AMPCO-PITTSBURGH CORPORATION

STRATEGIC PLAN PRESENTATION -- NOVEMBER 10, 2015

John Stanik: My name is John Stanik. I'm the CEO of Ampco-Pittsburgh Corporation. Today, we will be talking about the future so the content of the presentation is covered under the Safe Harbor provision of the Private Securities Litigation Reform Act of 1995.

Today, we have two objectives. Historically, the company hasn't communicated very much with the investment community. So, one of the things that we want to accomplish is to introduce the company a little bit better. You'll see photographs of the things we do. We'll talk a little bit about the marketplace that we're in, things that we want to do. And then, of course, the second and very important part of the presentation is the summary of the Strategic Plan and where we're going over the next three years.

So let's start with who Ampco-Pittsburgh Corporation is. We are a value-added manufacturing corporation. We provide very precise, high-performance materials -- metal materials, and industrial equipment.

We'll talk a little bit later about why our margins don't reflect the fact that we are a specialized value-added type of corporation, but that's who we are.

We do report two segments. Roughly two-thirds of the revenue base comes from our Forged and Cast Engineered Products Division, which is also known as Union Electric Steel. It's a name that is very respected and known throughout the world.

The second segment is comprised of three companies. We call it the Air and: Liquid Processing Segment, also very well-known, and all three companies produce customized equipment.

Next I'd like to introduce our speakers. Dee Ann Johnson is our CFO. She'll be summarizing the financials and the strategic plan for you. Terry Kenny, on the end, is the president of the Air and Liquid Systems Group, the segment that I just mentioned. And Rodney Scagline, to my right, has just been promoted to the position of president of Union Electric Steel or the Forged and Cast Engineered Products segment.

Rodney has been with us for four years and has been very instrumental in helping us diversify the business. He will be taking over this part of the company in April when the incumbent Bob Carothers retires.

I'd also like to introduce in the back of the room Gail Gerono. Gail is our Investor Relations contact and makes everything happen when it comes to days like today.

So let's get right into it. Let's talk about the condition of the company as it sits today.

As I mentioned, two-thirds of the revenue of Ampco-Pittsburgh Corporation comes from the Union Electric Steel Division and one-third from the Air and Liquid Systems Division.

Our primary market for UES is the steel industry. We also provide rolls to the aluminum industry, but our primary source of income over the past decades is the manufacture of steel rolls for rolling mills.

And, Rodney will give you a little bit more background about that.

Over the last three years, our financial performance has been deteriorating. All of this stems from the condition of our primary market -- the steel industry.

I assume most of you here know about the tremendous turmoil in the industry. But for those who may not be as familiar, I'll just briefly go through it.

Right now, there is a very, very large overcapacity in steel-making in the world. In fact, China and the rest of the world probably produce approximately 60 percent excess steel in the world today. The Chinese have been selling that steel throughout the world at very low prices primarily because their economy has slowed, and they currently don't have the need for construction materials, structural steel, et cetera. That has created a problem for all of the steelmakers in the rest of the world who can't compete with the low prices that the Chinese are providing.

So what's been happening is they have been cutting back capacity and reducing costs. That's what we are also doing in this situation when our utilization is lower in manufacturing. These cost reduction programs have gotten more and more severe as the last three years have transpired.

One of the measures that customers have instituted is asking for price deductions or reductions each year from all of their suppliers. Typically, it's been 15 percent per year, which if you think about that over the course of three years is staggering. It's continuing.

However, I'm happy to say with the price increase that we tried to institute in March, I think we sent a signal that was heard reluctantly -- but it was heard. And the reductions are getting much smaller, although they are still demanding them. And just to give you an example, customers are saying, "If you're not willing to cut your price from what it was last year, you're out." So that's what we mean by that second sub-bullet. This cost control has been extended to everything that the steelmakers are buying.

So, we give price concessions. And in turn, one of our major objectives this year has been to reduce our costs.

The bottom sub-bullet there about capacity reflects a number of steel mill closings in the West, several in the United States, a few in the U.K., and elsewhere. We believe there is a good chance that that capacity will not come back, so the size of our marketplace is shrinking, and that's a big concern, of course.

So, at this point, what's happened over the last three years is -- lower revenue, lower volume, and margin decline. And I want to point out in our strategic plan, we do not see any recovery of the steel industry or at least we haven't incorporated any into our numbers, until 2017.

So this year, we have spent a lot of time changing the company. Much of what we have done until now has been reducing costs, and we believe that we have captured about $10 million of cost reductions that will be seen in 2016. Some of them haven't landed, as I said in my quarterly conference call with investors last week. I said that we relocated our headquarters, and we expect a nice cost decrease in February when our lease runs out in our current building.

The biggest thing though, and the most important thing that we have done this year has been the strategic planning process. So, we have studied our company; we have studied our competitors; and we have studied the marketplace throughout the world, and we've learned a lot.

So while we have this negative cloud hanging over us in the steel industry, we do believe that there are opportunities for us and there's plenty of good news.

So, what's some of that good news? Well, our manufacturing assets in the Forged and Cast Materials Group are very flexible and can do open die forging with almost no capital expense. And you'll see when Rodney presents the huge market and how that the open die market dwarves what the company has historically been doing in the roll production market.

Over the last two years, with Rodney's help, we have been pulled into the fracking industry by customers who have require valve blocks. And that has become a very attractive business for us. But the important thing about it -- in addition to being a very strong possibility for growth-- is it has introduced us to other products and a whole new customer base. So, there's nothing better in my opinion than being pulled into a new market because of the products that you make, and we are establishing ourselves as a very credible supplier in this area.

Once we get into this, I think you'll see, a slide that shows you a list of the things that we can do beyond the blocks that we have done already.

The bottom bullet on Slide 7 shows that we have added a small company. It was only a $5 million purchase, but it's an important strategic acquisition for us because it is a logistics and distribution center for open die products. It has an existing customer base. It's located in Eastern Ohio, which we believe is a perfect location. We have an inventory of material there that we plan to sell on an emergency basis, which should bring higher pricing and higher margins.

It possibly is the first of several of these types of acquisitions as our diversification philosophy shows success. It was a very important first step for us.

The other segment of the company which is very important to us is the Air and Liquid Systems Segment. It's comprised of three businesses -- Aerofin, which is a heat exchanger company; Buffalo Air Handling, a custom air handling system company, which by the way, is providing some of the air that you're breathing in at this very moment; and Buffalo Pumps who makes specialty centrifugal pumps.

All of these companies, as Terry will point out, are custom manufacturers. They are specialized. They do not compete with some of the more household names that you're familiar with, but they are very strong businesses historically, with the exception of one. Overall, this segment has been very profitable for us. It's a very consistent, strong performer.

In the past few years, we've had a problem with Buffalo Air Handling's financial performance. We believe we have conquered that problem. And as we stand today, the business is growing its revenue and it's breakeven. So, we're hoping that their performance will improve, and we expect it will through the strategic plan.

The problem with the segment and the reason that we had to spend quite a bit of time on our strategic planning process is that we have lacked growth. So we've got a very profitable company, but one that's not growing. And in my philosophy, if you're not growing, you're dying. So, we have to get some revenue growth.

As I took over and assumed leadership of the company, and I analyzed the strengths and weaknesses of the company in the first couple of months -- I started on January 1st -- it became very clear to me that we had to stabilize the Union Electric piece. It is the biggest part of the company. It comprises two-thirds of the revenue. It has the majority of our physical asset base. It's been extremely profitable and successful in the past, and we had to put forth the best effort we could to stabilize this business and return it to profitability. So that was our first and the most important objective.

We find that, as we analyze the business, there are a number of things that we can do improve it even though we are in a terrible part of the cycle in the steel industry. There is a significant amount of additional costs that we can remove in manufacturing. We're going to capture them. We're going to get them out. – And we're going to get it out as quickly as possible.

Our products were getting stale. As we were losing margin, we stopped our new product development process. So we instituted a new one. We have approved the products that we're working on right now because the market wants them, and we will be releasing new products beginning in mid-2016 or earlier. And if you're a value-added company, you had better be coming out with new products, although now our customers are not paying for performance; they're buying based on cost. We must have something that puts us ahead of the market because we have aspirations for higher margin.

So, we will be spending some of the costs that we have saved. We're going to take some of those expenses and put them into technical development, and Dee Ann will show you that.

We need to position ourselves as more of a global player. Right now, our strengths are North America and Europe. That's only 30 percent to 35 percent of the global market, so we have got to get outside of our comfort zone and become a bigger player throughout the rest of the world.

And then there's a number of other actions. I talked briefly last week in my call about M&A and some other things that we can do to the company that will add synergy and cost reduction that make us a stronger player.

The second thing we can do for the Forged and Cast Engineered Products Division is diversify. And we are doing this, and we're jumping in with both feet. Yes, the fracking industry is also suffering at this point in time due to the low price of oil, but we expect that sometime next year that industry is going to recover, and we expect to be a significant player.

What we have done this year and, of course, there are more efforts that will continue in the future, but what we've done this year is shown to you on slide 10. We have added some of the best sales representatives in North America who have historically captured more than $100 million of revenue per year for companies they have "repped" for in this fracking industry. They are very well-known.

We have added logistics capability. I already mentioned the Alloys Unlimited acquisition we made in July.

We are moving some physical assets. We're doing some different things to prepare to extend our manufacturing in this product area. And then, of course, we're looking into geography and products, as I mentioned before, in addition to the fracking valve blocks. And you'll get much more detail from the folks to my right as they go through their strategies.

On the Air and liquid processing side on Slide 11, we do believe we can grow revenue. Terry will show you how. We also believe that we can reduce costs and improve our margins even further. This is an attractive business. It can be a growing business. And we think there are some things that are adjacent to what we do today that we may be able to get into in the future, so we're going to strengthen our engineering and manufacturing capability and take another look at who we sell with, and increase or change our marketing approach.

So that's almost it for me. I have one more slide, slide 12, which is perhaps the most important. Everybody puts together strategic plans.

What makes them work? This is the second time I have led a company that was in turnaround or was in dire need of turnaround. And I've instituted this process before.

What I want to impress upon you is it is a complete networked process. Yes, we have done a strategic plan. It's never on the shelf. It's on everybody's desk. Action plans have been created. They have been assigned throughout the organization. Those action plans will be followed up quarterly to make sure they're proceeding. Compensation is involved for those who have responsibility for these action plans in terms of bonuses and stock allotments.

We have put in place an enterprise risk management organization for the first time in the company to watch our risks as we do some of these things, and if we get involved in more mergers and acquisitions, we will be monitoring and mitigating our risks in a timely fashion. And we have a very strong balance sheet that needs to be mentioned.

We have nearly $100 million of cash on the balance sheet. That's a tremendous asset. We plan to use it, and we plan to use it wisely, so we're going to set return on investment goals. We're going to adhere to them.

And the other thing and also very importantly-- that comes through my experience of purchasing many companies in the past -- we will integrate those companies, make them a part of Ampco-Pittsburgh. We will study their performance beyond the due diligence that we do pre-acquisition and make them an immediate part of the company and capture whatever synergies there are.

So I'm going to hand it over now to Rodney and he'll talk more about UES.

Rodney Scagline: Well, good morning. And as John said, first of all, I'm newly president, and think it's my 10th day today so it's relatively new. I've been with the company for four years. And I think what John has really presented is the story of change. Now we're changing a company that's been very traditionally managed and offered traditional products. Going forward, the company will be much different, and that's kind of the message.

And it actually starts somewhat with the name of the segment. We talk about Forged Engineered Products. It used to just be Forged and Cast Rolls, and now it's the Forged and Cast Engineered Products segment. And that is actually a signal that we are changing who we are -- that we aren't just going to be a forged and cast roll producer. We're going to be more than that.

One of the key messages I want to present is how we're entering into this other market. The other key message is how we're taking cost out of the systems that was somewhat traditionally managed to more of a lean type manufacturing business going forward.

Slide 14 shows the revenue we believe we can achieve through the strategic plan. You can see that we expect the compound annual growth rate on revenue of around 15% -- greater than 15 percent if this plan is very successful. And again this is coming through mostly product diversification, entering other markets that are very much in alignment with the assets that we have currently.

And when we talk about diversification, it does not mean diversifying our core competency. Our core competency is actually making steel forgings. Rolls just happen to be a steel forging that we specialize in and we will continue to specialize in, but we're going to use the same talents in the open die forge market to enter into other markets.

Slide 15: So, I'll start with rolls, since they are primary products, and I'll talk about the other products. This is a picture from our website. Actually, you'll see forged and cast rolls. That's actually one of our newer machines. It's a mill turning center. I think we spent around $3.2 million four years ago for this machine. It's state-of-the-art. It has the best efficiencies. It's one of the ways by which we can maintain our position as one of the leaders in the roll industry -- taking costs of the system. But rolls have always -- since the 1930's, s been our main product.

What are rolls? You know, I get this question from my wife and kids. I don't think they still understand, but it seems simple because the name itself makes people think of coils that are on tracks. Well, it's not actually that. A roll is a piece of steel that deforms and forms the metal in between. It forms the steel.

Slide 16: You're seeing a picture here. They're rather large pieces. We make the spectrum from, let's say 2-ton size rolls up to 40-ton size rolls. They're backup rolls. They are edger type rolls. And if we look where rolls are used in the manufacturing system, one of the first distinctions I want to point out is there's actually two different classifications -- there's hot rolling and cold rolling.

Slide 17: We have two different plants focused on the two classifications. First, cast rolls are produced at our Gatehead facility in the UK. Cast rolls are used in the hot rolling process. So if we look at all these steps where you see roughing mills (inaudible) or finishing rolls, these are all types of cast products. And the cold mill rolls predominantly use the forged products. The cast roll is coming from our U.K. plant. Our forged roll is coming from our U.S. plants.

Now, there is some overlap. There's some cases for cast and forged application, and forged and vice-versa, but that is the exception.

Slide 18: So I put a little picture here so we could see a hot strip mill. The rolls are staged down front of it because one of the other items to keep in mind is rolls are consumables. So when a mill purchases a roll, it is going to last some period of time, and then another one will be purchased.

Demand for rolls is directly related to the volume of steel that's produced. So when we talk about steel production being down, it's going to directly affect the demand for rolls in the market.

And performance improvement on these rolls means a lot to the mill, so there should be a clear path forward with value-added to the roll, because it's tied so much to their ability to keep their uptime and their production. And that's where we've excelled.

Slide 19: I had mentioned we have a U.K. facility. This is our global footprint currently as it sits today. So we see in Western Pennsylvania we have essentially three plants -- Erie, Carnegie, and Burgettstown. We have a Valparaiso, Indiana plant, which is located just off of Gary, so it was strategically put there to service those mills.

One of the big changes that we made this year is that our VP Sales now sits in Belgium, and he directs our sales efforts throughout the world. So sales is structured as a global activity. And we also have a joint venture in China, in M.G. in Mashan. This is actually for rolls that are too large to produce at our forge plant in Burgettstown.

Slide 20: So John has already mentioned that the industry we serve is under stress. I know it's no surprise to you. This has been in the headlines for quite a while. And I put this on slide 20, this chart of the EBITDA margin for steel mills through 2013. The trend didn't change going forward in '14 and '15.

And this obviously is trouble for us. If your customers aren't making money, they're going to put intense pressure on you to try to help them reverse their situation. And that's what's been going on for the last few years. And as John has alluded to, this has been probably the primary source of our declining margins. In addition, if you look at this year, it's been a struggle with production capacity running between 65 and 75 percent. So, roll demand has not only been down, but the margin and pricing pressure has been intense as well.

Slide 21: So that's the situation of the roll. This is our market share. And John has mentioned that Ampco is strong in Europe and North America.

So let's look at cast. Again, the cast product is coming from the U.K., so we're strong in the European area. You'll find in general that regional manufacturing wins a lot of the battle, so at least regional manufacturing will have some market share in the local market. Transportation of these rolls give some inherent lower costs and the ability to service the customer as well.

So, we have been successful in penetrating the European market. In forged rolls, we have a strong position in North America. It's to be expected.

I want to point out that this is a market share by pieces. So, for instance, if you see a high market share in Africa, it probably does not represent a lot of pieces going into Africa in general, so you can't necessarily conclude anything from that. But this slide does point out t that we're strong in our home markets. And the question becomes what about some of these other markets like China and Asia where we have very small shares. And this is something that's going to be a focus going forward.

Slide 22: So who are our competitors? I put a partial list here. And the take away is that it's a fragmented industry. There's no one out there with a very large market share on a global basis. You may have some regional strengths.

But look in Europe, we have, on the cast side, particularly a strong competition from the Akers Group, ESW, and Gontermann Peipers. These are strong European competitors. And Ampco also has the same currency issue that others have. So what we see now is a lot of these European competitors making inroads into the U.S. market because of the strong dollar.

In North America, again Akers has a large position on the cast side with a facility in Pennsylvania. And there are really two other large competitors. So there's only three competitors on the cast side in North America -- United, Whemco , and Akers National Roll. Villares, which is in South America, is also becoming a strong competitor because of the strong U.S. dollar.

If we look on the forged side in North America, Union Electric Steel has a strong position, and we have the largest production capacity in North America. We have strong competition from Whence under the brand name Lehigh. So they participate on both the forged and cast side as do we. And Superior Forge is one of our main competitors in the forged market.

Within Europe, we also have Akers, Sheffield Forgemasters, spun off from Villares, all having a strong position in their home markets, Villares is in South America but also has a presence in Europe. That's the market definition and our main competitors.

So if we look at other products that we'd like to go into, John has already mentioned that we're being pulled into the fracking market. That began early in 2014. In many ways it's perfectly suited for our manufacturing, for example, our ability to produce a high volume of rolls. At our peak, we can produce approximately 5,000 forge rolls through our Harmon Creek plant. And, putting this fracking product to our same press and our same heat treat furnaces is relatively straightforward. And it gives us cost advantages, which I'll talk about later.

Slide 23: So as the picture shows, for those who aren't familiar with us, our fluid ends, which can be used in fracking pumps and are high-pressure, or mud pumps, which are low-pressure. Mud pumps are actually more for the horizontal type drilling, so they sit on the fracking site the whole time during the drilling process, and are called in for the actual fracking operation. And you'll see they bring in something like 20 trucks. They daisy chain them all together, so it's a rather intense event.

The other thing I want to point out is that these products are consumables as well. Their lifetime is measured in weeks or months. It's not just a one-time investment.

Slide 23: So, one of our main targets for sure is the fracking market for engineered products, or FEP. Bars are another example. They would be low margin if you didn't add value to them, and so we bought Alloys Unlimited in July in order to participate in this market at a higher margin.

So, essentially we can provide some of these bar products from our Harmon Creek forge shop. We'll take, as John said, emergency type orders. So if a customer calls and wants two feet of a bar, we'll put it across the saw. They may want to hole-bore through. They need the part within three days. This is one way that we secure at a higher margin.

We bought this operation with the idea that we'd grow into the specialty steel and the tool steels market. We've hired an individual who worked in the field of tool steels with a major distributor for the last 20 years, and he's well positioned for us to start down the path of doing the tool steels like gauge 13 or 420. And in addition with our electro-slag unit (ESR), we have the ability to make premium products to put into this marketplace.

So, in many ways, we paid for a small company that we fully expect could grow on its own, and we can give it support. And we talk about $5 million in sales. We think that sales could easily double or triple in a short period of time, particularly with the leadership we have.

Slide 25: So one of the reasons we're excited and think this plan is achievable is this slide. This is the North American open die forging market. The data is from the FIA.

There's a small box that's outlined in yellow. That's the size of the roll market in North America. We have about 20 percent of that little market. Now we've essentially opened up a market 10 times bigger than the roll market. It's approximately a $2 billion market.

We only have to obtain a few percent of this much larger market to meet the strategic plan objectives, and that's what we're going to focus on. The fracking block market is a perfect fit for us. There are some investments we're going to make to do it, but for the most part they have already been made.

Slide 26: You'll see in gray where we started production of these blocks in 2014. And demand was driving our sales for quite a while. One thing I'll just say categorically about the forged engineered product is although the rest of the market has been challenged, we've grown this segment within our business from 2014 to 2015. You'll see that in the frack block numbers on the bottom there.

We've been able to sustain this growth. Although sales to our traditional markets have declined in the down market, we have still been able to take some market share to increase growing this product line.

Right now is a difficult time. This model was put together by ourselves, consultants, and some customers trying to estimate the number of fracking blocks purchased and consumed from 2009 through 2015.

You'll see 2015 is definitely a pullback year. There's a huge inventory bubble. Unfortunately, when you have products in midstream and work in process at every location between the forgers, the milling, the finishing shops, this creates an excess inventory. It takes a while to unwind -- particularly when consumption drops by half. It's going to take a while to work through that inventory that's in the pipeline.

We show lower expectation for 2015. We expect to have a more normalized inventory in the second half of 2016.

I already mentioned that the blocks are consumable. Another reason why we believe we can be successful in this market is that we're an integrated shop. We have a melt shop and a forge shop next to each other. There are a limited number of open die forgers that have that combination. In fact, there are a limited number of folks in the forging world that have melting ability.

We can melt. We can strip the ingot hot. We could put it on a forge furnace. We can produce a block that's ready for a mill in a much shorter timeframe than others. And we have the energy savings and the raw material savings because we can put the material that we mill off back to our furnaces, whereas competitors will have to sell this product back on the open market through scrap dealers, and take a loss for most of these materials. We're only losing the energy, while they're losing the whole business transaction.

So we think we have a supply chain advantage to have the winning position in this marketplace. And there are only two large competitors in this market. So we think it's easy for us -- I shouldn't use the word "easy." It's going to be a challenge to do all these things. But having only two folks to be concerned about makes it much easier than in a market that has many competitors. We think we can at least take a strong position in this market. And that's really the essence that's driving some of the numbers that you're going to see.

But recognizing that the fracking and oil markets are down right now, we can produce other forged engineered products...

Slide 27: John had mentioned that we've hired some sales reps that have done a fabulous job previously with products. I have a list here of some products that we're also going to pursue. Now a lot of these are also related to oil, but nothing is restricting us to just the oil and gas markets. There are other markets that we're going to pursue. Some aren't even on this list.

But we have the resources to participate in any segment of the open die forging market, and so we are going to participate in whatever segments makes the most sense and have the most market draw at the time.

Slide 28: So let's look at our strategic actions to improve our performance, which are really the action items that John is alluding to. And I haven't specifically spelled them out, but I'm going to talk through several of them. And I want to get back to these two messages we are trying to convey. One is a company that's changing very much from who we are and who we're going to be in the future in terms of products. And we are also a company that is undergoing a transformation by taking cost out of the system.

And I want to make one distinction that we're talking about cost reductions during emergency times. And to some degree those cost reductions are then just directly related to production long-term. This isn't the cost that I'm really talking about here. I'm really talking about taking waste out of the system that makes us inefficient.

John mentioned that we spent and enormous amount of time trying to understand our market.

Now, it may seem a little odd that we didn't know it better, but let's say success breeds inefficiencies. Sometimes you'll be so successful that you lose touch of where you need to be. And I think to some degree, that's where we were. So we went through our complete marketplace, what products do we sell and where we are in the product lifecycle. So we don't want to treat every product the same.

In the past, when we would go into a customer, we would just show them all the products and more or less the price list; whereas now we're saying which products we want to emphasize, which ones are mature products, which ones are new products that we should be treating in a different way.

??? And (fiber) as (tested) is the next point of marketing and that is when you go in to see a customer, let's say that we have the marketing tools in place. Currently, customers will endlessly talk about price; it's all about price. But we have differentiators, we need to make sure the customers realize that.

So this is where the marketing tools really come in to play. Which products are we going to segment? We will determine which ones are commodity products, and we'll figure out how to compete on price, and we'll determine which products add value. The customer needs to understand the value that is in the mill by using that product. We need to make sure that we communicate that message to customers so that they buy the right product and get value out of it. And we get value as well.

So those two are very much tied together, and we've gone through enormous effort and action items for every product that we have and how we're going to attack the marketplace.

And, if we look at the FEP side of the business, the forged engineered products, we're entering that new space so we really have to get our brand out. We have to get our name out. We will have a whole new customer base, and we have to really show them who we are on the roll side and how that relates to the products they're going to be buying, and the fact of our court (inaudible) this is extended over to that as well.

The third item on the list is new products. This is another area where a company might not continue to invest in when times get tough.
With John's leadership, we have re-energized new product development. We put a toll gate type system in and, at this point in time, we have about nine different roll products that are in development.

We have time lines laid out for each of the steps in the process, whether it's initial testing, product qualifications, or release to the market. And each of these toll gates are reviewed monthly so we can so we can allocate resources to make sure we bring the product to market. It takes a commitment to dedicate the necessary financial resources. So, we're going to invest more over the next three years to make sure that we bring these products to market.

And when I say new products, there's R&D for the steel grades and there's also expanding some of our sizes. There's equipment we could -- we -- our scope of -- in the roll market, there are areas we can go size-wise both up and down on the forged end and the cast product which we're exploring.

From an operational standpoint, we had a very traditional structure. And we have unions in most of our shops. In many ways, we've been a shop that's been run like a steel mill. But the steel industry has actually advanced in how they think over the years in order to be competitive. However, our industry was somewhat protected, and perhaps we didn't advance in the same way. This is an area that we spend a lot of time on in conversations with the union.

Last Monday we reached a new labor agreement with our union at Carnegie. It took three years to get that contract. And what I said repeatedly during negotiations was that we were not going to put anything in the contract that takes us backward. We can't hang onto these things in the past and expect to compete in the future. And really that's a lean (inaudible) slide.

When I give presentations, I stress that there is no "easy button." You don't just hire some consultants and everything is magically fixed. You need to engage the employees, convince them to buy into what you're doing, and have them participate in taking costs out of the manufacturing process. That is one of the reasons we're excited about the cost reductions.

For the last two years, we put in a cost reduction program, and we have a list that we monitor every month, and we encourage the supervisors to engage the employees in determining how we are wasting money. And it's amazing. Some of the simplest things, like turning off lights, can make a big difference. Let's say there's a 300-horsepower motor that you're using to pull air into the bag house. And you're only using it on one shift now but you leave it running the whole time because that's what you've always done.

Folks on the floor pointed this out, and the difference in the cost of electricity is significant -- between $5,000 and $10,000 a month, just by turning the motor off. And that's just one item. So we have this list of items that we track each month, and we hold the local supervision accountable for finding and tracking the savings. And that's the kind of program we put in place on the cost reduction. So, the last two years, we've had numbers in the area of $2 million in savings in these, and next year we will have a whole list of things.

One area that's really been beneficial is the energy side of this and natural gas. There are two areas that were actually being impacted by this. One of which is we found ways to, let's say, preheat our scrap. It's nothing new or novel, but it's an area that we hadn't engaged. But now the natural gas is so cheap, it's an area that we are actively engaging in so that we could have reduced electricity and electric costs in our Harmon Creek plant.

The contract that we signed last week includes switching from a defined benefit to a defined contribution pension plan. It also includes job flexibility.

We've reduced the number of job classifications at our Carnegie plant by a third. When you have more flexible employees, you're more efficient. So, we're taking all the right steps to engage employees to take costs out of the system. I discussed how we intend to grow the top line, and reducing costs is part of our effort to attack the bottom line as well.

The last item on the list that John mentioned is establishing low-cost manufacturing. Next year we will "plan for a plan." We recognize that we have to fill the gap there, and we're going to take steps to figure out where it makes the most sense to put low-cost manufacturing and/or partnerships and/or whatever else makes sense.

So I think ideally, if there are areas that we can't compete in, and the customer only wants a low price, we should have something to offer them that adds value. So let's figure out what matches their value and see if we can provide it.

And the last one on the list is strategic acquisitions. It's a depressed market. We know competitors are (inaudible) this market. We know there's other (Inaudible) metal industry companies that are struggling, and we're going to be, I guess, strategic in looking at what best matches. We'll be most synergistic in what we have. That's really all I have. Thank you.

Terry Kenny: Hi, I'm Terry Kenny. I'm president of the Air and Liquid Systems Corporation, which makes up the air and liquid processing segment of Ampco. I've been with the Ampco for 31 years. I started when I was eight.

The air and liquid processing segment is made up of three divisions. Aerofin Division is located in Lynchburg, Virginia, and they manufacture custom heat exchangers. They transfer heat from air to liquid or gas that's inside the heat exchanger or from liquid or gas that's inside to the air.

Buffalo Air Handling Division manufactures custom HVAC equipment -- equipment that typically would not be supplied by the big HVAC manufacturers like Carrier, York, or Trane -- when the demands for the air handling system are significantly more complex. Buffalo Air Handling is located in Amherst, Virginia, just 25 miles north of Aerofin.

Our third division is Buffalo Pumps, located in North Tonawanda, New York, between Buffalo and Niagara Falls. Buffalo Pumps makes custom, specialized centrifugal pumps.

As John mentioned, we started a strategic planning process right after he joined Ampco-Pittsburgh. Each team did a detailed analysis of their division and their competitors. As a result, we identified our strengths, our weaknesses, opportunities, and threats, and we did the same for our competitors.

Once we finished that, which was an incredibly eye-opening experience, we developed market strategies to take advantage of our strengths, correct our weaknesses take advantage of the opportunities, and take advantage of our competitors' weaknesses as well. As a result, we've been able to put develop a strategic plan and action items that could generate a compound annual revenue growth rate of greater than seven percent.

Aerofin Corporation, as I said, is located in Central Virginia, in Lynchburg, which is north of Roanoke, south of Charlottesville, and west of Richmond. It's hard to find on its own, but it's somewhere close to something.

As I said, Aerofin makes heat exchangers. And heat exchangers are exactly that. There is usually a liquid or gas going inside the heat exchanger and air going over it. And the purpose of it is to either cool or heat the air going over it or to cool or heat the liquid or gas going inside the heat exchanger.

Slide 33: The first coil heat exchanger up on the left is a new product. We've developed a process where we can manufacture a 40-foot coil in pieces. In this case, it's two pieces. We can manufacture coils in four or five pieces in our facility so that when a coil is installed in an actual system, all of the pipes line up and it's an easy installation to provide the heat exchange requirements necessary for the system, but in a smaller size to be able to be installed in a retrofit application.

The next heat exchangers are on the upper right. These coils are air preheating coils used in a coal-burning power plant. They take excess steam from the process, pump it through the heat exchangers, and then blow air over it so the inlet air going into the burner is preheated. It increases the efficiency of a coal-burning plant by 7 to 10 percent and also reduces the moisture in the combustion chamber, significantly reducing corrosion. The steam heating heat exchangers are approximately 10 feet tall and 35 feet long and 1.5 feet wide.

The coil on the bottom is a cooling coil for a nuclear power plant. We have the capabilities and manufacturing certifications to provide heat exchangers into the nuclear application -- both safety- related and non-safety related. Primarily, the coils are designed to provide cooling for the reactor, but also in the unlikely event of a safety problem within a nuclear facility, these cooling coils will condense steam generated by a potential nuclear reactor and condense the steam back into water, which then reduces the pressure in the containment area. That heat exchanger is approximately 25 feet tall and 18 feet wide.

Slide 34: As I mentioned, Aerofin participates in four market segments. I apologize for the values not being there. I will tell you what they are.

The fossil segment is approximately 15 percent of our business. We provide heat exchangers into power plants -- coal-burning power plants, oil-burning power plants, refuse burning plants, as well as natural gas power plants for preheating air pollution control of the external exhaust steam throughout the power facilities.

The nuclear business also represents approximately 15 percent of our business, and Aerofin is the largest manufacturer of heat exchangers in the North American nuclear market. We've been supplying products to this business for over 40 years. We have essentially one competitor who has just recently gotten into this market, and we've been successful in maintaining our market share.

The industrial market, which represents approximately 21 percent of our business is general industry. Every industry, every process has the need to transfer temperature to either cool the liquid or heat air. We will design and custom manufacture every one of our heat exchangers to meet our customers' requirements.

The fourth market, which is the OEM market, represents about 49 percent of our business. This is the most competitive market segment. However, our reputation and our manufacturing capabilities give us an edge in this market.

As I mentioned, virtually every heat exchanger that we manufacture is custom-designed from a metallurgy and from a size standpoint, specifically for the end-users' applications.

Slide 36: As a result of going through and analyzing this business, the team developed several market strategies, and I would like to just discuss a few. Our goal is to increase our market share in all four of our primary markets.

We need to improve the effectiveness of our existing sales distribution channels by providing our sales force with better marketing tools, better technical capabilities so that when they're in front of the customers, they are able to solve a customer's problem and be first in line to develop the specification for their product.

We plan on introducing new products. We have identified several that will help us enhance our value to our customer base and also solve some of the customers' problems and issues that they may have had in their system development in the past. We plan on improving our manufacturing efficiencies and reducing our manufacturing throughput cost by 10 percent.

As Rodney stated, it's not the big things. It's involving and engaging all of our employees in our process to determine where we can save money and challenging them to identify opportunities for us to reduce cost, challenging our suppliers, challenging everyone within the organization.

And finally, our goal is to explore acquisitions that have products that will complement Aerofin's existing product line, as well as its distribution channels and geography. As a result of these action plans, the Aerofin team and I believe that we should be able to increase our revenue at a compound annual growth rate of about 8 percent, and that excludes any acquisitions.

The next division, Buffalo Air Handling, is located in Amherst, Virginia, 25 miles north of Aerofin. As John stated, this business has not been very profitable for the past few years.

We believe we turned that around. We've developed strategies to ensure its continued profitability and its ongoing growth. Buffalo Air Handling manufactures custom HVAC equipment. There are four HVAC units in this building that Buffalo Air Handling supplied over the last four years. We were brought in to increase the airflow of existing air handlers in this facility, and we had to retrofit and increase that airflow without increasing the space allotted for the equipment.

These are some examples of Buffalo Air Handling's custom product. Again, every product that we manufacture is unique. We sit down and work with the engineer, the end user, and determine what their needs are, then design and develop the air handling piece of equipment that meets their unique specifications.

In upper left of the slide is a 30,000 cubic feet per minute, air handling unit which was installed at a pharmaceutical manufacturing facility in New Jersey. It's a rooftop unit. It was made out of aluminum and then also powder filtered (inaudible). This unit has the ability to (inaudible) a significant filtration capabilities. We add humidity into the airstream and it provides humidified air to the manufacturing process at the pharmaceutical manufacturing facility.

In the lower left is a group of six air handling units, two stacks of three. Each stack generates 100,000 cfm of airflow, and these six units are in use at a laboratory research facility in downtown Chicago.

One of the challenges for this project was space, so we used the stacks. Other challenges were the redundancy required within the air handling system, as well as the filtration because this research facility will be conducting experiments that will last 15 to 20 years. And obviously, the loss of air flow in the 10th year of a study would be critical, as it would result in the loss of 10 years' of experimentation.

And the last unit is 180,000 cfm unit. As seen here, it is on our manufacturing floor, completely assembled. That unit was shipped on 38 different tractor trailers. It was taken apart and shipped here to New York City and was placed on top of a medical facility here in Manhattan, and it was loaded and put on the rooftop in one day.

Slide 40: So that's the product. Why would somebody want to use a custom air handling unit as opposed to a standard unit that they could find in a catalogue or on line? It's because of the reliability of the unit. It's because we can add anything that the customer needs with regard to size, to special filtration, and to unique humidity controls or dehumidification capability. We have the ability to use excess energy, excess steam or heat generated from an alternative process and use that to drive the HVAC requirements of the system as well as the difficult ability to meet the sizing requirements.

For example, here at the New York Stock Exchange, we had to double the HVAC capabilities of what was installed 30 years ago and be able to keep that all in the same footprint.

Slide 41: Buffalo Air Handling participates in four different markets. The pharmaceutical market, as I mentioned, in both manufacturing as well as research. We participate in the hospital market, both for new construction and retrofit. For instance, in a hospital we might not have the HVAC units for the patient care rooms, but custom handling units are probably providing the HVAC for the operating rooms.

Buffalo Air Handling also participates in the university research market. Again, for the need for reliability and for the special custom HVAC capabilities. That's the green slice of the pie.

Slide 42: And the last market is general industry. The NYSE is an example. The needs of the HVAC systems are unique, and a standard unit would not be acceptable. Buffalo Air Handling has a small piece of the market, 12.2 percent. We believe that with our reputation and our engineering capabilities, we have the ability to grow this market. And that's just what we intend to do.

Slide 43: The marketing strategies developed by our team are intended grow our targeted markets. We have a great reputation in the industry. We need to provide our distribution network with better tools, more technical capabilities so they can sit in front of customers while they're designing a unit and provide drawings to them on the spot that will give us an advantage when the project goes out for bid.

We plan on broadening our product offering by introducing new components into our air handling units that typically have been installed in the field, or products that are adjacent to air handling units such as electronic controls and system controls within that will tie in to the HVAC main control systems of the building. And we plan to reduce our manufacturing costs.

We've been a company where the standard workflow started in one part of the building and moved to the other. We have been "stale" in our thinking.

We're challenging our employees, as well as our engineering team to identify opportunities that will enhance our strong reputation for quality, while reducing costs in the process.

We also plan to look for acquisitions that will offer complementary products -- primarily to assist us with our distribution network and to provide our sales representatives with a larger bag of tricks that they can take to the marketplace. We have detailed action plans that have been assigned, as John mentioned, to every team member and every person in the management throughout the organization,

Slide 44: And we believe that we will be able to increase Buffalo Air Handling's revenue by approximately 10 percent compounded annually.

The third division in the Air and Liquid process segment of Ampco-Pittsburgh is Buffalo pumps. We manufacture specialized, custom, centrifugal pumps that provide high reliability under continuous operation. The pumps are manufactured in our 100,000 square foot facility located in North Tonawanda, New York.

Slide 46: Here are some examples of our centrifugal pumps. The pump on the left is a 'Double Section Pump' that we supply to all surface combatant ship in the United States Navy. It pumps 2,900 gallons per minute in the fire protection system. It runs 24/7, deadhead pumping 2,900 gallons per minute at a 150 psi into the fire system, so that the sprinkler systems will open up and a fire will be prevented or extinguished. There are two pumps on this particular surface vessel. If there is only one sailor onboard ship, those two pumps will run.

The next pump is a 'Vertically Submerged Lube Oil Pump'. We custom design this pump for large turbine manufacturers. We provide lube oil to the main bearings of power generation turbines. It's such a critical application that there are normally two AC pumps, and one DC pump for the same service.

The one AC pump is on, pumping oil to the main turbine bearings as the turbine is running. The second AC pump sits there just in case the first AC pump fails. And then there's a third, but it's a DC powered pump that would do the same exact thing. If the first AC pump fail and the second AC pump fails, the DC pump comes on and brings the turbine down, and the lights go out in Georgia.

We don't want that to happen. We provide lube oil pumps to virtually all the major turbine manufacturers in the world. We've designed the product to meet the (inaudible) in the applications. We have the ability to test in our facility with turbine oil to prove the reliability and the longevity of these pumps in this critical application.

The third pump is a 'Seal-Less Pump'. This pump is manufactured without mechanical seals. If you're pumping something that you don't want to leak, that you can't afford to leak, that you must keep off the floor, Buffalo Pumps has designed a seal-less pump that will do all those things. The application for this pump are both in the chemical processing market as well as in the refrigeration market. As we all know, if you have a pinhole leak in the refrigeration system of your car, the air conditioning is gone It's the same thing with large industrial refrigeration systems. If you get a leak, the cooling effect is lost.

Slide 47: Buffalo Pumps participates in three markets. We provide centrifugal pumps on every combatant service vessel that the U.S. Navy builds. We manufacture the seal-less pump for industrial refrigeration systems for large cooling warehouses, as well as quick freeze manufacturing systems.

Slide 48: As a result of our analysis, we have developed several market strategies, and we have detailed action plans to support them. We need to make sure that we continue to focus on our existing customer base and continue to provide them with new technology and new capabilities so that we can continue to be a significant part of their design process and manufacture custom precision pumps for them.

We need to improve our aftermarket support. We need to make sure that our customers are maintaining our equipment the way they need to, and also provide assistance in that area, as well as the repair parts when and if they are needed. We have a good reputation for servicing our large OEMs today. Our plan is to build on that and find OEM applications where our technical expertise, our specialization of building a high quality long lasting centrifugal pump, will benefit them as well.

Slide 49: We're planning to reduce our manufacturing costs to be more of a (inaudible) sell manufacturing environment, increase our throughput, reduce our testing time. And we plan to explore acquisitions that will complement the products that Buffalo Pumps currently offers, as well as assist us in gaining additional opportunities and inroads with our existing OEMs.

Slide 50: With the implementation of these market strategies and the completion of the underlying action plan, we believe we can grow revenue at a compound annual growth rate of 5 percent.

The three businesses are all custom niche-market, high quality manufacturing businesses. As John said, they have been profitable, but the top line has not been growing. We believe in the market strategies and action plans in the strategic plan; we believe in the commitment of management and everyone throughout the entire Air and Liquid Processing segment to the strategic plan; and we believe we can grow the revenue at a compound annual growth rate of about 7 percent.

And I will turn this over to Dee Ann.

Good morning. I am Dee Ann Johnson. I'm the Chief Financial Officer of Ampco-Pittsburgh. I've been with Ampco now, roughly 16 years, and prior to joining Ampco I was with PricewaterhouseCoopers for 14 years.

John, provided an overview of our corporation and our strategic plan, and the gentlemen have provided insight into their operations. And what I would like to do now is to provide some detail into the financial targets of our strategic plan. Before I begin, however, I want to emphasis that our strategic plan is based fully on organic growth -- other than the recently completed acquisition of Alloys Unlimited earlier this year.

You've heard each of the gentlemen say that one of their market strategies is to explore acquisitions that complement their segment's s product. This strategic plan does not include any effect from any potential acquisitions. Additionally, the strategic plan does not include any asbestos-related cost or credit which may result.

Slide 52: As we look ahead, we are not expecting any improvement in the steel market in 2016 but a slow turnaround beginning in 2017. We are expecting the oil and gas market to begin to show some improvement in the second half of 2016. And for the air and liquid processing group, we are expecting slow and steady growth over the next three years. The objective is to be profitable with the level of business that we have now, and through diversification using our existing assets.

Our revenue stream had decreased over the past couple of years. Worldwide demand for product has declined. Market conditions are weak. There is overcapacity in the role industry. Our customers are operating below capacity. We are operating below capacity. But we believe it will change.

Slide 53: We see our revenue stream beginning to improve as the steel industry starts to turn around and as the oil and gas market begin to revamp.

Slide 54: Through 2018, we are targeting a cumulative annual growth rate in excess of 10 percent. As indicated, all of our contemplated growth, with the exception of revenue from the recently acquired Alloys Unlimited, is organic. Growth from 2016 to 2018 is principally due to new products, including the diversification effort at our Union Electric Steel facilities to include forged engineered products which should contribute the vast majority of the improvement, product expansion for the air and liquid processing segment which should add another 2 percent. And finally, a modest improvement in traditional sales of roughly 4 percent.

Slide 55: Historically, the Forged and Cast Engineered Product segment has approximated 2/3 of the corporation's revenue.

Slide 56: With the increase in revenue expected from the open die market, the segment should grow at a rate faster than the Air and Liquid Processing segment. Consolidated operating results before any one-off items are indicated in the solid green shaded areas. Actual operating results are indicated by the dotted lines. The difference between the two are asbestos related credit in 2013 of more than $16 million and asbestos related charges of $4.5 million in 2014, both pre-tax. .

Slide 57: Our operating income has been declining through September 30th. Earnings per share are roughly at a net loss of 19 cents. . At this time, before any one-off items, we expect to incur an operating loss for the year. Our cost reduction effort and efficiency improvements just can't offset the shortfall in shipment. And the loss of manufacturing utilization is resulting in poor absorption of fixed costs. But in 2016, we expect to begin to turn the corner with the corporation showing a small operating profit.

Again, this is assuming that the fracking industry begins to recover in the latter half of 2016 and there's no further deterioration in the steel industry. Additionally, the benefits of all our various initiatives will be more fully realized.

What are those initiatives? We reduced our workforce by approximately 3 percent in the second quarter. We centralized our back office function which not only reduces cost but provides a core capability to support future acquisition. We relocated our corporate offices from Downtown Pittsburgh to our existing Carnegie facility. This will save on cost, but also allows the teams to work more closely together in improving the businesses and implementing the action plans associated with our strategic plans.

We froze a portion of our U.S. defined benefit plan for current and future salary and non-union hourly employees earlier this year and replaced those benefits with employer contributions to a defined contribution plan.

In fact, we are very pleased to announce that last Monday, November 2nd, we ratified a new contract with the union employees of our Carnegie Pennsylvania facility. These employees have been working under the provisions of their previous contract which expired in 2012. The revised contract includes employee contributions towards healthcare. It replaces the defined benefit plan with employee contributions to a defined contribution plan.

However, we aren't finished. There are significant steps that still need to be undertaken and that we undertaking, such as further implementation of lean manufacturing strategies. We will be focusing on key performance indicators such as working capital management. We will be making sure our investments have an acceptable level of return and that we are able to recoup our investments within a reasonable period of time. All in, including what we have implemented and what we have left to implement, we are targeting a savings of approximately $10 million.

Slide 59: The majority of our capital expenditures are for the forged and cast engineered products group. Typically, our capital expenditures approximate depreciation. However, in 2014 through 2016, expenditures for our Union Electric Steel facilities are projected at a higher level as a result of purchases made to accommodate diversification into non-traditional roll product and an investment in a heat-treatment furnace. Going forward in 2017 and 2018, we currently expect capital expenditures for this segment to return to more normal levels.

As I've indicated, earlier this year, we consolidated our back office functions, including IT. One of our objectives is to migrate our various companies to a common ERP system. Capital expenditures for 2016 through 2018 include a higher portion of IT-related expenditures as we begin this effort.

Slide 60: We recognize our gross margin and net income as a percentage of net sales are mediocre. But remember, we are not expecting any recovery in the steel industry until 2017, and our diversification efforts are still in their infancy. Now, how do we get there? We will get there by replacing lower margin product with higher margin product through diversification and product substitution, by restoring ourselves as a market leader with renewed emphasis on R&D, identifying products that are wanted, needed, and demanded by the marketplace.

Additionally, we are optimizing our SG&A spend which -- as a percentage of net sales is expected to decrease to 12 percent by 2018. Net income, as a percentage of net sales is expected to approach 4 percent by 2018. While we realize world class is much higher than that, we are moving in the right direction. Thank you.

John Stanik: So that concludes the presentation and just a couple of comments to leave you with. We expect to grow our revenue and we expect to reduce costs. As Dee Ann pointed out, we are not projecting pie in the sky margins or pie in the sky income. We are planning to turn the company and turn the company very soon, and once we turn the company, then we expect to see it grow and see our results improve, not only significantly but quickly.

We're fortunate enough to have a significant amount of cash. We're going to use that cash wisely and make good investments. Our strategic plan is part of a completely integrated network system within the company. It's worked in the past for me. It'll work again this time, and we will make sure that we have accountability and communication so that it moves at a quick pace and, most importantly, our strategy won't get stale. We'll keep it fresh. We'll review it annually and then in 2018, of course, we'll start over and come up with a new five-year plan. So that concludes our presentation. I'll leave the takeaway slide up and we'll be happy to take any questions you ask.

Q&A

Please note: ***Due to technical difficulties, the questions that were asked were not pick up by the microphones. Therefore, the Q&A session includes only the answers to the questions.***

(Off-mike)

John Stanik: Yeah. I think that's a good question, Chris. On the organic side, I think that the company is going to commit to nothing less than 15 percent and preferably more than 20 percent, so we're talking about a fairly efficient use of the capital, giving us a quick return. On the M&A side, and I talked a little bit about this last Monday in my conference call, there are opportunities to strengthen the company by acquiring companies that are adjacent to the things that we're doing today or possibly competitors who might improve the things that we want to improve in terms of geography, et cetera.

So on that front, I think that the returns will be slower. They will be investments, but the intent will be that we achieve everything that we want to achieve in terms of who we are, being a market leader, and covering the world. So we will look at those one by one when we make those acquisitions. We'll communicated where we think we are with respect to return on investment.

I expect them to be immediately accretive and if not immediately accretive, then when we capture the synergies, which will be done over a short of period of time let's say three or six months, they'll be accretive after that. Yes?

(Off-mike)

John Stanik: About 13 percent.

(Off-mike)

John Stanik: Correct.

(Off-mike)

John Stanik: OK. I don't really know what to say about the board. I think that the board size is a little large compared to what I'm used to, maybe by one or two board members. So I think in terms of appropriate size, we're comfortable with an eight-to-10 or 12-member board, so I don't think it's overly large. It's not difficult to manage. At least, it doesn't seem to be.

I've been on the board for almost a year, and as I look at the expertise that gathers around the table, it's formidable. I'm very pleased with the type of people we have on the board, the experience level that they have. We have a lot of investments-type of expertise. As time moves forward, will there be changes as we get retirements? Yes.

I think we'll look for diversity. I think we'll look for perhaps manufacturing expertise. Naturally, these things are the job of the nominating and governance committee, but based on my input, I think that's what we would like to have. I think we'd like to have some international influence also or someone who has had a significant amount of experience in Asia and other parts of the world. So that's one issue.

Another thing that we're doing that we began at the end of last year is we're taking a look at just governance in general and how we may improve the nature of the board in the future: Will we have mandatory retirements? Will we continue to stagger the board? -- Those types of things. All of those things are in the conversation at this point in time.

So I expect there to be a transition over time. I expect stability in the short term. We've got a lot of very important tasks ahead of us. We have a lot of experience with the way the company has been run. The board has been very supportive of me. They've been very clear on what they're looking for in terms of changes in the company.

So I'm very comfortable with where we are right now, but once change does need to occur from retirements or whatever, we'll put together a good plan and come up with some diversity and some other types of expertise that will round us out a little bit.

Regarding the dividend, that's a very good question. The dividend has been in place for a period of time. It is high and at this point, I consider it necessary because of the patience we're asking our investors to have for a company that is not performing. As we move forward and as the company moves forward in turn and becomes more profitable, we'll see whether there are better ways of spending that money.

I believe and my recommendation to the board is that you don't change dividends often, but if you do change them, you change them because you have something smarter to do with the money. The board has begun to talk about buying back shares because we believe the current price is a real bargain. And we believe that the company is considerably more valuable or will be more valuable as a result of the things that we're doing. So that's one of the issues that we are also discussing.

But until we have produced, until we have come up with something that rewards our shareholders, I think the dividend, unless we come up with something that's a wiser investment, I think the dividend stays but I can also assure you, it is very thoroughly discussed each and every quarter.

(Nick), you had a question?

(Off-mike)

John Stanik: I'll let Dee Ann take the details of that question, but one of the things that I want to make clear to everyone listening in is I do not consider the asbestos issue to be a distraction. I don't consider it to be an issue that constrains the strategic use of our cash. Naturally, we will watch this situation carefully. We will negotiate hard with the people who have not ponied up with the money that we have paid for in terms of insurance. So the amount of spend per year has been stable. It's only $4 to $6 million. So while it's out there, while we are a conservative company and while we are looking very hard at acquisitions at this point, we will not let our cash fall below a very, very comfortable point, which is one of the reasons that I have been working to get the asset base loan in place for some of the strategic things that we're thinking about.

So, Dee Ann anything to add?

Dee Ann Johnson: In terms of calculating the liability and estimating our receivable, we use well known experts in each of those fields to assist us in determining that projected liability and that estimated receivable amount. Currently, the liability is on the book through 2024 and the receivables match that period through 2024.

Every year, we take a look at how reasonable that value is and ask ourselves if we have any more information that would allow us to change those estimates that we use to estimate that liability or those receivables. If there isn't, then we don't adjust it and then every other year, we really try to dig down deep, see if we can go out another couple of years, if can we go out further than a couple of years and roll that liability out enough, but typically it results in the plus or minus to the P&L.

The ultimate liability, we believe, lasts until 2045 to 2050 depending on what expert that you talk to. Past charges and credits are not necessarily indicative of what future charges or credits will be. It all depends upon how those receivables, how the corresponding insurance receivables roll out in to those future period.

Past liabilities may or may not be indicative of future liabilities, as different cases are placed in different jurisdictions or [there are] changes in different jurisdictions. As we sit here now, we think it's well controlled, well managed. The insurances that we have on the books are only those that are well rated that we don't think are at risk.

Every time we do an evaluation, we take a look at the credit worthiness of them and would just accordingly. Right now, our (inaudible), which is what I refer to as the difference between our liabilities and our receivables is roughly $45 million and, we paid that out over a period of time. Our net cash out flow is roughly $46 million a year, very manageable.

(Off-mike)

D. A. Johnson: I don't know the spread right now. I don't have that information with me, but the formula that we do use is acceptable. It is the most common formula used in the industry to project that, as well as widely accepted, but there are different variations exist, but we're comfortable with what we have on the books right now and it's well accepted.

John Stanik: Yes?

(Off-mike)

John Stanik: I'm sorry, I didn't catch the question.

(Off-mike)

D.A. Johnson: The SG&A perspectives from the individual operating locations should continue to go down as we change from define benefit plans. You'll see those begin to get under control. We have replaced those with a DC plan so you'll see some matching contributions.

Also, setting up a centralized back office, we pulled some cost out of their locations again to the corporate SG&A. We are filling some key gaps in our employee ranks, which will offset the savings.

John Stanik: Somewhat.

D. A. Johnson: Somewhat and in addition, we're going to be making some investments in R&D. Historically, our R&D spend has been about in rough terms $1.5 million. It should be about that this year, but going forward, you will see a higher level of R&D spend as we increase focus on investing in products that our customers are interested in.

John Stanik: And I think it's a good answer. I think that we will continue to work with the remaining unions. It is our desire to get defined contribution pension plans everywhere. It is our intention to go lean everywhere. It's our intention to keep our SG&A well controlled and I think, a 12 percent SG&A number is bordering on commodity. We're not a commodity company, however, our margins are behaving like one.

So at this point in time, I think I do not see that number going up appreciably. If we spend $2 million in R&D, I think that's adequate. We're slightly above that for a period of time. So I think we've got our fixed costs moving down, but I think we have our costs moving down and I think they're going to stay there.

D. A. Johnson: From an SG&A perspective, I don't want to be misleading. We do have a high level of fixed cost at the operating locations, at Union Electric Field, so when we're operating below capacity, we're not absorbing the fixed cost that we need to absorb.

But from an SG&A perspective, we are managing our fixed costs, and even from a cost to sales perspective, with the lean manufacturing strategies, we're (inaudible) there as well.

John Stanik: Yes, Nick?

(Off-mike)

John Stanik: You mean the bridge at the end percentage?

(Off-mike)

John Stanik: So all the new products are just organic.

(Off-mike)

John Stanik:

Other than the small AUP acquisition that we bought in July, yeah they're all organic and the vast majority of -- the one block that was on the left hand side of Dee Ann's slide had to do with the forged product -- engineered product, so in the open dye area, so that was the largest block.

There is also in that large block a portion of the new products that we're rolling out -- pardon the expression -- in the roll industry that are in that piece and then Terri's was in the 2 percent piece that he had.

D.A. Johnson: If you go to slide 54, you will see that I tried to bridge the gap from our base. I used 2014 as the base. Yeah, it might be a little difficult to read, so apologies. But what I was trying to show was, if I use 2014 as a base, how do we get to 2018? And that's fully on organic growth other than the small acquisition of AUP.

But the new products from Union Electric should add roughly 21 percent. The new products from air and liquid processing group, roughly 2 percent and then we're expecting a slight rebound in our traditional sales of 4 percent.

John Stanik: The only thing I want to point out is because is that we do have a situation where a new product that we introduced in the roll industry will be replacing a commodity. So if we talk about product substitution with the new products that we bring to the market, they will be aimed at higher margins and in areas that aren't so competitive that we offer value and capture higher margins.

While the traditional roll sales aren't growing that much, there is new product development in that group that's product substitution that matches up with the new products that we're introducing when I mentioned the nine new products into the roll industry.

John Stanik: So what we're doing -- this is important and hopefully, it wasn't lost in Rodney's presentation. With the current market conditions, customers are making their decisions based on price. We see that as an opportunity and what we need to do is be very smart about what we're offering in each situation.

We can offer higher performance, and that costs more, or we can offer low cost with performance that matches. We plan to be the supplier who can do both of those things, and we'll let the customer choose. Hopefully, as we roll that tactic out, that will raise margins overall if it's successful and as time goes on and as the markets do recover, then of course, performance will become more important as it has been in the past, and then we'll see these new products capturing higher margins through our performance.

Terry Kenny: And that same thing will happen with the air and liquid processing segment. As we roll -- as we improve our existing products in roll technology, we will be selling that product in place of the existing product that we've been supplying, say to the power generation market.

(Off-mike)

John Stank: Well, I would love to say yes, but I'm not confident yet. I don't know. I think when you're talking to a company that claims they're a specialty value-added company, those are the numbers. That's the ball park you need to be in, probably even north of 30.

Can we get there? I don't see it right now. I hope I do 16 -- 18 months from now. Our goal is to get there.

(Off-mike)

John Stank: I don't think we did an overall capital or did we?

D.A. Johnson: It's going to be slightly more than our deprecation over the coming years.

(Off-mike)

John Stanik: So let's see -- what is our depreciation level? By 11?

D.A. Johnson: Yeah, historically our depreciation level is about $11 or $12 million. Going forward, it's going to be slightly more than that as we make a few investments in order to expand into the nontraditional roll market. In addition, you're going to see corporate have a higher level of capital spends as we migrate all of our operations to a common ERP system, so that's sort of a one off.

But as we go out to 17 and 18 years, we expect the operations to return to a more normal level of capital expenditures and not be in line with depreciation.

John Stanik: Yeah, I'd say probably 40 -- 45 is the range for the three years.

John Stanik: No, well the $10 million -- we have to be careful about the numbers, we're not done reducing costs, so we have captured a portion of cost reduction. Some of it has been reported in the results for 15. Much of it has not yet hit. It will be in 16 and then there will be costs such as the cost reductions that Rodney spoke about, the natural gas hedging for example. None of that has occurred yet. That's all going to begin in 2016.

Our goal is to be profitable at the current level of business. If you follow the steel industry, there's not a lot of people who are doing that. We believe that we can get there. So the question is when, and we're going to be as aggressive and as quick as we can, but we have projections beyond the $10 million, but I prefer not to expose those right now.

Yes, Al?

(Off-mike)

John Stanik: I think compared -- I have to be careful when I say this because Dee Ann corrects me, but I think, compared to a previous period whether that's 13 or 14, we think that that $10 million is real and in the bank and that will happen at some point in 16.

John Stanik: Well, I think it's extremely important. I think that -- I hope that the rulings are favorable. In my previous life, I had the same problem with activated carbon and we resorted to protection with (pears). It made an incredible difference on our business. Dumping was proved. In fact, it still -- (tear ups) are still in place.

The situation is very complex for those of you who haven't been involved or have had it described to you, but every year, there's an adjustment upward or down, but what I can tell you is, it had in the activated carbon industry, an immediate positive effect.

If the other two are favorable, if the other two rulings are favorable, I think prices for steel will increase hopefully, immediately, at least in the US. There are numerous other countries who have filed. In fact, in the United States, there are filings against other countries other than China. So let's see where all of this goes.

I think it's very important to note that the steel industry is vital for defense, not just construction and automobiles and things like that. So I think the protection is necessary. I think it's been long overdue and hopefully it will occur and if does occur, perhaps our 2017 projection will be exceed and the recovery will be a little sooner.

Yes, Chris.

(Off-mike)

John Stanik: We've done OK in the blocks that we have sold thus far. In terms of the other products, I assume that there are going to be margins in the same vicinity. So I think that where our gross margins are potentially in that value-added range, that's a previous question asked, but to be really candid about it, I don't think we know enough yet to speculate what the minimums will be or what the maximums will be.

As you listened to what Rodney said, the encouraging thing is it's a very large market in this country. It's a very large market around the rest of the world. There are two main competitors in this country. The market has pulled us in to the fracking industry, which is a good sign, which means there are some customers who aren't satisfied or want more suppliers.

So I think that we have a lot to learn. I think there's a big market out there and we can capture hopefully at least a small part of it quickly and in six months or maybe a year, we'll be able to answer those questions a little better than I can today, but certainly, significantly higher than what our roll business is bringing in today.

Gail, are there questions that are going to come from the outside?

John Stanik: It's [The DB plan] frozen. It's not terminated.

D.A. Johnson: That's for the defined benefit, not on the DC plan. It's founded upon the benefit plan that we're freezing.

(Off-mike)

D.A.Johnson: Correct.

John Stanik: Significant, yeah.

(Off-mike)

John Stanik: Not for the Carnegie piece.

D.A. Johnson: Right.

John Stanik: It's up to date for the salaried workforce, but it's not up to date for the change that occurred last Monday.

D. A. Johnson: Right. So if you would take a look at the liability on the books as of September 30th that would be reflective of the curtailments that occurred earlier in the year. That was effective as of July 1st. And then, it was just on November 2nd that the Carnegie employees ratified the contract and agreed to freeze the defined benefit plan, so that's not reflected in the September 30th numbers. It will be reflected in the December 31st numbers, and that value, I don't know yet because the actuaries are just working on it.

D. A. Johnson: Right. There will be a small charge as we roll out the recognized prior service power cost, not expected to be significant, and then there will be a reduction in the liability as we froze that plan.

John Stanik: Yeah, we've investigated that and really dug deep and based on -- and that's been somewhat historic. Those studies -- based on what our experts have told us and what I've been told by our people, it's not relevant to where we are.

I think, Gail that's -- let's sign off.

Female: Yes...

Male: I want to thank everyone for coming this morning. Stay tuned. There will be quite a bit of change in the future as it has been thus far. So, but I appreciate your interest.

END