report on Form 8-K filed on March 7, 2016.
- p. Promissory Note, issued by Ampco-Pittsburgh Corporation to Svenska Handelsbanken AB (publ) on March 3, 2016, incorporated by reference to Current Report on Form 8-K filed on March 7, 2016.
- q. Note Sale and Purchase Agreement, dated March 3, 2016, by and among Ampco-Pittsburgh Corporation, Altor Fund II GP Limited and Svenska Handelsbanken AB (publ), incorporated by reference to Current Report on Form 8-K filed on March 7, 2016.
- r.

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Shareholder Support Agreement, dated March 3, 2016, by and between Ampco-Pittsburgh Corporation and Altor Fund II GP Limited, incorporated by reference to Current Report on Form 8-K filed on March 7, 2016.

(21) Significant Subsidiaries

(23.1) Consent of Deloitte & Touche LLP

(23.2) Consent of Hamilton, Rabinovitz & Associates, Inc.

(31.1) Certification of Principal Executive Officer pursuant to Section 302 of The Sarbanes-Oxley Act of 2002.

(31.2) Certification of Principal Financial Officer pursuant to Section 302 of The Sarbanes-Oxley Act of 2002.

(32.1) Certification of Principal Executive Officer pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.

(32.2) Certification of Principal Financial Officer pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.

(101) Interactive Data File (XBRL)

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

March 15, 2016

AMPCO-PITTSBURGH CORPORATION

By:

Name: **John S. Stanik**

Title: Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in their capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ John S. Stanik	Director and Chief Executive Officer (Principal Executive Officer)	March 15, 2016
Marliss D. Johnson	Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	March 15, 2016
James J. Abel	Director	March 15, 2016
Leonard M. Carroll	Director	March 15, 2016
Michael I. German	Director	March 15, 2016
Paul A. Gould	Director	March 15, 2016
William K. Lieberman	Director	March 15, 2016

Table of Contents

SIGNATURE	TITLE	DATE
Laurence E. Paul	Director	March 15, 2016
Stephen E. Paul	Director	March 15, 2016
Carl H. Pforzheimer, III	Director	March 15, 2016
Ernest G. Siddons	Director	March 15, 2016
J. Fredrik Strömholm	Director	March 15, 2016

Table of Contents

INDEX TO AMPCO-PITTSBURGH CORPORATION FINANCIAL DATA

	Schedule Number	Page Number
Index to Ampco-Pittsburgh Corporation Financial Data		67
Report of Independent Registered Public Accounting Firm		68
Valuation and Qualifying Accounts	II	69

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Ampco-Pittsburgh Corporation

We have audited the consolidated financial statements of Ampco-Pittsburgh Corporation and subsidiaries (the Corporation) as of December 31, 2015 and 2014, and for each of the three years in the period ended December 31, 2015, and the Corporation's internal control over financial reporting as of December 31, 2015, and have issued our reports thereon dated March 15, 2016; such reports are included elsewhere in this Form 10-K. Our audits also included the consolidated financial statement schedule of the Corporation listed in Item 15. The consolidated financial statement schedule is the responsibility of the Corporation's management. Our responsibility is to express an opinion based on our audits. In our opinion, such consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

Pittsburgh, Pennsylvania

March 15, 2016

Table of Contents**SCHEDULE II****Valuation and Qualifying Accounts**

For the Years Ended December 31, 2015, 2014 and 2013

(in thousands)

Description	Additions					Balance at End of Period
	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Deductions	Other ⁽⁴⁾	
Year ended December 31, 2015						
Allowance for doubtful accounts	\$ 1,374	\$ 408	\$ (762) ⁽¹⁾	\$ (25)	\$ (12)	\$ 983
Valuation allowance against gross deferred income tax assets	\$ 3,254	\$ 0	\$ (715) ⁽²⁾	\$ 0	\$ (58)	\$ 2,481
Year ended December 31, 2014						
Allowance for doubtful accounts	\$ 551	\$ 1,381	\$ 0	\$ (531)	\$ (27)	\$ 1,374
Valuation allowance against gross deferred income tax assets	\$ 2,639	\$ 0	\$ 721 ⁽²⁾	\$ (33) ⁽³⁾	\$ (73)	\$ 3,254
Year ended December 31, 2013						
Allowance for doubtful accounts	\$ 519	\$ 33	\$ 0	\$ (3)	\$ 2	\$ 551
Valuation allowance against gross deferred income tax assets	\$ 2,887	\$ 0	\$ 35 ⁽²⁾	\$ (156) ⁽³⁾	\$ (127)	\$ 2,639

*(1) Represents collection of receivables previously provided for in the allowance for doubtful accounts.**(2) Represents valuation allowances established for deferred income tax assets since it is more likely than not that the assets will not be realized.**(3) Reduction in valuation allowances reflects primarily changes in the amount of deferred income tax assets expected to be realized, resulting in credit to the income tax provision in the consolidated statements of operations.**(4) Represents primarily impact from changes in foreign currency exchange rates and income tax rates.*