AMPCO PITTSBURGH CORP
Form 10-Q
November 05, 2010

FORM 1O-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2010

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number 1-898

AMPCO-PITTSBURGH CORPORATION

Pennsylvania	25-1117717
(State of Incorporation)	(I.R.S. Employer Identification No.)

600 Grant Street, Suite 4600
Pittsburgh, Pennsylvania 15219
(Address of principal executive offices)

(412)456-4400
(Registrant's telephone number)

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 periods 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes No

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

Large accelerated filer Accelerated filer √
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 √

On November 5, 2010, 10,253,493 common shares were outstanding.

AMPCO-PITTSBURGH CORPORATION

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Exhibit 32.2

PART I - FINANCIAL INFORMATION
AMPCO-PITTSBURGH CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	September 30, 2010		December 31, 2009	
Assets				
Current assets:				
Cash and cash equivalents	$	61,082,351	$	66,440,864
Receivables, less allowance for doubtful accounts				
of $188,021 in 2010 and $428,074 in 2009		48,769,956		39,620,966
Inventories		72,004,452		69,974,934
Insurance receivable – asbestos		18,000,000		20,000,000
Other current assets		11,275,950		13,789,664
Total current assets		211,132,709		209,826,428
Property, plant and equipment, net		140,345,298		119,940,117
Insurance receivable - asbestos		87,862,580		95,430,060
Investments in joint ventures		14,400,253		14,867,317
Deferred tax assets		23,383,960		25,953,111
Other noncurrent assets		5,655,093		5,808,024
	$	482,779,893	$	471,825,057
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable	$	18,088,209	$	15,798,457
Accrued payrolls and employee benefits		11,667,062		10,497,091
Industrial Revenue Bond debt		13,311,000		13,311,000
Asbestos liability – current portion		25,000,000		30,000,000
Other current liabilities		21,870,111		19,897,991
Total current liabilities		89,936,382		89,504,539
Employee benefit obligations		48,324,439		52,372,460
Asbestos liability		138,720,330		147,093,191
Other noncurrent liabilities		2,595,630		3,652,411
Total liabilities		279,576,781		292,622,601
Commitments and contingent liabilities (Note 6)				
Shareholders' equity:				
Common stock - par value $1; authorized				
20,000,000 shares; issued and outstanding				
10,246,827shares in 2010 and 10,245,927 in 2009		10,246,827		10,245,927
Additional paid-in capital		119,299,066		116,396,355
Retained earnings		136,379,626		116,804,408
Accumulated other comprehensive loss		(62,722,407)		(64,244,234)
Total shareholders' equity		203,203,112		179,202,456

	$	482,779,893	$	471,825,057

See Notes to Condensed Consolidated Financial Statements.

AMPCO-PITTSBURGH CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2010	2009	2010	2009
Net sales	$244,720,952	$232,694,981	$ 79,537,134	$ 71,961,129
Operating costs and expenses:				
Costs of products sold (excluding depreciation)	168,740,339	157,498,251	56,501,918	47,504,103
Selling and administrative	32,354,403	30,693,639	10,335,512	9,875,768
Depreciation	6,596,206	5,493,962	2,003,471	1,868,158
Gain on disposition of assets	(95,508)	-	(389)	-
Total operating expenses	207,595,440	193,685,852	68,840,512	59,248,029
Income from operations	37,125,512	39,009,129	10,696,622	12,713,100
Other income (expense):				
Investment-related income	1,158,786	1,009,636	1,113,274	862,821
Interest expense	(235,771)	(197,373)	(81,045)	(50,520)
Other – net	(49,977)	(1,747,743)	(82,164)	565,478
	873,038	(935,480)	950,065	1,377,779
Income before income taxes	37,998,550	38,073,649	11,646,687	14,090,879
Income tax provision	(12,594,000)	(14,247,000)	(3,946,000)	(5,376,000)
Equity earnings in Chinese joint venture	(296,046)	-	(177,026)	-
Net income	$25,108,504	$23,826,649	$ 7,523,661	$ 8,714,879
Net income per common share:				
Basic	$2.45	$2.34	$ 0.73	$ 0.85
Diluted	$2.44	$2.34	$ 0.73	$ 0.85
Cash dividends declared per share	$0.54	$0.54	$ 0.18	$ 0.18
Weighted average number of common shares outstanding:				
Basic	10,246,621	10,189,008	10,246,827	10,204,997
Diluted	10,281,510	10,193,350	10,290,669	10,205,633

See Notes to Condensed Consolidated Financial Statements.

AMPCO-PITTSBURGH CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine Months Ended September 30, 2010	2009
Net cash flows provided by operating activities	$ 27,004,515	$ 44,248,761
Cash flows from investing activities:		
Purchases of property, plant and equipment	(27,676,767)	(28,348,659)
Investment in Chinese joint venture	-	(8,820,000)
Collateral for outstanding foreign currency exchange contracts (Note 8)	-	(4,326,000)
Return of collateral for outstanding foreign currency exchange contracts (Note 8)	764,950	2,163,000
Purchases of long-term marketable securities	(435,482)	(780,339)
Sales of long-term marketable securities	408,511	689,104
Proceeds from U.K. governmental grant	226,461	-
Other	96,756	1,850
Net cash flows used in investing activities	(26,615,571)	(39,421,044)
Cash flows from financing activities:		
Dividends paid	(5,533,124)	(5,499,898)
Proceeds from the issuance of common stock	9,731	568,198
Excess tax benefits from the exercise of stock options	4,013	163,059
Net cash flows used in financing activities	(5,519,380)	(4,768,641)
Effect of exchange rate changes on cash and cash equivalents	(228,077)	1,324,176
Net (decrease) increase in cash and cash equivalents	(5,358,513)	1,383,252
Cash and cash equivalents at beginning of period	66,440,864	81,606,793
Cash and cash equivalents at end of period	$ 61,082,351	$ 82,990,045
Supplemental information:		
Income tax payments	$ 8,092,569	$ 9,164,398
Interest payments	$ 235,907	$ 208,549
Non-cash investing activities:		
Purchases of property, plant and equipment		

included in accounts payable	$ 1,927,910	$ 2,397,033

See Notes to Condensed Consolidated Financial Statements.

AMPCO-PITTSBURGH CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Unaudited Condensed Consolidated Financial Statements

The condensed consolidated balance sheet as of September 30, 2010, the condensed consolidated statements of operations for the nine and three months ended September 30, 2010 and 2009 and the condensed consolidated statements of cash flows for the nine months ended September 30, 2010 and 2009 have been prepared by Ampco-Pittsburgh Corporation (the Corporation) without audit. In the opinion of management, all adjustments, consisting of only normal and recurring adjustments necessary to present fairly the financial position, results of operations and cash flows for the periods presented, have been made. The results of operations for the nine and three months ended September 30, 2010 are not necessarily indicative of the operating results expected for the full year.

Certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted.

Recently Issued Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued new guidance replacing the quantitative-based risks and rewards calculation with a more qualitative approach for determining which enterprise, if any, has a controlling financial interest in a variable-interest entity. The new guidance also adds an additional reconsideration event for determining whether an entity is a variable-interest entity and ongoing assessments of whether an enterprise is the primary beneficiary. The new guidance became effective on January 1, 2010 and did not impact the operating results, financial position or liquidity of the Corporation.

In September 2009, the FASB issued ASU 2009-13, Multiple-Deliverable Revenue Arrangements, which addresses the accounting and revenue recognition of sales contracts with multiple products and/or services when such products and/or services are provided to the customer at different points in time or over different time periods. ASU 2009-13 requires the sales consideration to be allocated, at the inception of the arrangement, to each deliverable and/or service using the relative selling price method. ASU 2009-13 will be effective prospectively for revenue arrangements entered into or materially modified on or after January 1, 2011.

2. Inventories

At September 30, 2010 and December 31, 2009, approximately 63% and 65%, respectively, of the inventories were valued on the LIFO method with the remaining inventories valued on the FIFO method. Inventories were comprised of the following:

	(in thousands) September 30, 2010	December 31, 2009
Raw materials	$ 17,917	$ 18,274
Work-in-process	39,172	33,178
Finished goods	4,116	8,075
Supplies	10,799	10,448
	$ 72,004	$ 69,975

3. Property, Plant and Equipment

Property, plant and equipment were comprised of the following:

	(in thousands) September 30, 2010	December 31, 2009
Land and land improvements	$ 4,766	$ 4,766
Buildings	40,149	31,387
Machinery and equipment	207,889	155,528
Construction-in-progress	10,189	45,188
Other	7,426	7,417
	270,419	244,286
Accumulated depreciation	(130,074)	(124,346)
	$ 140,345	$ 119,940

4. Other Current Liabilities

Other current liabilities were comprised of the following:

	(in thousands) September 30, 2010	December 31, 2009
Customer-related liabilities	$ 9,113	$ 10,111
Foreign currency exchange contracts	348	1,171
Accrued sales commissions	2,308	1,852
Accrued income taxes payable	1,414	-
Dividend payable	1,844	1,844
Other	6,843	4,920
	$ 21,870	$ 19,898

Included in customer-related liabilities are costs expected to be incurred with respect to product warranties. Changes in the liability for product warranty claims consisted of the following:

	(in thousands) Nine Months Ended September 30, 2010	2009	Three Months Ended September 30, 2010	2009
Balance at beginning of the period	$ 4,929	$ 4,724	$ 5,289	$ 5,153
Satisfaction of warranty claims	(1,330)	(1,199)	(668)	(448)
Provision for warranty claims	1,654	1,416	456	527
Other, primarily impact from changes in foreign currency exchange rates	(56)	223	120	(68)
Balance at end of the period	$ 5,197	$ 5,164	$ 5,197	$ 5,164

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5. Pension and Other Postretirement Benefits

Contributions for the nine months ended September 30, 2010 and 2009 were as follows:

	(in thousands)	
	2010	2009
U.S. pension benefits plans	$ 5,000	$ 5,000
U.K. pension benefits plan	$ 1,060	$ 1,058
Other postretirement benefits (e.g. net payments)	$ 491	$ 438
U.K. defined contribution plan	$ 240	$ 200

Net periodic pension and other postretirement costs include the following components:

(in thousands)	Nine Months Ended September 30,		Three Months Ended September 30,	
	2010	2009	2010	2009
U.S. Pension Benefits				
Service cost	$ 2,151	$ 2,099	$ 717	$ 674
Interest cost	6,394	6,302	2,132	2,186
Expected return on plan assets	(7,179)	(7,696)	(2,393)	(2,651)
Amortization of prior service cost	492	545	164	228
Amortization of actuarial loss	2,613	1,415	871	552
Net benefit cost	$ 4,471	$ 2,665	$ 1,491	$ 989
U.K. Pension Benefits				
Interest cost	$ 1,852	$ 1,717	$ 623	$ 649
Expected return on plan assets	(1,407)	(1,094)	(473)	(414)
Amortization of actuarial loss	347	342	117	130
Net benefit cost	$ 792	$ 965	$ 267	$ 365
Other Postretirement Benefits				
Service cost	$ 361	$ 317	$ 135	$ 98
Interest cost	693	609	242	189
Amortization of prior service cost	65	65	22	22
Amortization of actuarial loss	105	7	105	4
Net benefit cost	$ 1,224	$ 998	$ 504	$ 313

6. Commitments and Contingent Liabilities

Outstanding standby and commercial letters of credit as of September 30, 2010 approximated $20,763,000, a major portion of which serves as collateral for the Industrial Revenue Bond debt.

In 2010, Davy Roll was awarded a governmental grant of up to £850,000 toward the purchase and installation of certain machinery and equipment. During the quarter, £145,000 ($226,000) was received. Under the agreement, the grant is repayable if certain conditions are not met including achieving and maintaining a targeted level of employment through 2017. Davy Roll's level of employment currently exceeds and is expected to continue to exceed the targeted level of employment; accordingly, no liability has been recorded.

See also Note 12 regarding litigation and Note 13 for environmental matters.

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7. Comprehensive Income (Loss)

The Corporation's comprehensive income (loss) consisted of:

(in thousands)

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2010	2009	2010	2009
Net income	$25,109	$23,827	$7,524	$8,715
Foreign currency translation adjustments	(1,028)	4,045	2,528	(1,299)
Unrecognized components of employee benefit plans	2,127	1,522	822	583
Unrealized holding gains on marketable securities	148	425	191	216
Change in the fair value of derivatives (cash flow hedges)	275	367	(450)	(335)
Comprehensive income	$26,631	$30,186	$10,615	$7,880

8. Foreign Currency Exchange and Futures Contracts

Certain of the Corporation's operations 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 and are recorded in the condensed consolidated balance sheet as either an asset or a liability measured at their fair value. The accounting for changes in the fair 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 fair value of the derivative is deferred in accumulated other comprehensive income (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 transaction, the derivative 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 income (loss) is reclassified to earnings (net sales) with subsequent changes in fair value recorded as a component of earnings (other income/expense). 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 condensed consolidated 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).

No portion of the existing cash flow 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 the hedge.

As of September 30, 2010, approximately $33,954,000 of anticipated foreign-denominated sales has been hedged of which $8,496,000 is covered by cash flow contracts settling at various dates through June 2012 and the remaining $25,458,000 is covered by fair value contracts settling at various dates through September 2013. As of September 30, 2010, the fair value of foreign currency sales contracts designated as cash flow hedges expecting to settle within the next 12 months approximated $548,000 and is recorded as other current assets. The fair value of the remaining cash flow contracts equaled $94,000 and is recorded as other noncurrent assets. The change in the fair value of the contracts is recorded as a component of accumulated other comprehensive income (loss) and approximated $333,000, net of income taxes, as of September 30, 2010. During the nine months ended September 30, 2010, approximately $739,000, net of income taxes, was recognized as comprehensive income (loss). The change in the fair value will be reclassified to earnings when the projected sales occur with approximately $474,000 expected to be released to pre-tax earnings within the next 12 months. During the nine months ended September 30, 2010 and 2009, approximately $580,000 and $(330,000), respectively, was released to pre-tax earnings and during the three months ended September 30, 2010 and 2009, approximately $193,000 and $(266,000), respectively, was released to pre-tax earnings.

As of September 30, 2010, the fair value of foreign currency sales contracts designated as fair value hedges expecting to settle within the next 12 months approximated $390,000 and is recorded as other current assets. (The fair value of the related hedged item, recorded as other current liabilities, approximated $348,000.) The fair value of the remaining fair value hedges equaled $398,000 and is recorded as other noncurrent assets. (The fair value of the related hedged item, recorded as other noncurrent liabilities, approximated $467,000.) The fair value of assets held as

collateral as of September 30, 2010 approximated $1,571,000.

Gains (losses) on foreign exchange transactions included in other income (expense) approximated $431,000 and $(1,207,000) for the nine months ended September 30, 2010 and 2009, respectively, and $(41,000) and $640,000 for the three months ended September 30, 2010 and 2009, respectively.

The Corporation enters into foreign currency purchase contracts to manage the volatility associated with Euro-denominated progress payments to be made for certain machinery and equipment. The contracts are designated as cash flow hedges and are recorded in the condensed consolidated balance sheet as either an asset or a liability measured at their fair value. 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 fair value of the foreign currency purchase contract is deferred in accumulated other comprehensive income (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 transaction (i.e., remittance of the progress payment), the foreign currency purchase contract is settled and the change in fair value deferred in accumulated other comprehensive income (loss) is reclassified to earnings (depreciation expense) over the life of the underlying assets.

As of September 30, 2010, all foreign currency purchase contracts had been settled The fair value of these contracts approximated $538,000 and is recorded within property, plant and equipment, net (specifically, construction-in-progress). The change in the fair value of the contracts is recorded as a component of accumulated other comprehensive income (loss) and approximated $339,000, net of income taxes, as of September 30, 2010. During the nine months ended September 30, 2010, approximately $(245,000), net of income taxes, was recognized as comprehensive income (loss). Since the underlying assets have not yet been placed in service, no amounts have been released to earnings during the nine months ended September 30, 2010. Additionally, the amount expected to be released to earnings (as an offset to depreciation expense) within the next 12 months is not significant.

At September 30, 2010, the Corporation has purchase commitments covering 69% or $13,543,000 of anticipated natural gas usage over approximately the next three years at one of its subsidiaries. The commitments qualify as normal purchases and, accordingly, are not reflected on the condensed consolidated balance sheet.

Additionally, one of the Corporation's subsidiaries is 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. The change in fair value of the derivative is deferred in accumulated other comprehensive income (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 transaction, the futures contract is settled and the change in fair value previously deferred in accumulated other comprehensive income (loss) is reclassified to earnings (costs of products sold) when the projected sales occur. At September 30, 2010, approximately 57% or $1,848,000 of anticipated copper purchases and 63% or $794,000 of anticipated aluminum purchases are hedged over the next six months. The fair value of these contracts (both outstanding and settled) approximated $477,000 as of September 30, 2010. The change in the fair value of the contracts designated as cash flow hedges is recorded as a component of accumulated other comprehensive income (loss) and approximated $297,000, net of income taxes, as of September 30, 2010. During the nine months ended September 30, 2010, approximately $185,000, net of income taxes, was recognized as comprehensive income (loss). Approximately $477,000 of the change in fair value is expected to be released to pre-tax earnings over the next 12 months. During the nine months ended September 30, 2010 and 2009, approximately $68,000 and $493,000, respectively, was released to pre-tax earnings and during the three months ended September 30, 2010 and 2009, approximately $(132,000) and $281,000, respectively, was released to pre-tax earnings. The fair value of assets held as collateral as of September 30, 2010 approximated $455,000.

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

9. Stock-Based Compensation

In February 2010, the Compensation Committee granted 325,000 of non-qualified stock options to certain employees. The options 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 price of $25.77 was equal to the closing price of the Corporation's common stock on the New York Stock Exchange on the date of grant and the fair value of the options was $10.77 per share.

The fair value of the options as of the date of grant was calculated using the Black-Scholes option-pricing model based on an assumption for the expected life of the options of six years, a risk-free interest rate of 2.98%, an expected dividend yield of 3.00% and an expected volatility of 55.12%. The resultant stock-based compensation expense of $3,500,000 will be recognized over the requisite service period.

The risk-free interest rate is equal to the yield that was available on U.S. Treasury zero-coupon issues at the date of grant with a remaining term equal to the expected life of the options. The expected life of the options was estimated by considering historical exercise experience of the employee group and the vesting period of the awards. The expected dividend yield was based on a dividend amount giving consideration to the Corporation's future expectations of dividend increases over the expected life of the options. The expected volatility was based on the historical prices of the Corporation's stock and dividend amounts over the past six years, a period equal to the expected life of the stock options.

Stock-based compensation expense associated with vested options for the current and any previous grants for the nine months ended September 30, 2010 and 2009 equaled $2,890,000 and $1,425,000, respectively. The related income tax benefit recognized in the condensed consolidated statement of operations for the related periods was approximately $1,012,000 and $499,000, respectively. Stock-based compensation expense for the three months ended September 30, 2010 and 2009 equaled $574,000 and $380,000, respectively. The related income tax benefit recognized in the condensed consolidated statement of operations for the related periods was approximately $201,000 and $133,000, respectively.

10.Fair Value

The Corporation's financial assets and liabilities that are reported at fair value in the accompanying condensed consolidated balance sheet as of September 30, 2010 were as follows:

(in thousands)

	Quoted Prices in Active Markets for Identical Inputs (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments				
Other noncurrent assets	$ 2,871	$ -	$ -	$ 2,871
Foreign currency exchange sales contracts				
Other current assets	-	938	-	938
Other noncurrent assets	-	492	-	492
Other current liabilities	-	348	-	348

Other noncurrent liabilities	-	467	-	467

11.Business Segments

Presented below are the net sales and income before income taxes for the Corporation's two business segments.

	(in thousands)			
	Nine Months Ended September 30,		Three Months Ended September 30,	
	2010	2009	2010	2009
Net Sales:				
Forged and Cast Rolls	$ 181,273	$ 147,394	$ 59,562	$ 44,766
Air and Liquid Processing	63,448	85,301	19,975	27,195
Total Reportable Segments	$ 244,721	$ 232,695	$ 79,537	$ 71,961
Income before Income Taxes:				
Forged and Cast Rolls	$ 40,570	$ 35,938	$ 11,765	$ 10,937
Air and Liquid Processing	5,333	10,586	1,366	4,219
Total Reportable Segments	45,903	46,524	13,131	15,156
Other expense, including corporate costs	(7,904)	(8,450)	(1,484)	(1,065)
Total	$ 37,999	$ 38,074	$ 11,647	$ 14,091

12.Litigation (claims not in thousands)

Litigation
The Corporation and its subsidiaries are involved in various claims and lawsuits incidental to their businesses. In addition, it is 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 certain of the Corporation's operating subsidiaries ("Asbestos Liability") and of an inactive subsidiary in dissolution and another former division of the Corporation. Those subsidiaries, and in some cases the Corporation, are defendants (among a number of defendants, typically over 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, along with certain asbestos claims asserted against the inactive subsidiary in dissolution and the former division, for the nine months ended September 30, 2010:

Approximate open claims at end of period	8,262(1)
Gross settlement and defense costs (in 000's)	$ 13,044
Approximate claims settled or dismissed	959

(1) Included as "open claims" are approximately 1,801 claims 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 were 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. In 2006, for the first time, a claim for Asbestos Liability against one of the Corporation's subsidiaries was tried to a jury. The trial resulted in a defense verdict. Plaintiffs appealed that verdict and in 2008 the California Court of Appeals reversed the jury verdict and remanded the case back to the trial court.

Asbestos Insurance

Certain of the Corporation's subsidiaries and the Corporation have an arrangement (the "Coverage Arrangement") with insurers responsible for

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historical primary and some umbrella insurance coverage for Asbestos Liability (the "Paying Insurers"). Under the Coverage Arrangement, the Paying Insurers accept financial responsibility, subject to the limits of the policies and based on fixed defense percentages and specified indemnity allocation formulas, for a substantial majority of the pending claims for Asbestos Liability. The claims against the inactive subsidiary in dissolution of the Corporation, approximately 420 as of September 30, 2010, are not included within the Coverage Arrangement. The one claim filed against the former division also is not included within the Coverage Arrangement. The Corporation believes that the claims against the inactive subsidiary in dissolution and the former division are immaterial.

The Coverage Arrangement includes an acknowledgement that Howden Buffalo, 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 Coverage Arrangement does not provide for any prioritization on access to the applicable policies or monetary cap other than the limits of the policies, and, accordingly, Howden may access the policies at any time for any covered claim arising out of a Product. In general, access by Howden to the policies covering the Products will erode the coverage under the policies available to the Corporation and the relevant subsidiaries for Asbestos Liability alleged to arise out of not only the Products but also other historical products of the Corporation and its subsidiaries covered by the applicable policies.

On August 4, 2009, Howden filed a lawsuit in the United States District Court for the Western District of Pennsylvania against the Corporation, two insurance companies that allegedly issued policies to Howden that are not relevant to the Corporation, and two other insurance companies that issued excess insurance policies covering certain subsidiaries of the Corporation (the "Excess Policies"), but that are not yet part of the Coverage Arrangement. In the lawsuit, Howden seeks a declaratory judgment from the court as to the respective rights and obligations of Howden, the Corporation and the insurance carriers under the Excess Policies. One of the excess carriers and the Corporation have filed cross-claims against each other seeking declarations regarding their respective rights and obligations under Excess Policies issued by that carrier. The Corporation's cross-claim also seeks damages for the carrier's failure to pay certain defense and indemnity costs.

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 or the former division, 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 at December 31, 2006. HR&A's analysis most recently was updated in 2008, and additional reserves were established by the Corporation as at December 31, 2008 for Asbestos Liability claims pending or projected to be asserted through 2018. The methodology used by HR&A in its projection in 2008 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 the 2006 estimate, 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, 2006 to September 30, 2008;
§ 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, 2006 to September 30, 2008 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 2008 the number of future claims for Asbestos Liability that would be filed through the year 2018, as well as the settlement or indemnity costs that would be incurred to resolve both pending and future unasserted claims through 2018. This methodology has been accepted by numerous courts. For purposes of its condensed consolidated financial statements for the nine months ended September 30, 2010, the Corporation reviewed its current Asbestos Liability and ultimately utilized the estimate by HR&A completed in 2008, as updated by the Corporation to reflect its Asbestos Liability expenditures through September 30, 2010.

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 current defense cost levels with an annual 5% inflation factor), as well as a number of additional factors . These additional factors included the Coverage Arrangement, self-insured retentions, 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, 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 retained in 2008 a nationally-recognized insurance consulting firm 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 2018. 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, 2008 for the total costs, including defense costs, for Asbestos Liability claims pending or projected to be asserted through 2018 was $207,014,000, of which approximately 86% was attributable to settlement costs for unasserted claims projected to be filed through 2018 and future defense costs. The reserve at September 30, 2010 was $163,720,000. 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 2018. Accordingly, no reserve has been recorded for any costs that may be incurred after 2018.

The Corporation's receivable at December 31, 2008 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 Coverage Arrangement, and the probable payments and reimbursements relating to the estimated indemnity and defense costs for pending and unasserted future Asbestos Liability claims, was $136,176,000 ($105,863,000 as of September 30, 2010). The insurance receivable recorded by the Corporation does not assume any recovery from insolvent carriers, and substantially all of the insurance recoveries deemed probable were from insurance companies rated A – (excellent) or better by A.M. Best Corporation. 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 $70,838,000 difference between insurance recoveries and projected costs at December 31, 2008 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 the subsidiaries and it may incur after 2018. 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, 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 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 during the fourth quarter of this year and thereafter 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,

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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.

13. Environmental Matters

The Corporation is currently performing certain remedial actions in connection with the sale of real estate previously owned and has been named a Potentially Responsible Party at two third-party landfill sites (a third location was settled on a de minimis basis in the second quarter of last year). In addition, as a result of a sale of a segment, the Corporation retained the liability to remediate certain environmental contamination and agreed to indemnify the buyer against third-party claims arising from the discharge of certain contamination, the costs for which were accrued at the time of sale.

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 $640,000 at September 30, 2010 is considered adequate based on information known to date.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Executive Overview

The Corporation operates in two business segments – Forged and Cast Rolls and Air and Liquid Processing. The Forged and Cast Rolls segment produces and sells forged-hardened steel rolls and cast iron and steel rolls to manufacturers of steel and aluminum throughout the world. Business activity for the group has been improving as a result of the global steel industry operating at higher levels when compared to the financial crisis period of 2009. Although recent uncertainty in the European and North American markets along with China's efforts to slow its economic growth has softened the near-term outlook for the steel industry, world-wide steel usage is expected to increase in 2011 over 2010 levels. The British Pound Sterling remains weak, particularly against the Euro, thereby aiding export of rolling mill rolls for our U.K. operations. Excess inventory levels within the industry exist and pricing pressures from customers remain however.

The Air and Liquid Processing group continues to be adversely affected by reduced demand principally from its construction and energy sector customer base.

Consolidated Results of Operations for the Nine and Three Months Ended September 30, 2010 and 2009

Net Sales. Net sales for the nine months ended September 30, 2010 and 2009 were $244,721,000 and $232,695,000, respectively, and $79,537,000 and $71,961,000, respectively, for the three months then ended. Backlog approximated $398,235,000 at September 30, 2010 versus $501,311,000 as of December 31, 2009 and $538,073,000 as of September 30, 2009. A discussion of sales and backlog for the Corporation's two segments is included below.

Costs of Products Sold. Costs of products sold, excluding depreciation, as a percentage of net sales approximated 69.0% and 67.7% for the nine months ended September 30, 2010 and 2009, respectively, and 71.0% and 66.0% of net sales for the three months ended September 30, 2010 and 2009, respectively. The increase is attributable primarily to a rise in direct material and pension-related costs particularly for the Forged and Cast Rolls segment. Additionally, the first nine months of 2009 benefited from additional variable-index surcharge revenues which recouped certain increases in material costs charged in earlier periods.

Selling and Administrative. The increase in selling and administrative expenses is primarily due to higher stock-based compensation costs of $1,465,000 and $193,000 for the current nine and three month periods ended, respectively, and a higher volume of business activity for the Forged and Cast Rolls group.

Depreciation. The increase in depreciation expense is associated with the assets placed in service as a result of the major capital investment program that began in 2008 for the Forged and Cast Rolls segment.

Income from Operations. Income from operations for the nine months ended September 30, 2010 and 2009 approximated $37,126,000 and $39,009,000, respectively, and $10,697,000 and $12,713,000 for the three months ended September 30, 2010 and 2009, respectively. A discussion of operating results for the Corporation's two segments is included below.

Forged and Cast Rolls. Sales for the nine and three months ended September 30, 2010 improved against the comparable prior year periods as a result of an increase in shipments, particularly to its international customers. Despite higher costs for scrap and alloys and lower revenues from the variable-index surcharge program, operating income for the current year periods exceeded the same periods of the prior year benefitting from the additional sales volumes. Backlog approximated $357,139,000 at September 30, 2010 against $468,500,000 as of December 31, 2009 and $500,949,000 as of September 30, 2009. The decline is a result of shipments outpacing new orders. Historically, the norm for the level of backlog was 6 to 12 months. However, the surge in global production of steel in about 2005 and the subsequent demand for rolling mill rolls, because of shortage of supply, extended backlog to several years. The resulting high level of backlog is reducing and becoming more in line with its historical pattern. Approximately $122,000,000 of the current backlog is expected to ship after 2011. Additionally, the segment has commitments of approximately $68,000,000 from customers under long-term supply arrangements which will be included in backlog upon receipt of specific purchase orders closer to the requirement dates for delivery.

Air and Liquid Processing. Sales and operating income for the segment decreased when compared to the nine and three months ended September 30, 2009. Lower demand from its power generation customers and U.S. Navy shipbuilders adversely affected Buffalo Pumps. Reduced business activity by

the utility industry negatively impacted Aerofin. Lack of spending on construction by pharmaceutical companies and universities unfavorably impacted Buffalo Air Handling. As of September 30, 2010, backlog approximated $41,096,000 against $32,811,000 as of December 31, 2009 and $37,124,000 as of September 30, 2009. The improvement is principally attributable to an increase in orders for pumps for the U.S. Navy and replacement coils. The majority of the current backlog is expected to ship over the next 15 months.

Other Income (Expense). The fluctuation in year-to-date other income (expense) when compared to the prior year is primarily attributable to foreign exchange gains during the current year versus foreign exchange losses in the prior year. Conversely, the fluctuation in other income (expense) for the third quarter of 2010 against the third quarter of 2009 is due to foreign exchange losses during the current period versus foreign exchange gains in the prior year.

Income Taxes. The decrease in the effective income tax rate between the current and prior year periods is principally due to higher beneficial permanent differences and lower state taxes. Additionally, for 2010, a higher proportion of net income before income taxes is anticipated to be generated by the U.K. operation which is taxed at a statutory rate of 28% versus a statutory federal rate of 35% in the U.S.

Net Income and Earnings per Common Share. As a result of the above, the Corporation’s net income for the nine months ended September 30, 2010 and 2009 equaled $25,109,000 or $2.45 per common share and $23,827,000 or $2.34 per common share, respectively, and $7,524,000 or $0.73 per common share and $8,715,000 or $0.85 per common share for the three months ended September 30, 2010 and 2009, respectively.

Liquidity and Capital Resources

Net cash flows provided by operating activities decreased for the nine months ended September 30, 2010 when compared to the nine months ended September 30, 2009. The decrease is principally due to an increase in accounts receivables reflective of the higher volume of shipments for the Forged and Cast Rolls group. By comparison, business activity declined for the first nine months of 2009 as a result of the economic slowdown.

Net cash flows used in investing activities decreased for the nine months ended September 30, 2010 when compared to the nine months ended September 30, 2009. During the prior year period, Union Electric Steel made additional contributions toward its 49% interest in its Chinese joint venture and Davy Roll deposited $4,326,000 (£3,000,000) in escrow to be held as collateral for its outstanding foreign currency exchange contracts. A portion of these escrow monies were returned to Davy Roll in 2010 and 2009 and no further deposits have been required to date. As of

September 30, 2010, future capital expenditures approximating $14,000,000, to be spent over the next 15 months, have been approved.

Net cash flows used in financing activities increased for the first nine months of 2010 against the same period of the prior year. While dividends paid were comparable, a higher volume of stock options were exercised in 2009.

The effect of exchange rate changes on cash and cash equivalents for the nine months ended September 30, 2010 is related to the decline in the value of the U.K. pound sterling against the U.S. dollar.

As a result of the above, cash and cash equivalents decreased $5,359,000 in 2010 and ended the period at $61,082,000 in comparison to $66,441,000 at December 31, 2009.

Funds on hand and funds generated from future operations are expected to be sufficient to finance the operational and capital expenditure requirements of the Corporation. The Corporation also maintains short-term lines of credit and an overdraft facility in excess of the cash needs of its businesses. The total available at September 30, 2010 was approximately $9,300,000 (including £3,000,000 in the U.K. and €400,000 in Belgium).

Litigation and Environmental Matters

See Notes 12 and 13 to the condensed consolidated financial statements.

Critical Accounting Pronouncements

The Corporation's critical accounting policies, as summarized in its Annual Report on Form 10-K for the year ended December 31, 2009, remain unchanged.

Recently Issued Accounting Pronouncements

See Note 1 to the condensed consolidated financial statements.

Forward-Looking Statements

Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections of the Form 10-Q contain forward-looking statements that reflect the Corporation's current views with respect to future events and financial performance.

Forward-looking statements are identified by the use of the words "believes," "expects," "anticipates," "estimates," "projects," "forecasts" and other expressions that indicate future events and trends. 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 the Corporation, these risks and uncertainties include, but are not limited to, those described under Item 1A, Risk Factors, of Part II of this Form 10-Q. In addition, there may be events in the future that the Corporation is not able to accurately predict or control which may cause actual results to differ materially from expectations expressed or implied by forward-looking statements. The Corporation undertakes no obligation to update any forward-looking statement whether as a result of new information, events or otherwise.

ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There were no material changes in the Corporation’s exposure to market risk from December 31, 2009.

ITEM 4 – CONTROLS AND PROCEDURES

(a) 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 the 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 as of September 30, 2010.

(c) Changes in internal control over financial reporting. There were no changes in the Corporation’s internal control over financial reporting during the quarter ended September 30, 2010, that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

PART II - OTHER INFORMATION
AMPCO-PITTSBURGH CORPORATION

Item 1 Legal Proceedings

The information contained in Note 12 to the condensed consolidated financial statements (Litigation) is incorporated herein by reference.

Item 1A Risk Factors

There are no material changes to the Risk Factors contained in Item 1A to Part I of the Corporation's Annual Report on Form 10-K for the year ended December 31, 2009.

Items 2-5 None

Item 6 Exhibits

(3) Articles of Incorporation and By-laws

(a) Articles of Incorporation

Incorporated by reference to the Quarterly Reports on Form 10-Q for the quarters ended March 31, 1983, March 31, 1984, March 31, 1985, March 31, 1987 and
September 30, 1998.

(b) By-laws

Incorporated by reference to the Quarterly Reports on Form 10-Q for the quarters ended September 30, 1994, March 31, 1996, June 30, 2001 and June 30, 2004.

(10) Material Contracts

(a) 1988 Supplemental Executive Retirement Plan

Incorporated by reference to the Annual Report on Form 10-K for the year ended December 31, 2008.

(b) Severance Agreements between Ampco-Pittsburgh Corporation and certain officers and employees of Ampco-Pittsburgh Corporation

Incorporated by reference to the Annual Report on Form 10-K for the year ended December 31, 2008.

(c) 2008 Omnibus Incentive Plan

Incorporated by reference to the Proxy Statement dated March 6, 2008.

(d) Retirement and Consulting Agreement between Ampco-Pittsburgh Corporation and Ernest G. Siddons dated April 30, 2009.

Incorporated by reference to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2009.

(31.1) Certification of the principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

(31.2) Certification of the 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

SIGNATURES

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

AMPCO-PITTSBURGH CORPORATION

DATE: November 5, 2010

BY: s/Robert A. Paul
Robert A. Paul
Chairman and Chief Executive Officer

DATE: November 5, 2010

BY: s/Marliss D. Johnson
Marliss D. Johnson
Vice President, Controller and Treasurer

AMPCO-PITTSBURGH CORPORATION

EXHIBIT INDEX

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