PUMA BIOTECHNOLOGY, INC.
Form 10-Q
August 10, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2015

OR

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

Commission File Number: 001-35703

PUMA BIOTECHNOLOGY, INC.

(Exact name of registrant as specified in its charter)

Delaware	77-0683487
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

10880 Wilshire Boulevard, Suite 2150, Los Angeles, CA 90024

(Address of principal executive offices) (Zip code)

(424) 248-6500

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, 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 for such shorter period that the registrant was required to submit and post such files). Yes x 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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

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

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. 32,310,605 shares of Common Stock, par value $0.0001 per share, were outstanding as of August 3, 2015.

PUMA BIOTECHNOLOGY, INC.

- INDEX -

		Page
PART I – FINANCIAL INFORMATION:		
Item 1.	Financial Statements:	1
	Condensed Consolidated Balance Sheets as of June 30, 2015 (Unaudited) and December 31, 2014	1
	Condensed Consolidated Statements of Operations for the Three and Six Months Ended June 30, 2015 and 2014 (Unaudited)	2
	Condensed Consolidated Statements of Comprehensive Loss for the Three and Six Months Ended June 30, 2015 and 2014 (Unaudited)	3
	Condensed Consolidated Statement of Stockholders' Equity for the Six Months Ended June 30, 2015 (Unaudited)	4
	Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2015 and 2014 (Unaudited)	5
	Notes to Condensed Consolidated Financial Statements	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	15
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	21
Item 4.	Controls and Procedures	21
PART II – OTHER INFORMATION:		
Item 1.	Legal Proceedings	22
Item 1A.	Risk Factors	22

Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	22
Item 3.	Defaults Upon Senior Securities	22
Item 4.	Mine Safety Disclosures	23
Item 5.	Other Information	23
Item 6.	Exhibits	24
Signatures		24

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Any statements about our expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and may be forward looking. These forward-looking statements include, but are not limited to, statements about:

- the development of our drug candidates, including when we expect to undertake, initiate and complete clinical trials of our product candidates;
- the anticipated timing of regulatory filings;
- the regulatory approval of our drug candidates;
- our use of clinical research organizations and other contractors;
- our ability to find collaborative partners for research, development and commercialization of potential products;
- our ability to market any of our products;
- our history of operating losses;
- our expectations regarding our costs and expenses;
- our anticipated capital requirements and estimates regarding our needs for additional financing;
- our ability to compete against other companies and research institutions;
- our ability to secure adequate protection for our intellectual property;
- our intention to vigorously defend against a purported securities class action lawsuit;
- our ability to attract and retain key personnel; and
- our ability to obtain adequate financing.

These statements are often, but not always, made through the use of words or phrases such as “anticipate,” “estimate,” “plan,” “project,” “continuing,” “ongoing,” “expect,” “believe,” “intend” and similar words or phrases. Accordingly, these stat involve estimates, assumptions and uncertainties that could cause actual results to differ materially from those expressed in them. Discussions containing these forward-looking statements may be found throughout this Quarterly Report on Form 10-Q, including, in Part I, the section entitled “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.” These forward-looking statements involve risks and uncertainties, including the risks discussed in Part I, Item 1A. “Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2014 and Part II, Item 1A. “Risk Factors” of this Quarterly Report on Form 10-Q that could cause our actual results to differ materially from those in the forward-looking statements. Such risks should be considered in evaluating our prospects and future financial performance. We undertake no obligation to update the forward-looking statements or to reflect events or circumstances after the date of this document.

Part I – FINANCIAL INFORMATION

Item 1. Financial Statements

PUMA BIOTECHNOLOGY, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	June 30, 2015 (unaudited)	December 31, 2014 (Note 1)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 59,837	$ 38,539
Marketable securities	222,531	102,788
Prepaid expenses and other, current	5,416	6,292
Licensor receivable	—	1,760
Total current assets	287,784	149,379
Property and equipment, net	2,579	2,157
Prepaid expenses and other, long-term	10,783	10,007
Restricted cash	1,215	1,215
Total assets	$ 302,361	$ 162,758
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 10,444	$ 14,997
Accrued expenses	15,655	29,444
Total current liabilities	26,099	44,441
Deferred rent	1,484	1,269
Total liabilities	27,583	45,710
Stockholders' equity:		
Common stock - $.0001 par value; 100,000,000 shares authorized; 32,213,198 shares issued and outstanding at June 30, 2015 and 30,548,309 issued and outstanding at December 31, 2014	3	3
Additional paid-in capital	673,505	399,191
Receivables from the exercises of options	(185)	(835)
Accumulated other comprehensive loss	(181)	(95)
Accumulated deficit	(398,364)	(281,216)
Total stockholders' equity	274,778	117,048
Total liabilities and stockholders' equity	$ 302,361	$ 162,758

See Accompanying Notes to the Condensed Consolidated Financial Statements

1

PUMA BIOTECHNOLOGY, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands except share and per share data)

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Operating expenses:				
General and administrative	$5,532	$3,904	$13,403	$7,429
Research and development	59,381	35,001	104,109	51,295
Totals	64,913	38,905	117,512	58,724
Loss from operations	(64,913)	(38,905)	(117,512)	(58,724)
Other income (expenses):				
Interest income	213	66	336	112
Other income (expense)	6	(5)	28	(26)
Totals	219	61	364	86
Net loss	$(64,694)	$(38,844)	$(117,148)	$(58,638)
Net loss applicable to common stock	$(64,694)	$(38,844)	$(117,148)	$(58,638)
Net loss per common share—basic and diluted	$(2.01)	$(1.29)	$(3.68)	$(1.96)
Weighted-average common shares outstanding—basic and diluted	32,158,108	30,117,819	31,874,346	29,843,966

See Accompanying Notes to the Condensed Consolidated Financial Statements

2

PUMA BIOTECHNOLOGY, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(in thousands)

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net loss	$(64,694)	$(38,844)	$(117,148)	$(58,638)
Other comprehensive loss				
Unrealized loss on available-for-sale securities	(92)	(71)	(86)	(80)
Comprehensive loss	$(64,786)	$(38,915)	$(117,234)	$(58,718)

See Accompanying Notes to the Condensed Consolidated Financial Statements

PUMA BIOTECHNOLOGY, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(in thousands except share data)

(unaudited)

	Common Stock			Receivables from the Exercises of	Accumulated Other		
	Shares	Amount	Additional Paid-in Capital	Options	Comprehensive Loss	Accumulated Deficit	Total
Balance at December 31, 2014	30,548,309	$ 3	$ 399,191	$ (835)	$ (95)	$ (281,216)	$ 117,048
Stock-based compensation	—	—	48,297	—	—	—	48,297
Exercises of stock options	509,924	—	20,884	650	—	—	21,534
Issuance of performance shares	4,965	—	—	—	—	—	—
Issuance of shares of common stock through equity placement at $190.00 per share, net of issuance costs	1,150,000	—	205,133	—	—	—	205,133
Unrealized loss on available for sale securities	—	—	—	—	(86)	—	(86)
Net loss	—	—	—	—	—	(117,148)	(117,148)
Balance at June 30, 2015	32,213,198	$ 3	$ 673,505	$ (185)	$ (181)	$ (398,364)	$ 274,778

See Accompanying Notes to the Condensed Consolidated Financial Statements

4

PUMA BIOTECHNOLOGY, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Six Months Ended June 30,	
	2015	2014
Operating activities:		
Net loss	$(117,148)	$(58,638)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	369	279
Build-out allowance received from landlord	179	—
Stock-based compensation	48,297	12,330
Changes in operating assets and liabilities:		
Licensor receivable	1,760	8,053
Prepaid expenses and other	100	(5,096)
Accounts payable	(4,553)	8,105
Accrued expenses	(13,789)	556
Accrual of deferred rent	215	(9)
Net cash used in operating activities	(84,570)	(34,420)
Investing activities:		
Purchase of property and equipment	(791)	(426)
Expenditures for leasehold improvements	(179)	(110)
Purchase of available-for-sale securities	(186,720)	(125,520)
Sale/maturity of available-for-sale securities	66,891	43,348
Net cash used in investing activities	(120,799)	(82,708)
Financing activities:		
Net proceeds from issuance of common stock	205,133	129,440
Net proceeds from exercise of options	21,534	—
Net cash provided by financing activities	226,667	129,440
Net increase in cash and cash equivalents	21,298	12,312
Cash and cash equivalents, beginning of period	38,539	43,044
Cash and cash equivalents, end of period	$59,837	$55,356

See Accompanying Notes to the Condensed Consolidated Financial Statements

5

PUMA BIOTECHNOLOGY, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1—Business and Basis of Presentation:

Business:

Puma Biotechnology, Inc., or Puma, is a biopharmaceutical company based in Los Angeles, California. References in these Notes to Condensed Consolidated Financial Statements to the "Company" refer to Puma Biotechnology, Inc., a private Delaware company formed on September 15, 2010, or Private Puma, for periods prior to the merger of Private Puma with Public Puma (as defined below), which took place on October 4, 2011, or the Merger, and Puma Biotechnology, Inc., a Delaware company formed on April 27, 2007, and formerly known as Innovative Acquisitions Corp., or Public Puma, for periods following the Merger. The Company is a biopharmaceutical company with a focus on the acquisition, development and commercialization of innovative products to enhance cancer care. The Company focuses on in-licensing drug candidates that are undergoing or have already completed initial clinical testing for the treatment of cancer and then seeks to further develop those drug candidates for commercial use.

In November 2012, the Company established and incorporated Puma Biotechnology Ltd., a wholly owned subsidiary, for the sole purpose of serving as Puma's legal representative in the United Kingdom and the European Union in connection with Puma's clinical trial activity in those countries.

Basis of Presentation:

The Company is initially focused on developing neratinib for the treatment of patients with human epidermal growth factor receptor type 2, or HER2-positive, breast cancer, HER2 mutated non-small cell lung cancer, HER2-negative breast cancer that has a HER2 mutation and other solid tumors that have an activating mutation in HER2. The Company has reported a net loss of approximately \$64.7 million and \$117.1 million and negative cash flows from operations of approximately \$34.4 million and \$84.6 million for the three and six months ended June 30, 2015, respectively. Management believes that the Company will continue to incur net losses and negative net cash flows from operating activities through the drug development process.

The accompanying unaudited condensed consolidated interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP, pursuant to the rules and regulations of the Securities and Exchange Commission, or the SEC, for interim financial information. Accordingly, the financial statements do not include all information and footnotes required by GAAP for complete annual financial statements. In the opinion of management, the accompanying unaudited condensed consolidated interim financial statements reflect all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation. Interim operating results are not necessarily indicative of results that may be expected for the year ending December 31, 2015, or for any subsequent period. These unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014. The condensed consolidated balance sheet at December 31, 2014, has been derived from the audited consolidated financial statements included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

The Company's continued operations will depend on its ability to raise funds through various potential sources, such as equity and debt financing. Through June 30, 2015, the Company's financing was primarily through public offerings of

Company common stock and private equity placements. The Company sold additional shares of its common stock through an underwritten public offering in January 2015 (see Note 6). As a result, the Company received net proceeds of approximately $205.1 million. Given the current and desired pace of clinical development of its product candidates, management believes that the cash and cash equivalents and marketable securities on hand at June 30, 2015, are sufficient to fund clinical development through 2016 and into 2017. The Company may need additional financing until it can achieve profitability, if ever. There can be no assurance that additional capital will be available on favorable terms or at all or that any additional capital that the Company is able to obtain will be sufficient to meet its needs. If it is unable to raise additional capital, the Company could likely be forced to curtail desired development activities, which will delay the development of its product candidates.

Note 2—Significant Accounting Policies:

The significant accounting policies followed in the preparation of these condensed consolidated financial statements are as follows:

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States, or GAAP, requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the balance sheet, and reported amounts of expenses for the period presented. Accordingly, actual results could differ from those estimates. Significant estimates include accrued expenses for the cost of services provided by consultants who manage clinical trials and conduct research and clinical trials on behalf of the Company that are billed on a delayed basis. As the actual costs become known, the Company adjusts its estimated cost in that period. The value of stock-based compensation includes estimates based on future events, which are difficult to predict. It is at least reasonably possible that a change in the estimates used to record accrued expenses and to value the stock-based compensation will occur in the near term.

Principles of Consolidation:

The condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiary. All significant intercompany balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents:

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Cash equivalents are carried at cost, which approximates fair value.

Licensor Receivable:

The Pfizer, Inc., or Licensor, receivable represents the remaining external “out of pocket” clinical trial costs in excess of an agreed upon “cap” for clinical trials that were ongoing at the time the licensing agreement with the Licensor was reached. In July 2014, the license agreement was amended to make the Company solely responsible for the expenses incurred or accrued in conducting the ongoing legacy clinical trials after December 31, 2013, and to fix the future royalty rate that must be paid to the Licensor upon commercialization in the low to mid-teens. The balance of licensor receivable at December 31, 2014, of approximately $1.8 million, was fully collected during the three months ended June 30, 2015.

Investment Securities:

The Company classifies all investment securities (short term and long term) as available-for-sale, as the sale of such securities may be required prior to maturity to implement management’s strategies. These securities are carried at fair value, with the unrealized gains and losses reported as a component of accumulated other comprehensive income (loss) in stockholders’ equity until realized. Realized gains and losses from the sale of available-for-sale securities, if any, are determined on a specific identification basis. A decline in the market value of any available-for-sale security below cost that is determined to be other than temporary results in a revaluation of its carrying amount to fair value. The impairment is charged to earnings and a new cost basis for the security is established. Premiums and discounts are amortized or accreted over the life of the related security as an adjustment to yield using the straight-line method. Interest income is recognized when earned.

Assets Measured at Fair Value on a Recurring Basis:

Accounting Standards Codification, or “ASC”, 820, Fair Value Measurement, or ASC 820, provides a single definition of fair value and a common framework for measuring fair value as well as new disclosure requirements for fair value measurements used in financial statements. Under ASC 820, fair value is determined based upon the exit price that would be received by a company to sell an asset or paid by a company to transfer a liability in an orderly transaction between market participants, exclusive of any transaction costs. Fair value measurements are determined by either the principal market or the most advantageous market. The principal market is the market with the greatest level of activity and volume for the asset or liability. Absent a principal market to measure fair value, the Company uses the most advantageous market, which is the market from which the Company would receive the highest selling price for the asset or pay the lowest price to settle the liability, after considering transaction costs. However, when using the most advantageous market, transaction costs are only considered to determine which market is the most advantageous and these costs are then excluded when applying a fair value measurement. ASC 820 creates a three-level hierarchy to prioritize the inputs used in the valuation techniques to derive fair values. The basis for fair value measurements for each level within the hierarchy is described below, with Level 1 having the highest priority and Level 3 having the lowest.

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

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs are unobservable.

Following are the major categories of assets measured at fair value on a recurring basis as of June 30, 2015 and December 31, 2014, using quoted prices in active markets for identical assets (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3) (in thousands):

June 30, 2015	Level 1	Level 2	Level 3	Total
Cash equivalents	$54,839	$—	$—	$54,839
Agency bond	—	5,008	—	5,008
Commercial paper	—			

Corporate contributions	**34**	34	**1,778**	576	**688**	684
Participant contributions					**423**	405
Gross benefits paid	**(5,896)**	(5,705)	**(830)**	(817)	**(1,111)**	(1,089)
Fair value of plan assets at December 31	**$ 130,330**	$ 130,739	**$ 40,302**	$ 36,617	**$**	$
Funded status of the plans:						
Fair value of plan assets	**$ 130,330**	$ 130,739	**$ 40,302**	$ 36,617	**$**	$
Less benefit obligations	**130,425**	129,652	**47,327**	55,405	**12,981**	14,338
Funded status[a]	**$ (95)**	$ 1,087	**$ (7,025)**	$ (18,788)	**$ (12,981)**	$ (14,338)
Amounts recognized in the balance sheets:						
Prepaid pensions (fully-funded)	**$ 1,702**	$ 3,050	**$**	$	**$**	$
Employee benefit obligations:						
Accrued payrolls and employee benefits (current)	**$ (181)**	$ (139)	**$ (1,839)**	$ (695)	**$ (829)**	$ (899)
Employee benefit obligations (noncurrent)	**(1,616)**	(1,824)	**(5,186)**	(18,093)	**(12,152)**	(13,439)
	$ (1,797)	$ (1,963)	**$ (7,025)**	$ (18,788)	**$ (12,981)**	$ (14,338)
Accumulated other comprehensive loss (pre-tax):						
Net actuarial loss	**$ 21,312**	$ 18,804	**$ 16,194**	$ 26,567	**$ 1,521**	$ 3,449
Prior service cost	**5,027**	5,528			**403**	439
Total (pre-tax)	**$ 26,339**	$ 24,332	**$ 16,194**	$ 26,567	**$ 1,924**	$ 3,888

(a)

As of December 31, 2007 and 2006, the funded status of the U.S. Pension Benefit plans is comprised of a fully-funded status for the qualified plan and, since the assets of $3,045 and $2,911 of the non-qualified plan are held in a Rabbi trust and accordingly are not considered plan assets for purposes of this reconciliation, an under-funded status for the non-qualified plan of $1,797 and $1,963.

Amounts included in accumulated other comprehensive loss as of December 31, 2007 expected to be recognized in net periodic pension and other postretirement costs in 2008 include:

	U.S. Pension Benefits	Foreign Pension Benefits	Other Postretirement Benefits
Net actuarial (gain) loss	$ (130)	$ 314	$ 17
Prior service cost	649		69
	$ 519	$ 314	$ 86

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. The fluctuation in plan assets is attributable to benefit payments, contributions to the plans and returns on plan assets which, for 2007 and 2006 respectively, approximated 4.57% and 13.03% for the domestic plan and 5.59% and 8.92% for the foreign plan.

The following summarizes target asset allocations as of December 31, 2007 and major asset categories as of December 31, 2007 and 2006:

	U.S. Pension Benefits			Foreign Pension Benefits		
	Target Allocation Dec. 31, 2007	Percentage of Plan Assets 2007	Percentage of Plan Assets 2006	Target Allocation Dec. 31, 2007	Percentage of Plan Assets 2007	Percentage of Plan Assets 2006
Equity Securities	65 75%	**70%**	66%	70 80%	**68%**	77%
Fixed-Income Securities	15 25%	**20%**	20%	20 30%	**32%**	23%
Hedge and Absolute Return Funds	5 15%	**5%**	8%			
Other (primarily cash and cash equivalents)	0 5%	**5%**	6%	0 10%		

Investments in equity securities are primarily in common stocks of publicly-traded U.S. and international companies. 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 actual return on the fair value of plan assets is included in determining the funded status of the plans. In determining net periodic pension and other postretirement 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 which are recorded in accumulated other comprehensive loss on the consolidated balance sheet. When these gains or losses exceed 10% of the greater of the projected benefit obligations 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 obligations 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. As a result of favorable investment returns on plan assets since the early 1990s and a fully-funded status, the domestic plan generates income. The foreign plan generates expense because the plan is not fully funded and interest costs and amortization of actuarial losses exceed the expected return on plan assets.

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		
	2007	2006	2005	**2007**	2006	2005	**2007**	2006	2005
Service cost	**$ 2,641**	$ 2,362	$ 2,042	**$**	$	$	**$ 400**	$ 403	$ 303
Interest cost	**7,673**	7,005	6,830	**2,713**	2,256	2,144	**757**	814	771
Expected return on plan assets	**(11,631)**	(12,496)	(10,610)	**(2,669)**	(2,194)	(1,882)			
Amortization of prior service cost (benefit)	**641**	617	592				**35**	(447)	(548)
Amortization of actuarial (gain) loss	**(115)**	(119)	(111)	**471**	390	364	**102**	276	166
Net (income) cost	**$ (791)**	$ (2,631)	$ (1,257)	**$ 515**	$ 452	$ 626	**$ 1,294**	$ 1,046	$ 692

Assumptions

Assumptions are reviewed on an annual basis. In determining the expected long-term rate of return on plan assets for both the U.S. and foreign plans, the Corporation evaluates the long-term returns earned by the plans, the mix of investments that comprise plan assets and expectations of future long-term investment returns.

The following assumptions were used to determine the benefit obligations as of December 31:

	U.S. Pension Benefits		Foreign Pension Benefits		Other Postretirement Benefits	
	2007	2006	**2007**	2006	**2007**	2006
Discount rate	**6.25%**	6.00%	**5.65%**	4.81%	**6.25%**	6.00%
Rate of increases in compensation	**4.00%**	4.00%				

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		
	2007	2006	2005	**2007**	2006	2005	**2007**	2006	2005
Discount rate	**6.00%**	5.75%	6.00%	**4.81%**	4.75%	5.25%	**6.00%**	5.75%	6.00%
Expected long-term rate of return on plan assets	**8.00%**	8.00%	8.00%	**7.12%**	6.86%	7.01%			
Rate of increases in compensation	**4.00%**	3.00%	3.00%						

In addition, the assumed health care cost trend rate at December 31, 2007 for other postretirement benefits is 9% for 2008, gradually decreasing to 4.75% in 2012. 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 change the postretirement benefit obligation at December 31, 2007 and the annual benefit expense for 2007 by approximately $1,500 and $200, respectively.

NOTE 8 COMMITMENTS AND CONTINGENT LIABILITIES:

Outstanding standby and commercial letters of credit as of December 31, 2007 approximated $21,678, the majority of which serve as collateral for the IRBs.

In connection with the sale of a segment in 2003, the Corporation provided typical warranties to the buyer (such as those relating to income taxes, intellectual property, legal proceedings, product liabilities and title to property, plant and equipment) which primarily expire with the statutes of limitations. Losses suffered by the buyer as a result of the Corporation s breach of warranties are reimbursable by the Corporation up to approximately $2,000. No amount has been paid to date and based on experience while owning the segment, the Corporation believes no amounts will become due.

Davy Roll received $1,880 (£1,000) of U.K. governmental grants toward the purchase and installation of certain machinery and equipment. Under the agreement, the grants are repayable if certain conditions are not met including achieving and maintaining a targeted level of employment through March 2009. As of this date, Davy Roll s level of employment exceeds the targeted level of employment; accordingly, no liability has been recorded.

See Note 2 for contributions to a joint venture, Note 17 regarding litigation and Note 18 for environmental matters.

NOTE 9 AUTHORIZED AND ISSUED SHARES:

Under the Corporation s Shareholder Rights Plan, each outstanding share of common stock carries one Preference Share Purchase Right (a Right). Under certain circumstances, each Right entitles the shareholder to buy 1/100 of a share of Series A Preference Stock at a $45.00 exercise price. The Rights are exercisable only if a party acquires, or commences a tender offer to acquire, beneficial ownership of 20% or more of the Corporation s common stock without the approval of the independent directors on the Corporation s Board of Directors.

After the Rights become exercisable, if anyone acquires 30% or more of the Corporation s stock or assets, merges into the Corporation or engages in certain other transactions, each Right may be used to purchase shares of the Corporation s common stock (or, under certain conditions, the acquirer s common stock) worth twice the exercise price. The Corporation may redeem the Rights, which expire in November 2008, for one cent per Right under certain circumstances. At December 31, 2007, there are 3,000,000 shares of unissued preference stock, of which 150,000 shares have been designated as Series A Preference Stock for issuance in connection with these Rights.

NOTE 10 STOCK OPTION PLAN:

Under the terms of the 1997 Stock Option Plan, as amended, options may be granted to selected employees to purchase, in the aggregate, up to 600,000 shares of the common stock of the Corporation. Options may be either incentive or non-qualified and are subject to terms and conditions, including exercise price and timing of exercise, as determined by the Compensation Committee of the Board of Directors. The options vest at date of grant and have a ten-year life. Options have been granted at an exercise price equivalent to the market price on the date of grant; accordingly, no stock-based compensation costs have been recorded in net income. All shares under options were exercisable during 2005 2007.

There were no options granted in 2007 or 2006. During 2005, the remaining 45,000 stock options were granted. The exercise price of $13.67 was equivalent to the market price on the date of grant; accordingly, no stock-based compensation expense was recognized. The weighted-average fair value of options as of the date of grant using the Black-Scholes option-pricing model was $3.08 based on the following assumptions: dividend yield of 2.9%, expected volatility of 26.3%, risk-free interest rate of 3.9% and expected option life of 5.7 years. Had compensation cost been determined based on the fair value of the options at the grant date consistent with the fair value recognition provisions of SFAS No. 123(R), net income for 2005 would have been $14,944 and basic and diluted earnings per common share would have been $1.53 and $1.52, respectively. Since there were no options granted in 2007 or 2006 and previously granted options are fully vested, there would be no effect on net income or earnings per common share for either year.

Stock option activity during 2005 2007 was as follows:

	Shares Under Options	Exercise Price	Weighted Average Exercise Price
Balance at January 1, 2005	390,000		$ 10.47
Granted during 2005	45,000	$ 13.67	
Exercised during 2005	(20,000)	$ 10.20	
Balance at December 31, 2005	415,000		$ 10.83
Granted during 2006			
Exercised during 2006	(70,000)	$ 11.53	
Balance at January 1, 2007	345,000		$ 10.69
Granted during 2007			
Exercised during 2007	**(340,000)**	**$ 10.66**	
Balance at December 31, 2007	**5,000**		**$ 12.24**

Stock options outstanding as of December 31, 2007 were as follows:

	Weighted Average Shares Under Options	Weighted Average Exercise Price Per Share	Remaining Contractual Life in Years
	2,500	$10.81	2.3
	2,500	13.67	7.5
	5,000	**$12.24**	**4.9**

NOTE 11 OTHER COMPREHENSIVE LOSS:

The tax benefit (expense) associated with changes in the fair value of derivatives was approximately $1,342, $187 and $(2,370) for 2007, 2006 and 2005, respectively, and approximately $(569), $777 and $(58) for 2007, 2006 and 2005, respectively, for the reclassification adjustments. The tax (expense) associated with changes in the unrealized holding gains on securities was $(30), $(98) and $(22) for 2007, 2006 and 2005, respectively, and $(50), $(94) and $(44) for 2007, 2006 and 2005, respectively, for the reclassification adjustments. The tax benefit associated with changes in the unrecognized components of employee benefit plans and reclassification adjustments associated therewith was approximately $1,390 and $382, respectively, for 2007. The tax benefit associated with changes in the under-funded status of the Davy Roll defined benefit plan approximated $3,780 for 2006 and, since a full valuation allowance had been provided against the deferred income tax asset arising from the changes in the under-funded status (previously minimum pension liability) through December 31, 2005, no tax benefit (expense) was recognized for 2005.

NOTE 12 FINANCIAL INSTRUMENTS:

Forward Foreign 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, forward foreign exchange contracts are purchased which are designated as cash flow or fair value hedges. As of December 31, 2007, approximately $92,284 of anticipated foreign currency denominated sales has been hedged with the underlying contracts settling at various dates beginning in 2008 through March 2011. As of December 31, 2007, the fair value of contracts expected to settle within the next 12 months which is recorded in other current liabilities approximated $4,832 and the fair value of the remaining contracts which is recorded in other noncurrent liabilities approximated $3,055. The change in the fair value of the contracts designated as cash flow hedges is recorded as a component of accumulated other comprehensive loss and approximated $(2,522), net of income taxes, as of December 31, 2007. The change in fair value will be reclassified into earnings when the projected sales occur with approximately $(2,381) expected to be released to earnings in 2008. Approximately $(1,190), $(854) and $(690) was released to pre-tax earnings in 2007, 2006 and 2005, respectively.

(Losses) gains on foreign exchange transactions approximated $(1,597), $743 and $113 for 2007, 2006 and 2005, respectively.

In addition, one of the Corporation s subsidiaries is subject to risk from increases in the price of a commodity (copper) used in the production of inventory. To minimize this risk, futures contracts are entered into which are designated as cash flow hedges. Through May 2006, futures contracts approximating copper needs on a rolling 12-month basis were purchased. In June 2006, due to the volatility of copper prices, the increased backwardation in the market, and a shortened term for customer acceptance of a price quote, the Corporation revised its hedge strategy to match anticipated needs for the short term and cancelled various futures contracts resulting in a pre-tax termination gain of approximately $2,215, which was amortized to pre-tax earnings as the projected sales occurred (through approximately June 2007). Approximately $778 and $1,437 of the termination gain was released to pre-tax earnings in 2007 and 2006, respectively.

At December 31, 2007, approximately 85% or $1,454 of anticipated commodity purchases over the next four months are hedged. The fair value of these contracts approximated $(111). The change in the fair value of the contracts designated as cash flow hedges are recorded as a component of accumulated other comprehensive loss and approximated $(69), net of income taxes, as of December 31, 2007. Approximately $(57), $1,476 and $862 of (loss) gain on active contracts was released to pre-tax earnings in 2007, 2006 and 2005, respectively.

Fair Value of Financial Instruments

The fair market value of forward 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 other financial instruments classified as current assets or current liabilities approximates their carrying values due to the short-term maturity of these instruments. The fair value of the variable-rate IRB debt approximates its carrying value.

NOTE 13 INCOME TAXES:

At December 31, 2007, the Corporation has foreign tax credit carryforwards of $638 which expire in 2010, state net operating loss carryforwards of $21,140 which begin to expire in 2008 through 2028, and capital loss carryforwards of $7,185 which begin to expire in 2008.

Income before income taxes was comprised of the following:

	2007	2006	2005
Domestic	**$ 44,555**	$ 3,874	$ 12,266
Foreign	**13,808**	9,258	2,572
	$ 58,363	$ 13,132	$ 14,838

The provision (benefit) for taxes on income consisted of the following:

	2007	2006	2005
Current:			
Federal	**$ 13,960**	$ 8,151	$ 2,568
State	**899**	314	120
Foreign	**1,119**	43	(5)
	15,978	8,508	2,683
Deferred:			
Federal	**792**	(8,331)	680
State	**(275)**	(105)	77
Foreign	**3,351**	2,925	766
Reversal of valuation allowance	**(714)**	(6,500)	(4,404)
	3,154	(12,011)	(2,881)
	$ 19,132	$ (3,503)	$ (198)

The provision (benefit) for taxes on income was affected by the reversal of valuation allowances previously provided against deferred income tax assets associated with capital loss carryforwards for 2007 and primarily with the U.K. operation for 2006 and 2005.

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

	2007	2006	2005
Computed at statutory rate	**$ 20,427**	$ 4,596	$ 5,045
Tax differential on non-U.S. earnings	**(641)**	(455)	(114)
State income taxes	**149**	47	84
Reversal of valuation allowance	**(714)**	(6,500)	(4,404)
Additional manufacturers deduction (I.R.C. Section 199)	**(742)**	(234)	(84)
Meals and entertainment	**206**	171	160
Tax credits	**(66)**	(33)	(48)
Extraterritorial income regime		(720)	(548)
Tax-exempt income		(167)	(143)
Dividend received deduction		(135)	(98)
Other permanent items net	**513**	(73)	(48)
	$ 19,132	$ (3,503)	$ (198)

Deferred income tax assets and liabilities were comprised of the following:

	2007	2006
Assets:		
Employment related liabilities	**$ 6,779**	$ 6,893
Pension liability foreign	**3,993**	7,577
Pension liability domestic	**10,582**	9,811
Liabilities related to discontinued operations	**1,235**	1,334
Capital loss carryforwards	**2,633**	3,544
Mark-to-market adjustment derivatives	**2,072**	813
Asbestos-related liability	**9,871**	9,579
Net operating loss state	**1,348**	1,428
Net operating loss foreign		1,140
Other	**2,974**	4,240
Gross deferred income tax assets	**41,487**	46,359
Valuation allowance	**(4,376)**	(5,030)
	37,111	41,329
Liabilities:		
Depreciation	**(12,847)**	(13,640)
Pension income in excess of contributions made	**(11,164)**	(10,961)
Other	**(2,834)**	(1,620)
Gross deferred income tax liabilities	**(26,845)**	(26,221)
Net deferred income tax asset	**$ 10,266**	$ 15,108

The following summarizes changes in unrecognized tax benefits for the year ended December 31, 2007.

Balance at the beginning of the year	**$ 929**
Gross increases for tax positions taken in the current year	**435**
Gross decreases in tax positions due to lapse in statute of limitations	**(420)**
Balance at the end of the year	**$ 944**

If the unrecognized tax benefits were recognized, $806 would reduce the Corporation s effective tax rate. The amount of penalties and interest recognized in the consolidated balance sheet as of January 1, 2007 and December 31, 2007 and in the consolidated statement of operations for 2007 is insignificant. Unrecognized tax benefits expected to be settled within the next 12 months approximate $331 with an additional $149 expected to expire due to the lapse in the statute of limitations.

NOTE 14 OPERATING LEASES:

The Corporation leases certain factory and office space and certain office equipment. Operating lease expense was $838 in 2007, $831 in 2006 and $830 in 2005. Operating lease payments for subsequent years are $835 for 2008, $650 for 2009, $493 for 2010, $405 for 2011 $370 for 2012 and $1,110 thereafter.

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 approximate $1,200 for 2007, $1,500 for 2006 and $1,200 for 2005.

NOTE 16 RELATED PARTIES:

The Corporation purchases industrial supplies from a subsidiary of The Louis Berkman Investment Company (LB Co) in the ordinary course of business. Certain directors of the Corporation are either officers, directors and/or shareholders of LB Co. Purchases approximated $1,760 in 2007, $1,775 in 2006, and $1,640 in 2005. In addition, LB Co paid the Corporation approximately $216 in 2007, $210 in 2006 and $204 in 2005 for certain administrative services. At December 31, 2007 and 2006, the net amount payable to LB Co approximated $81 and $108, respectively.

NOTE 17 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 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 and the former division, for the three years ended December 31, 2007, 2006 and 2005:

	2007	2006	2005
Open claims at end of period	**8,335(1)**	9,442(1)	16,900
Gross settlement and defense costs (in 000 s)	**$ 19,736**	$ 11,681	$ 10,305
Claims resolved	**2,638**	8,866(2)	11,500(3)

(1) *Included as open claims are approximately 3,155 claims in 2007 and 2,300 claims in 2006 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.*

(2) *Claims resolved in 2006 include 5,456 Mississippi cases that were administratively dismissed without prejudice because the cases were initiated through a mass screening and not with a proper medical report setting forth an asbestos-related disease. These cases could be re-filed in the future if the plaintiff can*

show some evidence of asbestos exposure and evidence of an asbestos-related disease.

(3) *Claims resolved in 2005 include approximately 6,700 claims filed in Mississippi which were dismissed as a result of tort reform in that state.*

Substantially all 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.

Asbestos Insurance

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

In the fourth quarter of 2007, one Paying Insurer responsible for two years of primary coverage informed the Corporation that its policies had exhausted. Another Paying Insurer responsible for approximately two and a half years of primary coverage informed the Corporation that two of its policies would likely exhaust in the first quarter of 2008. In addition, the Paying Insurer responsible for some umbrella insurance coverage also informed the Corporation that approximately one half of its umbrella insurance coverage had exhausted at the end of the year. As a result, and as contemplated by the valuation discussed below, the Corporation will bear a portion of the defense and indemnity costs for Asbestos Liability.

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.

Asbestos Valuations

The Corporation retained Hamilton, Rabinovitz & Alschuler, 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 or the former division, which the Corporation believes are immaterial. The methodology used by HR&A to project the operating subsidiaries liability for pending and unasserted potential future claims for Asbestos Liability 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, 2004 through August 31, 2006;

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, 2004 through August 31, 2006 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 the number of future claims for Asbestos Liability that would be filed through the year 2013, as well as the settlement or indemnity costs that would be incurred to resolve both pending and future unasserted claims through 2013. This methodology has been accepted by numerous courts.

The Corporation also retained The Claro Group LLC (Claro) in 2006, a nationally-recognized insurance consulting firm, to assist, in combination with advice to the Corporation from outside counsel, in analyzing potential recoveries from relevant historical insurance for Asbestos Liability. Using HR&A s projection for settlement or indemnity costs for Asbestos Liability and management s projections of associated defense costs (based on current defense cost levels with an annual 5% inflation factor), Claro allocated the Asbestos Liability to the insurance policies. The allocations took into account 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, 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. Based upon Claro s allocations, and taking into account the Corporation s analysis of publicly available information on the credit-worthiness of various insurers, the Corporation estimated the probable insurance recoveries for Asbestos Liability and defense costs through 2013. Although the Corporation, after consulting with its counsel and Claro, believes that the assumptions employed in the insurance valuation were appropriate, 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 recorded reserves at December 31, 2006 for the total costs, including defense costs, for Asbestos Liability claims pending or projected to be asserted through 2013 of $140,015, of which approximately 60% was attributable to settlement and defense costs for unasserted claims projected to be filed through 2013. The reserve at December 31, 2007 was $119,723. 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 2013. Accordingly, no reserve has been recorded for any costs that may be incurred after 2013.

The Corporation has a receivable as at December 31, 2007 and 2006 of $94,548 and $114,548, respectively, 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. 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 $25,467 difference between insurance recoveries and projected costs is not due to exhaustion of the total product liability insurance 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 2013. 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, HR&A s or The Claro Group 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.

In 2007, the Corporation undertook another review of its Asbestos Liability claims, defense costs and likelihood for insurance recoveries and determined no change to the provision should be made at this time.

The Corporation intends to evaluate its estimated Asbestos Liability and related insurance receivables as well as the underlying assumptions on a periodic basis to determine whether any adjustments to the estimates are required. Due to the uncertainties surrounding asbestos litigation and insurance, these periodic 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 and has been named a Potentially Responsible Party at three third-party landfill sites. In addition, as a result of a sale of a segment, the Corporation retained the liability to remediate certain environmental contamination at two of the sold locations and has agreed to indemnify the buyer against third-party claims arising from the discharge of certain contamination from one of these locations. 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, in the opinion of management, the potential liability for all environmental proceedings of approximately $2,000 accrued at December 31, 2007 is considered adequate based on information known to date.

NOTE 19 FLOOD DAMAGE:

In 2005, the Corporation received the remaining $2,740 from its 2004 insurance claim for damaged done by flooding at Union Electric Steel s Carnegie facility. Of the $2,740, $2,320 represented settlement of its business interruption insurance claim and was recorded as a reduction of costs of products sold (excluding depreciation) in the 2005 consolidated statements of operations. The remaining amount represented reimbursement of clean-up costs, repairs to machinery and recovery of certain fixed expenses.

NOTE 20 BUSINESS SEGMENTS:

The Corporation organizes its business into two operating segments. Summarized financial information concerning the Corporation s reportable segments is shown in the following tables. Corporate assets included under Identifiable Assets represent cash and cash equivalents, investments in short-term marketable securities, deferred income tax assets, prepaid pensions, and other items not allocated to reportable segments. The assets of the Air and Liquid Processing segment include goodwill of $2,694. 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. The fluctuation in corporate costs, including other income (expense) in 2007 against 2006 is due primarily to foreign exchange losses in the current year versus foreign exchange gains in the prior year offset by higher interest income. Similarly, the improvement in 2006 from 2005 is attributable to higher foreign exchange gains and interest income.

The accounting policies are the same as those described in Note 1.

	Net Sales			Income (Loss) Before Income Taxes		
	2007	2006	2005	**2007**	2006	2005
Forged and Cast Rolls[(1)]	**$ 241,581**	$ 206,374	$ 171,243	**$ 54,523**	$ 36,352	$ 16,493
Air and Liquid Processing[(2)]	**105,253**	95,406	75,756	**9,037**	(19,206)	3,743
Total Reportable Segments	**346,834**	301,780	246,999	**63,560**	17,146	20,236
Corporate costs, including other income (expense)				**(5,197)**	(4,014)	(5,398)
	$ 346,834	$ 301,780	$ 246,999	**$ 58,363**	$ 13,132	$ 14,838

	Capital Expenditures			Depreciation Expense			Identifiable Assets[(3)]		
	2007	2006	2005	**2007**	2006	2005	**2007**	2006	2005
Forged and Cast Rolls	**$ 12,542**	$ 6,809	$ 3,337	**$ 5,019**	$ 4,854	$ 4,877	**$ 188,636**	$ 145,625	$ 125,769
Air and Liquid Processing	**554**	982	1,218	**1,571**	1,584	1,632	**150,356**	171,397	45,607
Corporate	**11**	45	312	**69**	69	60	**65,400**	64,189	70,493
	$ 13,107	$ 7,836	$ 4,867	**$ 6,659**	$ 6,507	$ 6,569	**$ 404,392**	$ 381,211	$ 241,869

	Net Sales[(4)]			Long-Lived Assets[(6)]			Income Before Income Taxes		
Geographic Areas:	**2007**	2006	2005	**2007**	2006	2005	**2007**	2006	2005
United States[(5)]	**$ 128,613**	$ 124,112	$ 102,900	**$ 157,178**	$ 173,210	$ 93,002	**$ 44,555**	$ 3,874	$ 12,266
Foreign	**218,221**	177,668	144,099	**16,967**	10,173	7,277	**13,808**	9,258	2,572
	$ 346,834	$ 301,780	$ 246,999	**$ 174,145**	$ 183,383	$ 100,279	**$ 58,363**	$ 13,132	$ 14,838

	Net Sales by Product Line		
	2007	2006	2005
Forged and Cast Rolls[(7)]	**$ 241,581**	$ 206,374	$ 171,243
Air Handling Systems	**41,642**	39,240	26,391
Heat Exchange Coils	**37,286**	30,345	27,342
Centrifugal Pumps	**26,325**	25,821	22,023
Total Net Sales	**$ 346,834**	$ 301,780	$ 246,999

(1) *Income (loss) before income taxes for 2005 includes proceeds from settlement of a business interruption insurance claim of $2,320 related to flooding in 2004.*

(2) *Income (loss) before income taxes for 2006 includes a pre-tax charge of $25,467 for estimated costs of asbestos-related litigation through 2013.*

(3) *The continued increase in identifiable assets of the Forged and Cast Rolls segment is due to higher volumes of business activity whereas identifiable assets for the Air and Liquid Processing segment for 2007 and 2006 include asbestos-related insurance receivables of $94,548 and $114,548, respectively.*

(4) *Net sales are attributed to countries based on location of customer. China represented 12.4% of consolidated net sales for 2006 and was less than 10% of consolidated net sales for 2007 and 2005.*

(5) *Income before income taxes for 2006 includes a pre-tax charge of $25,467 for estimated costs of asbestos-related litigation through 2013 and for 2005 proceeds from settlement of a business interruption insurance claim of $2,320 related to flooding in 2004.*

(6) *Foreign long-lived assets represent primarily the assets of the U.K. operations. Long-lived assets of the U.S. for 2007 and 2006 include noncurrent asbestos-related insurance receivables of $84,548 and $102,848, respectively.*

(7) *One customer constituted 12%, 11% and 14% of net sales for 2007, 2006 and 2005, respectively. In addition, another customer constituted 11% of net sales in 2007 but was less than 10% of net sales in 2006 and 2005.*

QUARTERLY INFORMATION UNAUDITED

(in thousands, except per share amounts)	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**
2007				
Net sales	**$ 87,740**	**$ 88,740**	**$ 87,160**	**$ 83,194**
Gross profit[a]	**25,466**	**27,066**	**25,850**	**24,645**
Net income	**9,465**	**10,178**	**9,399**	**10,189**
Earnings per common share:				
Basic	**0.96**	**1.02**	**0.92**	**1.00**
Diluted	**0.95**	**1.01**	**0.92**	**1.00**
2006				
Net sales	$ 68,889	$ 75,455	$ 79,069	$ 78,367
Gross profit[a]	17,023	20,390	20,711	21,773
Net income (loss)	5,572	6,557	6,644	(2,138)[b]
Earnings per common share:				
Basic	0.57	0.67	0.68	(0.22)[b]
Diluted	0.56	0.66	0.67	(0.22)[b]

[a] *Gross profit excludes depreciation.*

[b] *Includes a net after-tax charge of $9,388 or $0.96 per basic share and $0.94 per diluted share for the estimated costs of asbestos-related litigation through 2013 offset by the release of tax-related valuation allowances principally for the Corporation s U.K. operation.*

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, 2007 and 2006, and the related consolidated statements of operations, shareholders equity, and cash flows for each of the three years in the period ended December 31, 2007. 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, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, effective December 31, 2006, the Corporation adopted Statement of Financial Accounting Standards No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans.*

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, 2007, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 6, 2008 expressed an unqualified opinion on the Corporation s internal control over financial reporting.

/s/ Deloitte & Touche LLP
Pittsburgh, Pennsylvania

March 6, 2008

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 as of December 31, 2007.

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 reasonableassurance 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, 2007. In making this assessment, management used the criteria set forth in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). 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, 2007.

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, 2007 that have materially affected, or are reasonably likely to materially affect its internal control over financial reporting.

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, 2007, based on criteria established in *Internal Control Integrated Framework* 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, 2007, based on the criteria established in *Internal Control Integrated Framework* 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 and financial statement schedule as of and for the year ended December 31, 2007 of the Corporation and our reports dated March 6, 2008 expressed an unqualified opinion on those financial statements and financial statement schedule and include an explanatory paragraph for the adoption of Statement of Financial Accounting Standards No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans.*

/s/ Deloitte & Touche LLP
Pittsburgh, Pennsylvania

March 6, 2008

ITEM 9A(T). CONTROLS AND PROCEDURES

Not applicable.

ITEM 9B. OTHER INFORMATION

No information was required to be disclosed in a report on Form 8-K during the fourth quarter of 2007 which was not reported. The Corporation submitted a Section 12(a) Chief Executive Officer Certification to the New York Stock Exchange in 2007.

Part III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

IDENTIFICATION OF DIRECTORS

Name, Age, Tenure as a Director, Position with the Corporation[1], Principal Occupation, Business Experience Past Five Years, and Other Directorships in Public Companies

Robert J. Appel (age 76, Director since 2004; current term expires in 2009). Mr. Appel has been President of Appel Associates since May, 2003. Prior to May, 2003, he was a partner of Neuberger Berman (an investment advisory firm that was acquired by Lehman Brothers) for more than five years.

Louis Berkman (age 99, Director since 1960). Mr. Berkman has been Chairman Emeritus of the Board since March 2004 and on February 20, 2008, he retired as a director and was elected Director Emeritus by the Board. Prior to March 2004, he was Chairman of the Board of the Corporation for more than five years. He is also Chairman and a director of The Louis Berkman Investment Company (steel products, fabricated metal products and industrial supplies).

Leonard M. Carroll (age 65, Director since 1996; current term expires in 2010). Mr. Carroll has been Managing Director of Seneca Capital Management, Inc., a private investment company, for more than five years. He is also a director of Gateway Bank.

William D. Eberle (age 83, Director since 1982; current term expires in 2009). Mr. Eberle has been a private investor and consultant and Chairman of Manchester Associates, Ltd. for more than five years. He is also a director of America Service Group and Mid States, PLC.

Paul A. Gould (age 62, Director since 2002; current term expires in 2009). Mr. Gould has been Managing Director of Allen & Co., Inc., an investment banking company for more than five years. He is also a director of Liberty Media Corporation, Liberty Global, Inc. and Discovery Holding Company.

William K. Lieberman (age 60, Director since 2004; current term expires in 2008). Mr. Lieberman has been President of The Lieberman Companies since 2003. For more than five years before 2003, he was Executive Vice President of Hilb, Rogal and Hamilton Company of Pittsburgh, an insurance firm.[N]

Robert A. Paul (age 70, Director since 1970; current term expires in 2009). Mr. Paul was elected Chairman and Chief Executive Officer of the Corporation in March 2004. Prior to that, he was President and Chief Executive Officer of the Corporation for more than five years. He is also President and a director of The Louis Berkman Investment Company.

Laurence E. Paul (age 43, Director since 1998; current term expires in 2010). Mr. Paul has been a managing principal of Laurel Crown Partners, a private investment company since 2002. He is also a director of Biovail Corporation.

Stephen E. Paul (age 40, Director since 2002; current term expires in 2008). Mr. Paul has been a managing principal of Laurel Crown Partners, a private investment company, since 2002. He is also a director of Morton s Restaurant Group.[N]

Carl H. Pforzheimer, III (age 71, Director since 1982; current term expires in 2008). Mr. Pforzheimer has been Managing Partner or Manager of Carl H. Pforzheimer & Co. LLC or its predecessors or related entities for more than five years.[N]

Ernest G. Siddons (age 74, Director since 1981; current term expires in 2010). Mr. Siddons was elected President and Chief Operating Officer in March 2004. Prior to that he was Executive Vice President and Chief Operating Officer of the Corporation for more than five years.

[N] *Nominee for election at the April 23, 2008 Annual Shareholders Meeting.*

[1] *Officers serve at the discretion of the Board of Directors.*

IDENTIFICATION OF EXECUTIVE OFFICERS

In addition to Robert A. Paul and Ernest G. Siddons (see Identification of Directors above), the following are also Executive Officers of the Corporation:

Name, Age, Position with the Corporation[(1)]*, Business Experience Past Five Years*

Rose Hoover (age 52). Ms. Hoover has been Vice President Administration and Secretary of the Corporation since December 2006. For more than five years prior to December 2006, she was Vice President and Secretary of the Corporation.

Marliss D. Johnson (age 43). Ms. Johnson has been Vice President, Controller and Treasurer of the Corporation for more than five years.

Terrence W. Kenny (age 48). Mr. Kenny has been Group Vice President of the Corporation for more than five years.

Robert F. Schultz (age 60). Mr. Schultz has been Vice President Industrial Relations and Senior Counsel 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 serve as a director of a public company.*

FAMILY RELATIONSHIPS

Louis Berkman is the father-in-law of Robert A. Paul, and grandfather of Laurence E. Paul and Stephen E. Paul (sons of Robert A. Paul). There are no other family relationships among the Directors and Executive Officers.

COMMITTEES

The various committees of the Board of Directors are currently comprised as follows:

Audit Committee: Carl H. Pforzheimer, III (Chairman), Robert J. Appel, Leonard M. Carroll, William D. Eberle and Paul A. Gould;

Compensation Committee: Robert J. Appel (Chairman), William D. Eberle, Paul A. Gould and William K. Lieberman;

Executive Committee: Robert A. Paul (Chairman), Ernest G. Siddons, Leonard M. Carroll, William K. Lieberman and Carl H. Pforzheimer, III;

Investment Committee: Robert A. Paul (Chairman), Ernest G. Siddons, Robert J. Appel and Paul A. Gould; and

Nominating and Corporate Governance Committee: Paul A. Gould (Chairman), William K. Lieberman and Carl H. Pforzheimer, III.

The Nominating and Governance Committee Charter, the Compensation Committee Charter, the Audit Committee Charter and the Corporate Governance Guidelines are available on the Corporation s website at www.ampcopittsburgh.com. The Corporation will provide a copy of these documents to any shareholder who makes a request in writing to the Corporate Secretary, Ampco-Pittsburgh Corporation, 600 Grant Street, Suite 4600, Pittsburgh, PA 15219.

AUDIT COMMITTEE FINANCIAL EXPERT

The Board of Directors has determined that Carl H. Pforzheimer, III, Chairman of the Audit Committee, is a financial expert and independent as defined under applicable SEC rules.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires the Corporation s directors, executive officers and persons who beneficially own more than 10% of the Corporation s common stock, to file reports of holdings and transactions in the Corporation s common stock with the SEC and to furnish the Corporation with copies of all Section 16(a) reports that they file. Based on those records and other information furnished, during 2007, executive officers, directors and persons who beneficially own more than 10% of the Corporation s common stock complied with all filing requirements.

CODE OF ETHICS

The Corporation has adopted a Code of Business Conduct and Ethics that applies to all of its officers, directors and employees, as well as an additional Code of Ethics that applies to the Corporation s chief executive officer, chief financial officer, principal accounting officer and controller. Copies of both Codes are available on the Corporation s website at www.ampcopittsburgh.com. In addition, the Corporation will provide without charge, upon request of any shareholder, a copy of the Codes as requested by written request to the Corporate Secretary, Ampco-Pittsburgh Corporation, 600 Grant Street, Suite 4600, Pittsburgh, PA 15219. The Corporation will make any required disclosures regarding amendments to, or waivers of, provisions of its Code of Business Conduct and Ethics and its separate Code of Ethics for its chief executive officer, chief financial officer, principal accounting officer and controller by posting such information on its website or by filing a Form 8-K.

ITEM 11. EXECUTIVE COMPENSATION

The information required for this item is hereby incorporated by reference to the Corporation s Proxy Statement dated March 6, 2008.

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

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table summarizes information, as of the December 31, 2007, with respect to compensation plans under which equity securities of the Corporation are authorized for issuance:

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	5,000	$ 12.24	0
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	5,000		0

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following table sets forth information, to the extent known by the Corporation, concerning individuals (other than Directors or Officers of the Corporation) or entities holding more than five percent of the outstanding shares of the Corporation s Common Stock. The percent of class in the table below is calculated based upon 10,177,497 shares outstanding as of March 5, 2008.

Name of beneficial owner	Amount and nature of beneficial ownership	Percent of class
The Louis Berkman Investment Company P.O. Box 576 Steubenville, OH 43952	1,613,842(1)	15.86
Gabelli Funds, Inc. (and affiliates) Corporate Center Rye, NY 10580	1,609,362(2)	15.81
Van Den Berg Management 805 Las Cimas Parkway Austin, TX 78746	810,998(3)	7.97
Keeley Asset Management Corp. 401 South LaSalle Street Chicago, IL 60605	787,500(4)	7.70

(1) *Louis Berkman, Director Emeritus, is an officer and director of The Louis Berkman Investment Company and owns directly 61.51% of its common stock. Robert A. Paul, is an officer and director of The Louis Berkman Investment Company, and disclaims beneficial ownership of the 38.49% of its common stock owned by his wife.*

(2) *Reported in an amendment to Schedule 13D filed with the SEC in July 2007.*

(3) *Reported as of December 31, 2004 on a Schedule 13G filed with the SEC disclosing it had shared and sole voting and dispositive power of these shares.*

(4) *Reported as of December 31, 2007 on a Schedule 13G filed with the SEC in which it discloses it shares beneficial ownership of 780,000 of these shares with Keeley Small Cap Value Fund.*

The following table sets forth, as of March 5, 2008, information concerning the beneficial ownership of the Corporation s Common Stock by the Directors and Named Executive Officers and all Directors and Executive Officers of the Corporation as a group:

Name of beneficial owner	Amount and nature of beneficial ownership	Percent of class
Louis Berkman	1,831,108(1)(2)	17.99
Robert A. Paul	57,922(2)(3)	.57
Carl H. Pforzheimer, III	2,733(4)	.03
Terrence W. Kenny	2,500(5)	.02
Ernest G. Siddons	1,833(6)	.02
Leonard M. Carroll	1,500	.01
Robert J. Appel	1,000	*
Paul A. Gould	1,000	*
Laurence E. Paul	1,000	*
Stephen E. Paul	1,000	*
William D. Eberle	1,000(7)	*
William K. Lieberman	1,000(8)	*
Robert F. Schultz	200(9)	*
Directors and Executive Officers as a group (15 persons)	1,902,530(10)	18.69

* *Less than .1%*

(1) *Includes 215,000 shares owned directly, 1,613,842 shares owned by The Louis Berkman Investment Company, and the following shares in which he disclaims beneficial ownership: 1,266 shares held by The Louis and Sandra Berkman Foundation, of which he and Robert A. Paul are trustees, and 1,000 shares owned by his wife.*

(2) *The Louis Berkman Investment Company owns beneficially and of record 1,613,842 shares of the Corporation s Common Stock. Louis Berkman is an officer and director of The Louis Berkman Investment Company and owns directly 61.51% of its common shares. Robert A. Paul, an officer and director of The Louis Berkman Investment Company, disclaims beneficial ownership of the 38.49% of its common stock owned by his wife. The number of shares shown in the table for Robert A. Paul does not include any shares held by The Louis Berkman Investment Company.*

(3) *Includes 42,889 shares owned directly, and the following shares in which he disclaims beneficial ownership: 13,767 shares owned by his wife and 1,266 shares held by The Louis and Sandra Berkman Foundation, of which he and Louis Berkman are Trustees.*

(4) *Includes 1,000 shares owned directly, 800 shares held by a trust of which he is a trustee and principal beneficiary, and the following shares in which he disclaims beneficial ownership: 133 shares held by his daughter and 800 shares held by a trust of which he is a trustee.*

(5) *Shares that he has the right to acquire within sixty days pursuant to stock options.*

(6) *Shares held jointly with his wife.*

(7) *Shares held by a trust of which he is a trustee.*

(8) *Shares held jointly with his wife.*

(9) *Shares held jointly with his wife.*

(10) *Includes 2,500 shares one officer has the right to acquire within sixty days pursuant to stock options and excludes double counting of shares deemed to be beneficially owned by more than one Director.*

Unless otherwise indicated the individuals named have sole investment and voting power.

CHANGES IN CONTROL

The Corporation knows of no arrangements that may at a subsequent date result in a change in control of the Corporation.

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

In 2007, the Corporation bought industrial supplies from a subsidiary of The Louis Berkman Investment Company in transactions in the ordinary course of business amounting to approximately $1,759,663. Additionally, The Louis Berkman Investment Company paid the Corporation $216,300 for certain administrative services. Louis Berkman was an officer, director and shareholder and Robert A. Paul was an officer and director, of that company. These transactions and services were at prices generally available from outside sources. Transactions between the parties will also take place in 2008.

The purchase of industrial supplies from a wholly-owned subsidiary of The Louis Berkman Investment Company follows a competitive bid process which includes several non-related vendors after which annual contract awards are made to the lowest bidder by the purchasing executive at each of the Corporation s subsidiary companies. The administration services are provided under an agreement to provide such services for fees which are subject to annual review including an increase to cover inflation in the costs of the Corporation.

The Board of Directors has adopted categorical standards to assist it in evaluating the independence of its Directors. The standards are attached to the Corporate Governance Guidelines which are available on the Corporation s website at www.ampcopittsburgh.com. After performing this evaluation in accordance with those guidelines, the Board has determined that Robert J. Appel, Leonard M. Carroll, William D. Eberle, Paul A Gould, William K. Lieberman and Carl H. Pforzheimer, III do not have material relationships with the Corporation (other than as members of the Board of Directors) and are independent within the meaning of the Corporation s independence standards and those of the New York Stock Exchange (the NYSE).

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table summarizes the aggregate fees to the Corporation by Deloitte & Touche LLP:

	2007	2006
Audit fees[a]	**$ 598,458**	$ 616,798
Audit-related fees[b]	**27,590**	25,105
Tax fees[c]	**1,960**	44,742
All other fees[d]		1,900
Total[e]	**$ 628,008**	$ 688,545

(a) *Fees for audit services related primarily to the audit of the Corporation s annual consolidated financial statements and its internal control over financial reporting.*

(b) *Fees for audit-related services related primarily to the audits of the Corporation s employee benefit plans.*

(c) *Fees for tax services related primarily to tax compliance which are services rendered based upon facts already in existence or transactions that have already occurred to document, compute, and assess amounts to be included in tax filings. Fees for 2007 consisted of assistance with inquiries from taxing authorities and, for 2006, review of income tax returns and calculation of extraterritorial income exclusion.*

(d) *Fees for all other services billed consisted of permitted non-audit services related to review of a U.K. grant application in 2006.*

(e) *The Audit Committee approved all fees in the years reported.*

In considering the nature of the services provided by Deloitte & Touche LLP, the Audit Committee determined that such services are compatible with the provision of independent audit services. The Audit Committee discussed these services with Deloitte & Touche LLP and the Corporation s management to determine that they are permitted under the rules and regulations concerning auditor independence promulgated by the SEC to implement the Sarbanes-Oxley Act of 2002, as well as the American Institute of Certified Public Accountants.

The Audit Committee has adopted a Policy for Approval of Audit and Non-Audit Services (the Policy) provided by the Corporation s independent auditor. According to the Policy, the Corporation s independent auditor may not provide the following prohibited services to the Corporation:

- maintain or prepare the Corporation s accounting records or prepare the Corporation s financial statements that are either filed with the SEC or form the basis of financial statements filed with the SEC;

- provide appraisal or valuation services when it is reasonably likely that the results of any valuation or appraisal would be material to the Corporation s financial statements, or where the independent auditor would audit the results;

- provide certain management or human resource functions;

- serve as a broker-dealer, promoter or underwriter of the Corporation s securities;

provide any service in which the person providing the service must be admitted to practice before the courts of a U.S. jurisdiction;

provide any internal audit services relating to accounting controls, financial systems, or financial statements; or

design or implement a hardware or software system that aggregates source data underlying the financial statements or generates information that is significant to the Corporation s financial statements, taken as a whole.

In addition, in connection with its adoption of the Policy, the Audit Committee pre-approved certain audit-related and other non-prohibited services. Any services not prohibited or pre-approved by the Policy must be pre-approved by the Audit Committee in accordance with the Policy. The Policy will be reviewed and approved annually by the Board of Directors.

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 Shareholders Equity

Consolidated Statements of Cash Flow

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		64
Report of Independent Registered Public Accounting Firm		65
Valuation and Qualifying Accounts	II	66

3. Exhibits

Exhibit No.

(3) Articles of Incorporation and By-laws

a. Articles of Incorporation

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; and the Quarterly Report on Form 10-Q for the quarter ended September 30, 1998.

b. By-laws

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

(4) Instruments defining the rights of securities holders

a. Rights Agreement between Ampco-Pittsburgh Corporation and Chase Mellon Shareholder Services dated as of September 28, 1998.

Incorporated by reference to the Current Report on Form 8-K dated September 28, 1998.

(10) Material Contracts

a. 1988 Supplemental Executive Retirement Plan
Incorporated by reference to the Quarterly Report on Form 10-Q for the quarter ended March 31, 1996.

b. Severance Agreements between Ampco-Pittsburgh Corporation and certain officers and employees of Ampco-Pittsburgh Corporation.
Incorporated by reference to the Quarterly Report on Form 10-Q for the quarter ended September 30, 1988; the Quarterly Report on Form 10-Q for the quarter ended September 30, 1994, the Annual Report on Form 10-K for fiscal year ended December 31, 1994; the Quarterly Report on Form 10-Q for the quarter ended June 30, 1997; the Annual Report on Form 10-K for fiscal year ended December 31, 1998; and the Quarterly Report on Form 10-Q for the quarter ended June 30, 1999.

c. 1997 Stock Option Plan
Incorporated by reference to the Proxy Statement dated March 14, 1997 and the Proxy Statement dated March 15, 2000.

(21) Significant Subsidiaries

(23) Consent of Deloitte & Touche LLP

(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.

SIGNATURE

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 6, 2008

AMPCO-PITTSBURGH CORPORATION

(Registrant)

By: /s/ Robert A. Paul
Director, Chairman and Chief

Executive Officer
Robert A. Paul

By: /s/ Ernest G. Siddons
Director, President

and Chief Operating Officer
Ernest G. Siddons

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

Treasurer (Principal Financial Officer)
Marliss D. Johnson

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, in their capacities as Directors, as of the date indicated.

March 6, 2008

AMPCO-PITTSBURGH CORPORATION

(Registrant)

By: /s/ Robert J. Appel
Robert J. Appel

By: /s/ Leonard M. Carroll
Leonard M. Carroll

By: /s/ William D. Eberle
William D. Eberle

By: /s/ Paul A. Gould
Paul A. Gould

By: /s/ William K. Lieberman
William K. Lieberman

By: /s/ Laurence E. Paul
Laurence E. Paul

By: /s/ Stephen E. Paul
Stephen E. Paul

By: /s/ Carl H. Pforzheimer, III
Carl H. Pforzheimer, III

INDEX TO AMPCO-PITTSBURGH CORPORATION FINANCIAL DATA

	Schedule Number	Page Number
Index to Ampco-Pittsburgh Corporation Financial Data		64
Report of Independent Registered Public Accounting Firm		65
Valuation and Qualifying Accounts	II	66

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, 2007 and 2006, and for each of the three years in the period ended December 31, 2007, and the Corporation s internal control over financial reporting as of December 31, 2007, and have issued our reports thereon dated March 6, 2008 (the report on the audit of consolidated financial statements expresses an unqualified opinion and includes an explanatory paragraph for the adoption of Statement of Financial Accounting Standards No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans); 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.

/s/ Deloitte & Touche LLP

Pittsburgh, Pennsylvania

March 6, 2008

SCHEDULE II

Ampco-Pittsburgh Corporation

Valuation and Qualifying Accounts

For the Years Ended December 31, 2007, 2006 and 2005

(in thousands)

Description	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Additions Charged to Other Accounts[1]	Deductions	Other[4]	Balance at End of Period
Year ended December 31, 2007						
Allowance for doubtful accounts	**$ 282**	**$ 52**	**$**	**$ (49)[2]**	**$**	**$ 285**
Valuation allowance against gross deferred income tax assets	**$ 5,030**	**$**	**$ 255**	**$ (918)[3]**	**$ 9**	**$ 4,376**
Year ended December 31, 2006						
Allowance for doubtful accounts	$ 681	$ 60	$	$ (501)[2]	$ 42	$ 282
Valuation allowance against gross deferred income tax assets	$ 11,530	$	$ 24	$ (6,564)[3]	$ 40	$ 5,030
Year ended December 31, 2005						
Allowance for doubtful accounts	$ 956	$ 39	$	$ (302)[2]	$ (12)	$ 681
Valuation allowance against gross deferred income tax assets	$ 16,778	$	$ 341	$ (4,461)[3]	$ (1,128)	$ 11,530

(1) *Represents valuation allowances established for deferred income tax assets since it is more likely than not that the assets will not be realized.*

(2) *Represents current year write-off of accounts receivable balances net of recovery of accounts receivable balances previously written off.*

(3) *Represents primarily changes in the amount of deferred income tax assets expected to be realized.*

(4) *Represents impact from changes in foreign currency exchange rates.*

DIRECTORS AND OFFICERS

Robert A. Paul[(1)(5)]

Director

Chairman of the Board and Chief Executive Officer

Ernest G. Siddons[(1)(5)]

Director

President and Chief Operating Officer

Louis Berkman

Director Emeritus and Chairman Emeritus

Chairman, The Louis Berkman Investment Company

Robert J. Appel[(2)(3)(5)]

Director

President, Appel Associates

Leonard M. Carroll[(1)(2)]

Director

Managing Director, Seneca Capital Management, Inc.

William D. Eberle[(2)(3)]

Director

Private Investor

Paul A. Gould[(2)(3)(4)(5)]

Laurence E. Paul

Director

Managing Principal, Laurel Crown Partners

Stephen E. Paul

Director

Managing Principal, Laurel Crown Partners

Carl H. Pforzheimer, III[(1)(2)(4)]

Director

Managing Partner, Carl H. Pforzheimer & Co.

Rose Hoover

Vice President Administration and Corporate Secretary

Dee Ann Johnson

Vice President, Controller and Treasurer

Terrence W. Kenny

Group Vice President

Robert F. Schultz

Vice President Industrial Relations and Senior Counsel

(1) Member of the Executive Committee

Director

Managing Director, Allen & Company, Inc.

William K. Lieberman[(1)(3)(4)]

Director

President, The Lieberman Companies

(2)Member of the Audit Committee

(3)Member of the Compensation Committee

(4)Member of the Nominating and Governance Committee

(5)Member of the Investment Committee

OPERATING COMPANIES

UNION ELECTRIC STEEL CORPORATION

Carnegie, Pennsylvania

Robert G. Carothers, President

www.uniones.com

Subsidiary Company:

The Davy Roll Company

Gateshead, England

Stephen A. Bell, Managing Director

www.davyroll.com

AEROFIN CORPORATION

Lynchburg, Virginia

David L. Corell, President

www.aerofin.com

BUFFALO AIR HANDLING COMPANY

Amherst, Virginia

William R. Phelps, President

www.buffaloair.com

BUFFALO PUMPS, INC.

North Tonawanda, New York

Charles R. Kistner, President

www.buffalopumps.com