AMPCO-PITTSBURGH CORPORATION

Moderator: Rose Hoover
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10:30 a.m. ET

Operator: This is Conference #: 88244271 .

Good morning. My name is (Leann) and I will be your conference operator today. At this time, I would like to welcome everyone to the Ampco-Pittsburgh Fourth Quarter and Year-End Earnings Call.

All lines have been placed on mute to prevent any background noise. After the speaker's remarks, there will be a question-and-answer session. If you would like to ask a question during this time, simply press start then the number one on your telephone keypad. If you would like to withdraw your question, please press the pound key.

We ask that you please limit yourself to one question and one follow-up question. If you have an additional question, please press star one again, once your line has been closed. Thank you. Rose Hoover, executive vice president, you may begin your conference.

Rose Hoover: Thank you Lee-Ann. Good morning, everyone, and welcome to our earnings call for the fourth quarter and full year ended December 31, 2014. My name is Rose Hoover and I am the executive vice president of Ampco-Pittsburgh Corporation.

With me today are John Stanik, chief executive officer and Dee Ann Johnson, chief financial officer of Ampco-Pittsburgh. Rodney Scagline, executive vice president of the Forged and Cast Engineered Products Segment. And Terry Kenny, president of the Air and Liquid Processing Segment are also with us.

Before we begin, I need to read the following Safe Harbor Statement regarding forward-looking information. Statements or comments made on this conference may be forward-looking statements and may include financial projections or other statements of the corporation's plan, objectives, expectations or intentions. These matters involve certain risks and uncertainties, many of which are outside of the corporation's control.

The corporation's actual results may different significantly from those projected or suggested in any forward-looking statement due to a variety of factors, including those discussed in the corporation's most recently filed Form 10K and subsequent filings with the Securities and Exchange Commission. We do not undertake any obligation to update or otherwise release publicly any revision to our forward-looking statement. I will now turn the call over to our Chief Financial Officer Dee Ann Johnson.

Dee Ann Johnson: Thank you, Rose. Good morning, everyone. Sales for the fourth quarter of 2014 were $74.6 million versus $77.1 million for the fourth quarter of 2013. A decrease of $2.5 million or 3.2 percent.

Sales for 2014 were $272.9 million compared to $281.1 million, a decrease of $8.2 million, or approximately 2.9 percent.

The decrease is primarily due to a lower volume of shipments and weaker pricing for our forged and cast engineered products group.

Gross profit as a percentage of net sales was 19.7 percent in the fourth quarter of 2014 compared to 23.7 percent in the fourth quarter of 2013, a decrease of 4 percentage points.

For the year, gross profit as a percentage of net sales was 19.9 percent and 22.7 percent for 2014 and 2013, respectively, a decrease of 2.8 percentage points.

The decrease is primarily attributable to a lower volume of shipments and ongoing price discounting necessary to remain competitive for our forged and cast engineered products group.

Additionally, during the fourth quarter of 2014, the forged and cast engineered products group reported a charge of approximately $1.1 million to write down inventory to its estimated net-realizable value.

This inventory was produced for an international customer but is likely not to be sold.

While not as significant for the year, gross profit for the air and liquid processing group for the fourth quarter of 2014 was hampered by product mix.

Selling and administrative expenses were approximately $10 million for the fourth quarter of 2014 compared to $11.5 million for the fourth quarter of 2013, a decrease of $1.5 million, or 13 percent.

For the year, selling and administrative expenses totaled $37.4 million for 2014 and 39.7 million for 2013, a decrease of $2.3 million, or 5.8 percent.

The decrease is primarily due to lower employee-related cost and commissions.

In the fourth quarter of 2014, the corporation recorded a pre-tax charge of approximately $4.5 million, representing an extension of the estimated cost of pending and future asbestos claims net of additional insurance recovery from 2022 to the end of 2024.

The pre-tax credit for asbestos litigation in 2013 of $16.3 million represents the estimated additional insurance recovery expected to be available to satisfy asbestos liabilities through 2022 resulting from settlement agreements reached with various insurance carriers in 2013.

The claims result from alleged personal injury from exposure to asbestos-containing components historically used in some products manufactured by certain companies, which now operate as divisions of the air and liquid processing segment.

Other expense fluctuated primarily as a result of changes in foreign exchange, gains and losses and charges related to operations discontinued years ago.

For the fourth quarter of 2014, losses on foreign exchange transactions approximated $400,000, whereas fourth quarter of 2013 benefited from foreign-exchange gains of approximately $300,000.

Charges related to discontinued operations approximated $150,000 for the fourth quarter of 2014 versus $400,000 for the fourth quarter of 2013.

For the year, losses on foreign-exchange transactions approximated $500,000 for 2014 and $225,000 for 2013. Charges related to discontinued operations approximated $450,000 for 2014 and $1.4 million for 2013.

The decrease in charges related to discontinued operations from 2013 to 2014 is primarily attributable to lower pension-related cost.

Our statutory income-tax rate equals 35 percent, which compares to an effective income-tax rate of 85.9 percent for 2014 and 21.4 percent for 2013.

The effective income-tax rate for 2014 looks unusual because of the nominal loss we incurred for the year.

Both years benefited from favorable permanent differences for our domestic operations, our share of losses from our investment in the forged-roll joint-venture company, and for 2013, the impairment charge recognized on our investment in the forged-roll joint-venture company.

Equity losses in the Chinese joint venture represent Union Electric Steel's share of losses from its 49-percent interest in a Chinese joint-venture company and for 2013, a pre-tax impairment charge of approximately $6.4 million to reduce the carrying amount of its investment to its estimated fair value.

The carrying amount of the investment as of December 31, 2014 is less than $2.6 million.

In summary, the corporation incurred a net loss of approximately $2 million, or 20 cents per common share, for the fourth quarter of 2014 in comparison to a net loss of approximately $1.5 million, or 14 cents per common share, for the fourth quarter of 2013.

For 2014, we lost approximately $1.2, or 11 cents per common share, which compares to net income of approximately $12.4 million, or $1.20 per common share, for 2013.

Net loss for the fourth quarter and year ended December 31, 2014 includes an after-tax charge of approximately $2.9 million, or 28 cents per common share, for the estimated increase in the cost of asbestos-related litigation net of estimated insurance recovery.

Net loss for the fourth quarter of 2013 includes an after-tax charge of $4.2 million, or 40 cents per common share to recognize an impairment of our investment in the forged-roll joint-venture company located in China.

Net income for 2013 includes an after-tax credit of approximately $10.6 million, or $1.03 per common share, for estimated additional insurance recovery expected to be available to satisfy asbestos liabilities through 2022, resulting from settlement agreements reached with various insurance carriers, off-set by an after-tax charge of approximately $4.2 million, or 40 cents per common share, to recognize an impairment of our investment in the forged-roll joint-venture company for a net increase to net income of approximately $6.4 million, or 63 cents per common share.

From a segment perspective, sales for our forged and cast engineered product segment decreased approximately $3 million, or 5 percent, for the fourth quarter of 2014 compared to the fourth quarter of 2013 and approximately $8 million, or 4 percent year over year.

The decrease in sales is principally due to a lower volume of shipments attributable to the worldwide reduction and demand for roll.

Additionally, pricing and profit margins suffered due to the supply-demand imbalance and increased competition in the roll industry.

Weighted-average exchange rates used to translate sales of Union Electric Steel U.K. Limited from the British pound sterling to the U.S. deteriorated during the fourth quarter of 2014, reducing sales by less than $500,000.

For the year, however, the weighted-average exchange rate for 2014 were higher than those in 2013, which increased sales for the current year by approximately $2.9 million when compared to the prior year.

The change in the weighted-average exchange rates did not have a significant impact on operating income for the current quarter or year.

Sales for our air and liquid-processing segment for the quarter were relatively comparable, a slight increase of $484,000, or 2 percent, for the fourth quarter of 2014 compared to the fourth quarter of 2013.

While shipments of pumps and air-handling units increased, sales of heat-exchange coils decreased.

Sales for our air and liquid processing segment for the year were relatively flat, a small decrease of $294,000, or less than 1 percent.

Net sales of pumps grew slightly at approximately 2 percent in 2014 from 2013.

While shipments of commercial pumps increased, shipments to U.S. Navy shipbuilders and pump-replacement parts declined.

Net sales of air-handling units increased in the current year from a year ago due to an increase in the volume of shipments principally to the pharmaceutical market.

Net sales of heat-exchange coils decreased by approximately 8 percent principally due to a lower volume of shipments for the fossil-fuel and nuclear-power generation market, which is being impacted by reduced demands and increased competition.

Operating income for the fourth quarter of 2014 and for the year for this segment was impacted by the previously mentioned asbestos-related pre-tax charge of $4.5 million.

By comparison, calendar year 2013 benefited from the pre-tax credit of $16.3 million.

The pre-tax credit of $16.3 million occurred in the third quarter of 2013. Accordingly, it did not impact operating income for the fourth quarter of 2013.

Excluding this asbestos-related activity, operating income for the fourth quarter of 2014 was less than the fourth quarter of 2013, primarily due to changes in product mix, but full-year 2014 approximated 2013.

Backlog at December 31st, 2014 approximated $168 million in comparison to $197 million at December 31st, 2013, a decrease of approximately $29 million or 14.7 percent. Backlog for the forged and cast engineered products group decreased $28 million or 17.7 percent, and backlog for the air and liquid processing group dropped approximately $1 million or 3.4 percent.

The decrease in backlog for the forged and cast engineered products group is primarily due to a combination of larger customers placing orders quarter by quarter versus annually, and the fall-off in demand as roll customers operate below capacity.

The decline in backlog for the air and liquid processing group is attributable to fewer pump orders from U.S. Navy shipbuilders and a decrease in orders for air handling units, offset by a larger order for the fossil fuel power generation market.

Now, regarding our balance sheet. Cash and cash equivalents approximated $97.1 million at December 31st, 2014, in comparison to $97.9 million at December 31st, 2013, a decrease of approximately $800,000. Accounts receivables increased $4.6 million year over year. The increase is attributable – primarily attributable to the mix of customers, slower payments by customers, and longer payment terms granted to customers.

Inventories decreased $9.4 million at December 31st, 2014 from December 31st, 2013. The decrease is primarily due to a lower level of work in progress related to the decline in the volume of business activity for rolls, for our forged and cast engineered product segments.

As a result of the analysis undertaken toward the end of the year of our asbestos-related liabilities, which resulted in the previously mentioned asbestos-related charge of $4.5 million, we recorded approximately $51.5 million of estimated additional asbestos-related liabilities and $47 million of estimated additional insurance recoveries, which are expected to be available to satisfy the asbestos-related liabilities.

Employee benefit obligations increased at December 31st, 2014 from December 31st, 2013 by approximately $32 million, primarily due to the recognition of the change in the funded-unfunded status of our various employee benefit plans. The increase is principally a result of changes in assumptions for discount rates and longevity, which increased employee benefit obligations by approximately $48 million.

Countering some of the increase, the U.S. defined benefits pension plan was amended during the year to permit lump-sum distribution to select groups who had a value under a prescribed threshold, which resulted in lump-sum payments in excess of $9 million.

Additionally, the other post-retirement benefits plan was modified. Effective January 1, 2015, existing coverage for certain groups will be replaced with monthly reimbursement.

The plan change resulted in a re-measurement of the plan liability, reducing the liability by approximately $9 million.

Moving onto cash flow, the corporation generated net cash flows from operating activities of approximately $19 million in comparison to $38 million for 2013. The majority of the decreases associated with changes and accounts receivable.

Net cash flows used in investing activities approximated $13 million and $12 million for 2014 and 2013, respectively, and represent primarily capital expenditures for our forged and cap engineered-product segment.

As of December 31, 2014, we have commitments for future capital expenditures of approximately to $6 million to $6.5 million, the majority of which is expected to be spent in 2015.

I will now turn it over to John.

John Stanik: Thank you, Dee Ann.

Good morning, everyone. Welcome to Ampco-Pittsburgh's first quarterly call in quite some time.

Before getting to the discussion about Q4 in 2014 to make a few points, I believe a few introductory comments are appropriate.

Ampco-Pittsburgh corporation operates two principle business segments. The Union Electric Steel forged and cast engineered product segment and the air and liquid processing segment.

Union Electric Steel, or UES, mainly provides forged and cast rolls for the ferrous and non-ferrous industries.

Our manufacturing facilities for UES are located in Pennsylvania, India, the United Kingdom and via two joint ventures in China. Business has a long and proud history going back to the 1920s.

The air and liquid processing system segment contains manufacturing operations in Virginia and New York, which provides equipment, including finned-tube heat exchangers, centrifugal pumps and large specialized heating, ventilating and air-conditioning systems.

All three elements of this segment market engineered custom equipment tailored to specific customer requirements in many industries, including military, medical, chemical and the power industry.

While not exhibiting much growth, these three divisions are relatively stable with two being profitable in 2014, the remaining third, approximately break-even.

As Rose mentioned, my name is John Stanik. I am the new CEO for the company, having started my position here on January 2, 2015.

As I was not here in Q4, I've asked Rodney Scagline of UES and Terry Kenny of Air and Liquid Processing to join me this morning to answer any questions relating to 2014 about details of marketing information, performance, backlog, et cetera.

: Rose Hoover will respond to any asbestos-liability-related questions. And, of course, Dee Ann Johnson will handled financial questions. I will handle the forward-looking information.

A little bit more about me. I have been a CEO previously. For approximately 9.5 years, I was CEO of a global environmental products and services company.

I took over leadership of that company during a very difficult period of time in its history. During my tenure, we developed and implemented new strategies, which included new product development, several acquisitions, and two divestitures.

While I was CEO, the company's revenue more than doubled. We entered into several new markets. And earnings went from a loss to a sizable positive EPS. And average share price nearly tripled.

The importance of sharing this brief history is that Ampco-Pittsburgh Corporation finds itself in a difficult situation at this point in time, and I want to tell you that I personally have been in this situation before.

For the past few years, Ampco's revenue has decreased, as has its margin. This is primarily the result of difficult market conditions in the industries that Union and Electric Steel serves. UES provides vital components for rolling mill operations, primarily in the steel and aluminum industries. A number of new competitors have entered the market in recent years. And considering the operating level of the industries we serve are currently less than 75 percent of capacity in the U.S., even less in Europe, having a large competitor base has resulted in an excess supply of products in the industry.

Many of our customers have made this situation even more difficult for us by demanding sizable price reductions in order to reduce their costs and improve their financial performance.

The result has been a downward spiral of profitability, exacerbated by fierce competition for volume by the competitors.

With the large portion of revenue that UES provides to Ampco-Pittsburgh Corporation, the UES operation results have somewhat overshadowed the Air and Liquid Processing segment stability and profitable performance.

Additionally, we have a significant legacy issue. A company we acquired in the early 1980s previously marketed products that contained small amounts of asbestos-containing materials. Consequently, a number of lawsuits have been filed alleging negative health impact to people who have worked with products that company sold.

The fourth quarter of 2014, as you heard Dee Ann report, included a negative pre-tax charge of nearly $4.5 million. While we have a strong understanding of this issue and a good assessment of our liability, it is very possible that additional hits like the one we experienced in Q4 2014 could occur again, when we revalue the liability in future years.

In a nutshell, this brief explanation covers the deteriorating performance of Ampco-Pittsburgh Corporation, not just for 2013 to 2014, but over the past few years.

So the important question is, what are we going to do about this. Despite the fact that we continue to be tied to the metals industry and its cyclical economic conditions, I believe our company has excellent prospects.

During my first two months here, I've initiated a number of evaluations, covering just about everything we do. Many of these evaluations will continue for several additional weeks.

For the ones that have been completed and the ones where significant progress has been made, it is clear there are numerous opportunities to reduce cost and improve profitability. In order to capture these opportunities, numerous changes will be necessary during 2015. And I'll list some of them for you.

Number one, the UES business will implement new strategies and tactics to approach its business, including a reduction in our operating capacity and immediate cessation of price reductions. In fact, we will be implementing a price increase of up to 10 percent beginning in March 2015.

This is necessary in order to provide our customers with the quality of products and the new technological advances in our products to sustain and improve their rolling mill operations.

Number two, we are evaluating the benefits of a reorganization which would centralize our administrative functions, thereby providing a strong core capability to assist all of our segments in any future businesses we acquire.

Number three, by September 30th, we will have developed a new strategic plan that will outline our actions through the year 2018 specifically addressing top-line growth, margin improvement and naturally net income.

Four, we're in the process of revamping our compensation system, to increase the portion of compensation that is incentive based and potentially provide gain sharing for all employees.

Number five, we plan to utilize our strong balance sheet to acquire businesses that contain synergy, while relatively low risk, due to their adjacency to our existing businesses and, of course, will provide strong internal rates of return.

And, six, finally, we're currently working to improve our financial performance of our Chinese joint ventures in order to eliminate or at least minimize the negative return they have been providing to us the last couple of years.

So, as you can see, 2015 is a very important year for us. These changes will occur as soon as possible, with as many as possible occurring simultaneously.

However, I believe it will take a few quarters to completely implement them, especially those which will provide revenue growth. However, I would be disappointed if we do not show year-over-year profitability improvement by the second half of this year, 2015.

Our short-term goal is to stop the decline and to improve our financial performance over 2014 quarterly results. We need to make good decisions, based on thorough analysis and consistent with a better, prosperous future. We will justify every investment we make with a high level of return on investment, or ROI.

Looking ahead to Q1 2015, I do not expect significant revenue growth over Q1 of 2014, as our business is seasonally cyclical with Q1 being the weakest.

Revenue and earnings sequentially for Q2 of 2015 should increase over Q1. But Q1 of 2015 may decline compared to Q1 of 2014.

Thank you. We will now take your questions.

Operator: At this time, I would like to remind everyone in order to ask a question, please press star then the number one on your telephone keypad.

Again, please limit yourself to one question, and one follow-up question. If you would like to ask additional questions, please re-queue again.

We will pause for just a moment to compile the Q&A roster.

And our first question comes from the line of Gregg Hillman from First Wilshire Securities.

Your line is open.

Gregg Hillman: Yes. For each of your major divisions, could you talk about how you're differentiated you know from the competition? And also, and can you talk about whether you have basically people in the R&D area that can make a difference in future innovations in those divisions?

John S. Stanik: Good question, Gregg. Yes, we can speak to that. Let's do them one at a time.

I think in the UES business, having been primarily a roll supplier, we believe that the quality and the performance of our products are superior and certainly one of the two or three best that are supplied in the entire world. We can justify that with operating performance measurements that demonstrate that our rolls last longer and require less attention.

The other thing that we provide is a long history of service and customer support, that differentiates us from our customers.

And, finally, perhaps as important as the other two, is our on-time delivery and first-time quality performance, which, when you're running rolling mills and when you're running large steel-making operations, you must have your rolls when you need them, and they must be of a quality nature.

Regarding the equipment segment, our equipment is custom-engineered, and what that means is there really isn't any standard design. So through our reputation, through our close communications with our customers, through our method of working with customers prior to them issuing their bid specification, we can work with them from a very early point in their selling cycle to help them identify the space they need, the budget they need, the other types of requirements for the installation. That's one point.

Our equipment has a very major users list, and has a long history in all three elements of excellent performance, longstanding performance. We make our HVAC systems with very strong materials of construction that stand the test of time. Our pumps are utilized by the military, which generally is enough of a statement. And one of our largest customers is General Electric, who protects their very high investments in turbines with – with our pumps, which are used for – for oil and – and what, Terry, oil and…

Terry Kenny: Lubricating the turbine bearings.

John S. Stanik: Yes. So, those are the – those are what I would say differentiate us. Now, does that mean we're the best in the business and we should be getting more business? Obviously, the numbers don't show that. So, that is why we need to take some of the steps that I outlined just a few minutes ago.

Regarding the second part of your question, which is R&D, we are planning to invest more money in technological advances, particularly in the roll business and some of the other forged products that – that we're marketing at this point in time to establish superior performance, longer role longevity, et cetera – and some new product development, which we may have some news on in a relatively short period of time.

On the other side – back to the air and liquid processing system – we spend, as a percentage of sales, probably a higher number in that segment, historically, than we do in the UES side. And we're kicking out new products which are based on what customers are telling us they want.

Overall, to be very candid with you, based on my experience, we're not spending enough on R&D. And – and that's an issue. But I can assure you, within the next few months, that trend will reverse, and – and we will be issuing more technological advances in both segments.

Gregg Hillman: OK, thank you.

Operator: Again, if you'd like to ask a question, please press star followed by the number one on your telephone keypad.

Our next question comes from the line of Justin Bergner from Gabelli and Company. Your line is open.

Justin Bergner: Good morning, John. Welcome to the company.

John S. Stanik: Thank you. Good morning, Justin.

Justin Bergner: I just had a few clarifying questions because there's a lot of information that came out pretty quickly. So, apologies if I'm going over stuff that was already said.

Were there any impairments taken in 2014 or the fourth quarter of 2014? Or were you just referring to impairments of 2013?

John S. Stanik: Well, the impairment that you're referring to was for the Chinese joint venture in 2013. There were numerous hits for other things that I wouldn't call impairments. We – we had some inventory for a foreign customer that – they weren't paying us, so we stopped shipment. And that was the 1 – what was it? $1.2 million?

Dee Ann Johnson: $1.1 million in the fourth quarter.

John S. Stanik: Yes. Yes, $1.1 million. But other than that and the asbestos hit, which is just the revaluation to add two more years of – of coverage for the lawsuits – those were the only things, Joe.

Justin Bergner: OK, thank you. So, the $1.1 million wasn't an impairment charge, but it did have one-time characteristics associated with dropping…

John S. Stanik: Correct.

Justin Bergner: … customer? OK.

And then secondly, you referred to, I think, the utilization rates being on the order of 75 percent. Were you referring to the steel industry, or were you referring to your own utilization rates?

John S. Stanik: No, the steel industry.

Justin Bergner: OK.

John S. Stanik: Yes, I think yesterday, they reported it something like 72 percent, and Europe's less than 65 percent. So, these are very low numbers.

Justin Bergner: OK.

John S. Stanik: Now, let me – let me add one thing that I want to make sure I focus on. Clearly, there is a supply and demand imbalance in this business. And being a market leader, we have taken the step to reduce our capacity. And we are this week idling temporarily roughly all of our roll manufacturing capability at our Pittsburgh operation. And we'll manufacture the majority of our rolls in Indiana. So, that represents nearly a 50 percent reduction in – well, maybe 40 percent reduction in operating capacity for our capacity. Which, under these marketing conditions, I think is the proper approach to try and hold onto value in this very important business.

Justin Bergner: Thank you. Is that a 40 percent reduction in both forged and cast rolls? Or is that one…

John S. Stanik: Oh, that's forged. Our cast rolls are primarily manufactured in the U.K. And they're doing – they're doing OK right now, although we do have the FX issue that's plaguing everyone in the international market right now that has a U.S. dollar base.

Justin Bergner: OK. And then one more question, which is, you talked about your product lasting longer. You know why is it that customers don't realize that – I mean, 'cause clearly, if they realized that, that is something that you would think that it wouldn't be hard to justify paying a premium for. So, how is it that that information is sort of not widely visible?

John S. Stanik: I think there's two answers to the question. The first answer is, we have the technology that can measure the – the roll deterioration. What's the name of it, Rodney? The …

Rodney Scagline: The (Lismore), but that's…

John S. Stanik: (Lismore), yes.

Rodney Scagline: …you're talking about the inspection of (prints).

John S. Stanik: OK. But we can help customers measure.

Rodney Scagline: Correct. So, we can measure at least initial quality, as well as for internal soundness.

John S. Stanik: OK. The second part of the question – or the second part of the answer to that question is that the purchase of the rolls is not now being made by the mills and the technical people. The purchases of the products are being made on a price basis. When we work with the customers – and I'm, again, being very candid here – when we work with the mills, we work with the customers, there seems to be a very clear preference for our products. Unfortunately, those people currently aren't making the decisions. And the Purchasing Department seems to be a little more heavily involved.

Rodney Scagline: And I will – this is Rodney, by the way. And I'll add a little bit to what John has said here. First of all, one thing roll life, it's very dependent on the way that mills operate. So, when mills operate continuously, longer roll life is easier. You actually get more benefits, because the roll will stay in longer, the campaign links are longer. When the mill's only operating 60 percent, 70 percent range, you actually don't have the benefits because the rolls come out of the mill during the mill downtime. In which case, you don't have the benefit of extended life.

So, there's – there's certain parts that are working against us, just because of the mill utilization rates. But in addition to that, not every mill, even though it seems intuitive, actually measures the performance in where on rolls. Some mills certainly do this, but other mills don't. And so, we have a mixed market in that respect.

Justin Bergner: Thank you. That's very helpful. I'm going to throw in one more question, which is on the asbestos side. What were the underlying drivers between the higher – I guess behind the higher expected asbestos liability, and I guess related insurance recovery?

Rose Hoover: I don't know so much your use of the word "drivers," but we value historically the liability and the insurance receivable every two years for a 10-year period. So, when we valued in 2012, we valued to 2022. In 2014, we valued an additional two years. We – we rolled it out until 2024. So, you have additional claims, lawsuits being filed in that period, and…

John S. Stanik: You have settlements – you have settlements, also.

Rose Hoover: Settlements, claims lawsuits, defense costs, and you have additional insurance recovery.

John S. Stanik: Does it always go up, Rose? Or does it sometimes go down when you revalue?

Rose Hoover: We had one year where we had credit because of insurance coverage.

John S. Stanik: So, Jeff, though, the reason I asked Rose that question is, if one may ask, why don't we just try and estimate this all in one big lump sum and get it over with – and we certainly asked that question internally – but the problem is that if there is a variability as people get older, as people die, who – who may have worked with this product, things change. So, we're doing it in this method of measuring it every couple years, revaluating it.

Hopefully, some of the years we'll go down. And hopefully, the damage won't be too high. But I would – I expect personally – and I think Rose does – that there will be increases in the future. It's just impossible to estimate what they would be.

Justin Bergner: OK, I think I understand that. So – but the stuff that has been paid out in prior years, as you move forward two years, that's no longer part of the calculation?

Rose Hoover: They – that would drop off when we do the revaluation.

Justin Bergner: OK. Thank you very much.

John S. Stanik: You're welcome.

Operator: Again, if you'd like to ask a question, please press star one on your telephone keypad.

And we have no further questions at this time. I'll turn the call back over to John Stanik for closing remarks.

John S. Stanik: Thank you, (Leeanne). I just have a couple of statements to make here.

As I said earlier, I've been in this position before, not only as a CEO, but in leadership of a country that's struggling. While I'm still learning this business, I am confident about our – our prospects.

Our balance sheet's strong. Our people are remarkably enthusiastic and open to change. And – and I absolutely believe in them.

At this point, even with restructuring charges possible, I like our chances of 2015 showing improvement over 2014, thereby successfully stopping the recent history performance decline, and beginning a new era for Amco-Pittsburgh Corporation.

Thank you for listening in. And we'll sign off now.

Operator: And this concludes today's conference call. You may now disconnect.

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