# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 20549**

## FORM 10-Q

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

☒

**For the quarterly period ended September 30, 2023**

**OR**

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

☐

**For the transition period from _ to**

**Commission File Number 1-898**

# AMPCO-PITTSBURGH CORP ORATION

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

**726 Bell Avenue , Suite 301**
**Carnegie , Pennsylvania 15106**
**(Address of principal executive offices)**

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

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Stock, $1 par value | AP | New York Stock Exchange |
| Series A Warrants to purchase shares of Common Stock | AP WS | NYSE American Exchange |

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

| | | | | | |
|---|---|---|---|---|---|
| Large accelerated filer | ☐ | Accelerated filer | ☐ | Emerging growth company | ☐ |

| | | | |
|---|---|---|---|
| Non-accelerated filer | ☒ | Smaller reporting company | ☒ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act ☐

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

On November 9, 2023, 19,865,749 common shares were outstanding.

**AMPCO-PITTSBURGH CORPORATION**
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**PART I – FINANCIAL INFORMATION**
**AMPCO-PITTSBURGH CORPORATION**
**CONDENSED CONSOLIDATED BALANCE SHEETS**
**(UNAUDITED)**
*(in thousands, except par value)*

| | September 30, 2023 | December 31, 2022 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 6,070 | $ 8,735 |
| Trade receivables | 83,148 | 77,426 |
| Trade receivables from related parties | 133 | 1,066 |
| Inventories | 130,748 | 121,739 |
| Insurance receivable – asbestos | 15,000 | 15,000 |
| Other current assets | 7,437 | 7,442 |
| Total current assets | 242,536 | 231,408 |
| Property, plant and equipment, net | 156,088 | 154,998 |
| Operating lease right-of-use assets | 4,868 | 3,522 |
| Insurance receivable – asbestos | 81,393 | 90,910 |
| Deferred income tax assets | 2,141 | 2,141 |
| Intangible assets, net | 4,727 | 5,194 |
| Investments in joint ventures | 2,175 | 2,175 |
| Prepaid pensions | 7,490 | 7,242 |
| Other noncurrent assets | 4,696 | 5,184 |
| Total assets | $ 506,114 | $ 502,774 |
| **Liabilities and Shareholders' Equity** | | |
| Current liabilities: | | |
| Accounts payable | $ 42,613 | $ 43,209 |
| Accounts payable to related parties | 876 | 412 |

| | | |
|---|---|---|
| Accrued payrolls and employee benefits | 14,534 | 11,796 |
| Debt – current portion | 13,608 | 12,410 |
| Operating lease liabilities – current portion | 946 | 635 |
| Asbestos liability – current portion | 23,000 | 23,000 |
| Other current liabilities | 23,181 | 24,763 |
| Total current liabilities | 118,758 | 116,225 |
| Employee benefit obligations | 39,034 | 43,431 |
| Asbestos liability | 114,354 | 130,575 |
| Long-term debt | 114,182 | 93,061 |
| Noncurrent operating lease liabilities | 3,922 | 2,886 |
| Deferred income tax liabilities | 1,343 | 2,518 |
| Other noncurrent liabilities | 236 | 682 |
| Total liabilities | 391,829 | 389,378 |
| Commitments and contingent liabilities (Note 9) | | |
| Shareholders' equity: | | |
| Common stock – par value $ 1 ; authorized 40,000 shares; issued and outstanding 19,729 shares as of September 30, 2023 and 19,404 shares as of December 31, 2022 | 19,729 | 19,404 |
| Additional paid-in capital | 176,680 | 175,656 |

| | | |
|---|---|---|
| Retained deficit | (31,161) | (32,322) |
| Accumulated other comprehensive loss | (60,804) | (58,412) |
| Total Ampco-Pittsburgh shareholders’ equity | 104,444 | 104,326 |
| Noncontrolling interest | 9,841 | 9,070 |
| Total shareholders’ equity | 114,285 | 113,396 |
| Total liabilities and shareholders’ equity | $ 506,114 | $ 502,774 |

See Notes to Condensed Consolidated Financial Statements.

**AMPCO-PITTSBURGH CORPORATION**
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**
**(UNAUDITED)**
*(in thousands, except per share amounts)*

| | Three Months Ended September 30, 2023 | Three Months Ended September 30, 2022 | Nine Months Ended September 30, 2023 | Nine Months Ended September 30, 2022 |
|---|---|---|---|---|
| Net sales: | | | | |
| Net sales | $ 102,200 | $ 97,228 | $ 311,491 | $ 289,696 |
| Net sales to related parties | 18 | 2,419 | 2,741 | 6,959 |
| Total net sales | 102,218 | 99,647 | 314,232 | 296,655 |
| Operating costs and expenses: | | | | |
| Costs of products sold (excluding depreciation and amortization) | 84,490 | 84,101 | 256,333 | 249,700 |
| Selling and administrative | 11,821 | 11,089 | 38,101 | 31,941 |
| Depreciation and amortization | 4,382 | 4,206 | 13,110 | 13,133 |
| Credit for asbestos litigation | (191) | - | (191) | - |
| (Gain) loss on disposal of assets | (6) | 48 | (124) | 47 |
| Total operating costs and expenses | 100,496 | 99,444 | 307,229 | 294,821 |
| Income from operations | 1,722 | 203 | 7,003 | 1,834 |
| Other (expense) income: | | | | |
| Investment-related income | 98 | 507 | 114 | 513 |
| Interest expense | (2,468) | (1,486) | (6,784) | (3,684) |
| Other income – net | 1,959 | 3,174 | 3,424 | 7,019 |
| Total other (expense) income | (411) | 2,195 | (3,246) | 3,848 |
| Income before income taxes | 1,311 | 2,398 | 3,757 | 5,682 |
| Income tax provision | (76) | (987) | (541) | (1,432) |
| Net income | 1,235 | 1,411 | 3,216 | 4,250 |
| Less: Net income attributable to noncontrolling interest | 426 | 288 | 1,308 | 371 |

| | | | | |
|---|---|---|---|---|
| Net income attributable to Ampco-Pittsburgh | $ 809 | $ 1,123 | $ 1,908 | $ 3,879 |
| Net income per share attributable to Ampco-Pittsburgh common shareholders: | | | | |
| Basic | $ 0.04 | $ 0.06 | $ 0.10 | $ 0.20 |
| Diluted | $ 0.04 | $ 0.06 | $ 0.10 | $ 0.20 |
| Weighted-average number of common shares outstanding: | | | | |
| Basic | 19,729 | 19,396 | 19,580 | 19,291 |
| Diluted | 19,729 | 19,522 | 19,633 | 19,473 |

See Notes to Condensed Consolidated Financial Statements.

**AMPCO-PITTSBURGH CORPORATION**
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**
**(UNAUDITED)**
*(in thousands)*

| | Three Months Ended September 30, 2023 | Three Months Ended September 30, 2022 | Nine Months Ended September 30, 2023 | Nine Months Ended September 30, 2022 |
|---|---|---|---|---|
| Net income | $ 1,235 | $ 1,411 | $ 3,216 | $ 4,250 |
| Other comprehensive loss, net of income tax where applicable: | | | | |
| Adjustments for changes in: | | | | |
| Foreign currency translation | (3,150) | (8,745) | (2,113) | (19,787) |
| Unrecognized employee benefit costs (including effects of foreign currency translation) | 181 | 891 | 45 | 1,441 |
| Fair value of cash flow hedges | 19 | (251) | (81) | (809) |
| Reclassification adjustments for items included in net income: | | | | |
| Amortization of unrecognized employee benefit costs | (235) | 281 | (728) | 833 |
| Settlements of cash flow hedges | 135 | 367 | (52) | 108 |
| Other comprehensive loss | (3,050) | (7,457) | (2,929) | (18,214) |
| Comprehensive (loss) income | (1,815) | (6,046) | 287 | (13,964) |
| Less: Comprehensive income (loss) attributable to noncontrolling interest | 367 | (269) | 771 | (625) |
| Comprehensive loss attributable to Ampco-Pittsburgh | $ (2,182) | $ (5,777) | $ (484) | $ (13,339) |

See Notes to Condensed Consolidated Financial Statements.

**AMPCO-PITTSBURGH CORPORATION**
**CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**
**(UNAUDITED)**
*(in thousands)*

| **Three Months Ended September 30, 2023** | Common Stock | Additional Paid-in Capital | Retained Deficit | Accumulated Other Comprehensive Loss | Noncontrolling Interest | Total |
|---|---|---|---|---|---|---|
| Balance at July 1, 2023 | $ 19,729 | $ 176,160 | $ (31,970) | $ (57,813) | $ 9,474 | $ 115,580 |
| Stock-based compensation | | 520 | | | | 520 |
| Comprehensive income (loss): | | | | | | |
| Net income | | | 809 | | 426 | 1,235 |
| Other comprehensive loss | | | | (2,991) | (59) | (3,050) |
| Comprehensive income (loss) | | | | | 367 | (1,815) |
| Balance at September 30, 2023 | $ 19,729 | $ 176,680 | $ (31,161) | $ (60,804) | $ 9,841 | $ 114,285 |
| **Three Months Ended September 30, 2022** | | | | | | |
| Balance at July 1, 2022 | $ 19,355 | $ 174,868 | $ (32,982) | $ (65,424) | $ 8,877 | $ 104,694 |
| Stock-based compensation | | 684 | | | | 684 |
| Comprehensive loss: | | | | | | |
| Net income | | | 1,123 | | 288 | 1,411 |
| Other comprehensive loss | | | | (6,900) | (557) | (7,457) |
| Comprehensive loss | | | | | (269) | (6,046) |
| Shareholder exercise of warrants (Note 10) | 48 | (48) | | | | - |
| Balance at September 30, 2022 | $ 19,403 | $ 175,504 | $ (31,859) | $ (72,324) | $ 8,608 | $ 99,332 |
| **Nine Months Ended September 30, 2023** | | | | | | |
| Balance at January 1, 2023, as reported | $ 19,404 | $ 175,656 | $ (32,322) | $ (58,412) | $ 9,070 | $ 113,396 |
| Impact of new accounting standard (Note 1) | | | (747) | | | (747) |
| Balance at January 1, 2023, as adjusted | 19,404 | 175,656 | (33,069) | (58,412) | 9,070 | 112,649 |
| Stock-based compensation | | 1,630 | | | | 1,630 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Comprehensive income: | | | | | | |
| Net income | | | 1,908 | | 1,308 | 3,216 |
| Other comprehensive loss | | | | (2,392) | (537) | (2,929) |
| Comprehensive income | | | | | 771 | 287 |
| Issuance of common stock excluding excess tax benefits of $ 0 | 325 | (606) | | | | (281) |
| Balance at September 30, 2023 | $ 19,729 | $ 176,680 | $ (31,161) | $ (60,804) | $ 9,841 | $ 114,285 |
| **Nine Months Ended September 30, 2022** | | | | | | |
| Balance at January 1, 2022 | $ 19,184 | $ 174,561 | $ (35,738) | $ (55,106) | $ 9,233 | $ 112,134 |
| Stock-based compensation | | 1,512 | | | | 1,512 |
| Comprehensive loss: | | | | | | |
| Net income | | | 3,879 | | 371 | 4,250 |
| Other comprehensive loss | | | | (17,218) | (996) | (18,214) |
| Comprehensive loss | | | | | (625) | (13,964) |
| Shareholder exercise of warrants (Note 10) | 48 | (48) | | | | - |
| Issuance of common stock excluding excess tax benefits of $ 0 | 171 | (521) | | | | (350) |
| Balance at September 30, 2022 | $ 19,403 | $ 175,504 | $ (31,859) | $ (72,324) | $ 8,608 | $ 99,332 |

See Notes to Condensed Consolidated Financial Statements.

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

| | Nine Months Ended September 30, 2023 | 2022 |
|---|---|---|
| Net cash flows used in operating activities | $ (10,327) | $ (20,405) |
| Cash flows used in investing activities: | | |
| Purchases of property, plant and equipment | (14,134) | (13,003) |
| Proceeds from sale of property, plant and equipment | 128 | 3 |
| Purchases of long-term marketable securities | (70) | (496) |
| Proceeds from sale of long-term marketable securities | 561 | 980 |
| Net cash flows used in investing activities | (13,515) | (12,516) |
| Cash flows from financing activities: | | |
| Proceeds from revolving credit facility | 28,205 | 43,000 |
| Payments on revolving credit facility | (15,693) | (27,283) |
| Proceeds from sale and leaseback financing arrangements | 2,500 | 15,500 |
| Payments on sale and leaseback financing arrangements | (180) | (264) |
| Proceeds from equipment financing facility | 6,822 | 4,014 |
| Proceeds from related party debt (Note 18) | 1,099 | 5,776 |
| Repayment of related party debt (Note 18) | (1,096) | (4,251) |
| Repayments of debt | (334) | (480) |
| Debt issuance costs | - | (104) |
| Net cash flows provided by financing activities | 21,323 | 35,908 |

| | | |
|---|---|---|
| Effect of exchange rate changes on cash and cash equivalents | (146) | (1,134) |
| Net (decrease) increase in cash and cash equivalents | (2,665) | 1,853 |
| Cash and cash equivalents at beginning of period | 8,735 | 10,337 |
| Cash and cash equivalents at end of period | $ 6,070 | $ 12,190 |
| Supplemental information: | | |
| Income tax payments, net of refunds | $ 1,787 | $ 959 |
| Interest payments | $ 5,739 | $ 3,896 |
| Non-cash investing and financing activities: | | |
| Purchases of property, plant and equipment in current liabilities | $ 2,365 | $ 1,009 |
| Finance lease right-of-use assets exchanged for lease liabilities | $ 144 | $ 1,105 |
| Operating lease right-of-use assets exchanged for lease liabilities | $ 1,953 | $ 191 |

See Notes to Condensed Consolidated Financial Statements.

**Overview of the Business**

Ampco-Pittsburgh Corporation (the “Corporation”) manufactures and sells highly engineered, high-performance specialty metal products and customized equipment utilized by industry throughout the world. It operates in two business segments – the *Forged and Cast Engineered Products* (“FCEP”) segment and the *Air and Liquid Processing* (“ALP”) segment. This segment presentation is consistent with how the Corporation’s chief operating decision-maker evaluates financial performance and makes resource allocation and strategic decisions about the business.

The FCEP segment produces forged hardened steel rolls, cast rolls and forged engineered products (“FEP”). Forged hardened steel rolls are used primarily in cold rolling mills by producers of steel, aluminum and other metals. Cast rolls, which are produced in a variety of iron and steel qualities, are used mainly in hot and cold strip mills, medium/heavy section mills and plate mills. FEP principally are sold to customers in the steel distribution market, oil and gas industry and the aluminum and plastic extrusion industries. The segment has operations in the United States, England, Sweden, and Slovenia and equity interests in three joint venture companies in China. Collectively, the segment primarily competes with European, Asian and North American and South American companies in both domestic and foreign markets and distributes a significant portion of its products through sales offices located throughout the world.

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

While the Corporation is currently operating at normal levels, it continues to be challenged by lingering global economic effects of a post-pandemic environment and repercussions from the Russia-Ukraine conflict, among other events, including:

- Periodic disruptions to the global supply chain for the Corporation, its vendors and its customers,
- Global inflationary pressures,
- Depressed business activity in Europe and Asia (specifically China), and
- Global economic uncertainty.

The Corporation is actively monitoring, and will continue to actively monitor, the geopolitical and economic consequence of these conditions and any other developments relevant to the Corporation's business including the potential impact on its operations, financial condition, liquidity, suppliers, industry, and workforce.

**Note 1 – Unaudited Condensed Consolidated Financial Statements**

The unaudited condensed consolidated balance sheet as of September 30, 2023, the unaudited condensed consolidated statements of operations, comprehensive loss and shareholders’ equity for the three and nine months ended September 30, 2023 and 2022, and cash flows for the nine months ended September 30, 2023 and 2022 have been prepared by the Corporation. In the opinion of management, all adjustments, consisting of only normal and recurring adjustments necessary to present fairly the financial position, results of operations and cash flows for the periods presented, have been made. The results of operations for the three and nine months ended September 30, 2023 are not necessarily indicative of the operating results expected for the full year.

Certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) have been condensed or omitted. Effective December 31, 2022, the Corporation changed its method of accounting for the cost of its domestic inventories from the last in, first out (“LIFO”) method to the first in first out (“FIFO”) method. Accordingly, 2022 financial information herein has been restated as if the Corporation had accounted for its domestic inventories on the FIFO method for the entire year. These unaudited condensed consolidated financial statements should be read in conjunction with the Corporation's latest Annual Report on Form 10-K.

Recently Adopted Accounting Pronouncements

In September 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-13, *Financial Instruments – Credit Losses*, which adds a new impairment model, known as the current expected credit loss ("CECL") model, based on expected losses rather than incurred losses. Under the new guidance, an entity recognizes an allowance for its estimate of expected credit losses and applies it to most debt instruments, trade receivables, lease receivables, financial guarantee contracts, and other loan commitments. The CECL model does not have a minimum threshold for recognition of impairment losses and entities will need to measure expected credit losses on assets having a low risk of loss. The guidance became effective for the Corporation, and the Corporation adopted the guidance, effective January 1, 2023 and recorded an adjustment to opening retained deficit of $

747
for the expected losses on trade receivables of $

271
(Note 2) and insurance receivable - asbestos of $

476
(Note 16).

**Note 2 - Allowance for Credit Losses (Trade Receivables)**

Trade receivables are reported on the condensed consolidated balance sheet at the amount due, adjusted for any allowance for credit losses. The Corporation provides an allowance for credit losses to reduce trade receivables to their estimated net realizable value equal to the amount expected to be collected. The allowance for credit losses is estimated based on historical collection experience, current regional economic and market conditions, aging of accounts receivable, current creditworthiness of customers, and forward-looking information. The use of forward-looking information is based on certain macroeconomic and microeconomic indicators including, but not limited to, regional business environment risk, political risk, and commercial and financing risks.

The Corporation reviews its allowance for credit losses on a quarterly basis to ensure its reserves for credit losses reflect regional and end-customer industry risk trends as well as current and future global operating conditions.

The allowance for credit losses on trade receivables was $

918
and $

763
as of September 30, 2023 and December 31, 2022, respectively.

**Note 3 – Inventories**

At September 30, 2023 and December 31, 2022, substantially all inventories were valued using the FIFO method. Inventories were comprised of the following:

| | September 30, 2023 | December 31, 2022 |
|---|---|---|
| Raw materials | $ 49,871 | $ 42,736 |
| Work-in-process | 55,610 | 48,809 |
| Finished goods | 18,026 | 23,231 |
| Supplies | 7,241 | 6,963 |
| Inventories | $ 130,748 | $ 121,739 |

**Note 4 – Property, Plant and Equipment**

Property, plant and equipment were comprised of the following:

| | September 30, 2023 | December 31, 2022 |
|---|---|---|
| Land and land improvements | $ 9,711 | $ 9,887 |
| Buildings and leasehold improvements | 64,346 | 62,102 |

| | | |
|---|---|---|
| Machinery and equipment | 351,480 | 339,134 |
| Construction-in-process | 23,350 | 16,005 |
| Other | 6,840 | 6,706 |
| | 455,727 | 433,834 |
| Accumulated depreciation and amortization | (299,639) | (278,836) |
| Property, plant and equipment, net | $ 156,088 | $ 154,998 |

The land and building of Union Electric Steel UK Limited, an indirect subsidiary of the Corporation ("UES-UK"), with a book value equal to $2,589 (£2,122) at September 30, 2023, are held as collateral by the trustees of the UES-UK defined benefit pension plan (Note 8). Machinery and equipment purchased with proceeds from the equipment finance facility, with a book value equal to $13,210 at September 30, 2023, are included in construction-in-process and pledged as collateral for the facility (Note 7). The remaining assets, other than real property, of the Corporation are pledged as collateral for the Corporation's revolving credit facility (Note 7).

Certain land and land improvements and buildings and leasehold improvements are included in the sale and leaseback financing transactions and disbursement agreement (Note 7). Title to these assets lies with the lender; however, since the transactions qualified as financing transactions, versus sales, the assets remain recorded on the Corporation's condensed consolidated balance sheet.

The gross value of assets under finance leases and the related accumulated amortization approximated $3,953 and $1,777, respectively, as of September 30, 2023 and $3,917 and $1,577, respectively, at December 31, 2022. Depreciation expense approximated $4,295 and $4,117, including depreciation of assets under finance leases of approximately $115 and $77, for the three months ended September 30, 2023 and 2022, respectively. Depreciation expense approximated $12,844 and $12,854, including depreciation of assets under finance leases of approximately $252 and $337, for the nine months ended September 30, 2023 and 2022, respectively.

## Note 5 – Intangible Assets

Intangible assets were comprised of the following:

| | September 30, 2023 | December 31, 2022 |
|---|---|---|
| Customer relationships | $ 5,194 | $ 5,375 |
| Developed technology | 3,727 | 3,847 |
| Trade name | 2,075 | 2,167 |
| | 10,996 | 11,389 |
| Accumulated amortization | (6,269) | (6,195) |
| Intangible assets, net | $ 4,727 | $ 5,194 |

Changes in intangible assets consisted of the following:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Balance at beginning of the period | $ 4,859 | $ 5,431 | $ 5,194 | $ 6,204 |

| | | | | |
|---|---|---|---|---|
| Amortization of intangible assets | (87) | (89) | (266) | (279) |
| Other, primarily impact from changes in foreign currency exchange rates | (45) | (372) | (201) | (955) |
| Balance at end of the period | $ 4,727 | $ 4,970 | $ 4,727 | $ 4,970 |

**Note 6 – Other Current Liabilities**

Other current liabilities were comprised of the following:

| | September 30, 2023 | December 31, 2022 |
|---|---|---|
| Customer-related liabilities | $ 15,763 | $ 16,771 |
| Accrued utilities | 1,706 | 2,484 |
| Accrued sales commissions | 1,422 | 1,681 |
| Other | 4,290 | 3,827 |
| Other current liabilities | $ 23,181 | $ 24,763 |

Customer-related liabilities primarily include liabilities for product warranty claims and deposits received on future orders. The Corporation provides a limited warranty on its products, known as assurance-type warranties, and may issue credit notes or replace products free of charge for valid claims. A warranty is considered an assurance-type warranty if it provides the customer with assurance that the product will function as intended. Historically, warranty claims have been insignificant. The Corporation records a provision for estimated product warranties at the time the underlying sale is recorded. The provision is based on historical experience as a percentage of sales adjusted for probable known claims.

Changes in the liability for product warranty claims consisted of the following:

| | Three Months Ended September 30, 2023 | Three Months Ended September 30, 2022 | Nine Months Ended September 30, 2023 | Nine Months Ended September 30, 2022 |
|---|---|---|---|---|
| Balance at beginning of the period | $ 5,639 | $ 6,759 | $ 5,193 | $ 7,331 |
| Satisfaction of warranty claims | (304) | (1,100) | (1,280) | (2,226) |
| Provision for warranty claims, net | 62 | (22) | 1,439 | 1,078 |
| Other, primarily impact from changes in foreign currency exchange rates | (110) | (357) | (65) | (903) |
| Balance at end of the period | $ 5,287 | $ 5,280 | $ 5,287 | $ 5,280 |

Customer deposits represent amounts collected from, or invoiced to, a customer in advance of revenue recognition. The liability for customer deposits is reversed when the Corporation satisfies its performance obligations and control of the inventory transfers to the customer, typically when title transfers. Performance obligations related to customer deposits are expected to be satisfied in less than one year .

Changes in customer deposits consisted of the following:

| | Three Months Ended September 30, 2023 | Three Months Ended September 30, 2022 | Nine Months Ended September 30, 2023 | Nine Months Ended September 30, 2022 |
|---|---|---|---|---|
| Balance at beginning of the period | $ 11,506 | $ 11,626 | $ 10,453 | $ 4,328 |
| Satisfaction of performance obligations | (7,602) | (673) | (17,182) | (6,375) |
| Receipt of additional deposits | 5,266 | 602 | 15,886 | 13,831 |
| Other, primarily impact from changes in foreign currency exchange rates | (22) | (78) | (9) | (307) |
| Balance at end of the period | $ 9,148 | $ 11,477 | $ 9,148 | $ 11,477 |

**Note 7 – Debt**

Borrowings were comprised of the following:

| | September 30, 2023 | December 31, 2022 |
|---|---|---|
| Revolving credit facility | $ 59,590 | $ 47,078 |
| Sale and leaseback financing obligations | 44,242 | 41,011 |
| Industrial Revenue Bonds | 9,191 | 9,191 |
| Equipment financing facility | 13,210 | 6,388 |
| Finance lease liabilities | 1,557 | 1,803 |

| | | |
|---|---|---|
| Outstanding borrowings | 127,790 | 105,471 |
| Debt – current portion | (13,608) | (12,410) |
| Long-term debt | $ 114,182 | $ 93,061 |

The current portion of debt includes primarily swing loans under the revolving credit facility and the Industrial Revenue Bonds ("IRBs"). By definition, swing loans are temporary advances under the revolving credit facility and short term in nature. Accordingly, swing loans are classified as a current liability until the amount is either repaid, as customers remit payments, or, if elected by the Corporation, refinanced as a longer-term loan under the revolving credit facility. The swing loans equaled $ 3,590 and $ 2,078 at September 30, 2023 and December 31, 2022, respectively. Although the IRBs begin to become due in 2027, the bonds can be put back to the Corporation on short notice if they are not able to be remarketed; accordingly, the IRBs are classified as a current liability, although the Corporation considers the likelihood of the bonds being put back to the Corporation to be remote.

Revolving Credit Facility

The Corporation is a party to a revolving credit security agreement with a syndicate of banks that was amended on June 29, 2021 (the "First Amended and Restated Security Agreement"), and subsequently amended on December 17, 2021 and May 26, 2022. The First Amended and Restated Security Agreement provides for a senior secured asset-based revolving credit facility of $ 100,000, that can be increased to $ 130,000 at the option of the Corporation and with the approval of the lenders, and an allowance of $ 20,000 for new equipment financing (see "Equipment Financing Facility" below) but, otherwise, restricts the Corporation from incurring additional indebtedness outside of the agreement, unless approved by the banks. The revolving credit facility includes sub-limits for letters of credit not to exceed $ 40,000 and European borrowings not to exceed $ 30,000, of which up to $ 7,500 may be allocated for Swedish borrowings. The maturity date for the revolving credit facility is June 29, 2026 and, subject to other terms and conditions of the agreement, would become due on that date.

Availability under the revolving credit facility is based on eligible accounts receivable, inventory and fixed assets. Effective July 1, 2023, the Corporation migrated London Inter-Bank Offered Rate ("LIBOR")-based loans to Secured Overnight Financing Rate ("SOFR")-based loans, in accordance with the provisions specified in the revolving credit facility, coinciding with the discontinuation of LIBOR. European borrowings denominated in euros, pound sterling or krona bear interest at the Successor Rate as defined in the First Amended and Restated Security Agreement, as amended. Domestic borrowings from the credit facility bear interest, at the Corporation's option, at either (i) SOFR, as adjusted, plus an applicable margin ranging between 2.00% to 2.50% based on the quarterly average excess availability or (ii) the alternate base rate plus an applicable margin ranging between 1.00% to 1.50% based on the quarterly average excess availability. As of September 30, 2023 and December 31, 2022, there were no European borrowings outstanding. Additionally, the Corporation is required to pay a commitment fee of 0.25% based on the daily unused portion of the credit facility.

As of September 30, 2023, the Corporation had outstanding borrowings under the revolving credit facility of $59,590. The average interest rate approximated 8.32% and 7.97% for the three and nine months ended September 30, 2023, respectively, and 3.99% for each of the three and nine months ended September 30, 2022. The Corporation also utilizes a portion of the credit facility for letters of credit (Note 9). As of September 30, 2023, remaining availability under the revolving credit facility approximated $21,724, net of standard availability reserves. Deferred financing fees of $485 were incurred in 2021 related to the First Amended and Restated Security Agreement and are being amortized over the remaining term of the agreement.

Borrowings outstanding under the revolving credit facility are collateralized by a first priority perfected security interest in substantially all assets of the Corporation and its subsidiaries (other than real property). Additionally, the revolving credit facility contains customary affirmative and negative covenants and limitations including, but not limited to, investments in certain of its subsidiaries, payment of dividends, incurrence of additional indebtedness and guaranties, and acquisitions and divestitures. In addition, the Corporation must maintain a certain level of excess availability or otherwise maintain a minimum fixed charge coverage ratio of not less than 1.05 to 1.00. The Corporation was in compliance with the applicable bank covenants as of September 30, 2023.

<u>Sale and Leaseback Financing Obligations</u>

In September 2018, Union Electric Steel Corporation ("UES"), a wholly owned subsidiary of the Corporation, completed a sale and leaseback financing transaction with Store Capital Acquisitions, LLC ("STORE") for certain of its real property, including its manufacturing facilities in Valparaiso, Indiana and Burgettstown, Pennsylvania, and its manufacturing facility and corporate headquarters located in Carnegie, Pennsylvania (the "UES Properties").

In August 2022, Air & Liquid completed a sale and leaseback financing transaction with STORE, valued at $15,500, for certain of its real property, including its manufacturing facilities in Lynchburg, Virginia and Amherst, Virginia. Net proceeds, after transaction-related costs, approximated $15,396. In October 2022, Air & Liquid completed a sale and leaseback financing transaction with STORE, valued at $4,500 for its real property, including its manufacturing facility, located in North Tonawanda, New York (collectively with the Virginia properties, the "ALP Properties"). Net proceeds, after transaction-related costs, approximated $4,460.

In connection with the August 2022 sale and leaseback financing transaction, and as modified by the October 2022 sale and leaseback financing transaction, UES and STORE entered into a Second Amended and Restated Master Lease Agreement (the "Restated Lease"), which amended and restated the existing lease agreement between UES and STORE.

Pursuant to the Restated Lease, UES will lease the ALP Properties and the UES Properties (collectively, the “Properties”), subject to the terms and conditions of the Restated Lease, and UES will sublease the ALP Properties to Air & Liquid on the same terms as the Restated Lease. The Restated Lease provides for an initial term of 20 years; however, UES may extend the lease for the Properties for four successive periods of five years each. If fully extended, the Restated Lease would expire in August 2062 . UES also has the option to repurchase the Properties, which it may, and intends to, exercise in 2032, for a price equal to the greater of (i) the Fair Market Value of the Properties, or (ii) 115 % of Lessor’s Total Investment, with such terms defined in the Restated Lease.

In August 2022, in connection with the Restated Lease, UES and STORE entered into a Disbursement Agreement pursuant to which STORE agreed to provide up to $ 2,500 to UES towards certain leasehold improvements in the Carnegie, Pennsylvania manufacturing facility. In June 2023, UES received $ 2,500 of proceeds from the Disbursement Agreement. The annual payments for the Properties (the "Base Annual Rent") have been adjusted to repay the $ 2,500 over the balance of the initial term of the Restated Lease of 20 years. Advances under the Disbursement Agreement are secured by a first priority security interest in the leasehold improvements.

At September 30, 2023, the Base Annual Rent, including the Disbursement Agreement adjustment, is equal to $ 3,572 , payable in equal monthly installments. Each October through 2052, the Base Annual Rent will increase by an amount equal to the lesser of 2.04 % or 1.25 times the change in the consumer price index, as defined in the Restated Lease. The Base Annual Rent during the remaining ten years of the Restated Lease will be equal to the Fair Market Rent, as defined in the Restated Lease. Effective October 1, 2023, the new Base Annual Rent is $ 3,645 , an increase of 2.04 %.

The Restated Lease and the Disbursement Agreement contain certain representations, warranties, covenants, obligations, conditions, indemnification provisions, and termination provisions customary for those types of agreements.

The effective interest rate approximated 8.89 % and 8.36 % for the three and nine months ended September 30, 2023, respectively, and approximated 7.90 % for each of the three and nine months ended September 30, 2022. Deferred financing fees of $ 104 were incurred during the nine months ended September 30, 2022, related to the sale and leaseback transaction completed in August 2022, and are being amortized over the initial term of the Restated Lease of 20 years.

Industrial Revenue Bonds ("IRBs")

The Corporation has two IRBs outstanding: (i) $ 7,116 taxable IRB maturing in 2027 and (ii) $ 2,075 tax-exempt IRB maturing in 2029. Interest accrues on the IRBs at a floating rate which approximated 5.12 % and 4.72 % for the three and nine months ended September 30, 2023, respectively, and 2.43 % and 1.40 % for the three and nine months ended September 30, 2022, respectively. The IRBs are secured by letters of credit of equivalent amounts and are remarketed periodically at which time the interest rates are reset. If the IRBs are not able to be remarketed, although considered a remote possibility by the Corporation, the bondholders can seek reimbursement immediately from the letters of credit; accordingly, the IRBs are recorded as current debt on the condensed consolidated balance sheets.

Equipment Financing Facility

In September 2022, UES and Clarus Capital Funding I, LLC ("Clarus") entered into a Master Loan and Security Agreement, pursuant to which UES can borrow up to $ 20,000 to finance certain equipment purchases associated with a capital program at certain of the Corporation's FCEP locations (Note 9), including progress payments and reimbursement of deposits made to date. Each borrowing will constitute a secured loan transaction (each, a "Term Loan"). Each Term Loan will convert to a Term Note on the earlier of (i) the date in which the associated equipment is placed in service or (ii) December 29, 2023. Each Term Note will have a term of 84 months in arrears fully amortizing and will commence on the date of the Term Note.

Effective July 1, 2023, UES and Clarus amended the Master Loan and Security Agreement increasing the interest rate on each Term Loan from an annual fixed rate of 8 % to an annual fixed rate of 10.25 %. Once converted from a Term Loan to a Term Note, interest will accrue on the Term Note at a fixed rate to be calculated by Clarus as the like-term swap rate, as reported in ICE Benchmark, or such other information service available to Clarus, for the week ending immediately prior to the commencement date for such Term Note, plus 4.5 %.

The Term Loans and Term Notes will be secured by a first priority security interest in and to all of UES's rights, title and interests in the underlying equipment.

At September 30, 2023, $ 13,210 was outstanding as Term Loans.

## Note 8 – Pension and Other Postretirement Benefits

Contributions to the Corporation's employee benefit plans were as follows:

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2023 | 2022 |

| | | |
|---|---|---|
| U.S. defined benefit pension plans | $ 207 | $ 236 |
| Foreign defined benefit pension plans | 377 | 388 |
| Other postretirement benefits (e.g., net payments) | 325 | 359 |
| U.K. defined contribution pension plan | 175 | 193 |
| U.S. defined contribution plan | 2,002 | 2,778 |

Net periodic pension and other postretirement benefit costs included the following components:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| U.S. Defined Benefit Pension Plans | 2023 | 2022 | 2023 | 2022 |
| Service cost | $ 10 | $ 13 | $ 29 | $ 38 |
| Interest cost | 2,483 | 1,546 | 7,450 | 4,639 |
| Expected return on plan assets | (3,596) | (3,302) | (10,788) | (9,905) |
| Amortization of prior service cost | 2 | 2 | 5 | 5 |
| Amortization of actuarial loss | 30 | 558 | 91 | 1,674 |
| Net benefit income | $ (1,071) | $ (1,183) | $ (3,213) | $ (3,549) |

| Foreign Defined Benefit Pension Plans | Three Months Ended September 30, 2023 | 2022 | Nine Months Ended September 30, 2023 | 2022 |
|---|---|---|---|---|
| Service cost | $ 87 | $ 85 | $ 225 | $ 223 |
| Interest cost | 468 | 256 | 1,391 | 821 |
| Expected return on plan assets | (487) | (463) | (1,446) | (1,484) |
| Amortization of prior service credit | (70) | (65) | (207) | (210) |
| Amortization of actuarial loss | 152 | 75 | 451 | 242 |
| Net benefit expense (income) | $ 150 | $ (112) | $ 414 | $ (408) |

| Other Postretirement Benefit Plans | Three Months Ended September 30, 2023 | 2022 | Nine Months Ended September 30, 2023 | 2022 |
|---|---|---|---|---|
| Service cost | $ 43 | $ 59 | $ 128 | $ 176 |
| Interest cost | 98 | 55 | 293 | 165 |
| Amortization of prior service credit | (256) | (299) | (768) | (897) |
| Amortization of actuarial (gain) loss | (81) | 6 | (242) | 19 |
| Net benefit income | $ (196) | $ (179) | $ (589) | $ (537) |

**Note 9 – Commitments and Contingent Liabilities**

Outstanding standby and commercial letters of credit and bank guarantees as of September 30, 2023 equaled $19,398, of which approximately one-half serves as collateral for the IRB debt. Outstanding surety bonds as of September 30, 2023 approximated $3,111 (SEK 33,900), which guarantee certain obligations under a credit insurance arrangement for certain of the Corporation's foreign pension commitments.

The Corporation has undertaken a $26,000 capital program to upgrade existing equipment at certain of its FCEP locations. The capital program is anticipated to be substantially complete by December 31, 2023. At September 30, 2023, commitments for future capital expenditures, including those associated with the FCEP capital program, approximated $7,300.

See Note 12 for derivative instruments, Note 16 for litigation and Note 17 for environmental matters.

**Note 10 – Equity Rights Offering**

In September 2020, the Corporation completed an equity-rights offering, issuing 5,507,889 shares of its common stock and

12,339,256
Series A warrants to existing shareholders. The shares of common stock and warrants are classified as equity instruments in the condensed consolidated statements of shareholders’ equity. Each Series A warrant provides the holder with the right to purchase

0.4464
shares of common stock at an exercise price of $

2.5668
, or $

5.75
per whole share of common stock, and expires on August 1, 2025 . For the three and nine months ended September 30, 2023, the Corporation received

no

proceeds from shareholders from the exercise of Series A warrants.

In May 2022, the Corporation filed a Tender Offer and Prospectus Supplement (the “Offer”) with the SEC pursuant to which the exercise price of each tendered Series A warrant was temporarily reduced. During the Offer period, the holders of Series A warrants were given the opportunity to exercise their Series A warrants at a temporarily reduced cash exercise price of $

1.7856
per Series A warrant (or $

4.00
per whole share of common stock). The Offer expired on July 15, 2022 . The Corporation raised $

193
in gross proceeds resulting from

108,375
Series A warrants tendered. Series A warrants that were not exercised during the Offer period reverted to their original terms including the right to purchase

0.4464
shares of common stock at an exercise price of $

2.5668
, or $

5.75
per whole share of common stock. Stock issuance costs approximated $

193
through September 30, 2022, and were recorded against the proceeds in additional paid in capital.

**Note 11 – Accumulated Other Comprehensive Loss**

Net change and ending balances for the various components of accumulated other comprehensive loss as of and for the nine months ended September 30, 2023 and 2022 are summarized below. All amounts are net of tax where applicable.

| | Foreign Currency Translation | Unrecognized Employee Benefit Costs | Cash Flow Hedges | Total Accumulated Other Comprehensive Loss | Less: Noncontrolling Interest | Accumulated Other Comprehensive Loss Attributable to Ampco-Pittsburgh |
|---|---|---|---|---|---|---|
| Balance at January 1, 2023 | $ (26,170) | $ (32,623) | $ 152 | $ (58,641) | $ (229) | $ (58,412) |
| Net change | (2,113) | (683) | (133) | (2,929) | (537) | (2,392) |
| Balance at September 30, 2023 | $ (28,283) | $ (33,306) | $ 19 | $ (61,570) | $ (766) | $ (60,804) |
| Balance at January 1, 2022 | $ (14,322) | $ (40,563) | $ 277 | $ (54,608) | $ 498 | $ (55,106) |
| Net change | (19,787) | 2,274 | (701) | (18,214) | (996) | (17,218) |
| Balance at September 30, 2022 | $ (34,109) | $ (38,289) | $ (424) | $ (72,822) | $ (498) | $ (72,324) |

The following summarizes the line items affected on the condensed consolidated statements of operations for components reclassified from accumulated other comprehensive loss. Amounts in parentheses represent credits to net income.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Amortization of unrecognized employee benefit costs: | | | | |
| Other (loss) income – net | $ (223) | $ 277 | $ (670) | $ 833 |
| Income tax (provision) benefit | (12) | 4 | (58) | - |
| Net of tax | $ (235) | $ 281 | $ (728) | $ 833 |
| Settlements of cash flow hedges: | | | | |
| Depreciation and amortization (foreign currency purchase contracts) | $ (6) | $ (7) | $ (20) | $ (20) |
| Costs of products sold (excluding depreciation and amortization) (futures contracts – copper and aluminum) | 146 | 386 | (33) | 132 |
| Total before income tax | 140 | 379 | (53) | 112 |
| Income tax (provision) benefit | (5) | (12) | 1 | (4) |

| | | | | |
|---|---|---|---|---|
| Net of tax | $ 135 | $ 367 | $ (52) | $ 108 |

The income tax effect associated with the various components of other comprehensive loss for the three and nine months ended September 30, 2023 and 2022 is summarized below. Amounts in parentheses represent credits to net income when reclassified to earnings. Certain amounts have

no

tax effect due to the Corporation having a valuation allowance recorded against the deferred income tax assets for the jurisdiction where the income or expense is recognized. Foreign currency translation adjustments exclude the effect of income taxes since earnings of non-U.S. subsidiaries are deemed to be reinvested for an indefinite period of time.

| | Three Months Ended September 30, 2023 | Three Months Ended September 30, 2022 | Nine Months Ended September 30, 2023 | Nine Months Ended September 30, 2022 |
|---|---|---|---|---|
| Income tax effect associated with changes in: | | | | |
| Unrecognized employee benefit costs | $ - | $ - | $ - | $ - |
| Fair value of cash flow hedges | - | (7) | 3 | (25) |
| Income tax effect associated with reclassification adjustments: | | | | |
| Amortization of unrecognized employee benefit costs | (12) | 4 | (58) | - |
| Settlement of cash flow hedges | (5) | (12) | 1 | (4) |

**Note 12 – Derivative Instruments**

Certain divisions of the ALP segment are subject to risk from increases in the price of commodities (copper and aluminum) used in the production of inventory. To minimize this risk, futures contracts are entered into which are designated as cash flow hedges. At September 30, 2023, approximately

46

%, or $

2,771,

of anticipated copper purchases over the next ten months and

56

%, or $

565

, of

anticipated aluminum purchases over the next six months are hedged. At September 30, 2022, approximately

33
%, or $

2,196
, of anticipated copper purchases over the next 10 months and

40
%, or $

812
, of anticipated aluminum purchases over the next 10 months were hedged.

The Corporation periodically enters into purchase commitments to cover a portion of its anticipated natural gas and electricity usage. The commitments qualify as normal purchases and, accordingly, are not reflected on the condensed consolidated balance sheets. At September 30, 2023, the Corporation has purchase commitments covering approximately

32
%, or $

2,942
, of anticipated natural gas usage through December 31, 2025 for

one
of its subsidiaries and approximately

21
%, or $

1,116
, of anticipated electricity usage through December 31, 2025 for

one
of its subsidiaries. Purchases of natural gas and electricity under previously existing commitments equaled $

812
and $

2,249
for the three and nine months ended September 30, 2023, respectively. Purchases of natural gas and electricity under previously existing commitments equaled $

438
and $

2,676
for the three and nine months ended September 30, 2022, respectively.

The Corporation previously entered into foreign currency purchase contracts to manage the volatility associated with euro-denominated progress payments to be made for certain machinery and equipment. As of December 31, 2010, all contracts were settled, the underlying fixed assets were placed in service and the change in fair value of the foreign currency purchase contracts deferred in accumulated other comprehensive loss began being amortized to earnings (depreciation and amortization) over the life of the underlying assets.

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

The Corporation does not enter into derivative transactions for speculative purposes and, therefore, holds

no
derivative instruments for trading purposes.

Gain (loss) on foreign exchange transactions included in other income – net equaled $

892
and $(

267
) for the three and nine months ended September 30, 2023, respectively, and $

1,809
and $

3,368
for the three and nine months ended September 30, 2022, respectively.

The change in the fair value of the cash flow contracts is recorded as a component of accumulated other comprehensive loss. The balances as of September 30, 2023 and 2022 and the amounts recognized as and reclassified from accumulated other comprehensive loss for each of the periods are summarized below. Amounts are after tax where applicable. Certain amounts recognized as comprehensive income (loss) or reclassified from accumulated other comprehensive loss have no tax effect due to the Corporation having a valuation allowance recorded against the deferred income tax assets for the jurisdiction where the income or expense is recognized.

| **Three Months Ended September 30, 2023** | Beginning of the Period | Recognized | Reclassified | End of the Period |
|---|---|---|---|---|

| | | | | |
|---|---|---|---|---|
| Foreign currency purchase contracts | $ 94 | $ - | $ 6 | $ 88 |
| Futures contracts – copper and aluminum | (229) | 19 | (141) | (69) |
| | $ (135) | $ 19 | $ (135) | $ 19 |
| **Three Months Ended September 30, 2022** | | | | |
| Foreign currency purchase contracts | $ 122 | $ - | $ 7 | $ 115 |
| Futures contracts – copper and aluminum | (662) | (251) | (374) | (539) |
| | $ (540) | $ (251) | $ (367) | $ (424) |
| **Nine Months Ended September 30, 2023** | | | | |
| Foreign currency purchase contracts | $ 108 | $ - | $ 20 | $ 88 |
| Futures contracts – copper and aluminum | 44 | (81) | 32 | (69) |
| | $ 152 | $ (81) | $ 52 | $ 19 |
| **Nine Months Ended September 30, 2022** | | | | |
| Foreign currency purchase contracts | $ 135 | $ - | $ 20 | $ 115 |
| Futures contracts – copper and aluminum | 142 | (809) | (128) | (539) |
| | $ 277 | $ (809) | $ (108) | $ (424) |

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

| | Location of Gain (Loss) in Statements of Operations | Estimated to be Reclassified in the Next 12 Months | Three Months Ended September 30, 2023 | Three Months Ended September 30, 2022 | Nine Months Ended September 30, 2023 | Nine Months Ended September 30, 2022 |
|---|---|---|---|---|---|---|
| Foreign currency purchase contracts | Depreciation and amortization | $ 28 | $ 6 | $ 7 | $ 20 | $ 20 |
| Futures contracts – copper and aluminum | Costs of products sold (excluding depreciation and amortization) | $ (72) | $ (146) | $ (386) | $ 33 | $ (132) |

**Note 13 – Fair Value**

The Corporation's financial assets and liabilities reported at fair value in the condensed consolidated balance sheets as of September 30, 2023 and December 31, 2022 were as follows:

| | Quoted Prices in Active Markets for Identical Inputs (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
|---|---|---|---|---|
| **As of September 30, 2023** | | | | |
| Investments | | | | |
| Other noncurrent assets | $ 3,098 | $ - | $ - | $ 3,098 |
| **As of December 31, 2022** | | | | |
| Investments | | | | |
| Other noncurrent assets | $ 3,353 | $ - | $ - | $ 3,353 |

The investments held as other noncurrent assets represent assets held in the "Rabbi" trust for the purpose of providing benefits under a non-qualified defined benefit pension plan. The fair value of the investments is based on quoted prices of the investments in active markets. The fair value of futures contracts is based on market quotations. The fair values of the debt and borrowings approximate their carrying values. Additionally, the fair values of trade receivables and accounts payable approximate their carrying values.

**Note 14 – Net Sales and Income Before Income Taxes**

Net sales and income before income taxes by geographic area for the three and nine months ended September 30, 2023 and 2022 are outlined below. When disaggregating revenue, consideration is given to information regularly reviewed by the chief operating decision-maker to evaluate the financial performance of the operating segments and make resource allocation decisions. Substantially all foreign net sales for each of the periods are attributable to the FCEP segment.

| **Net Sales** | Three Months Ended September 30, 2023 | Three Months Ended September 30, 2022 | Nine Months Ended September 30, 2023 | Nine Months Ended September 30, 2022 |
|---|---|---|---|---|
| United States | $ 63,118 | $ 56,535 | $ 182,247 | $ 164,167 |
| Foreign | 39,100 | 43,112 | 131,985 | 132,488 |
| | $ 102,218 | $ 99,647 | $ 314,232 | $ 296,655 |

| **Income Before Income Taxes** | Three Months Ended September 30, 2023 | Three Months Ended September 30, 2022 | Nine Months Ended September 30, 2023 | Nine Months Ended September 30, 2022 |
|---|---|---|---|---|
| United States [(1)] | $ 350 | $ (857) | $ (3,119) | $ 1,422 |

| | | | | |
|---|---|---|---|---|
| Foreign | 961 | 3,255 | 6,876 | 4,260 |
| | $ 1,311 | $ 2,398 | $ 3,757 | $ 5,682 |

*(1) Includes Corporate costs of $*

*3,182*
*and $*

*2,929*
*for the three months ended September 30, 2023 and 2022, respectively, and $*

*9,959*
*and $*

*8,435*
*for the nine months ended September 30, 2023 and 2022, respectively, which represent operating costs of the corporate office not allocated to the segments.*

Net sales by product line for the three and nine months ended September 30, 2023 and 2022 were as follows:

| | Three Months Ended September 30, 2023 | Three Months Ended September 30, 2022 | Nine Months Ended September 30, 2023 | Nine Months Ended September 30, 2022 |
|---|---|---|---|---|
| Forged and cast mill rolls | $ 68,325 | $ 66,653 | $ 213,027 | $ 193,946 |
| FEP | 5,300 | 8,858 | 14,977 | 35,902 |
| Heat exchange coils | 10,068 | 8,532 | 31,808 | 22,483 |
| Air handling systems | 9,357 | 8,457 | 27,453 | 22,133 |
| Centrifugal pumps | 9,168 | 7,147 | 26,967 | 22,191 |
| | $ 102,218 | $ 99,647 | $ 314,232 | $ 296,655 |

**Note 15 – Stock-Based Compensation**

The Ampco-Pittsburgh Corporation 2016 Omnibus Incentive Plan, as amended (the "Incentive Plan"), authorizes the issuance of up to 3,700,000 shares of the Corporation's common stock for awards under the Incentive Plan. Awards under the Incentive Plan may include incentive stock options and non-qualified stock options, stock appreciation rights, restricted shares and restricted stock units, performance awards, other stock-based awards, or short-term cash incentive awards. If any award is canceled, terminates, expires, or lapses for any reason prior to the issuance of the shares, or if the shares are issued under the Incentive Plan and thereafter are forfeited to the Corporation, the shares subject to such awards and the forfeited shares will not count against the aggregate number of shares available under the Incentive Plan. Shares tendered or withheld to pay the option exercise price or tax withholding will continue to count against the aggregate number of shares of common stock available for grant under the Incentive Plan. Any shares repurchased by the Corporation with cash proceeds from the exercise of options will not be added back to the pool of shares available for grant under the Incentive Plan.

The Incentive Plan may be administered by the Board of Directors or the Compensation Committee of the Board of Directors. The Compensation Committee has the authority to determine, within the limits of the express provisions of the Incentive Plan, the individuals to whom the awards will be granted and the nature, amount and terms of such awards.

The Incentive Plan also provides for equity-based awards during any one year to non-employee members of the Board of Directors, based on the grant date fair value, not to exceed $200. The limit does not apply to shares received by a non-employee director at his or her election in lieu of the director's retainer for board service.

Stock-based compensation expense, including expense associated with equity-based awards granted to non-employee members of the Board of Directors, for the three and nine months ended September 30, 2023 equaled $520 and $1,630, respectively, and for the three and nine months ended September 30, 2022, equaled $684 and $1,512, respectively. The income tax benefit recognized in the condensed consolidated statements of operations was not significant due to the Corporation having a valuation allowance recorded against its deferred income tax assets for the majority of the jurisdictions where the expense was recognized.

**Note 16 – Litigation**

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

Asbestos Litigation

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

Asbestos Claims

The following table reflects approximate information about the number of claims for Asbestos Liability against Air & Liquid and the Corporation for the nine months ended September 30, 2023 and 2022 (number of claims not in thousands). The majority of the settlement and defense costs 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.

| | Nine Months Ended September 30, 2023 | 2022 |
|---|---|---|
| Total claims pending at the beginning of the period | 6,259 | 6,097 |
| New claims served | 984 | 978 |
| Claims dismissed | (647) | (220) |
| Claims settled | (305) | (288) |
| Total claims pending at the end of period (1) | 6,291 | 6,567 |
| Administrative closures (2) | (2,903) | (2,908) |
| Total active claims at the end of the period | 3,388 | 3,659 |
| Gross settlement and defense costs paid in period (in 000's) | $ 16,221 | $ 14,683 |
| Avg. gross settlement and defense costs per claim resolved (in 000's) (3) | $ 17.04 | $ 28.90 |

*(1) Included as "total claims pending" are approximately 1,642 and 658 claims at September 30, 2023 and 2022, respectively, classified in various jurisdictions as "inactive" or transferred to a state or federal judicial panel on multi-district litigation.*

*(2) Administrative closures include (i) those claims filed six or more years ago, (ii) claims previously classified in various jurisdictions as "inactive," and (iii) claims transferred to a state or federal judicial panel on multi-district litigation. Collectively, these claims are unlikely to result in any liability to the Corporation.*

*(3) Claims resolved do not include claims administratively closed.*

Asbestos Insurance

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

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

Asbestos Valuations

At December 31, 2006, with the assistance of a nationally recognized expert in the valuation of asbestos liabilities, the Corporation recorded its initial reserve for the Asbestos Liability. Since then, the Corporation and the nationally recognized expert in the valuation of asbestos liabilities have reviewed the Asbestos Liability and the underlying assumptions on a regular basis to determine whether any adjustment to the Asbestos Liability or the underlying assumptions were necessary. When warranted, the Asbestos Liability was adjusted to consider the current trends and new information becoming available and, if reasonably estimable, to extend the valuation of asbestos liabilities further into the future. In 2018, the valuation was extended to include claims projected to be asserted through the estimated final date by which the Corporation expects to have settled all asbestos-related claims.

In conjunction with the regular updates of the estimated Asbestos Liability, the Corporation also develops an estimate of defense costs expected to be incurred with settling the Asbestos Liability and probable insurance recoveries for the Asbestos Liability and defense costs. In developing the estimate of probable defense costs, the Corporation considers several factors including, but not limited to, current and historical defense-to-indemnity cost ratios and expected defense-to-indemnity costs ratios. In developing the estimate of probable insurance recoveries, the Corporation considers the expert's projection of settlement costs for the Asbestos Liability and management's projection of associated defense costs. In addition, the Corporation consults with its outside legal counsel on insurance matters and a nationally recognized insurance consulting firm it retains to assist with certain policy allocation matters. The Corporation also considers a number of other factors including the Settlement Agreements in effect, policy exclusions, policy limits, policy provisions regarding coverage for defense costs, attachment points, gaps in the coverage, policy exhaustion, the nature of the underlying claims for the Asbestos Liability, estimated erosion of insurance limits on account of claims against Howden arising out of the Products, prior impairment of policies, insolvencies among certain of the insurance carriers, and creditworthiness of the remaining insurers based on publicly available information. Based on these factors, the Corporation estimates the probable insurance recoveries for the Asbestos Liability and defense costs for the corresponding time frame of the Asbestos Liability.

The following table summarizes activity relating to Asbestos Liability for the nine months ended September 30, 2023 and 2022.

| | Nine Months Ended September 30, 2023 | 2022 |
|---|---|---|
| Asbestos liability, beginning of the year | $ 153,575 | $ 180,314 |
| Settlement and defense costs paid | (16,221) | (14,683) |
| Asbestos liability, end of the period | $ 137,354 | $ 165,631 |

The following table summarizes activity relating to insurance recoveries for the nine months ended September 30, 2023 and 2022.

| | Nine Months Ended September 30, 2023 | 2022 |
|---|---|---|
| Insurance receivable – asbestos, beginning of the year, as reported | $ 105,910 | $ 121,297 |
| Impact of adoption of new accounting standard | (476) | - |
| Insurance receivable – asbestos, beginning of the year, as adjusted | 105,434 | 121,297 |
| Settlement and defense costs paid by insurance carriers | (9,041) | (7,748) |
| Insurance receivable – asbestos, end of the period | $ 96,393 | $ 113,549 |

In conjunction with the adoption of the CECL accounting standard as of January 1, 2023, the Corporation established an allowance for expected credit losses of $ 476 reducing the insurance receivable to its estimated net realizable value. The allowance for expected credit losses is estimated based on historical insolvency experience, expected time frame until collection of insurance claim and assessments of current creditworthiness of insurers. The balance of the insurance receivable does not assume any recovery from insolvent carriers. A substantial majority of the insurance recoveries deemed probable is from insurance companies rated A – (excellent) or better by A.M. Best Corporation. There can be no assurance, however, there will not be insolvencies among the relevant insurance carriers, or the assumed percentage recoveries for certain carriers will prove correct. During the third quarter of 2023, the Corporation received $ 191 of proceeds from an insolvent asbestos-related insurance carrier, which is recorded as Credit for Asbestos Litigation in the accompanying condensed consolidated statements of operations.

Asbestos Assumptions

The amounts recorded for the Asbestos Liability and insurance receivable rely on assumptions based on currently known facts and strategy. The Corporation’s actual expenses or insurance recoveries could be significantly higher or lower than those recorded if assumptions used in the Corporation’s or the experts’ calculations vary significantly from actual results. Key variables in these assumptions include forecast of the population likely to have been exposed to asbestos; the number of people likely to develop an asbestos-related disease; estimated number of people likely to file an asbestos-related injury claim against the Corporation or its subsidiaries; an analysis of pending cases, by type of injury claimed and jurisdiction where the claim is filed; average settlement value of claims, by type of injury claimed and jurisdiction of filing; number and nature of new claims to be filed each year; average cost of disposing of each new claim; average annual defense costs; compliance by relevant parties with the terms of the Settlement Agreements; and the solvency risk with respect to the relevant insurance carriers. Other factors that may affect the Asbestos Liability and ability to recover under the Corporation’s insurance policies include uncertainties surrounding the litigation process from jurisdiction to jurisdiction and from case to case, reforms made by state and federal courts, and the passage of state or federal tort reform legislation.

The Corporation intends to continue to evaluate the Asbestos Liability, related insurance receivable, the sufficiency of its allowance for expected credit losses and the underlying assumptions on a regular basis to determine whether any adjustments to the estimates are required. Due to the uncertainties surrounding asbestos litigation and insurance, these regular reviews may result in the Corporation adjusting its current reserve; however, the Corporation is currently unable to estimate such future adjustments. Adjustments, if any, to the Corporation’s estimate of the Asbestos Liability, insurance receivable and/or allowance for expected credit losses could be material to the operating results for the period in which the adjustments to the liability, receivable or allowance are recorded and to the Corporation’s consolidated financial position and liquidity.

## Note 17 – Environmental Matters

The Corporation is currently performing certain remedial actions in connection with the sale of real estate previously owned and periodically incurs costs to maintain compliance with environmental laws and regulations. Environmental exposures are difficult to assess and estimate for numerous reasons, including lack of reliable data, the multiplicity of possible solutions, the years of remedial

and monitoring activity required, and identification of new sites. The undiscounted potential liability for remedial actions and environmental compliance measures approximated $

100

at September 30, 2023 and December 31, 2022.

**Note 18 – Related Parties**

Shanxi Åkers TISCO Roll Co., Ltd. (“ATR”) periodically has loans outstanding with its minority shareholder. Interest on borrowings accrues at the three- to- five-year loan interest rate set by the People’s Bank of China, which approximated

4.35

% and

5.00

% for each of the three and nine months ended September 30, 2023 and 2022, respectively. For the nine months ended September 30, 2023, ATR paid $

5
(RMB

35
) of interest. For the nine months ended September 30, 2022, ATR paid $

943
(RMB

6,241
) of interest.

No

interest was outstanding as of September 30, 2023 or December 31, 2022.

Loan activity for the nine months ended September 30, 2023 and 2022 was as follows:

| | Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2023<br>USD | 2023<br>RMB | 2022<br>USD | 2022<br>RMB |
| Balance at beginning of the period | $ - | - | $ - | - |
| Borrowings | 1,099 | 7,604 | 5,776 | 38,470 |
| Repayments | (1,096) | (7,604) | (4,251) | (27,618) |
| Foreign exchange | (3) | - | - | - |
| Balance at end of the period | $ - | - | $ 1,525 | 10,852 |

Sales to and purchases from ATR’s minority shareholder and its affiliates, which were in the ordinary course of business, for the three and nine months ended September 30, 2023 and 2022 were as follows:

| | Three Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2023<br>USD | 2023<br>RMB | 2022<br>USD | 2022<br>RMB |
| Purchases from related parties | $ 1,913 | 13,752 | $ 1,020 | 7,539 |
| Sales to related parties | $ 18 | 346 | $ 2,419 | 16,620 |

| | Nine Months Ended September 30, 2023 USD | 2023 RMB | 2022 USD | 2022 RMB |
|---|---|---|---|---|
| Purchases from related parties | $ 5,236 | 36,885 | $ 6,838 | 45,251 |
| Sales to related parties | $ 2,741 | 19,306 | $ 6,959 | 46,049 |

Balances outstanding with ATR's minority shareholder and its affiliates as of September 30, 2023 and December 31, 2022 were as follows:

| | September 30, 2023 USD | September 30, 2023 RMB | December 31, 2022 USD | December 31, 2022 RMB |
|---|---|---|---|---|
| Accounts receivable from related parties | $ 133 | 974 | $ 1,066 | 7,352 |
| Accounts payable to related parties | $ 876 | 6,392 | $ 412 | 2,841 |
| Other current liabilities: | | | | |
| Customer deposits | $ 380 | 2,772 | $ 368 | 2,542 |

**Note 19 – Business Segments**

Presented below are the net sales and income before income taxes for the Corporation's

two
business segments.

| | Three Months Ended September 30, 2023 | Three Months Ended September 30, 2022 | Nine Months Ended September 30, 2023 | Nine Months Ended September 30, 2022 |
|---|---|---|---|---|
| Net sales: | | | | |
| Forged and Cast Engineered Products | $ 73,625 | $ 75,511 | $ 228,004 | $ 229,848 |
| Air and Liquid Processing | 28,593 | 24,136 | 86,228 | 66,807 |
| Total Reportable Segments | $ 102,218 | $ 99,647 | $ 314,232 | $ 296,655 |
| Income before income taxes: | | | | |
| Forged and Cast Engineered Products [(1)] | $ 1,448 | $ 215 | $ 7,576 | $ 2,092 |
| Air and Liquid Processing [(2)] | 3,456 | 2,917 | 9,386 | 8,177 |
| Total Reportable Segments | 4,904 | 3,132 | 16,962 | 10,269 |
| Other expense, including corporate costs | ( 3,593 ) | ( 734 ) | ( 13,205 ) | ( 4,587 ) |
| Total | $ 1,311 | $ 2,398 | $ 3,757 | $ 5,682 |

*(1) Income before income taxes for the Forged and Cast Engineered Products segment for the nine months ended September 30, 2023 includes proceeds of approximately $*

*1,874*
*for the reimbursement of past energy costs at one of the Corporation's foreign operations by its local government. No future performance or conditions exist related to the reimbursement and, currently, no further reimbursements are expected.*

*(2) Income before income taxes for the Air and Liquid Processing segment for the three and nine months ended September 30, 2023 includes proceeds of approximately $*

*191*

*from an insolvent asbestos-related insurance carrier.*

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

*(in thousands, except per share amounts)*

### Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 (the "Act") provides a safe harbor for forward-looking statements made by us or on behalf of Ampco-Pittsburgh Corporation and its subsidiaries (collectively, "we," "us," "our," or the "Corporation"). *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other sections of this Quarterly Report on Form 10-Q, as well as the condensed consolidated financial statements and notes hereto, contain statements referencing forward-looking information, including, but are not limited to, statements about operating performance, trends and events we expect or anticipate will occur in the future, sales and production levels, restructurings, the impact from global pandemics and international conflicts, profitability and anticipated expenses, inflation, the global supply chain, future proceeds from the exercise of outstanding warrants, completion of the Corporation's strategic capital program, and cash outflows. All statements in this document other than statements of historical fact are statements that are, or could be, deemed "forward-looking statements" within the meaning of the Act and words such as "may," "will," "intend," "believe," "expect," "anticipate," "estimate," "project," "forecast," and other terms of similar meaning that indicate future events and trends are also generally intended to identify forward-looking statements. Forward-looking statements speak only as of the date on which such statements are made, are not guarantees of future performance or expectations, and involve risks and uncertainties. For us, these risks and uncertainties include, but are not limited to:

- economic downturns, cyclical demand for our products and insufficient demand for our products,
- excess global capacity in the steel industry,
- fluctuations in the value of the U.S. dollar relative to other currencies,
- increases in commodity prices or insufficient hedging against increases in commodity prices, reductions in electricity and natural gas supply or shortages of key production materials for us or our customers,
- limitations in availability of capital to fund our strategic plan,
- inability to maintain adequate liquidity to meet our operating cash flow requirements, repay maturing debt and meet other financial obligations,
- inability to obtain necessary capital or financing on satisfactory terms to acquire capital expenditures necessary to support our growth strategy,
- inoperability of certain equipment on which we rely and/or our inability to execute our capital plan,
- impairment of our long-lived assets as a result of any of these, or a combination of these, risks and uncertainties,
- liability of our subsidiaries for claims alleging personal injury from exposure to asbestos-containing components historically used in certain products of our subsidiaries,
- changes in the existing regulatory environment,
- inability to successfully restructure our operations and/or invest in operations yielding the best long-term value to our shareholders,
- consequences of global pandemics and international conflicts,
- work stoppage or another industrial action on the part of any of our unions,
- inability to satisfy the continued listing requirements of the New York Stock Exchange or the NYSE American Exchange,
- potential attacks on information technology infrastructure and other cyber-based business disruptions,
- failure to maintain an effective system of internal control, and
- those discussed more fully elsewhere in this report and in documents filed with the Securities and Exchange Commission by us, particularly in Item 1A, Risk Factors, in Part I of our latest Annual Report on Form 10-K for the year ended December 31, 2022, and as supplemented by the risks described herein and in our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2023 and June 30, 2023.

We cannot guarantee any future results, levels of activity, performance or achievements. In addition, there may be events in the future we are not able to predict accurately or control which may cause actual results to differ materially from expectations expressed or implied by forward-looking statements. Except as required by applicable law, we assume no obligation, and disclaim any obligation, to update forward-looking statements whether as a result of new information, events or otherwise.

**The Business**

The Corporation manufactures and sells highly engineered, high-performance specialty metal products and customized equipment utilized by industry throughout the world. It operates in two business segments – the *Forged and Cast Engineered Products* ("FCEP") segment and the *Air and Liquid Processing* ("ALP") segment. This segment presentation is consistent with how the Corporation's chief operating decision-maker evaluates financial performance and makes resource allocation and strategic decisions about the business.

The *FCEP segment* produces forged hardened steel rolls, cast rolls and forged engineered products ("FEP"). Forged hardened steel rolls are used primarily in cold rolling mills by producers of steel, aluminum and other metals. Cast rolls, which are produced in a variety of iron and steel qualities, are used mainly in hot and cold strip mills, medium/heavy section mills and plate mills. FEP principally are sold to customers in the steel distribution market, oil and gas industry and the aluminum and plastic extrusion industries. The segment has operations in the United States, England, Sweden, and Slovenia, and an equity interest in three joint venture companies in China. Collectively, the segment primarily competes with European, Asian and North and South American companies in both domestic and foreign markets and distributes a significant portion of its products through sales offices located throughout the world.

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

**Executive Overview**

While the Corporation is currently operating at normal levels, it continues to be challenged by lingering global economic effects of a post-pandemic environment and repercussions from the Russia-Ukraine conflict, among other events, including:

- Periodic disruptions to the global supply chain for the Corporation, its vendors and its customers,
- Global inflationary pressures,
- Depressed business activity in Europe and Asia (specifically China), and
- Global economic uncertainty.

The Corporation is actively monitoring, and will continue to actively monitor, the geopolitical and economic consequence of these conditions and any other developments relevant to the Corporation's business including the potential impact on its operations, financial condition, liquidity, suppliers, industry, and workforce.

For the FCEP segment, the forged roll market in North America has improved, driven by U.S. domestic demand, and better pricing. However, expectations are for flat to declining demand during the first half of 2024 with recovery in the second half of 2024. Improved pricing and increased market share will help minimize the impact of this decline. The cast roll market has softened, which is expected to continue for the remainder of 2023 and into 2024, as Europe experiences economic uncertainty, the entry of low-priced product from China and relatively high cast roll inventories. The FEP market continues to be challenged by increased imports and high 2022 year-end inventory levels at bar distributors. In February 2023, Union Electric Steel Corporation, a wholly owned subsidiary of the Corporation, ("UES") announced a price increase on all new quotations and orders for forged and cast roll products. The primary focus for this segment is to maintain a strong position in the roll market; continue diversification and development of FEP for use in other industries; improve operational efficiency at its facilities; and complete its capital equipment investment to upgrade existing equipment with a goal of reducing operating costs, improving reliability and increasing FEP capacity and capabilities.

The ALP businesses are benefiting from steady demand and increased market share but are facing increasing production and transportation costs and supply chain issues. The segment has been implementing price increases for certain of its products to help mitigate these inflationary effects. The focus for this segment is to grow revenues, strengthen engineering and manufacturing capabilities to keep pace with growth opportunities and continue to improve its sales distribution network.

**Selected Financial Information**

| | Three Months Ended September 30, 2023 | Three Months Ended September 30, 2022 | Change | Nine Months Ended September 30, 2023 | Nine Months Ended September 30, 2022 | Change |
|---|---|---|---|---|---|---|
| Net Sales: | | | | | | |
| Forged and Cast Engineered Products | $ 73,625 | $ 75,511 | $ (1,886) | $ 228,004 | $ 229,848 | $ (1,844) |
| Air and Liquid Processing | 28,593 | 24,136 | 4,457 | 86,228 | 66,807 | 19,421 |
| Consolidated | $ 102,218 | $ 99,647 | $ 2,571 | $ 314,232 | $ 296,655 | $ 17,577 |
| Income from Operations: | | | | | | |
| Forged and Cast Engineered Products | $ 1,448 | $ 215 | $ 1,233 | $ 7,576 | $ 2,092 | $ 5,484 |
| Air and Liquid Processing | 3,456 | 2,917 | 539 | 9,386 | 8,177 | 1,209 |
| Corporate costs | (3,182) | (2,929) | (253) | (9,959) | (8,435) | (1,524) |
| Consolidated | $ 1,722 | $ 203 | $ 1,519 | $ 7,003 | $ 1,834 | $ 5,169 |

| | September 30, 2023 | December 31, 2022 | Change |
|---|---|---|---|
| Backlog: | | | |
| Forged and Cast Engineered Products | $ 260,396 | $ 252,165 | $ 8,231 |
| Air and Liquid Processing | 142,786 | 116,853 | 25,933 |
| Consolidated | $ 403,182 | $ 369,018 | $ 34,164 |

Net sales approximated $102,218 and $99,647 for the three months ended September 30, 2023 and 2022, respectively, and $314,232 and $296,655 for the nine months ended September 30, 2023 and 2022, respectively. The increase is attributable to higher sales for the ALP segment. A discussion of net sales for the Corporation's two segments is included below.

Income from operations approximated $1,722 and $203 for the three months ended September 30, 2023 and 2022, respectively, and $7,003 and $1,834 for the nine months ended September 30, 2023 and 2022, respectively. Included in operating income for the three and nine months ended September 30, 2023 is a credit of approximately $191 for proceeds received from an insolvent asbestos-related insurance carrier (the "Asbestos-Related Credit") and, for the nine months ended September 30, 2023, a credit of approximately $1,874 for the reimbursement of past energy costs at one of the Corporation's foreign operations by its local government (the "Foreign Energy Credit"). Included in operating income for the nine months ended September 30, 2022 is a charge of approximately $664 for excess COVID-19 subsidies received in 2020 and returned in 2022 (the "Refund of Excess COVID-19 Subsidies") and a benefit of approximately $1,431 resulting from a change in how certain employees earn certain benefits (the "Change in Employee Benefit Policy"). A discussion of income from operations for the Corporation's two segments is included below.

Backlog equaled $403,182 as of September 30, 2023 versus $369,018 as of December 31, 2022. Backlog represents the accumulation of firm orders on hand which: (i) are supported by evidence of a contractual arrangement, (ii) include a fixed and determinable sales price, (iii) have reasonably assured collectability, and (iv) generally are expected to ship within two years from the backlog reporting date. Backlog at a certain date may not be a direct measure of future revenue for a particular order because price increases, negotiated subsequently to the original order, are not included in backlog until the updated contract is received from the customer and certain surcharges are not determinable until the order is completed and ready for shipment to the customer. Approximately 69% of the backlog is expected to be released after 2023. A discussion of backlog by segment is included below.

Costs of products sold, excluding depreciation and amortization, as a percentage of net sales, for the three months ended September 30, 2023 and 2022 approximated 82.7% and 84.4%, respectively, and for the nine months ended September 30, 2023 and 2022 approximated 81.6% and 84.2%, respectively. While gross margins for the ALP segment for each of the current year periods were less when compared to the same periods of the prior year, primarily as a result of higher costs and an unfavorable product mix, gross margins for the FCEP segment continue to improve primarily as a result of higher pricing. Costs of products sold, excluding depreciation and amortization, for the nine months ended September 30, 2023 include the Foreign Energy Credit. Costs of products sold, excluding depreciation and amortization, for the nine months ended September 30, 2022 included the Refund of Excess COVID-19 Subsidies and approximately $411 of the benefit from the Change in Employee Benefit Policy.

Selling and administrative expenses approximated $11,821 and $11,089 for the three months ended September 30, 2023 and 2022, respectively, and $38,101 and $31,941 for the nine months ended September 30, 2023 and 2022, respectively. Selling and administrative expenses for the 2023 periods include higher employee-related costs and a higher inflationary effect on costs whereas selling and administrative expenses for the first nine months of 2022 include approximately $1,020 of the benefit from the Change in Employee Benefit Policy.

Credit for asbestos litigation of $191 in 2023 represents a credit for proceeds received from an insolvent asbestos-related insurance carrier.

Investment-related income relates primary to dividends from one of the Corporation's Chinese joint ventures. In the third quarter of 2023 and 2022, the Chinese joint venture declared dividends totaling $92 and $504 for the Corporation, respectively.

Interest expense approximated $2,468 and $1,486 for the three months ended September 30, 2023 and 2022, respectively, and $6,784 and $3,684 for the nine months ended September 30, 2023 and 2022, respectively. The increase for the current year periods when compared to the same periods of the prior year is principally due to:

- Interest on the sale and leaseback financing transactions and the equipment financing arrangement completed during the second half of 2022,
- Higher average interest rates for 2023 versus 2022, and
- Higher average borrowings outstanding under the revolving credit facility in 2023 versus 2022.

Other income – net is comprised of the following:

| | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | Change | 2023 | 2022 | Change |
| Net pension and other postretirement income | $ 1,257 | $ 1,631 | $ (374) | $ 3,770 | $ 4,931 | $ (1,161) |
| Gain (loss) on foreign exchange transactions | 892 | 1,809 | (917) | (267) | 3,368 | (3,635) |
| Unrealized (loss) gain on Rabbi trust investments | (207) | (276) | 69 | 41 | (1,292) | 1,333 |
| Other | 17 | 10 | 7 | (120) | 12 | (132) |
| | $ 1,959 | $ 3,174 | $ (1,215) | $ 3,424 | $ 7,019 | $ (3,595) |

Other income – net fluctuated period over period due to:

- Lower pension and other postretirement income due to higher interest costs on employee benefit obligations as a result of higher discount rates;
- Changes in foreign exchange gains and losses, and
- Changes in unrealized gains and losses in the market value of the Rabbi trust investments corresponding to the volatility in the financial markets.

Income tax provision for each of the periods includes income taxes associated with the Corporation’s profitable operations. An income tax benefit is not able to be recognized on losses of certain of the Corporation’s entities since it is “more likely than not” the asset will not be realized. Accordingly, changes in the income tax provision for each of the periods include the effects of changes in the pre-tax income of the Corporation’s profitable operations in each jurisdiction. In late 2022, as a result of significant increases in energy costs for the U.K. resulting from the Russia-Ukraine conflict, the Corporation moved certain of its cast roll production from the U.K. to Sweden. Accordingly, profitability of the Corporation's U.K. operations has declined and profitability of the Corporation's Sweden operations has increased. While the associated tax expense for the Corporation's U.K. operations also has declined, there is no corresponding increase in tax expense for the Sweden operations given net operating loss carryforwards, fully offset by valuation allowances.

Valuation allowances are recorded against the majority of the Corporation's deferred income tax assets. The Corporation will maintain the valuation allowances until there is sufficient evidence to support the reversal of all or some portion of the allowances. Given the Corporation's current earnings and anticipated future earnings in Sweden, the Corporation believes there is a reasonable possibility within the next 12 months, sufficient positive evidence may become available to allow the Corporation to conclude some portion of the valuation allowance will no longer be needed. Release of any portion of the valuation allowance would result in the recognition of deferred income tax assets on the Corporation's consolidated balance sheet and a decrease to the Corporation's income tax expense in the period the release is recorded. The exact timing and the amount of the valuation allowance released are subject to, among many items, the level of profitability achieved. Once the valuation allowance is completely reversed, a tax provision would be recognized on future earnings.

Conversely, given the Corporation's current losses in the U.K. and anticipated changes to the net deferred tax position in the U.K., the Corporation believes there is a reasonable possibility within the next 12 months, sufficient negative evidence may become available to conclude a valuation allowance is warranted on the net deferred income tax assets of the Corporation's U.K. operations. Creation of a new valuation allowance would result in the derecognition of deferred income tax assets on the Corporation's consolidated balance sheet and an increase to the Corporation's income tax expense in the period the valuation allowance is established. The exact timing and the amount of the valuation allowance established are subject to, among many items, the level of profitability achieved.

The income tax provision for the three and nine months ended September 30, 2022 includes expense of $316 resulting from the revaluation of the deferred income tax assets of the ALP segment following new legislation enacted in 2022, which will decrease the Pennsylvania state income tax rate from 9.99% to 4.99% by 2031.

Net income attributable to Ampco-Pittsburgh and net income per common share attributable to Ampco-Pittsburgh equaled $809 and $0.04 per common share and $1,123 and $0.06 per common share for the three months ended September 30, 2023 and 2022, respectively, and $1,908 and $0.10 per common share and $3,879 and $0.20 per common share for the nine months ended September 30, 2023 and 2022, respectively.

Net income attributable to Ampco-Pittsburgh and net income per common share attributable to Ampco-Pittsburgh for the three months ended September 30, 2023 include an after-tax benefit of $185 or $0.01 per common share associated with the Asbestos-Related Credit.

Net income attributable to Ampco-Pittsburgh and net income per common share attributable to Ampco-Pittsburgh for the nine months ended September 30, 2023 include an after-tax benefit of $2,059 or $0.11 per common share associated with the Asbestos-Related Credit and the Foreign Energy Credit.

Net income attributable to Ampco-Pittsburgh and net income per common share attributable to Ampco-Pittsburgh for the three months ended September 30, 2022 include expense of $316 or $0.02 per common share for the revaluation of certain deferred income tax assets of the ALP segment following new legislation enacted in 2022, which will decrease the Pennsylvania state income tax rate.

Net income attributable to Ampco-Pittsburgh and net income per common share attributable to Ampco-Pittsburgh for the nine months ended September 30, 2022 include a net benefit of $427 or $0.02 per common share for the after-tax benefit from the Change in Employee Benefit Policy of $1,407 offset by the after-tax charge associated with the Refund of Excess COVID-19 Subsidies of $664 and the revaluation of certain deferred income tax assets of the ALP segment associated with the change in the Pennsylvania state income tax rate of $316.

**Net Sales and Operating Results by Segment**

Forged and Cast Engineered Products

| | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | Change | 2023 | 2022 | Change |
| Net Sales: | | | | | | |
| Forged and cast mill rolls | $ 68,325 | $ 66,653 | $ 1,672 | $ 213,027 | $ 193,946 | $ 19,081 |
| FEP | 5,300 | 8,858 | (3,558) | 14,977 | 35,902 | (20,925) |
| | $ 73,625 | $ 75,511 | $ (1,886) | $ 228,004 | $ 229,848 | $ (1,844) |
| Income from Operations | $ 1,448 | $ 215 | $ 1,233 | $ 7,576 | $ 2,092 | $ 5,484 |

| | September 30, 2023 | December 31, 2022 | Change |
|---|---|---|---|
| Backlog | $ 260,396 | $ 252,165 | $ 8,231 |

Net sales for the three and nine months ended September 30, 2023, when compared to the three and nine months ended September 30, 2022, were impacted by:

- Lower volume of FEP shipments, which decreased net sales by approximately $4,300 and $22,500 for the three and nine months ended September 30, 2023, respectively;

- Lower volume of cast roll shipments, which decreased net sales by approximately $3,800 and $4,000 for the three and nine months ended September 30, 2023, respectively;
- Lower variable-index surcharges passed through to customers as a result of fluctuation in the price of raw material, energy and transportation, net of improved pricing, which decreased net sales by approximately $3,100 for the three months ended September 30, 2023; however, improved pricing, net of lower variable-index surcharges, increased net sales by approximately $9,400 for the nine months ended September 30, 2023;
- Higher volume of forged roll shipments, which increased net sales by approximately $8,900 and $19,000 for the three and nine months ended September 30, 2023, respectively; and
- Changes in exchange rates used to translate the net sales of the segment's foreign subsidiaries into the U.S. dollar, which increased net sales by approximately $600 for the three months ended September 30, 2023 and decreased net sales by approximately $3,700 for the nine months ended September 30, 2023.

Income from operations for the three and nine months ended September 30, 2023, when compared to the same periods of the prior year, were impacted by:

- Improved pricing, net of lower variable-index surcharges and fluctuations in manufacturing costs, which increased operating results by approximately $1,400 and $7,900 for the three and nine months ended September 30, 2023, respectively;
- Net benefit resulting from the Foreign Energy Credit in 2023 versus the Refund of Excess COVID-19 Subsidies and the Change in Employee Benefit Policy in 2022, which improved operating income by approximately $2,000 for the nine months ended September 30, 2023, respectively;
- Lower absorption resulting from the temporary and periodic idling of certain equipment to align production with customer demand, which reduced operating results by approximately $600 and $1,300 for the three and nine months ended September 30, 2023, respectively;
- Selling and administrative expenses, principally due to changes in employee-related costs, increased operating results by approximately $600 for the three months ended September 30, 2023, but decreased operating results by approximately $1,300 for the nine months ended September 30, 2023; and
- Lower net volume of shipments, which reduced operating results by approximately $200 and $1,900 for the three and nine months ended September 30, 2023, respectively.

Changes in exchange rates did not have a significant impact on operating results for the three and nine months ended September 30, 2023 when compared to the three and nine months ended September 30, 2022.

Backlog increased at September 30, 2023 from December 31, 2022 by $8,231. The backlog for mill roll orders at September 30, 2023 increased from December 31, 2022 by approximately $18,100 with backlog for forged rolls increasing, driven by U.S. domestic demand and better pricing, and backlog for cast rolls decreasing due to economic uncertainty across Europe, the entry of low-priced product from China and relatively high cast roll inventories. The backlog for FEP decreased at September 30, 2023 from December 31, 2022 by approximately $6,400 due to softening of the energy and steel distribution markets and increased imports. Lower foreign exchange rates used to translate the backlog of the Corporation's foreign subsidies into the U.S. dollar decreased backlog at September 30, 2023 when compared to backlog at December 31, 2022 by approximately $3,400. At September 30, 2023, approximately 64% of backlog is expected to ship after 2023.

Air and Liquid Processing

| | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | Change | 2023 | 2022 | Change |
| Net Sales: | | | | | | |
| Heat exchange coils | $ 10,068 | $ 8,532 | $ 1,536 | $ 31,808 | $ 22,483 | $ 9,325 |
| Air handling systems | 9,357 | 8,457 | 900 | 27,453 | 22,133 | 5,320 |
| Centrifugal pumps | 9,168 | 7,147 | 2,021 | 26,967 | 22,191 | 4,776 |
| | $ 28,593 | $ 24,136 | $ 4,457 | $ 86,228 | $ 66,807 | $ 19,421 |
| Income from Operations | $ 3,456 | $ 2,917 | $ 539 | $ 9,386 | $ 8,177 | $ 1,209 |

| | September 30, 2023 | December 31, 2022 | Change |
|---|---|---|---|
| Backlog | $ 142,786 | $ 116,853 | $ 25,933 |

Net sales for the three and nine months ended September 30, 2023 improved over the comparable prior year periods by approximately $4,500 and $19,400, respectively. More specifically,

- Sales of heat exchange coils benefited from a higher volume of shipments to commercial customers and, for the nine months ended September 30, 2023, to industrial customers.
- Sales of air handling systems improved due to increased order intake.
- Sales of centrifugal pumps increased from a higher volume of shipments to commercial customers and U.S. Navy-related customers.

Operating income for the three and nine months ended September 30, 2023 improved when compared to the three and nine months ended September 30, 2022 principally due to:

- Higher volume of sales, net of higher costs and an unfavorable product mix, which improved operating results by approximately $700 and $3,400 for the three and nine months ended September 30, 2023, respectively; and
- The Asbestos-Related Credit of $191 for the three and nine months ended September 30, 2023; offset by
- Higher selling and administrative costs of approximately $300 and $1,700 for the three and nine months ended September 30, 2023, respectively, primarily as a result of higher commissions and employee-related costs including costs associated with expansion of the segment’s sales distribution network; and
- Recognition of a $680 benefit to operating income for the nine months ended September 30, 2022 resulting from the Change in Employee Benefit Policy.

Backlog at September 30, 2023 increased from December 31, 2022 by $25,933 with backlog for each product line improving. At September 30, 2023, approximately 78% of backlog is expected to ship after 2023.

**Non-GAAP Financial Measures**

The Corporation presents non-GAAP adjusted income from operations, which is calculated as income from operations excluding the Asbestos-Related Credit, the Foreign Energy Credit, the Refund of Excess COVID-19 Subsidies and the Change in Employee Benefit Policy. This non-GAAP financial measure is not based on any standardized methodology prescribed by accounting principles generally accepted in the United States of America (“GAAP”) and may not be comparable to similarly titled measures presented by other companies. Non-GAAP financial measures should be viewed as supplements to, and not substitutes for, the Corporation's presentation of the applicable most directly comparable GAAP financial measures.

The Corporation has presented non-GAAP adjusted income from operations because the Corporation's management and Board of Directors believe it is a key measure to understand and evaluate the Corporation’s operating performance and to develop operational goals for managing the business. This non-GAAP financial measure excludes significant charges or credits, that are one-time charges or credits, unrelated to the Corporation’s ongoing results of operations or beyond its control. Additionally, a portion of the incentive and compensation arrangements for certain employees is based on the Corporation’s business performance. The Corporation believes this non-GAAP financial measure helps identify underlying trends in its business that could otherwise be masked by the effect of the items that it excludes from adjusted income from operations. The Corporation also believes this non-GAAP financial measure provides useful information to management, shareholders and investors, and others in understanding and evaluating its operating results, enhancing the overall understanding of its past performance and future prospects and allowing for greater transparency with respect to key financial metrics used by the Corporation’s management in its financial and operational decision-making.

Adjusted income from operations is not prepared in accordance with GAAP and should not be considered in isolation of, or as an alternative to, measures prepared in accordance with GAAP. There are limitations related to the use of adjusted income from operations rather than income from operations, which is the nearest GAAP equivalent. Among other things, there can be no assurance benefits similar to the Asbestos-Related Credit, the Foreign Energy Credit and the Change in Employee Benefit Policy or costs similar to the Refund of Excess COVID-19 Subsidies will not occur in future periods.

The adjustments reflected in adjusted income from operations are pre-tax. The tax impact associated with the adjustments is not significant due to the Corporation having a valuation allowance recorded against the deferred income tax assets for the majority of the jurisdictions where the expense and income are recognized.

The following is a reconciliation of income from operations to non-GAAP adjusted income from operations for the three and nine months ended September 30, 2023 and 2022, respectively:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Income from operations, as reported (GAAP) | $ 1,722 | $ 203 | $ 7,003 | $ 1,834 |
| Asbestos-Related Credit (1) | (191) | - | (191) | - |
| Foreign Energy Credit (2) | - | - | (1,874) | - |
| Refund of Excess COVID-19 Subsidies (3) | - | - | - | 664 |
| Change in Employee Benefit Policy (4) | - | - | - | (1,431) |
| Income from operations, as adjusted (Non-GAAP) | $ 1,531 | $ 203 | $ 4,938 | $ 1,067 |

*(1) Represents proceeds received from an insolvent asbestos-related insurance carrier.*

*(2) Represents reimbursement of past energy costs at one of the Corporation's foreign operations by its local government.*

*(3) Represents excess COVID-19 subsidies received in 2020 and returned in 2022.*

*(4) Represents benefit resulting from a change in how certain employees earn certain benefits.*

**Liquidity and Capital Resources**

| | Nine Months Ended September 30, | | |
|---|---|---|---|
| | 2023 | 2022 | Change |
| Net cash flows used in operating activities | $ (10,327) | $ (20,405) | $ 10,078 |
| Net cash flows used in investing activities | (13,515) | (12,516) | (999) |
| Net cash flows provided by financing activities | 21,323 | 35,908 | (14,585) |
| Effect of exchange rate changes on cash and cash equivalents | (146) | (1,134) | 988 |
| Net (decrease) increase in cash and cash equivalents | (2,665) | 1,853 | (4,518) |
| Cash and cash equivalents at beginning of period | 8,735 | 10,337 | (1,602) |
| Cash and cash equivalents at end of period | $ 6,070 | $ 12,190 | $ (6,120) |

Net cash flows used in operating activities equaled $(10,327) and $(20,405) for the nine months ended September 30, 2023 and 2022, respectively, and principally is attributable to the Corporation's investment in working capital. The change in net cash flows used in operating activities for the nine months ended September 30, 2023 when compared to the nine months ended September 30, 2022 primarily is due to lower investment in working capital. Net cash flows used in operating activities for 2023 include proceeds from the Asbestos-Related Credit and the Foreign Energy Credit. Net cash flows used in operating activities for 2022 include repayment of the Refund of Excess COVID-19 Subsidies.

Net cash flows used in investing activities equaled $(13,515) and $(12,516) for the nine months ended September 30, 2023 and 2022, respectively, and primarily represented capital expenditures for the FCEP segment related to the $26,000 capital program undertaken to upgrade existing equipment at certain of its locations. The capital program is anticipated to be substantially completed by December 31, 2023. At September 30, 2023, commitments for future capital expenditures, including those associated with the FCEP capital program, approximated $7,300 which is expected to be spent over the next 12-15 months.

Net cash flows provided by financing activities equaled $21,323 and $35,908 for the nine months ended September 30, 2023 and 2022, respectively, a decrease of $14,585 primarily due to:

- Lower net borrowings from the Corporation’s revolving credit facility of $3,205;
- Lower proceeds from the sale and leaseback financing arrangements of $15,500; and
- Lower net proceeds from related-party borrowings of $1,522; offset by
- Higher proceeds from the equipment financing facility of $2,808 and
- Proceeds from the Disbursement Agreement for leasehold improvements between UES and Store Capital Acquisitions, LLC of $2,500.

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

As a result of the above, cash and cash equivalents decreased by $2,665 during 2023 and ended the period at $6,070 in comparison to $8,735 at December 31, 2022. The majority of the Corporation’s cash and cash equivalents is held by its foreign operations. Domestic customer remittances are used to pay down borrowings under the Corporation’s revolving credit facility daily, resulting in minimal cash maintained by the Corporation’s domestic operations. Cash held by the Corporation’s foreign operations is considered to be permanently re-invested; accordingly, a provision for estimated local and withholding tax has not been made. If the Corporation were to remit any foreign earnings to it or any of its U.S. entities, the estimated tax impact would be insignificant.

Funds on hand, funds generated from future operations and availability under the Corporation’s revolving credit facility are expected to be sufficient to finance the Corporation’s operational requirements and debt service costs. The maturity date for the revolving credit facility is June 29, 2026 and, subject to the other terms and conditions of the revolving credit agreement, will become due on that date. As of September 30, 2023, remaining availability under the revolving credit facility approximated $21,724, net of standard availability reserves.

Availability under the Corporation’s equipment financing facility is expected to be sufficient to finance the remaining expenditures associated with the capital program for the FCEP segment, in the time frame currently anticipated. At September 30, 2023, availability under the equipment financing facility approximated $6,790. Each borrowing on the equipment financing facility will constitute a secured loan transaction (each, a “Term Loan”). Each Term Loan will convert to a Term Note on the earlier of (i) the date in which the associated equipment is placed in service or (ii) December 29, 2023. Each Term Note will have a term of 84 months, with payment commencing on the date of the Term Note. Since a significant portion of the Corporation's debt includes variable interest, increases in the underlying benchmark rates will increase the Corporation's debt service costs.

Valuation allowances are recorded against the majority of the Corporation's deferred income tax assets. Release of any portion of the valuation allowance would result in the recognition of deferred income tax assets on the Corporation's consolidated balance sheet and a decrease to the Corporation's income tax expense in the period the release is recorded but would not impact the liquidity of the Corporation. Similarly, any new valuation allowance against the Corporation's deferred income tax assets would result in the derecognition of deferred income tax assets on the Corporation's consolidated balance sheet and an increase to the Corporation's income tax expense in the period the valuation allowance is created but would not impact the Corporation's liquidity.

**Litigation and Environmental Matters**

See Note 16 and Note 17 to the condensed consolidated financial statements.

**Critical Accounting Pronouncements**

The Corporation’s critical accounting policies, as summarized in its Annual Report on Form 10-K for the year ended December 31, 2022, remain unchanged.

**Recently Issued Accounting Pronouncements**

See Note 1 to the condensed consolidated financial statements.

## ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

## ITEM 4 – 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 designed to ensure information required to be disclosed by a company in the reports it files under the Securities Exchange Act of 1934 (as amended, the "Exchange Act") is recorded, processed, summarized and reported within the required time periods. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure information required to be disclosed by an issuer in the reports 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, as of September 30, 2023, the Corporation's disclosure controls and procedures were not effective due to material weaknesses (as defined in SEC Rule 12b-2) in its internal control over financial reporting.

*Previously reported material weaknesses.* A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. As disclosed in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2022, management determined there were material weaknesses related to (i) the accounting for the claims asserted alleging personal injury from exposure to asbestos-containing components historically used in some products manufactured by predecessors of Air & Liquid Systems Corporation ("Asbestos Liability") and (ii) management review control activities related to the tax accounting for a non-routine transaction. Although substantial progress has been made in the Corporation's remediation plan (discussed below), the Corporation's management has concluded these material weaknesses continue to exist as of September 30, 2023.

*Management's remediation plans and progress.* Asbestos Liability: The material weakness related to the Asbestos Liability is a result of the aggregation of the following control deficiencies: insufficient design and business process controls surrounding a new asbestos claims management database, insufficient testing of data migration from the previous asbestos claims management database to the new asbestos claims management database, and inadequate information technology ("IT") general controls which ensure the integrity of the data and processes that the new asbestos claims management system supports. The Corporation has initiated efforts to remediate these items. It has dedicated a full-time employee to manage the accounting for asbestos claims and costs associated with the Asbestos Liability, with oversight provided by the Corporation's Chief Financial Officer ("CFO"). The asbestos claims and costs associated with the Asbestos Liability will continue to be managed using the new third-party asbestos claims management database. The third-party service provider has engaged an independent consulting firm to provide an appropriate Service Organization Control ("SOC") report, which will give assurance over the functioning of the third-party system and the sufficiency of its internal controls. The SOC report will be obtained and reviewed by the CFO ensuring the SOC report is appropriate, no material deficiencies exist to cause the inability to rely on the third-party system, and any additional management controls are designed and assessed for operating effectiveness. The Corporation has established limits of authority for its employees utilizing the new third-party asbestos claims management database, which provides an appropriate segregation of duties. Annually, user access to, and user rights within, the new third-party asbestos claims management database will be independently reviewed and approved.

Non-routine Transaction: The material weakness related to management review control activities was attributable to the tax accounting for a non-routine transaction in 2022. Specifically, management determined its management review control activities did not operate at a sufficient level of precision to detect errors related to the tax accounting for the non-routine transaction. The Corporation has initiated efforts to remediate this item. It has enhanced its management review control activities when assessing the propriety of the accounting for the income tax consequences of a non-routine transaction including engaging external consultants, under the Corporation’s supervision, to provide support and assist the Corporation in its evaluation of such transactions. In addition, the Corporation has enhanced its management review controls over income taxes on an interim basis to include specific activities at a more precise level to assess the impacts of non-routine transactions.

Despite management’s remediation plans and progress related to the Asbestos Liability and the non-routine transaction, the material weaknesses will not be considered remediated until the applicable controls operate for a sufficient period of time and management has concluded, through testing, these controls are operating effectively.

*Changes in internal control.* Except for the remediation measures discussed above, there has been no other change in the Corporation’s internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rules 13a-15 or 15d-15 under the Exchange Act that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

**PART II – OTHER INFORMATION**
**AMPCO-PITTSBURGH CORPORATION**

Item 1 Legal Proceedings

The information contained in Note 16 to the condensed consolidated financial statements (Litigation) is incorporated herein by reference.

Item 1A Risk Factors

In addition to the risks set forth below and elsewhere in this Quarterly Report on Form 10-Q, you should carefully consider the "Risk Factors" included under Item 1A. to Part I of our Annual Report on Form 10-K for the year ended December 31, 2022. You should be aware that these risk factors and other information may not describe every risk facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial could adversely affect our business, financial condition and results of operations.

**Impact on financial institutions may affect our access, or our customers' access to, capital resources.**

In the first quarter of 2023, several financial institutions failed or required outside liquidity support. The impact of this situation could place additional stress on other financial institutions, which may limit our, or our customers', access to short-term financing or result in higher interest rates. Our inability to access, or our customers' inability to access, short-term financing at competitive rates may adversely affect our liquidity, financial condition or results of operations.

**We may not be able to scale our operational capacity in line with demand for our products.**

Demand for our products, particularly in our Air & Liquid Processing segment, may grow at a pace that exceeds our operational capacity, including our manufacturing capabilities. We may be required to expand our facilities or contract with third parties to meet such growth, which we may not be able to do in a timely manner, if at all. If we are required to expand our facilities to meet growth in client demand, we may not have access to sufficient capital resources to expand in a timely manner, if at all. As a result, we may not be able to maximize sales growth and, therefore, could lose opportunities to produce additional revenue.

Items 2-4 None.

Item 5 Other Information

(a) None.

(b) None.

(c) During the three months ended September 30, 2023, no director or officer of the Corporation adopted or terminated a 'Rule 10b5-1 trading arrangement' or 'non-Rule 10b5-1 trading arrangement,' with each term being defined in Item 408(a) of Regulation S-K.

Item 6 Exhibits

The following exhibits are filed as part of, or incorporated by reference into, this Form 10-Q.

| | | |
|---|---|---|
| (3.1) | | Restated Articles of Incorporation, effective as of August 11, 2017, incorporated by reference to Quarterly Report on Form 10-Q filed on November 9, 2017. |
| (3.2) | | Amendment of Amended and Restated Articles of Incorporation, effective as of May 9, 2019, incorporated by reference to Quarterly Report on Form 10-Q filed on May 10, 2019. |
| (3.3) | | Amended and Restated By-laws, effective as of December 14, 2022, incorporated by reference to Annual Report on Form 10-K filed on March 21, 2023. |
| (31.1) | † | Certification of Principal Executive Officer pursuant to Section 302 of The Sarbanes-Oxley Act of 2002. |
| (31.2) | † | Certification of Principal Financial Officer pursuant to Section 302 of The Sarbanes-Oxley Act of 2002. |
| (32.1) | †† | Certification of Principal Executive Officer pursuant to Section 906 of The Sarbanes-Oxley Act of 2002. |
| (32.2) | †† | Certification of Principal Financial Officer pursuant to Section 906 of The Sarbanes-Oxley Act of 2002. |
| (101.INS) | * | Inline XBRL Instance Document |
| (101.SCH) | ** | Inline XBRL Taxonomy Extension Schema Document |
| (101.CAL) | ** | Inline XBRL Taxonomy Extension Calculation Linkbase Document |
| (101.DEF) | ** | Inline XBRL Taxonomy Extension Definition Linkbase Document |
| (101.LAB) | ** | Inline XBRL Taxonomy Extension Label Linkbase Document |
| (101.PRE) | ** | Inline XBRL Taxonomy Extension Presentation Linkbase Document |
| (104) | | The cover page for the Corporation's Quarterly Report on Form 10-Q has been formatted in Inline XBRL and contained in Exhibit 101. |
| † | | Filed herewith. |
| †† | | Furnished herewith. |
| * | | The instance document does not appear in the Interactive Data File because its XBRL (Extensible Business Reporting Language) tags are embedded within the Inline XBRL document. |
| ** | | Attached as Exhibit 101 to this report are the following documents formatted in Inline XBRL: (i) the Condensed Consolidated Balance Sheets at September 30, 2023 and December 31, 2022, (ii) the Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2023 and 2022, (iii) the Condensed Consolidated Statements of Comprehensive Loss for the three and nine months ended September 30, 2023 and 2022, (iv) the Condensed Consolidated Statements of Shareholders' Equity for the three and nine months ended September 30, 2023 and 2022, (v) the Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2023 and 2022, and (vi) Notes to Condensed Consolidated Financial Statements. |

**SIGNATURES**

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

| | | |
|---|---|---|
| | | AMPCO-PITTSBURGH CORPORATION |
| DATE: November 14, 2023 | BY: | /s/ J. Brett McBrayer<br>J. Brett McBrayer<br>Director and Chief Executive Officer |
| DATE: November 14, 2023 | BY: | /s/ Michael G. McAuley<br>Michael G. McAuley<br>Senior Vice President, Chief Financial Officer and Treasurer |

**Exhibit 31.1**

**Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, J. Brett McBrayer, certify that:

1. I have reviewed this Form 10-Q of Ampco-Pittsburgh Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ J. Brett McBrayer
J. Brett McBrayer
Director and Chief Executive Officer
November 14, 2023

**Exhibit 31.2**

**Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Michael G. McAuley, certify that:

1. I have reviewed this Form 10-Q of Ampco-Pittsburgh Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Michael G. McAuley
Michael G. McAuley
Senior Vice President, Chief Financial Officer and Treasurer
November 14, 2023

**Exhibit 32.1**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Ampco-Pittsburgh Corporation (the "Company") on Form 10-Q for the period ended September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned, in the capacities and on the dates indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

/s/ J. Brett McBrayer
J. Brett McBrayer
Director and Chief Executive Officer
November 14, 2023

**Exhibit 32.2**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Ampco-Pittsburgh Corporation (the “Company”) on Form 10-Q for the period ended September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned, in the capacities and on the dates indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

/s/ Michael G. McAuley
Michael G. McAuley
Senior Vice President, Chief Financial Officer and
Treasurer
November 14, 2023