AMPCO PITTSBURGH CORP
Form 10-Q
August 09, 2011

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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

For the quarterly period ended June 30, 2011

OR

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

For the transition period from to

Commission File Number 1-898

AMPCO-PITTSBURGH CORPORATION

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

600 Grant Street, Suite 4600

Pittsburgh, Pennsylvania 15219

(Address of principal executive offices)

(412) 456-4400

(Registrant s telephone number)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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

Large accelerated filer	¨	Accelerated filer	x
Non-accelerated filer	¨	Smaller reporting company	¨

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

On August 5, 2011, 10,325,602 common shares were outstanding.

AMPCO-PITTSBURGH CORPORATION

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PART I FINANCIAL INFORMATION

AMPCO-PITTSBURGH CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	June 30, 2011	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	$ 75,361,747	$ 70,020,838
Receivables, less allowance for doubtful accounts of $166,298 in 2011 and $175,867 in 2010	60,060,068	46,734,307
Inventories	72,672,795	68,822,361
Insurance receivables asbestos	18,000,000	18,000,000
Other current assets	11,143,565	13,655,942
Total current assets	237,238,175	217,233,448
Property, plant and equipment, net	146,819,530	145,591,107
Insurance receivables asbestos	116,177,074	124,089,373
Investments in joint ventures	13,916,934	14,159,807
Deferred tax assets	19,749,823	20,147,716
Other noncurrent assets	5,875,874	5,741,863
	$ 539,777,410	$ 526,963,314
Liabilities and Shareholders Equity		
Current liabilities:		
Accounts payable	21,211,853	$ 20,137,240
Accrued payrolls and employee benefits	12,869,059	11,689,609
Industrial Revenue Bond debt	13,311,000	13,311,000
Asbestos liabilities current portion	25,000,000	25,000,000
Other current liabilities	22,405,770	19,582,113
Total current liabilities	94,797,682	89,719,962
Employee benefit obligations	45,451,680	44,113,720
Asbestos liabilities	183,430,134	193,603,076
Other noncurrent liabilities	2,600,859	2,749,630
Total liabilities	326,280,355	330,186,388
Commitments and contingent liabilities (Note 6)		
Shareholders equity:		
Common stock par value $1; authorized 20,000,000 shares; issued and outstanding 10,325,602 shares in 2011 and 10,305,156 shares in 2010	10,325,602	10,305,156
Additional paid-in capital	122,195,549	121,074,086
Retained earnings	137,955,616	124,872,079
Accumulated other comprehensive loss	(56,979,712)	(59,474,395)
Total shareholders equity	213,497,055	196,776,926
	$ 539,777,410	$ 526,963,314

See Notes to Condensed Consolidated Financial Statements.

AMPCO-PITTSBURGH CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	Six Months Ended June 30,		Three Months Ended June 30,	
	2011	2010	2011	2010
Net sales	$ 184,039,242	$ 165,183,818	$ 94,971,201	$ 82,857,950
Operating costs and expenses:				
Costs of products sold (excluding depreciation)	130,984,148	111,625,015	67,590,005	54,784,095
Selling and administrative	22,121,125	22,632,297	11,239,514	11,038,194
Depreciation	5,287,757	4,592,735	2,623,989	2,268,007
Loss (gain) on disposition of assets	1,762	(95,119)	1,762	2,771
Total operating expenses	158,394,792	138,754,928	81,455,270	68,093,067
Income from operations	25,644,450	26,428,890	13,515,931	14,764,883
Other income (expense):				
Investment-related income	106,469	45,512	83,925	24,723
Interest expense	(158,960)	(154,726)	(82,191)	(81,443)
Other (expense) income net	(316,516)	32,187	138,133	(676,990)
	(369,007)	(77,027)	139,867	(733,710)
Income before income taxes and equity losses in Chinese joint venture	25,275,443	26,351,863	13,655,798	14,031,173
Income tax provision	(8,239,000)	(8,648,000)	(4,366,000)	(4,582,000)
Equity losses in Chinese joint venture	(237,119)	(119,020)	(167,051)	(75,429)
Net income	$ 16,799,324	$ 17,584,843	$ 9,122,747	$ 9,373,744
Earnings per common share:				
Basic	$ 1.63	$ 1.72	$ 0.88	$ 0.91
Diluted	$ 1.62	$ 1.71	$ 0.88	$ 0.91
Cash dividends declared per share	$ 0.36	$ 0.36	$ 0.18	$ 0.18
Weighted-average number of common shares outstanding:				
Basic shares	10,311,509	10,246,517	10,317,793	10,246,827
Diluted shares	10,386,284	10,275,114	10,406,688	10,289,545

See Notes to Condensed Consolidated Financial Statements.

AMPCO-PITTSBURGH CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	Six Months Ended June 30,	
	2011	2010
Net cash flows provided by operating activities	$ 14,433,220	$ 15,138,275
Cash flows from investing activities:		
Purchases of property, plant and equipment	(6,381,131)	(20,118,017)
Collateral for outstanding foreign currency exchange contracts (Note 8)	0	764,950
Purchases of long-term marketable securities	(318,436)	(275,250)
Proceeds from sale of long-term marketable securities	288,147	262,951
Proceeds from U.K. governmental grant	484,499	0
Proceeds from sale of property, plant and equipment	0	103,534
Net cash flows used in investing activities	(5,926,921)	(19,261,832)
Cash flows from financing activities:		
Dividends paid	(3,712,107)	(3,688,696)
Proceeds from the issuance of common stock	167,152	9,731
Excess tax benefits from the exercise of stock options	46,914	4,013
Net cash flows used in financing activities	(3,498,041)	(3,674,952)
Effect of exchange rate changes on cash and cash equivalents	332,651	(792,897)
Net increase (decrease) in cash and cash equivalents	5,340,909	(8,591,406)
Cash and cash equivalents at beginning of period	70,020,838	66,440,864
Cash and cash equivalents at end of period	$ 75,361,747	$ 57,849,458
Supplemental information:		
Income tax payments	$ 3,578,668	$ 2,748,000
Interest payments	$ 160,338	$ 154,533
Non-cash investing activities:		
Purchases of property, plant and equipment included in accounts payable	$ 1,339,007	$ 2,535,660

See Notes to Condensed Consolidated Financial Statements.

AMPCO-PITTSBURGH CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

1. Unaudited Condensed Consolidated Financial Statements

The condensed consolidated balance sheet as of June 30, 2011, the condensed consolidated statements of operations for the six and three months ended June 30, 2011 and 2010 and the condensed consolidated statements of cash flows for the six months ended June 30, 2011 and 2010 have been prepared by Ampco-Pittsburgh Corporation (the Corporation) without audit. In the opinion of management, all adjustments, consisting of only normal and recurring adjustments necessary to present fairly the financial position, results of operations and cash flows for the periods presented, have been made**.** The results of operations for the six and three months ended June 30, 2011 are not necessarily indicative of the operating results expected for the full year.

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

Recently Implemented Accounting Pronouncements

In September 2009, the Financial Accounting Standards Board (FASB) issued ASU 2009-13, *Multiple-Deliverable Revenue Arrangements*, which addresses the accounting and revenue recognition of sales contracts with multiple products and/or services when such products and/or services are provided to the customer at different points in time or over different time periods. ASU 2009-13 requires the sales consideration to be allocated, at the inception of the arrangement, to each deliverable and/or service using the relative selling price method. ASU 2009-13 became effective prospectively for revenue arrangements entered into or materially modified on or after January 1, 2011 and did not have a significant impact on the operating results, financial position or liquidity of the Corporation.

Recently Issued Accounting Pronouncements

In May 2011, the FASB issued ASU 2011-04, *Fair Value Measurement: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs.* ASU 2011-04 is to be applied prospectively and is effective for the Corporation for interim and annual periods beginning in 2012. The guidance primarily changes the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. It is not expected to result in a change in the application of existing accounting principles. The Corporation is currently evaluating the new guidance, but does not expect that it will have a material impact on its operating results, financial position or liquidity.

In June 2011, the FASB issued ASU 2011-05, *Comprehensive Income*, which eliminates the option to present other comprehensive income and its components as part of the Statement of Shareholders Equity. All non-owner changes in shareholders equity will be presented either in a single continuous statement along with net income or in a separate statement immediately following. ASU 2011-05 is to be applied retrospectively and is effective for the Corporation for interim and annual periods beginning in 2012. The guidance does not change whether items are reported in net income or other comprehensive income or when items in other comprehensive income are reclassified to net income; accordingly, adoption of ASU 2011-05 will not impact the operating results, financial position or liquidity of the Corporation.

2. Inventories

At June 30, 2011 and December 31, 2010, approximately 57% and 60%, respectively, of the inventories were valued on the LIFO method with the remaining inventories valued on the FIFO method. Inventories were comprised of the following:

	(in thousands)	
	June 30, 2011	December 31, 2010
Raw materials	$ 19,578	$ 17,900
Work-in-process	36,733	32,169
Finished goods	5,091	7,619
Supplies	11,271	11,134
	$ 72,673	$ 68,822

3. Property, Plant and Equipment

Property, plant and equipment were comprised of the following:

	(in thousands)	
	June 30, 2011	December 31, 2010
Land and land improvements	$ 4,910	$ 4,910
Buildings	41,380	41,341
Machinery and equipment	211,506	211,439
Construction-in-progress	18,356	11,938
Other	7,831	7,782
	283,983	277,410
Accumulated depreciation	(137,163)	(131,819)
	$ 146,820	$ 145,591

Land and buildings of Union Electric Steel UK Limited (UES-UK) equal to approximately $1,341,000 (£836,000) at June 30, 2011 are held as collateral by the trustees of the UES-UK contributory defined benefit pension plan (see Note 5).

4. Other Current Liabilities

Other current liabilities were comprised of the following:

	(in thousands)	
	June 30, 2011	December 31, 2010
Customer-related liabilities	$ 9,064	$ 9,903
Accrued sales commissions	2,495	2,266
Accrued income taxes payable	2,678	0
Dividend payable	1,859	1,855
Other	6,310	5,558

	$ 22,406	$ 19,582

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

	(in thousands)			
	Six Months Ended June 30,		Three Months Ended June 30,	
	2011	2010	2011	2010
Balance at beginning of the period	$ 5,113	$ 4,929	$ 5,141	$ 4,956
Satisfaction of warranty claims	(1,540)	(662)	(900)	(182)
Provision for warranty claims	1,298	1,198	699	553
Other, primarily impact from changes in foreign currency exchange rates	71	(176)	2	(38)
Balance at end of the period	$ 4,942	$ 5,289	$ 4,942	$ 5,289

5. Pension and Other Postretirement Benefits

Contributions for the six months ended June 30, 2011 and 2010 were as follows:

	(in thousands)	
	2011	2010
U.S. pension benefits plans	$ 0	$ 0
U.K. pension benefits plan	$ 824	$ 703
Other postretirement benefits (e.g. net payments)	$ 330	$ 346
U.K. defined contribution plan	$ 204	$ 155

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

	(in thousands)			
	Six Months Ended June 30,		Three Months Ended June 30,	
	2011	2010	2011	2010
U.S. Pension Benefits				
Service cost	$ 1,557	$ 1,434	$ 731	$ 650
Interest cost	4,434	4,262	2,136	2,103
Expected return on plan assets	(4,829)	(4,786)	(2,538)	(2,532)
Amortization of prior service cost	328	328	164	164
Amortization of actuarial loss	2,118	1,742	1,160	961
Net benefit cost	$ 3,608	$ 2,980	$ 1,653	$ 1,346
Foreign Pension Benefits				
Interest cost	$ 1,303	$ 1,229	$ 659	$ 602
Expected return on plan assets	(1,163)	(934)	(588)	(458)
Amortization of actuarial loss	250	230	127	113
Net benefit cost	$ 390	$ 525	$ 198	$ 257
Other Postretirement Benefits				
Service cost	$ 321	$ 226	$ 164	$ 113
Interest cost	510	451	279	225
Amortization of prior service cost	43	43	22	22

Amortization of actuarial loss	128	0	100	0
Net benefit cost	$ 1,002	$ 720	$ 565	$ 360

6. Commitments and Contingent Liabilities

Outstanding standby and commercial letters of credit as of June 30, 2011 approximated $21,320,000, a major portion of which serves as collateral for the Industrial Revenue Bond debt.

In 2010, UES-UK was awarded a governmental grant of up to $1,325,000 (£850,000) toward the purchase and installation of certain machinery and equipment of which $484,000 (£300,000) was received in 2011 and $226,000 (£145,000) in 2010. Under the agreement, the grant is repayable if certain conditions are not met including achieving and maintaining a targeted level of employment through 2017. UES-UK s level of employment currently exceeds and is expected to continue to exceed the targeted level of employment; accordingly, no liability has been recorded.

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

7. Comprehensive Income (Loss)

The Corporation s comprehensive income (loss) consisted of:

	(in thousands)			
	Six Months Ended June 30,		Three Months Ended June 30,	
	2011	2010	2011	2010
Net income	$ 16,799	$ 17,585	$ 9,123	$ 9,374
Foreign currency translation adjustments	1,454	(3,556)	20	(694)
Unrecognized components of employee benefit plans	1,837	1,305	1,006	617
Unrealized holding (losses) gains on marketable securities	87	(43)	(11)	(117)
Change in the fair value of derivatives (cash flow hedges)	(883)	725	(321)	271
Comprehensive income	$ 19,294	$ 16,016	$ 9,817	$ 9,451

8. Foreign Currency Exchange and Futures Contracts

Certain of the Corporation s operations are subject to risk from exchange rate fluctuations in connection with sales in foreign currencies. To minimize this risk, foreign currency sales contracts are entered into which are designated as cash flow or fair value hedges and are recorded in the condensed consolidated balance sheet as either an asset or a liability measured at their fair value. The accounting for changes in the fair value of a derivative depends on the use of the derivative. To the extent that a derivative is designated and effective as a cash flow hedge of an exposure to future changes in value, the change in fair value of the derivative is deferred in accumulated other comprehensive income (loss). Any portion considered to be ineffective, including that arising from the unlikelihood of an anticipated transaction to occur, is reported as a component of earnings (other income/expense) immediately. Upon occurrence of the anticipated transaction, the derivative designated and effective as a cash flow hedge is de-designated as a fair value hedge and the change in fair value previously deferred in accumulated other comprehensive income (loss) is reclassified to earnings (net sales) with subsequent changes in fair value recorded as a component of earnings (other income/expense). To the extent that a derivative is designated and effective as a hedge of an exposure to changes in fair value, the change in the derivative s fair value will be offset in the condensed consolidated statement of operations by the change in the fair value of the item being hedged and is recorded as a component of earnings (other income/expense).

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

As of June 30, 2011, approximately $21,948,000 of anticipated foreign-denominated sales has been hedged of which $5,264,000 is covered by cash flow contracts settling at various dates through March 2013 and the remaining $16,684,000 is covered by fair value contracts settling at various dates through September 2013. As of June 30, 2011, the fair value of foreign currency sales contracts designated as cash flow hedges expecting to

settle within the next 12 months approximated $44,000 and is recorded as other current liabilities. The fair value of the remaining cash flow contracts equaled $34,000 and is recorded as other noncurrent liabilities. The change in the fair value of the contracts is recorded as a component of accumulated other comprehensive income (loss) and approximated $(52,000) and $281,000, net of income taxes, as of June 30, 2011 and December 31, 2010, respectively. During the six months ended June 30, 2011, approximately $(208,000), net of income taxes, was recognized as comprehensive income (loss) and $125,000, net of income taxes, was released from accumulated other comprehensive income (loss). The change in the fair value will be reclassified to earnings when the projected sales occur with approximately $(49,000) expected to be released to pre-tax earnings within the next 12 months. During the six months ended June 30, 2011 and 2010, approximately $198,000 and $387,000, respectively, was released to pre-tax earnings and during the three months ended June 30, 2011 and 2010, approximately $15,000 and $336,000, respectively, was released to pre-tax earnings.

As of June 30, 2011, the fair value of foreign currency sales contracts designated as fair value hedges expecting to settle within the next 12 months approximated $55,000 and is recorded as other current assets. (The fair value of the related hedged items, recorded primarily as a reduction to receivables, approximated $59,000.) The fair value of the remaining fair value hedges equaled $266,000 and is recorded as other noncurrent assets. (The fair value of the related hedged items, recorded as other noncurrent liabilities, approximated $280,000.) The fair value of assets held as collateral as of June 30, 2011 approximated $803,000.

Gains (losses) on foreign exchange transactions included in other income (expense) approximated $130,000 and $472,000 for the six months ended June 30, 2011 and 2010, respectively, and $321,000 and $(448,000) for the three months ended June 30, 2011 and 2010, respectively.

In May 2009, the Corporation entered into foreign currency purchase contracts to manage the volatility associated with Euro-denominated progress payments to be made for certain machinery and equipment. All contracts were settled as of December 31, 2010; accordingly, no amounts were recognized as comprehensive income (loss) in 2011. Approximately $10,000, net of income taxes, was released from accumulated other comprehensive income (loss) for the six months ended June 30, 2011. The change in the fair value of the contracts is recorded as a component of accumulated other comprehensive income (loss) and approximated $319,000 and $329,000, net of income taxes, as of June 30, 2011 and December 31, 2010, respectively. The change in the fair value is being amortized to pre-tax earnings (as an offset to depreciation expense) over the life of the underlying assets. For the six and three months ended June 30, 2011, approximately $16,000 and $8,000, respectively, was released to pre-tax earnings. No amounts were released for the comparable prior year periods. Approximately $32,000 is expected to be released to pre-tax earnings within the next 12 months.

At June 30, 2011, the Corporation has purchase commitments covering 54% or $13,508,000 of anticipated natural gas usage over approximately the next four to five years at one of its subsidiaries. The commitments qualify as normal purchases and, accordingly, are not reflected on the condensed consolidated balance sheet.

One of the Corporation s subsidiaries is subject to risk from increases in the price of commodities (copper and aluminum) used in the production of inventory. To minimize this risk, futures contracts are entered into which are designated as cash flow hedges. The change in fair value of the derivative is deferred in accumulated other comprehensive income (loss). Any portion considered to be ineffective, including that arising from the unlikelihood of an anticipated transaction to occur, is reported as a component of earnings (other income/expense) immediately. Upon occurrence of the anticipated transaction, the futures contract is settled and the change in fair value previously deferred in accumulated other comprehensive income (loss) is reclassified to earnings (costs of products sold) when the projected sales occur. At June 30, 2011, approximately 66% or $3,336,000 of anticipated copper purchases and 63% or $959,000 of anticipated aluminum purchases are hedged over the next six to seven months. The fair value of these contracts (both outstanding and settled) approximated $79,000 as of June 30, 2011. The change in the fair value of the contracts designated as cash flow hedges is recorded as a component of accumulated other comprehensive income (loss) and approximated $49,000 and $589,000, net of income taxes, as of June 30, 2011 and December 31, 2010, respectively. During the six months ended June 30, 2011, approximately $(54,000), net of income taxes, was recognized as comprehensive income (loss) and $486,000, net of income taxes, was released from accumulated other comprehensive income (loss). Additionally, $79,000 of the change in fair value is expected to be released to pre-tax earnings over the next 12 months. During the six months ended June 30, 2011 and 2010, approximately $780,000 and $200,000, respectively, was released to pre-tax earnings and during the three months ended June 30, 2011 and 2010, approximately $276,000 and $32,000, respectively, was released to pre-tax earnings. The fair value of assets held as collateral as of June 30, 2011 approximated $463,000.

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

9. Stock-Based Compensation

In May 2011, the shareholders of the Corporation approved the adoption of the 2011 Omnibus Incentive Plan (Incentive Plan). Awards under the Incentive Plan may include incentive non-qualified stock options, stock appreciation rights, restricted shares and restricted stock units, performance awards, other stock-based awards or short-term cash incentive awards. The Incentive Plan is administered by the Compensation Committee of the Board of Directors who has the authority to determine, within the limits of the express provisions of the Incentive Plan, the individuals to whom the awards will be granted; the nature, amount and terms of such awards; and the objectives and conditions for earning such awards.

In May 2011, the Compensation Committee granted 176,250 non-qualified stock options to selected employees. The options have a ten-year life and vest over a three-year period. The exercise price of $25.18 was equal to the closing price of the Corporation s common stock on the New York Stock Exchange on the date of grant and the fair value of the options was $10.53 per share. The fair value of the options as of the date of grant was calculated using the Black-Scholes option-pricing model based on an assumption for the expected life of the options of six years, a risk-free interest rate of 2.30%, an expected dividend yield of 2.96% and an expected volatility of 56.25%. The resultant stock-based compensation expense of $1,857,000 will be recognized over the requisite service period of three years.

The Incentive Plan also provides for annual grants of shares of the Corporation s common stock to non-employee directors following the Corporation s annual shareholder meeting. Each annual director award will be for a number of shares having a fair market value equal to $25,000 and will be fully vested as of the grant date. In June 2011, 7,944 shares of common stock were issued to the non-management directors.

Stock-based compensation expense associated for the six months ended June 30, 2011 and 2010 equaled $961,000 and $2,316,000, respectively. The related income tax benefit recognized in the condensed consolidated statement of operations for the related periods was approximately $336,000 and $810,000, respectively. Stock-based compensation expense associated for the three months ended June 30, 2011 and 2010 equaled $613,000 and $672,000, respectively. The related income tax benefit recognized in the condensed consolidated statement of operations for the related periods was approximately $215,000 and $235,000, respectively.

10. Fair Value

The Corporation s financial assets and liabilities that are reported at fair value in the accompanying condensed consolidated balance sheet as of June 30, 2011 and December 31, 2010 were as follows:

	(in thousands)			
	Quoted Prices in Active Markets for Identical Inputs (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
As of June 30, 2011				
Investments				
Other noncurrent assets	$ 3,284	$ 0	$ 0	$ 3,284
Foreign currency exchange sales contracts				
Other current assets	0	55	0	55
Other noncurrent assets	0	266	0	266
Other current liabilities	0	44	0	44
Other noncurrent liabilities	0	314	0	314
As of December 31, 2010				
Investments				
Other noncurrent assets	$ 3,097	$ 0	$ 0	$ 3,097

Foreign currency exchange (sales and purchase) contracts				
Other current assets	0	604	0	604
Other noncurrent assets	0	350	0	350
Other current liabilities	0	0	0	0
Other noncurrent liabilities	0	266	0	266

11. Business Segments

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

	(in thousands)			
	Six Months Ended June 30,		Three Months Ended June 30,	
	2011	2010	2011	2010
Net Sales:				
Forged and Cast Rolls	$ 132,802	$ 121,711	$ 69,919	$ 61,563
Air and Liquid Processing	51,237	43,473	25,052	21,295
Total Reportable Segments	$ 184,039	$ 165,184	$ 94,971	$ 82,858
Income before Income Taxes:				
Forged and Cast Rolls	$ 25,670	$ 28,805	$ 14,026	$ 15,340
Air and Liquid Processing	5,282	3,967	2,298	2,172
Total Reportable Segments	30,952	32,772	16,324	17,512
Other expense, including corporate costs net	(5,677)	(6,420)	(2,668)	(3,481)
Total	$ 25,275	$ 26,352	$ 13,656	$ 14,031

12. Litigation (claims not in thousands)

Litigation

The Corporation and its subsidiaries are involved in various claims and lawsuits incidental to their businesses. In addition, it is also subject to asbestos litigation as described below.

Asbestos Litigation

Claims have been asserted alleging personal injury from exposure to asbestos-containing components historically used in some products of predecessors of the Corporation s Air & Liquid Systems Corporation subsidiary (Asbestos Liability) and of an inactive subsidiary in dissolution. Those subsidiaries, and in some cases the Corporation, are defendants (among a number of defendants, often in excess of 50) in cases filed in various state and federal courts.

Asbestos Claims

The following table reflects approximate information about the claims for Asbestos Liability against the subsidiaries and the Corporation, along with certain asbestos claims asserted against the inactive subsidiary in dissolution, for the six months ended June 30, 2011:

Approximate open claims at end of period	8,491[(1)]
Gross settlement and defense costs (in 000 s)	$ 12,525
Approximate claims settled or dismissed	450

(1) Included as open claims are approximately 1,763 claims classified in various jurisdictions as inactive or transferred to a state or federal judicial panel on multi-district litigation, commonly referred to as the MDL.

A substantial majority of the settlement and defense costs reflected in the above table were reported and paid by insurers. Because claims are often filed and can be settled or dismissed in large groups, the amount and timing of settlements, as well as the number of open claims, can fluctuate significantly from period to period. In 2006, for the first time, a claim for Asbestos Liability against one of the Corporation s subsidiaries was tried to a jury. The trial resulted in a defense verdict. Plaintiffs appealed that verdict and in 2008 the California Court of Appeals reversed the jury verdict and remanded the case back to the trial court.

Asbestos Insurance

Certain of the Corporation s subsidiaries and the Corporation have an arrangement (the Coverage Arrangement) with insurers responsible for historical primary and some first-layer excess insurance coverage for Asbestos Liability (the Paying Insurers). Under the Coverage Arrangement, the Paying Insurers accept financial responsibility, subject to the limits of the policies and based on fixed defense percentages and specified indemnity allocation formulas, for pending and future claims for Asbestos Liability. The claims against the Corporation s inactive subsidiary that is in dissolution proceedings, numbering approximately 425 as of June 30, 2011, are not included within the Coverage Arrangement. The Corporation believes that the claims against the inactive subsidiary in dissolution are immaterial.

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

On August 4, 2009, Howden filed a lawsuit in the United States District Court for the Western District of Pennsylvania. In the lawsuit Howden raised claims against certain insurance companies that allegedly issued policies to Howden that do not cover the Corporation or its subsidiaries, and also raised claims against the Corporation and two other insurance companies that issued excess insurance policies covering certain subsidiaries of the Corporation (the Excess Policies), but that were not part of the Coverage Arrangement. In the lawsuit, Howden seeks, as respects the Corporation, a declaratory judgment from the court as to the respective rights and obligations of Howden, the Corporation and the insurance carriers under the Excess Policies. One of the excess carriers and the Corporation filed cross-claims against each other seeking declarations regarding their respective rights and obligations under Excess Policies issued by that carrier. The Corporation s cross-claim also sought damages for the carrier s failure to pay certain defense and indemnity costs. The Corporation and that carrier concluded a settlement generally consistent with the Coverage Arrangement, and all claims between that carrier and the Corporation were dismissed with prejudice on December 8, 2010. In April 2011, the Corporation and the other carrier that issued Excess Policies also concluded a settlement generally consistent with the Coverage Arrangement. The Corporation has now been dismissed from this litigation.

On February 24, 2011, the Corporation and its Air & Liquid Systems Corporation subsidiary filed a lawsuit in the United States District Court for the Western District of Pennsylvania against thirteen domestic insurance companies, certain underwriters at Lloyd s, London and certain London market insurance companies, and Howden. The lawsuit seeks a declaratory judgment regarding the respective rights and obligations of the parties under excess insurance policies not included within the Coverage Arrangement that were issued to the Corporation from 1981 through 1984 as respects claims against the Corporation and its subsidiary for Asbestos Liability and as respects asbestos bodily-injury claims against Howden arising from the Products. Various counterclaims, cross claims and third party claims have been filed in the litigation.

Asbestos Valuations

In 2006, the Corporation retained Hamilton, Rabinovitz & Associates, Inc. (HR&A), a nationally recognized expert in the valuation of asbestos liabilities, to assist the Corporation in estimating the potential liability for pending and unasserted future claims for Asbestos Liability. HR&A was not requested to estimate asbestos claims against the inactive subsidiary in dissolution or the former division, which the Corporation believes are immaterial. Based on this analysis, the Corporation recorded a reserve for Asbestos Liability claims pending or projected to be asserted through 2013 as at December 31, 2006. HR&A s analysis was updated in 2008, and additional reserves were established by the Corporation as at December 31, 2008 for Asbestos Liability claims pending or projected to be asserted through 2018. HR&A s analysis was most recently updated in 2010, and additional reserves were established by the Corporation as at December 31, 2010 for Asbestos Liability claims

pending or projected to be asserted through 2020. The methodology used by HR&A in its projection in 2010 of the operating subsidiaries liability for pending and unasserted potential future claims for Asbestos Liability, which is substantially the same as the methodology employed by HR&A in the 2006 and 2008 estimates, relied upon and included the following factors:

- HR&A s interpretation of a widely accepted forecast of the population likely to have been exposed to asbestos;

- epidemiological studies estimating the number of people likely to develop asbestos-related diseases;

- HR&A s analysis of the number of people likely to file an asbestos-related injury claim against the subsidiaries and the Corporation based on such epidemiological data and relevant claims history from January 1, 2008 to August 30, 2010;

- an analysis of pending cases, by type of injury claimed and jurisdiction where the claim is filed;

- an analysis of claims resolution history from January 1, 2008 to August 30, 2010 to determine the average settlement value of claims, by type of injury claimed and jurisdiction of filing; and

- an adjustment for inflation in the future average settlement value of claims, at an annual inflation rate based on the Congressional Budget Office s ten year forecast of inflation.

Using this information, HR&A estimated in 2010 the number of future claims for Asbestos Liability that would be filed through the year 2020, as well as the settlement or indemnity costs that would be incurred to resolve both pending and future unasserted claims through 2020. This methodology has been accepted by numerous courts. For purposes of its condensed consolidated financial statements for the six months ended June 30, 2011, the Corporation reviewed its current Asbestos Liability and ultimately utilized the estimate by HR&A completed in 2010, as updated by the Corporation to reflect its Asbestos Liability expenditures through June 30, 2011.

In conjunction with developing the aggregate liability estimate referenced above, the Corporation also developed an estimate of probable insurance recoveries for its Asbestos Liabilities. In developing the estimate, the Corporation considered HR&A s projection for settlement or indemnity costs for Asbestos Liability and management s projection of associated defense costs (based on the current defense to indemnity cost ratio), as well as a number of additional factors . These additional factors included the Coverage Arrangement, self-insured retentions, policy exclusions, policy limits, policy provisions regarding coverage for defense costs, attachment points, prior impairment of policies and gaps in the coverage, policy exhaustions, insolvencies among certain of the insurance carriers, the nature of the underlying claims for Asbestos Liability asserted against the subsidiaries and the Corporation as reflected in the Corporation s asbestos claims database, as well as estimated erosion of insurance limits on account of claims against Howden arising out of the Products. In addition to consulting with the Corporation s outside legal counsel on these insurance matters, the Corporation retained in 2010 a nationally-recognized insurance consulting firm to assist the Corporation with certain policy allocation matters that also are among the several factors considered by the Corporation when analyzing potential recoveries from relevant historical insurance for Asbestos Liabilities. Based upon all of the factors considered by the Corporation, and taking into account the Corporation s analysis of publicly available information regarding the credit-worthiness of various insurers, the Corporation estimated the probable insurance recoveries for Asbestos Liability and defense costs through 2020. Although the Corporation believes that the assumptions employed in the insurance valuation were reasonable and previously consulted with its outside legal counsel and insurance consultant regarding those assumptions, there are other assumptions that could have been employed that would have resulted in materially lower insurance recovery projections.

Based on the analyses described above, the Corporation s reserve at December 31, 2010 for the total costs, including defense costs, for Asbestos Liability claims pending or projected to be asserted through 2020 was $218,303,000, of which approximately 85% was attributable to settlement costs for unasserted claims projected to be filed through 2020 and future defense costs. The reserve at June 30, 2011 was $208,163,000. While it is reasonably possible that the Corporation will incur additional charges for Asbestos Liability and defense costs in excess of the amounts currently reserved, the Corporation believes that there is too much uncertainty to provide for reasonable estimation of the number of future claims, the nature of such claims and the cost to resolve them beyond 2020. Accordingly, no reserve has been recorded for any costs that may be incurred after 2020.

The Corporation s receivable at December 31, 2010 for insurance recoveries attributable to the claims for which the Corporation s Asbestos Liability reserve has been established, including the portion of incurred defense costs covered by the Coverage Arrangement, and the probable payments and reimbursements relating to the estimated indemnity and defense costs for pending and unasserted future Asbestos Liability claims, was $141,839,000

($133,927,000 as of June 30, 2011). The insurance receivable recorded by the Corporation does not assume any recovery from insolvent carriers, and substantially all of the insurance recoveries deemed probable were from insurance companies rated A (excellent) or better by A.M. Best Corporation. There can be no assurance, however, that there will not be further insolvencies among the relevant insurance carriers, or that the assumed percentage recoveries for certain carriers will prove correct. The $76,464,000 difference between insurance recoveries and projected costs at December 31, 2010 ($74,236,000 at June 30, 2011) is not due to exhaustion of all insurance coverage for Asbestos Liability. The Corporation and the subsidiaries have substantial additional insurance coverage which the Corporation expects to be available for Asbestos Liability claims and defense costs the subsidiaries and it may incur after 2020. However, this insurance coverage also can be expected to have gaps creating significant shortfalls of insurance recoveries as against claims expense, which could be material in future years.

The amounts recorded by the Corporation for Asbestos Liabilities and insurance receivables rely on assumptions that are based on currently known facts and strategy. The Corporation s actual expenses or insurance recoveries could be significantly higher or lower than those recorded if assumptions used in the Corporation s or HR&A s calculations vary significantly from actual results. Key variables in these assumptions are identified above and include the number and type of new claims to be filed each year, the average cost of disposing of each such new claim, average annual defense costs, the resolution of coverage issues with insurance carriers, and the solvency risk with respect to the relevant insurance carriers. Other factors that may affect the Corporation s Asbestos Liability and ability to recover under its insurance policies include uncertainties surrounding the litigation process from jurisdiction to jurisdiction and from case to case, reforms that may be made by state and federal courts, and the passage of state or federal tort reform legislation.

The Corporation intends to evaluate its estimated Asbestos Liability and related insurance receivables as well as the underlying assumptions on a regular basis to determine whether any adjustments to the estimates are required. Due to the uncertainties surrounding asbestos litigation and insurance, these regular reviews may result in the Corporation incurring future charges; however, the Corporation is currently unable to estimate such future charges. Adjustments, if any, to the Corporation s estimate of its recorded Asbestos Liability and/or insurance receivables could be material to operating results for the periods in which the adjustments to the liability or receivable are recorded, and to the Corporation s liquidity and consolidated financial position.

13. Environmental Matters

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

Environmental exposures are difficult to assess and estimate for numerous reasons including lack of reliable data, the multiplicity of possible solutions, the years of remedial and monitoring activity required, and identification of new sites. In the opinion of management and in consideration of advice from the Corporation s consultants, the potential liability for all environmental proceedings of approximately $1,236,000 at June 30, 2011 is considered adequate based on information known to date.

ITEM 2 MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Executive Overview

The Corporation operates in two business segments *Forged and Cast Rolls* and *Air and Liquid Processing*. The *Forged and Cast Rolls* segment produces and sells forged-hardened steel rolls and cast iron and steel rolls to manufacturers of steel and aluminum throughout the world. Business activity for the group has been improving as a result of the global steel industry operating at higher levels when compared to the financial crisis period of 2009 with world-wide steel usage expected to increase in 2011 over 2010 levels. The U.S. Dollar and British Pound Sterling remain relatively weak against most major currencies, particularly against the Euro, thereby aiding export of rolling mill rolls for both our U.S. and U.K. operations. However, excess inventory levels within the industry continue to exist and pricing pressures from customers remain.

For the Air and Liquid Processing group, new construction spending by the institutional markets has yet to exhibit any significant signs of a recovery. The focus for these companies is to continue to search for and develop new product lines and to strengthen their sales distribution networks.

Consolidated Results of Operations for the Six and Three Months Ended June 30, 2011 and 2010

Net Sales. Net sales for the six months ended June 30, 2011 and 2010 were $184,039,000 and $165,184,000, respectively, and $94,971,000 and $82,858,000, respectively, for the three months then ended. Backlog approximated $313,621,000 at June 30, 2011 versus $397,030,000 as of December 31, 2010 and $422,408,000 as of June 30, 2010. A discussion of sales and backlog for the Corporation s two segments is included below.

Costs of Products Sold. Costs of products sold, excluding depreciation, as a percentage of net sales approximated 71.2% and 67.6% for the six months ended June 30, 2011 and 2010, respectively, and 71.2% and 66.1% of net sales for the three months ended June 30, 2011 and 2010, respectively. The increase is primarily attributable to higher direct material and fixed costs particularly for the Forged and Cast Rolls segment.

Selling and Administrative. The decrease in selling and administrative expenses for the six months ended June 30, 2011 against the comparable prior year period is primarily due to lower stock-based compensation costs offset by higher employee-related costs. Stock-based compensation expense for the six months ended June 30, 2011 and 2010 equaled $961,000 and $2,316,000, respectively. Selling and administrative expenses were comparable for the three months ended June 30, 2011 and 2010.

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

Income from Operations. Income from operations for the six months ended June 30, 2011 and 2010 approximated $25,644,000 and $26,429,000, respectively, and $13,516,000 and $14,765,000 for the three months ended June 30, 2011 and 2010, respectively. A discussion of operating results for the Corporation s two segments is included below.

Forged and Cast Rolls. Sales for the six and three months ended June 30, 2011 improved when compared to the same periods of the prior year due to an increase in the volume of shipments, particularly for the U.K. operations. Operating income for the six and three months ended June 30, 2011 was less than that for the six and three months ended June 30, 2010 as a result of lower margins attributable to higher direct material and fixed costs as well as a shift in product mix and lower pricing. Backlog approximated $266,322,000 at June 30, 2011 against $350,978,000 as of December 31, 2010 and $384,616,000 as of June 30, 2010. The decline is a result of shipments outpacing new orders as customers continue to reduce excess roll inventories which were created years ago. Approximately $150,387,000 of the current backlog is expected to ship after 2011. Additionally, the segment has commitments of approximately $40,000,000 from customers under long-term supply arrangements which will be included in backlog upon receipt of specific purchase orders closer to the requirement dates for delivery.

Air and Liquid Processing. For the six and three months ended June 30, 2011, sales and operating income for the segment increased when compared to the same periods of the prior year as a result of improved demand for coils and pumps. Specifically, Aerofin and Buffalo Pumps benefitted from a higher volume of shipments to customers in the power generation markets and, for Buffalo Pumps, U.S. Navy shipbuilders. While sales have improved for Buffalo Air

Handling, increased competition is reducing margins for this division. As of June 30, 2011, backlog approximated $47,299,000 against $46,052,000 as of December 31, 2010 and $37,792,000 as of June 30, 2010. Backlog for Aerofin improved due to additional orders for replacement coils. Although lower than at year end, backlog for Buffalo Air Handling is higher than a year ago due to one large order for a customer in the medical industry. Backlog for Buffalo Pumps remains relatively consistent between the periods. The majority of the current backlog is expected to ship in 2011.

Other Income (Expense). The fluctuation in other income (expense) for the six months ended June 30, 2011 against the comparable prior year period is primarily attributable to lower foreign exchange gains. The fluctuation in other income (expense) for the three months ended June 30, 2011 when compared to the three months ended June 30, 2010 is primarily attributable to foreign exchange gains during the current year quarter versus foreign exchange losses in the prior year quarter.

Income Taxes. The effective income tax rate for each of the periods is comparable, ranging between 32% and 32.8%.

Net Income and Earnings per Common Share. As a result of the above, the Corporation s net income for the six months ended June 30, 2011 and 2010 equaled $16,799,000 or $1.63 per common share and $17,585,000 or $1.72 per common share, respectively, and $9,123,000 or $0.88 per common share and $9,374,000 or $0.91 per common share, respectively, for the three months ended June 30, 2011 and 2010.

Liquidity and Capital Resources

Net cash flows provided by operating activities decreased slightly for the six months ended June 30, 2011 when compared to the six months ended June 30, 2010. The decrease is principally due to an increase in accounts receivable.

Net cash flows used in investing activities decreased for the six months ended June 30, 2011 when compared to the six months ended June 30, 2010 due to substantial completion of the capital investment program for the Forged and Cast Rolls segment in 2010. In the prior year, UES-UK was awarded a governmental grant of up to $1,325,000 (£850,000) toward the purchase and installation of certain machinery and equipment of which $484,000 (£300,000) was received in 2011 and $226,000 (£145,000) in the third quarter of 2010. As of June 30, 2011, future capital expenditures approximating $14,800,000, to be spent over the next 12-18 months, have been approved. In 2010, a portion of the monies held as collateral for outstanding foreign currency exchange contracts for the UES-UK operation was returned. As of June 30, 2011, approximately $803,000 remained in escrow.

Net cash flows used in financing activities were comparable for each of the periods and represented primarily payment of dividends.

The effect of exchange rate changes on cash and cash equivalents is primarily attributable to the movement of the U.K. pound sterling against the U.S. dollar. For the six months ended June 30, 2011, the value of the U.K. pound sterling improved 3% against the U.S. dollar. By comparison, for the six months ended June 30, 2010, the value of the U.K. pound sterling deteriorated approximately 8% against the U.S. dollar.

As a result of the above, cash and cash equivalents increased $5,341,000 in 2011 and ended the period at $75,362,000 in comparison to $70,021,000 at December 31, 2010.

Funds on hand and funds generated from future operations are expected to be sufficient to finance the operational and capital expenditure requirements of the Corporation. The Corporation also maintains short-term lines of credit and an overdraft facility in excess of the cash needs of its businesses. The total available at June 30, 2011 was approximately $9,400,000 (including £3,000,000 in the U.K. and 400,000 in Belgium).

Litigation and Environmental Matters

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

Critical Accounting Pronouncements

The Corporation s critical accounting policies, as summarized in its Annual Report on Form 10-K for the year ended December 31, 2010, remain unchanged.

Recently Issued Accounting Pronouncements

See Note 1 to the condensed consolidated financial statements.

Forward-Looking Statements

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

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

ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There were no material changes in the Corporation s exposure to market risk from December 31, 2010.

ITEM 4 CONTROLS AND PROCEDURES

(a) *Disclosure controls and procedures*. An evaluation of the effectiveness of the Corporation s disclosure controls and procedures as of the end of the period covered by this report was carried out under the supervision, and with the participation, of management, including the principal executive officer and principal financial officer. Disclosure controls and procedures are defined under Securities and Exchange Commission (SEC) rules as controls and other procedures that are designed to ensure that information required to be disclosed by a company in the reports that it files under the Exchange Act is recorded, processed, summarized and reported within the required time periods. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. Based on that evaluation, the Corporation s management, including the principal executive officer and principal financial officer, has concluded that the Corporation s disclosure controls and procedures were effective as of June 30, 2011.

(c) *Changes in internal control over financial reporting*. There were no changes in the Corporation s internal control over financial reporting during the quarter ended June 30, 2011, that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

PART II - OTHER INFORMATION

AMPCO-PITTSBURGH CORPORATION

Item 1 Legal Proceedings

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

Item 1A Risk Factors

There are no material changes to the Risk Factors contained in Item 1A to Part I of the Corporation s Annual Report on Form 10-K for the year ended December 31, 2010.

Items 2-4 None

Item 5 Other Information

At the annual meeting of shareholders of the Corporation held on May 5, 2011, shareholders voted on a proposal to recommend, in a non-binding vote, the frequency of future shareholder votes on executive compensation. Based on the previously announced voting results and its consideration of those results, the Corporation s board of directors has adopted a policy to hold an annual advisory vote on executive compensation until the next required vote on the frequency of shareholder votes on executive compensation. The Corporation is required to hold votes on frequency at least every six years.

Item 6 Exhibits

(3) Articles of Incorporation and By-laws

(a) Articles of Incorporation

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

(b) By-laws

Incorporated by reference to the Form 8-K dated December 21, 2010.

(10) Material Contracts

(a) 2011 Omnibus Incentive Plan

Incorporated by reference to the Proxy Statement dated March 22, 2011.

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

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

(32.1) Certification of principal executive officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(32.2) Certification of principal financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(101) Interactive Data File (XBRL)

SIGNATURES

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

	AMPCO-PITTSBURGH CORPORATION
DATE: August 9, 2011	BY: s/ Robert A. Paul Robert A. Paul
	Chairman and Chief Executive Officer
DATE: August 9, 2011	BY: s/ Marliss D. Johnson Marliss D. Johnson
	Vice President, Controller and Treasurer

AMPCO-PITTSBURGH CORPORATION

EXHIBIT INDEX

Exhibit	(31.1)	Certification of principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
	(31.2)	Certification of principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
	(32.1)	Certification of principal executive officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
	(32.2)	Certification of principal financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
	(101)	Interactive Data File (XBRL)

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(8,363
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(8,363
)
Issuance of subsidiary stock awards
—

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—

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—

—

787

787

Net income
—

—

—

—

—

124,404

—

3,858

128,262

BALANCE, September 30, 2016
65,546,601

$
655

25,928,357

$
259

$

876,895

$
(360,459
)

$
(834
)

$
(29,850
)

$
486,666

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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SINCLAIR BROADCAST GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands) (Unaudited)

	Nine Months Ended September 30,	
	2016	2015
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
Net income	$128,262	$115,269
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation of property and equipment	74,330	75,938
Amortization of definite-lived intangible and other assets	137,197	119,439
Amortization of program contract costs and net realizable value adjustments	96,722	90,014
Loss on extinguishment of debt, non-cash portion	3,875	—
Stock-based compensation expense	13,470	14,778
Deferred tax benefit	6,631	(19,623)
Change in assets and liabilities, net of acquisitions:		
(Increase) decrease in accounts receivable	(77,118)	563
Increase in prepaid expenses and other current assets	(4,344)	(11,643)
Increase in accounts payable and accrued liabilities	36,286	8,128
Net change in net income taxes payable/receivable	(8,411)	5,623
Payments on program contracts payable	(84,625)	(82,594)
Other, net	7,985	(2,171)
Net cash flows from operating activities	330,260	313,721
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:		
Acquisition of property and equipment	(68,601)	(72,476)
Acquisition of businesses, net of cash acquired	(425,856)	(15,514)
Purchase of alarm monitoring contracts	(29,143)	(31,340)
Proceeds from sale of assets	16,396	23,650
Investments in equity and cost method investees	(34,224)	(43,068)
Loans to affiliates	(19,500)	—
Other, net	3,401	11,215
Net cash flows used in investing activities	(557,527)	(127,533)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:		
Proceeds from notes payable and commercial bank financing	1,011,312	379,481
Repayments of notes payable, commercial bank financing and capital leases	(653,987)	(375,104)
Dividends paid on Class A and Class B Common Stock	(49,667)	(47,104)
Repurchase of outstanding Class A Common Stock	(101,164)	(28,823)
Payments for deferred financing cost	(15,598)	(3,847)
Other, net	(9,056)	(9,084)
Net cash flows from (used in) financing activities	181,840	(84,481)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(45,427)	101,707
CASH AND CASH EQUIVALENTS, beginning of period	149,972	17,682
CASH AND CASH EQUIVALENTS, end of period	$104,545	$119,389

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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Table of Contents

SINCLAIR BROADCAST GROUP, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Operations

Sinclair Broadcast Group, Inc. is a diversified television broadcasting company with national reach with a strong focus on providing high-quality content on our local television stations and digital platforms. The content, distributed through our broadcast platform, consists of programming provided by third-party networks and syndicators, local news, and other original programming produced by us. We also distribute our original programming, and owned and operated network affiliates, on other third-party platforms. Additionally, we own digital media products that are complementary to our extensive portfolio of television station related digital properties. Outside of our media related businesses, we operate technical services companies focused on supply and maintenance of broadcast transmission systems as well as research and development for the advancement of broadcast technology, and we manage other non-media related investments.

As of September 30, 2016, our broadcast distribution platform is a single reportable segment for accounting purposes. It consists primarily of our broadcast television stations, which we own, provide programming and operating services pursuant to agreements commonly referred to as local marketing agreements (LMAs), or provide sales services and other non-programming operating services pursuant to other outsourcing agreements (such as joint sales agreements (JSAs) and shared services agreements (SSAs)) to 173 stations in 81 markets. These stations broadcast 482 channels, as of September 30, 2016. For the purpose of this report, these 173 stations and 482 channels are referred to as “our” stations and channels.

Principles of Consolidation

The consolidated financial statements include our accounts and those of our wholly-owned and majority-owned subsidiaries and variable interest entities (VIEs) for which we are the primary beneficiary. Noncontrolling interest represents a minority owner’s proportionate share of the equity in certain of our consolidated entities. All intercompany transactions and account balances have been eliminated in consolidation.

Interim Financial Statements

The consolidated financial statements for the three and nine months ended September 30, 2016 are unaudited. In the opinion of management, such financial statements have been presented on the same basis as the audited consolidated financial statements and include all adjustments, consisting only of normal recurring adjustments necessary for a fair statement of the consolidated balance sheets, consolidated statements of operations, consolidated statements of comprehensive income, consolidated statement of equity (deficit) and consolidated statements of cash flows for these periods as adjusted for the adoption of recent accounting pronouncements discussed below.

As permitted under the applicable rules and regulations of the Securities and Exchange Commission (SEC), the consolidated financial statements do not include all disclosures normally included with audited consolidated financial statements and, accordingly, should be read together with the audited consolidated financial statements and notes thereto in our Annual Report on Form 10-K for the year ended December 31, 2015 filed with the SEC. The consolidated statements of operations presented in the accompanying consolidated financial statements are not necessarily representative of operations for an entire year.

Variable Interest Entities

In determining whether we are the primary beneficiary of a VIE for financial reporting purposes, we consider whether we have the power to direct the activities of the VIE that most significantly impact the economic performance of the VIE and whether we have the obligation to absorb losses or the right to receive returns that would be significant to the VIE. We consolidate VIEs when we are the primary beneficiary.

Third-party station licensees. Certain of our stations provide services to other station owners within the same respective market through agreements, such as LMAs, where we provide programming, sales, operational and administrative services, and JSAs and SSAs, where we provide non-programming, sales, operational and administrative services. In certain cases, we have also entered into purchase agreements or options to purchase the license related assets of the licensee. We typically own the majority of the non-license assets of the stations, and in some cases where the licensee acquired the license assets concurrent with our acquisition of the non-license assets of the station, we have provided guarantees to the bank for the licensee's acquisition financing. The terms of the agreements vary, but generally have initial terms of over five years with several optional renewal terms. As of September 30,

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2016 and December 31, 2015, respectively, we have concluded that 37 of these licensees are VIEs. Based on the terms of the agreements and the significance of our investment in the stations, we are the primary beneficiary of the variable interests because, subject to the ultimate control of the licensees, we have the power to direct the activities which significantly impact the economic performance of the VIE through the services we provide and because we absorb losses and returns that would be considered significant to the VIEs. Several of these VIEs are owned by a related party, Cunningham Broadcasting Corporation (Cunningham). See Note 7. Related Person Transactions for more information about the arrangements with Cunningham. The net revenues of the stations which we consolidate were $79.1 million and $227.4 million for the three and nine months ended September 30, 2016, and $71 million and $207.6 million for the three and nine months ended September 30, 2015, respectively. The fees paid between us and the licensees pursuant to these arrangements are eliminated in consolidation. See Changes in the Rules of Television Ownership, Joint Sales Agreements, Retransmission Consent Negotiations, and National Ownership Cap within Note 4. Commitments and Contingencies for discussion of recent changes in FCC rules related to JSAs.

As of the dates indicated, the carrying amounts and classification of the assets and liabilities of the VIEs mentioned above which have been included in our consolidated balance sheets for the periods presented (in thousands):

	September 30, 2016	December 31, 2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 490	$ 490
Accounts receivable	24,945	21,719
Current portion of program contract costs	14,895	13,287
Prepaid expenses and other current assets	318	331
Total current assets	40,648	35,827
PROGRAM CONTRACT COSTS, less current portion	3,078	4,541
PROPERTY AND EQUIPMENT, net	3,301	7,609
GOODWILL	791	787
INDEFINITE-LIVED INTANGIBLE ASSETS	15,684	17,599
DEFINITE-LIVED INTANGIBLE ASSETS, net	80,693	79,086
OTHER ASSETS	6,924	6,924
Total assets	$ 151,119	$ 152,373
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	$ 1,112	$ 1,240
Current portion of notes payable, capital leases and commercial bank financing	3,710	3,687

Current portion of program contracts payable	16,573	12,627
Total current liabilities	21,395	17,554
LONG-TERM LIABILITIES:		
Notes payable, capital leases and commercial bank financing, less current portion	21,944	24,594
Program contracts payable, less current portion	14,036	13,679
Other long-term liabilities	9,364	8,067
Total liabilities	$ 66,739	$ 63,894

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The amounts above represent the consolidated assets and liabilities of the VIEs described above, for which we are the primary beneficiary, and have been aggregated as they all relate to our broadcast business. Excluded from the amounts above are payments made to Cunningham under the LMAs and certain JSAs which are treated as a prepayment of the purchase price of the stations and capital leases between us and Cunningham which are eliminated in consolidation. The total payments made under these LMAs and certain JSAs as of September 30, 2016 and December 31, 2015, which are excluded from liabilities above, were $40.0 million and $37.6 million, respectively. The total capital lease liabilities, net of capital lease assets, excluded from the above were $4.5 million for both September 30, 2016 and December 31, 2015. Also excluded from the amounts above are liabilities associated with certain outsourcing agreements and purchase options with certain VIEs totaling $77.8 million and $72.5 million as of September 30, 2016 and December 31, 2015, respectively, as these amounts are eliminated in consolidation. The assets of each of these consolidated VIEs can only be used to settle the obligations of the VIE. All the liabilities are non-recourse to us except for certain debt of VIEs which we guarantee. The risk and reward characteristics of the VIEs are similar.

Other investments. We have investments in real estate ventures and investment companies which are considered VIEs. However, we do not participate in the management of these entities including the day-to-day operating decisions or other decisions which would allow us to control the entity, and therefore, we are not considered the primary beneficiary of these VIEs. We account for these entities using the equity or cost method of accounting.

The carrying amounts of our investments in these VIEs for which we are not the primary beneficiary as of September 30, 2016 and December 31, 2015 are $119.9 million and $18.1 million, respectively, and are included in other assets in the consolidated balance sheets. The increase in 2016 was due to the adoption of the revised accounting guidance during the first quarter of 2016 related to consolidation as discussed under Recent Accounting Pronouncements below, which resulted in additional investments being considered VIEs. Our maximum exposure is equal to the carrying value of our investments. The income and loss related to these investments are recorded in income from equity and cost method investments in the consolidated statement of operations. We recorded income of $1.4 million and $2.8 million for the three and nine months ended September 30, 2016, and income of $0.7 million and $6.5 million for the three and nine months ended September 30, 2015 respectively.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of
America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses in the consolidated financial statements and in the disclosures of contingent assets and liabilities. Actual results could differ from those estimates.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued guidance on revenue recognition for revenue from contracts with customers. This guidance requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers and will replace most existing revenue recognition guidance when it becomes effective. The new standard is effective for the annual reporting period beginning after December 15, 2017, however, early adoption is permitted. The standard permits the use of either the retrospective or cumulative effect transition method. We are currently evaluating the impact of this guidance on our consolidated financial statements.

In August 2014, the FASB issued guidance on disclosure of uncertainties about an entity’s ability to continue as a going concern. The new standard is effective for the annual period ending after December 15, 2016, and for annual

periods and interim periods thereafter. We will be adopting this guidance beginning December 31, 2016, which will involve adding policies and procedures around our assessments to continue as a going concern.

In February 2015, the FASB issued new guidance that amends the current consolidation guidance on the determination of whether an entity is a variable interest entity. The new standard is effective for the interim and annual periods beginning after December 15, 2015. We adopted this revised guidance on a modified retrospective basis during the three months ended March 31, 2016. As disclosed under Other investments under Variable Interest Entities above, the adoption of the revised guidance resulted in additional investments in real estate ventures and investment companies being considered VIEs, however, we concluded that we were not the primary beneficiary of these investments. The revised guidance did not have any other impact on our consolidation conclusions.

In February 2016, the FASB issued new guidance related to accounting for leases, which requires the assets and liabilities that arise from leases to be recognized on the balance sheet. Currently only capital leases are recorded on the balance sheet. This update will require the lessee to recognize a lease liability equal to the present value of the lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term for all leases longer than 12 months. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease

assets and liabilities and recognize the lease expense for such leases generally on a straight-line basis over the lease term. This new guidance will be effective for fiscal periods beginning after December 15, 2018, including interim periods within that reporting period. Early adoption is permitted. We are currently evaluating the impact of this guidance on our consolidated financial statements.

In March 2016, the FASB issued new guidance that simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for income tax effects, forfeitures, the impact of employee income tax withholdings and classification of certain related items in the statement of cash flows. We early adopted this guidance effective January 1, 2016, which did not have a material effect on the consolidated financial statements. The adoption of the various changes in the guidance were applied as required by the guidance either on the prospective, modified retrospective, or full retrospective basis. As shown in the consolidated statement of stockholders' equity, upon adoption, we recorded a $0.4 million increase to additional paid in capital and a $1.8 million decrease in accumulated deficit, net of taxes, to record the cumulative effect of changing the classification of certain liability awards to equity classification. Additionally, for the nine months ended September 30, 2015, we reclassified $2.2 million from net cash flows from operating activities to net cash flows from financing activities in our consolidated statement of cash flows related to cash payments made to taxing authorities on certain employees' behalf for shares withheld.

In August 2016, the FASB issued new guidance related to the classification of certain cash receipts and cash payments. The new standard, which includes eight specific cash flow issues with the objective of reducing the existing diversity in practice as to how cash receipts and cash payments are represented in the statement of cash flow. The new standard is effective for fiscal year beginning after December 15, 2017, including the interim periods within that reporting period. Early adoption is permitted. We are currently evaluating the impact of this guidance on our consolidated financial statements.

Revenue Recognition

Total revenues include: (i) cash and barter advertising revenues, net of agency commissions; (ii) retransmission consent fees; (iii) network compensation; (iv) other media revenues and (v) revenues from our other businesses.

Advertising revenues, net of agency commissions, are recognized in the period during which advertisements are placed.

Some of our retransmission consent agreements contain both advertising and retransmission consent elements. We have determined that these retransmission consent agreements are revenue arrangements with multiple deliverables. Advertising and retransmission consent deliverables sold under our agreements are separated into different units of accounting at fair value. Revenue applicable to the advertising element of the arrangement is recognized similar to the advertising revenue policy noted above. Revenue applicable to the retransmission consent element of the arrangement is recognized over the life of the agreement.

Network compensation revenue is recognized over the term of the contract. All other significant revenues are recognized as services are provided.

Income Taxes

Our income tax provision for all periods consists of federal and state income taxes. The tax provision for the nine months ended September 30, 2016 and 2015 is based on the estimated effective tax rate applicable for the full year after taking into account discrete tax items and the effects of the noncontrolling interests. We provide a valuation allowance for deferred tax assets if we determine that it is more likely than not that some or all of the deferred tax

assets will not be realized. In evaluating our ability to realize net deferred tax assets, we consider all available evidence, both positive and negative, including our past operating results, tax planning strategies and forecasts of future taxable income. In considering these sources of taxable income, we must make certain judgments that are based on the plans and estimates used to manage our underlying businesses on a long-term basis. A valuation allowance has been provided for deferred tax assets related to a substantial portion of our available state net operating loss (NOL) carryforwards, based on past operating results, expected timing of the reversals of existing temporary book/tax basis differences, alternative tax strategies and projected future taxable income.

Our effective income tax rate for the three and nine months ended September 30, 2016 approximated the statutory rate. Our effective income tax rate for the three and nine months ended September 30, 2015 was less than the statutory rate primarily due to 1) a reduction in liability for unrecognized tax benefits of $5.7 million, in the third quarter of 2015, as a result of statute of limitations expiration and 2) a $3.3 million adjustment to the income tax provision upon finalization of the 2014 federal income tax return, primarily related to greater than originally projected available income tax deductions and credits.

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Share Repurchase Program

On March 20, 2014, the Board of Directors authorized a $150.0 million share repurchase authorization. On September 6, 2016 the Board of Directors authorized an additional $150.0 million share repurchase authorization. There is no expiration date and currently, management has no plans to terminate this program. For the three months ended September 30, 2016, we purchased approximately 3.2 million shares of Class A Common Stock for $90.0 million. For the nine months ended September 30, 2016, we purchased approximately 3.6 million shares of Class A Common Stock for $101.2 million. As of September 30, 2016, the total remaining authorization was $154.3 million. In October and November 2016, we repurchased an additional 1.1 million shares of Class A Common Stock for $31.1 million.

Reclassifications

Certain reclassifications have been made to prior years' consolidated financial statements to conform to the current year's presentation.

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2. ACQUISITIONS:

Tennis Channel. In March 2016, we acquired all of the outstanding common stock of Tennis Channel (Tennis), a cable network which includes coverage of the top 100 tennis tournaments and original professional sport and tennis lifestyle shows, for $350.0 million plus a working capital adjustment of $9.2 million. This was funded through cash on hand and a draw on the Bank Credit Agreement. The acquisition provides an expansion of our network business and increases value based on the synergies we can achieve. Tennis is reported within Other within Note 6. Segment Data.

The following table summarizes the allocated fair value of acquired assets and assumed liabilities (in thousands):

Cash	$5,111
Accounts receivable	17,629
Prepaid expenses and other current assets	6,518
Property and equipment	5,964
Definite-lived intangible assets	272,686
Indefinite-lived intangible assets	23,400
Other assets	619
Accounts payable and accrued liabilities	(7,414)
Capital leases	(115)
Deferred tax liability	(20,056)
Other long term liabilities	(1,669)
Fair value of identifiable net assets acquired	302,673
Goodwill	56,492
Total	$359,165

The preliminary allocation presented above is based upon management's estimate of the fair values using valuation techniques including income, cost and market approaches. In estimating the fair value of the acquired assets and assumed liabilities, the fair value estimates are based on, but not limited to, expected future revenue and cash flows, expected future growth rates, and estimated discount rates. The purchase price has been allocated to the acquired assets and assumed liabilities based on estimated fair values. The allocation is preliminary pending a final determination of the fair values of the assets and liabilities.

During the three months ended September 30, 2016, we made certain measurement period adjustments to the initial purchase accounting: an increase to definite-lived intangible assets of $45.6 million, a decrease to indefinite-lived intangible assets of $1.5 million, a decrease to deferred taxes assets of $16.1 million resulting in a net deferred tax liability, a decrease to goodwill of $25.3 million, and an increase to amortization of $1.1 million during the three months ended September 30, 2016.

Indefinite-lived intangible assets are comprised of trade names. Customer relationships, which represent existing advertiser relationships and contractual relationships with MVPDs, will be amortized over the estimated remaining useful lives of 10 to 15 years. Acquired property and equipment will be depreciated on a straight-line basis over the respective estimated remaining useful lives. Goodwill is calculated as the excess of the consideration over the fair value of the identifiable net assets acquired and represents the future economic benefits expected to arise from other intangible assets acquired that do not qualify for separate recognition, including assembled workforce and noncontractual relationships, as well as expected future synergies. Goodwill will not be deductible for tax purposes. Other intangible assets will be amortized over the respective weighted average useful lives ranging from 1 to 3 years. The following table summarizes the amounts allocated to definite-lived intangible assets representing the estimated fair values (in thousands):

Customer relationships	$269,300
Other intangible assets	3,386
Fair value of identifiable definite-lived intangible assets acquired	$272,686

In connection with the acquisitions, for the nine months ended September 30, 2016, we incurred a total of $0.2 million of costs primarily related to legal and other professional services which we expensed as incurred and classified as corporate general and administrative expenses in the consolidated statements of operations. For the three months ended September 30, 2016, net revenues

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and operating income of Tennis were $27.4 million and $1.3 million, respectively. For the nine months ended September 30, 2016, net revenues and an operating loss of Tennis were $62.5 million and $9.6 million, respectively.

Pro Forma Information

The following table sets forth unaudited results of operations for the three and nine months ended September 30, 2016 and 2015 assuming that Tennis, along with transactions necessary to finance the acquisition, occurred at the beginning of the year preceding the year of acquisition. The pro forma results exclude the acquisition of television station acquisitions discussed below, as they were deemed not material both individually and in the aggregate (in thousands, except per share data):

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Total revenues	$693,835	$571,437	$1,953,750	$1,678,800
Net Income	$79,019	$40,911	$127,222	$107,312
Net Income attributable to Sinclair Broadcast Group	$50,845	$40,132	$123,364	$105,367
Basic earnings per share attributable to Sinclair Broadcast Group	$0.54	$0.42	$1.30	$1.11
Diluted earnings per share attributable to Sinclair Broadcast Group	$0.54	$0.42	$1.29	$1.10

This pro forma financial information is based on historical results of operations, adjusted for the allocation of the purchase price and other acquisition accounting adjustments, and is not indicative of what our results would have been had we operated Tennis since the beginning of the annual period presented because the pro forma results do not reflect expected synergies. The pro forma adjustments reflect depreciation expense and amortization of intangible assets related to the fair value adjustments of the assets acquired, additional interest expense related to the financing of the transactions, and exclusion of nonrecurring financing and transaction related costs. Depreciation and amortization expense are higher than amounts recorded in the historical financial statements of the acquirees due to the fair value adjustments recorded for long-lived tangible and intangible assets in purchase accounting.

Television Station Acquisitions. During the nine months ended September 30, 2016, we acquired certain television station related assets for an aggregate purchase price of $72.0 million less working capital of $0.2 million. In conjunction with the acquisition of certain television stations, we simultaneously sold broadcast assets of certain stations. During the three and nine months ended September 30, 2016, we recognized a gain on sale of those broadcast assets of $1.8 million and $2.6 million, respectively.

3. NOTES PAYABLE AND COMMERCIAL BANK FINANCING:

5.125% Senior Notes, due 2027

On August 30, 2016, we issued $400.0 million of senior unsecured notes, which bear interest at a rate of 5.125% per annum and mature on February 15, 2027 (the 5.125% Notes), pursuant to an indenture dated August 30, 2016 (the 5.125% Indenture). The 5.125% Notes were priced at 100% of their par value and interest is payable semi-annually on February 15 and August 15, commencing on February15, 2017. Prior to August 15, 2021, we may redeem the 5.125% Notes, in whole or in part, at any time or from time to time at a price equal to 100% of the principal amount of the 5.125% Notes plus accrued and unpaid interest, if any, to the date of redemption, plus a “make-whole” premium as set forth in the 5.125% Indenture. In addition, on or prior to August 15, 2019, we may redeem up to 35% of the 5.125% Notes, using proceeds of certain equity offerings. If we sell certain of our assets or experience specific kinds of changes of control, the holders of the 5.125% Notes may require us to repurchase some or all of the notes. There are no registration rights associated with the 5.125% Notes. The net proceeds of the 5.125% Notes were used to redeem

$350.0 million aggregate principal amount of STG's 6.375% senior unsecured notes due 2021 (the 6.375% Notes) and for general corporate purposes. The redemption price, including the outstanding principal amount of the 6.375% Notes, accrued and unpaid interest, and a make-whole premium, totaled $377.2 million. We recorded a loss on extinguishment of debt of $23.7 million related to this redemption. We incurred $6.6 million of deferred financing costs in connection with the issuance of the 5.125% Notes as of September 30, 2016.

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5.875% Senior Notes, due 2026

On March 23, 2016, we issued $350.0 million of senior unsecured notes, which bear interest at a rate of 5.875% per annum and mature on March 15, 2026 (the 5.875% Notes), pursuant to an indenture dated March 23, 2016 (the 5.875% Indenture). The 5.875% Notes were priced at 100% of their par value and interest is payable semi-annually on March 15 and September 15, commencing on September 15, 2016. Prior to March 15, 2021, we may redeem the 5.875% Notes, in whole or in part, at any time or from time to time at a price equal to 100% of the principal amount of the 5.875% Notes plus accrued and unpaid interest, if any, to the date of redemption, plus a "make-whole" premium as set forth in the 5.875% Indenture. In addition, on or prior to March 15, 2019, we may redeem up to 35% of the 5.875% Notes, using proceeds of certain equity offerings. If we sell certain of our assets or experience specific kinds of changes of control, the holders of the 5.875% Notes may require us to repurchase some or all of the notes. There are no registration rights associated with the 5.875% Notes. The proceeds from the offering of the 5.875% Notes, were used to repay amounts under our revolving credit facility and for other general corporate purposes. We incurred $5.9 million of deferred financing costs in connection with the issuance of the 5.875% Notes.

As discussed in Note 2. Acquisitions, we completed the acquisition of Tennis in March 2016. The acquisition was funded, in part, by a draw on our revolving line of credit which was repaid using the proceeds from the 5.875% Notes discussed above.

Bank Credit Agreement

On July 19, 2016, we entered into an amendment and extension of our bank credit agreement. Pursuant to the amendment, the maturity date applicable to $485.2 million in revolving commitments and $139.5 million of term loan A loans were extended to July 31, 2021. The remaining $153.5 million of outstanding term loan A loans will mature April 9, 2018. In connection with the transaction, we also amended certain pricing terms related to the loans. We incurred approximately $2.6 million of financing costs in connection with the amendment, of which $0.3 million was expensed and the remaining $2.3 million was capitalized as deferred financing cost as of September 30, 2016.

As of September 30, 2016 and December 31, 2015, there was no outstanding balance under our revolving credit facility. As of September 30, 2016, we had $483.3 million borrowing capacity under our revolving credit facility.

4. COMMITMENTS AND CONTINGENCIES:

Litigation

We are a party to lawsuits and claims from time to time in the ordinary course of business. Actions currently pending are in various stages and no material judgments or decisions have been rendered by hearing boards or courts in connection with such actions. After reviewing developments to date with legal counsel, our management is of the opinion that none of our pending and threatened matters are material. The FCC has undertaken an investigation in response to a complaint it received alleging possible violations of the FCC's sponsorship identification rules by the Company and certain of its subsidiaries. We cannot predict the outcome of any potential FCC action related to this matter but it is possible that such action could include fines and/or compliance programs.

Changes in the Rules of Television Ownership, Joint Sales Agreements, Retransmission Consent Negotiations, and National Ownership Cap

In March, 2014, the FCC issued a public notice indicating that it will closely scrutinize any broadcast assignment or transfer application proposing sharing arrangements (such as JSAs, LMAs and other shared services agreements) and contingent interests (such as options). We cannot now predict what actions the FCC may require in connection with

the processing of applications for FCC consent to future transactions. In addition, in August, 2016, the FCC completed both its 2010 and 2014 quadrennial reviews of its media ownership rules and issued an order which left most of the existing multiple ownership rules intact, but amended the rules to provide that, for JSAs where two television stations are located in the same market, and a party with an attributable interest in one station sells more than 15% of the ad time per week of the other station, the party selling such ad time shall be treated as if it had an attributable ownership interest in the second station. The order provides that JSAs that existed prior to March 31, 2014, may remain in place until October 1, 2025, at which point they must be terminated, amended or otherwise come into compliance with the rules. In addition, these "grandfathered" JSAs may be transferred or assigned without losing grandfathering status. These new rules could limit our future ability to create duopolies or other two station operations in certain markets. The revenues of these JSA arrangements we earned were $16.0 million and $11.5 million for the three months ended September 30, 2016 and 2015 and $42.5 million and $34.2 million for the nine months ended September 30, 2016 and 2015, respectively.

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In February 2015, the FCC issued an order implementing certain statutorily required changes to its rules governing the duty to negotiate retransmission consent agreements in good faith. With these changes, a television broadcast station is prohibited from negotiating retransmission consent jointly with another television station in the same market unless the “stations are directly or indirectly under common de jure control permitted under the regulations of the Commission.” During a 2015 retransmission consent negotiation, an MVPD filed a complaint with the FCC accusing us of violating this rule. Although we reached agreement with the MVPD and they withdrew their complaint, the FCC undertook its own internal investigation regarding the allegations made by the MVPD and whether we negotiated in good faith as defined by the rules. In order to resolve the issues raised by the investigation described above and all other pending matters before the FCC's Media Bureau (Bureau), the Company, on July 29, 2016, without any admission of liability, entered into a consent decree with the FCC pursuant to which the Bureau agreed (i) to terminate their investigation regarding the retransmission consent negotiations described above as well as any other investigations pending before the Bureau, (ii) to dismiss with prejudice or deny any outstanding adversarial pleadings against the Company pending before the Bureau, (iii) to cancel outstanding forfeiture orders issued by the Bureau relating to the Company, and (iv) to grant all of the Company’s pending license renewals, subject to a payment by the Company to the United States Treasury in the amount of $9.5 million which was paid in September 2016. In addition, pursuant to the terms of the consent decree, the Company agreed to be subject to ongoing compliance monitoring by the FCC for a period of 36 months.

Further, in September 2015, the FCC released a Notice of Proposed Rulemaking in response to a Congressional directive in STELAR to examine the “totality of the circumstances test” for good-faith negotiations of retransmission consent. The proposed rulemaking seeks comment on new factors and evidence to consider in its evaluation of claims of bad faith negotiation, including service interruptions prior to a “marquee sports or entertainment event,” restrictions on online access to broadcast programming during negotiation impasses, broadcasters’ ability to offer bundles of broadcast signals with other broadcast stations or cable networks, and broadcasters’ ability to invoke the FCC’s exclusivity rules during service interruptions. On July 14, 2016, the FCC’s Chairman announced that the FCC would not, at this time, proceed to adopt additional rules governing good faith negotiations of retransmission consent. No formal action has yet been taken on this Notice of Proposed Rulemaking, and we cannot predict if the full Commission will agree to terminate the Rulemaking without action.

On September 6, 2016, the FCC released an order eliminating the UHF discount. The UHF discount allowed television station owners to discount the coverage of UHF stations when calculating compliance with the FCC’s national ownership cap, which prohibits a single entity from owning television stations that reach, in total, more than 39% of all the television households in the nation. All but 28 of the stations we own and operate, or to which we provide programming services are UHF. As a result of the elimination of the UHF discount, counting all our present stations and pending transactions, we reach over 37% of U.S. households. The changes to the national ownership cap could limit our future ability to make television station acquisitions.

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5. EARNINGS PER SHARE:

The following table reconciles income (numerator) and shares (denominator) used in our computations of basic and diluted earnings per share for the periods presented (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Income (Numerator)				
Net Income	$52,033	$44,034	$128,262	$115,269
Net income attributable to noncontrolling interests	(1,188)	(779)	(3,858)	(1,945)
Numerator for diluted earnings per common share available to common shareholders	$50,845	$43,255	$124,404	$113,324
Shares (Denominator)				
Weighted-average common shares outstanding	93,948	95,002	94,595	95,146
Dilutive effect of stock-settled appreciation rights, restricted stock awards and outstanding stock options	818	690	870	691
Weighted-average common and common equivalent shares outstanding	94,766	95,692	95,465	95,837

There were 525,000 shares for the three and nine months ended September 30, 2016, and 200,000 shares for the three and nine months ended September 30, 2015 which had an anti-dilutive effect on the equivalent shares outstanding and therefore excluded from the diluted effect above.

6. SEGMENT DATA:

We measure segment performance based on operating income (loss). Our broadcast segment includes stations in 81 markets located throughout the continental United States. Other primarily consists of original networks and content, digital and internet solutions, technical services and other non-media investments. All of our businesses are located within the United States. Corporate costs primarily include our costs to operate as a public company and to operate our corporate headquarters location. Other and Corporate are not reportable segments but are included for reconciliation purposes.

We had approximately $226.5 million and $226.0 million of intercompany loans between the broadcast segment, other, and corporate as of September 30, 2016 and 2015, respectively. We had $6.1 million in intercompany interest expense related to intercompany loans between the broadcast segment, other, and corporate for the three months ended September 30, 2016 and 2015. We had $18.3 million and $16.9 million in intercompany interest expense for the nine months ended September 30, 2016 and 2015, respectively. All other intercompany transactions are immaterial.

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Segment financial information is included in the following tables for the periods presented (in thousands):

For the three months ended September 30, 2016	Broadcast	Other	Corporate	Consolidated
Revenue	$635,559	$58,276	$ —	$ 693,835
Depreciation of property and equipment	24,195	1,425	266	25,886
Amortization of definite-lived intangible assets and other assets	38,717	9,090	—	47,807
Amortization of program contract costs and net realizable value adjustments	32,441	—	—	32,441
General and administrative overhead expenses	17,530	247	1,275	19,052
Research and development	—	745	—	745
Operating income (loss)	158,666	(3,077)	(1,595)	153,994
Interest expense	1,404	1,664	50,420	53,488
Income from equity and cost method investments	—	611	812	1,423
Assets	4,901,549	825,996	138,643	5,866,188

For the three months ended September 30, 2015	Broadcast	Other	Corporate	Consolidated
Revenue	$525,529	$22,875	$ —	$ 548,404
Depreciation of property and equipment	24,489	708	279	25,476
Amortization of definite-lived intangible assets and other assets	37,601	2,413	—	40,014
Amortization of program contract costs and net realizable value adjustments	29,841	—	—	29,841
General and administrative overhead expenses	14,378	1,087	999	16,464
Research and development	—	4,803	—	4,803
Operating income (loss)	109,231	(7,653)	(1,972)	99,606
Interest expense	—	1,305	47,261	48,566
Income from equity and cost method investments	—	252	—	252

For the nine months ended September 30, 2016	Broadcast	Other	Corporate	Consolidated
Revenue	1,790,561	148,697	—	1,939,258
Depreciation of property and equipment	69,469	4,063	798	74,330
Amortization of definite-lived intangible assets and other assets	117,038	20,159	—	137,197
Amortization of program contract costs and net realizable value adjustments	96,722	—	—	96,722
General and administrative overhead expenses	50,320	1,075	3,277	54,672
Research and development	—	3,055	—	3,055
Operating income (loss)	402,236	(28,699)	(4,130)	369,407
Interest expense	4,297	4,695	147,827	156,819
Income from equity and cost method investments	—	414	2,375	2,789

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For the nine months ended September 30, 2015	Broadcast	Other	Corporate	Consolidated
Revenue	$ 1,542,943	$ 64,403	$ —	$ 1,607,346
Depreciation of property and equipment	73,028	2,073	837	75,938
Amortization of definite-lived intangible assets and other assets	112,724	6,715	—	119,439
Amortization of program contract costs and net realizable value adjustments	90,014	—	—	90,014
General and administrative overhead expenses	40,637	2,611	3,437	46,685
Research and development	—	11,555	—	11,555
Operating income (loss)	323,336	(20,498)	(4,345)	298,493
Interest expense	—	3,541	139,337	142,878
Income from equity and cost method investments	—	5,405	—	5,405

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7. RELATED PERSON TRANSACTIONS:

Transactions with our controlling shareholders

David, Frederick, J. Duncan and Robert Smith (collectively, the controlling shareholders) are brothers and hold substantially all of the Class B Common Stock and some of our Class A Common Stock. We engaged in the following transactions with them and/or entities in which they have substantial interests.

Leases. Certain assets used by us and our operating subsidiaries are leased from Cunningham Communications Inc., Keyser Investment Group, Gerstell Development Limited Partnership and Beaver Dam, LLC (entities owned by the controlling shareholders). Lease payments made to these entities were $1.3 million for both the three months ended September 30, 2016 and 2015, and $3.8 million and $3.9 million for nine months ended September 30, 2016 and 2015, respectively.

In September 2015, we were granted authority by the Federal Communications Commission (FCC) to operate an experimental facility in Washington D.C. and Baltimore markets to implement a Single Frequency Network (SFN) using the base elements of the new ATSC 3.0 transmission standard. In conjunction with this experimental facility, Cunningham Communications, Inc. provides tower space without charge.

Charter Aircraft. We lease aircraft owned by certain controlling shareholders, including a new lease agreement as of February 2016 for the term of thirty months and will be renewed thereafter for successive terms of twelve months. For all leases, we incurred expenses of $0.3 million and $0.4 million for the three months ended September 30, 2016 and 2015, and $1.0 million for both the nine months ended September 30, 2016 and 2015, respectively.

Cunningham Broadcasting Corporation

Cunningham owns a portfolio of television stations including: WNUV-TV Baltimore, Maryland; WRGT-TV Dayton, Ohio; WVH-TV Charleston, West Virginia; WMYA-TV Anderson, South Carolina; WTTE-TV Columbus, Ohio; WDBB-TV Birmingham, Alabama; WBSF-TV Flint, Michigan; and WGTU-TV/WGTQ-TV Traverse City/Cadillac, Michigan (collectively, the Cunningham Stations). Certain of our stations provide services to these Cunningham Stations pursuant to LMAs or JSAs and SSAs. See Note 1. Nature of Operations and Summary of Significant Accounting Policies, for further discussion of the scope of services provided under these types of arrangements.

The estate of Carolyn C. Smith, the mother of our controlling shareholders, currently owns all of the voting stock of the Cunningham Stations. The sale of the voting stock by the estate to an unrelated party is pending approval of the FCC. All of the non-voting stock is owned by trusts for the benefit of the children of our controlling shareholders. We consolidate certain subsidiaries of Cunningham, with which we have variable interests through various arrangements related to the Cunningham Stations discussed further below.

The services provided to WNUV-TV, WMYA-TV, WTTE-TV, WRGT-TV and WVAH-TV are governed by a master agreement which has a current term that expires on July 1, 2023 and there are two additional 5- year renewal terms remaining with final expiration on July 1, 2033. We also executed purchase agreements to acquire the license related assets of these stations from Cunningham, which grant us the right to acquire, and grant Cunningham the right to require us to acquire, subject to applicable FCC rules and regulations, 100% of the capital stock or the assets of these individual subsidiaries of Cunningham. Our applications to acquire these license related assets are pending FCC approval. Pursuant to the terms of this agreement we are obligated to pay Cunningham an annual fee for the television stations equal to the greater of (i) 3% of each station’s annual net broadcast revenue and (ii) $4.7 million. The aggregate purchase price of these television stations increases by 6% annually. A portion of the fee is required to be

applied to the purchase price to the extent of the 6% increase. The remaining aggregate purchase price of these stations as of September 30, 2016 was approximately $53.6 million. Additionally, we provide services to WDBB-TV pursuant to an LMA, which expires April 22, 2025. We paid Cunningham under these agreements, $2.1 million and $2.1 million for the three months ended September 30, 2016 and 2015, respectively and $6.6 million and $7.8 million for nine months ended September 30, 2016 and 2015, respectively.

The agreements with WBSF-TV and WGTU-TV/WGTQ-TV expire in November 2021 and August 2023, respectively, and each has renewal provisions for successive eight year periods. We earned $1.4 million and $1.5 million from the services we performed for these stations for the three months ended September 30, 2016 and 2015, respectively, and $3.9 million and $4.2 million for the nine months ended September 30, 2016 and 2015, respectively.

As we consolidate the licensees as VIEs, the amounts we earn or pay under the arrangements are eliminated in consolidation

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and the gross revenues of the stations are reported within our consolidated statement of operations. Our consolidated revenues related to the Cunningham Stations include $29.4 million and $25.8 million for the three months ended September 30, 2016 and 2015, respectively, and $83.8 million and $74.8 million for the nine months ended September 30, 2016 and 2015, respectively.

During January 2016, Cunningham entered into a promissory note to borrow $19.5 million from us. The note bears interest at a fixed rate of 5.0% per annum (the 5.0% Notes), which is payable quarterly, commencing March 31, 2016. The note matures in January 2021, with additional one year renewal periods upon our approval.

In April 2016, we entered into an agreement with Cunningham to provide master control equipment and provide master control services to a station in Johnstown, PA with which they have an LMA that expires in April 2019, Cunningham will pay us an initial fee of $0.7 million and $0.2 million annually for master control services plus the cost to maintain and repair the equipment. Also, in August 2016, we entered into an agreement, expiring October 2021, with Cunningham to provide a news share service with their station in Johnstown, PA beginning in October 2016 for an annual fee of $1.0 million per year.

Atlantic Automotive Corporation

We sell advertising time to Atlantic Automotive Corporation (Atlantic Automotive), a holding company that owns automobile dealerships and an automobile leasing company. David D. Smith, our President and Chief Executive Officer, has a controlling interest in, and is a member of the Board of Directors of Atlantic Automotive. We received payments for advertising totaling $0.3 million and $0.1 million for the three months ended September 30, 2016 and 2015, and $0.6 million and $0.3 million for the nine months ended September 30, 2016 and 2015, respectively. Additionally, Atlantic Automotive leases office space owned by one of our consolidated real estate ventures in Towson, Maryland. Atlantic Automotive paid $0.3 million in rent during both the three months ended September 30, 2016 and 2015, and $0.8 million and $0.9 million for the nine months ended September 30, 2016 and 2015, respectively.

Leased property by real estate ventures

Certain of our real estate ventures have entered into leases with entities owned by David Smith to lease restaurant space. There are leases for three restaurants in a building owned by one of our consolidated real estate ventures in Baltimore, MD. Total rent received under these leases was $0.2 million for both the three months ended September 30, 2016 and 2015, and $0.5 million for both the nine months ended September 30, 2016 and 2015. There is also one lease for a restaurant in a building owned by one of our real estate ventures, accounted for under the equity method, in Towson, MD. This investment received $0.1 million in rent pursuant to the lease for both the three months ended September 30, 2016 and 2015, and $0.2 million and $0.3 million for the nine months ended September 30, 2016 and 2015, respectively.

Payments for services provided by these three restaurants to us was less than $0.1 million for the three and nine months ended September 30, 2016 and 2015, respectively.

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8. FAIR VALUE MEASUREMENTS:

Accounting guidance provides for valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow), and the cost approach (cost to replace the service capacity of an asset or replacement cost). A fair value hierarchy using three broad levels prioritizes the inputs to valuation techniques used to measure fair value. The following is a brief description of those three levels:

- Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
- Level 3: Unobservable inputs that reflect the reporting entity's own assumptions.

The carrying value and fair value of our notes and debentures for the periods presented (in thousands):

	As of September 30, 2016		As of December 31, 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Level 2:				
6.375% Senior Unsecured Notes due 2021 (a)	$ —	$ —	$ 350,000	$ 367,325
6.125% Senior Unsecured Notes due 2022	500,000	526,910	500,000	512,500
5.875% Senior Unsecured Notes due 2026 (b)	350,000	364,000	—	—
5.625% Senior Unsecured Notes due 2024	550,000	563,750	550,000	539,000
5.375% Senior Unsecured Notes due 2021	600,000	623,250	600,000	605,658
5.125% Senior Unsecured Notes due 2027 (c)	400,000	392,356	—	—
Term Loan A	282,573	283,280	313,620	308,916
Term Loan B	1,366,117	1,378,636	1,376,007	1,365,461
Debt of variable interest entities	24,069	24,069	26,682	26,682
Debt of other operating divisions	123,599	123,599	120,969	120,969

(a) In August 2016, we redeemed our 6.375% Senior Unsecured Notes due 2021. See Note 3. Notes Payable and Commercial Bank Financing, for additional information.

(b) In March 2016, we issued $350 million in senior unsecured notes, which bear interest at a rate of 5.875% per annum and maturing in 2026. See Note 3. Notes Payable and Commercial Bank Financing, for additional information.

(c) In August 2016, we issued $400 million in senior unsecured notes, which bear interest at a rate of 5.125% per annum and maturing in 2027. See Note 3. Notes Payable and Commercial Bank Financing, for additional information.

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9. CONDENSED CONSOLIDATING FINANCIAL STATEMENTS:

Sinclair Television Group, Inc. (STG), a wholly-owned subsidiary and the television operating subsidiary of Sinclair Broadcast Group, Inc. (SBG), is the primary obligor under the Bank Credit Agreement, the 5.375% Notes, the 5.625% Notes, 6.125% Notes, 5.875% Notes, 5.125% Notes, and until they were redeemed, the 6.375% Notes. Our Class A Common Stock and Class B Common Stock as of September 30, 2016, were obligations or securities of SBG and not obligations or securities of STG. SBG is a guarantor under the Bank Credit Agreement, the 5.375% Notes, 5.625% Notes, 6.125% Notes, 5.875% Notes, 6.125% Notes, and until they were redeemed, the 6.375% Notes. As of September 30, 2016, our consolidated total debt, net of deferred financing costs and debt discounts, of $4,206.3 million included $4,078.7 million related to STG and its subsidiaries of which SBG guaranteed $4,030.9 million.
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SBG, KDSM, LLC, a wholly-owned subsidiary of SBG, and STG's wholly-owned subsidiaries (guarantor subsidiaries), have fully and unconditionally guaranteed, subject to certain customary automatic release provisions, all of STG's obligations. Those guarantees are joint and several. There are certain contractual restrictions on the ability of SBG, STG or KDSM, LLC to obtain funds from their subsidiaries in the form of dividends or loans.

The following condensed consolidating financial statements present the consolidated balance sheets, consolidated statements of operations and consolidated statements of cash flows of SBG, STG, KDSM, LLC and the guarantor subsidiaries, the direct and indirect non-guarantor subsidiaries of SBG and the eliminations necessary to arrive at our information on a consolidated basis.

These statements are presented in accordance with the disclosure requirements under SEC Regulation S-X, Rule 3-10.

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CONDENSED CONSOLIDATING BALANCE SHEET
AS OF SEPTEMBER 30, 2016
(in thousands) (unaudited)

	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	Guarantor Subsidiaries and KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Cash	$—	$81,671	$4,550	$18,324	$—	$104,545
Accounts receivable	—	—	483,686	37,237	(1,261)	519,662
Other current assets	3,371	6,457	132,250	27,434	(3,629)	165,883
Total current assets	3,371	88,128	620,486	82,995	(4,890)	790,090
Property and equipment, net	2,086	17,710	566,633	130,309	(3,650)	713,088
Investment in consolidated subsidiaries	483,523	3,696,504	4,180	—	(4,184,207)	—
Goodwill	—	—	1,985,299	4,279	—	1,989,578
Indefinite-lived intangible assets	—	—	137,416	15,709	—	153,125
Definite-lived intangible assets	—	—	1,816,553	227,351	(60,578)	1,983,326
Other long-term assets	52,116	782,850	105,247	160,180	(863,412)	236,981
Total assets	$541,096	$4,585,192	$5,235,814	$620,823	$(5,116,737)	$5,866,188
Accounts payable and accrued liabilities	$102	$55,484	$211,362	$28,427	$(4,162)	$291,213
Current portion of long-term debt	—	55,500	1,803	107,935	—	165,238
Current portion of affiliate long-term debt	1,804	—	1,569	2,258	(2,032)	3,599
Other current liabilities	—	—	123,020	16,675	—	139,695
Total current liabilities	1,906	110,984	337,754	155,295	(6,194)	599,745
Long-term debt	—	3,951,479	31,521	39,437	—	4,022,437
Affiliate long-term debt	479	—	12,977	384,174	(382,594)	15,036
Other liabilities	22,196	31,612	1,173,805	177,155	(662,464)	742,304
Total liabilities	24,581	4,094,075	1,556,057	756,061	(1,051,252)	5,379,522
Total Sinclair Broadcast Group equity (deficit)	516,515	491,117	3,679,757	(101,024)	(4,069,849)	516,516
Noncontrolling interests in consolidated subsidiaries	—	—	—	(34,214)	4,364	(29,850)
Total liabilities and equity (deficit)	$541,096	$4,585,192	$5,235,814	$620,823	$(5,116,737)	$5,866,188

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CONDENSED CONSOLIDATING BALANCE SHEET
AS OF DECEMBER 31, 2015
(in thousands)

	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	Guarantor Subsidiaries and KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Cash	$—	$115,771	$235	$33,966	$—	$149,972
Accounts receivable	—	1,775	390,142	33,949	(1,258)	424,608
Other current assets	3,648	5,172	99,118	23,278	(4,033)	127,183
Total current assets	3,648	122,718	489,495	91,193	(5,291)	701,763
Property and equipment, net	2,884	20,336	559,042	143,667	(8,792)	717,137
Investment in consolidated subsidiaries	497,262	3,430,434	4,179	—	(3,931,875)	—
Goodwill	—	—	1,926,814	4,279	—	1,931,093
Indefinite-lived intangible assets	—	—	114,841	17,624	—	132,465
Definite-lived intangible assets	—	—	1,602,454	206,975	(57,859)	1,751,570
Other long-term assets	52,128	673,915	110,507	140,910	(779,173)	198,287
Total assets	$555,922	$4,247,403	$4,807,332	$604,648	$(4,782,990)	$5,432,315
Accounts payable and accrued liabilities	$104	$49,428	$179,156	$27,462	$(4,837)	$251,313
Current portion of long-term debt	—	57,640	1,611	106,358	(1,425)	164,184
Current portion of affiliate long-term debt	1,651	—	1,311	456	(252)	3,166
Other current liabilities	—	—	103,627	12,713	—	116,340
Total current liabilities	1,755	107,068	285,705	146,989	(6,514)	535,003
Long-term debt	—	3,594,218	32,743	42,199	—	3,669,160
Affiliate long-term debt	1,857	—	14,240	366,042	(364,289)	17,850
Other liabilities	26,500	28,866	1,060,211	171,102	(576,055)	710,624
Total liabilities	30,112	3,730,152	1,392,899	726,332	(946,858)	4,932,637
Total Sinclair Broadcast Group equity (deficit)	525,810	517,251	3,414,433	(91,703)	(3,839,981)	525,810
Noncontrolling interests in consolidated subsidiaries	—	—	—	(29,981)	3,849	(26,132)
Total liabilities and equity (deficit)	$555,922	$4,247,403	$4,807,332	$604,648	$(4,782,990)	$5,432,315

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CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2016
(in thousands) (unaudited)

	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	Guarantor Subsidiaries and KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Net revenue	$ —	$ —	$ 655,778	$ 63,877	$ (25,820)	$ 693,835
Media program and production expenses	—	—	234,474	33,556	(25,150)	242,880
Selling, general and administrative	1,275	16,969	124,352	3,153	(25)	145,724
Depreciation, amortization and other operating expenses	266	3,257	115,527	32,571	(384)	151,237
Total operating expenses	1,541	20,226	474,353	69,280	(25,559)	539,841
Operating (loss) income	(1,541)	(20,226)	181,425	(5,403)	(261)	153,994
Equity in earnings of consolidated subsidiaries	51,113	114,060	51	—	(165,224)	—
Interest expense	(56)	(50,364)	(1,117)	(8,256)	6,305	(53,488)
Loss from extinguishment of debt	—	(23,699)	—	—	—	(23,699)
Other income (expense)	1,157	469	(27)	613	—	2,212
Total other income (expense)	52,214	40,466	(1,093)	(7,643)	(158,919)	(74,975)
Income tax benefit (provision)	172	34,334	(64,535)	3,043	—	(26,986)
Net income (loss)	50,845	54,574	115,797	(10,003)	(159,180)	52,033
Net income attributable to the noncontrolling interests	—	—	—	(1,180)	(8)	(1,188)
Net income (loss) attributable to Sinclair Broadcast Group	$ 50,845	$ 54,574	$ 115,797	$ (11,183)	$ (159,188)	$ 50,845
Comprehensive income (loss)	$ 50,845	$ 54,574	$ 115,797	$ (10,003)	$ (159,180)	$ 52,033

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CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2015
(in thousands) (unaudited)

	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	Guarantor Subsidiaries and KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Net revenue	$ —	$ —	$ 515,097	$ 53,845	$ (20,538)	$ 548,404
Media program and production expenses	—	—	185,371	20,272	(18,470)	187,173
Selling, general and administrative	930	14,386	102,984	3,819	(33)	122,086
Depreciation, amortization and other operating expenses	266	1,040	105,427	34,336	(1,530)	139,539
Total operating expenses	1,196	15,426	393,782	58,427	(20,033)	448,798
Operating (loss) income	(1,196)	(15,426)	121,315	(4,582)	(505)	99,606
Equity in earnings of consolidated subsidiaries	43,480	88,687	100	—	(132,267)	—
Interest expense	(93)	(45,784)	(1,140)	(7,721)	6,172	(48,566)
Other income (expense)	957	(407)	3	(349)	—	204
Total other income (expense)	44,344	42,496	(1,037)	(8,070)	(126,095)	(48,362)
Income tax benefit (provision)	107	20,235	(30,126)	2,574	—	(7,210)
Net income (loss)	43,255	47,305	90,152	(10,078)	(126,600)	44,034
Net income attributable to the noncontrolling interests	—	—	—	(799)	20	(779)
Net income (loss) attributable to Sinclair Broadcast Group	$ 43,255	$ 47,305	$ 90,152	$ (10,877)	$ (126,580)	$ 43,255
Comprehensive income (loss)	$ 44,044	$ 47,315	$ 90,152	$ (10,078)	$ (127,389)	$ 44,044

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CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016
(in thousands) (unaudited)

	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	Guarantor Subsidiaries and KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Net revenue	$—	$—	$1,828,407	$178,164	$(67,313)	$1,939,258
Media program and production expenses	—	—	679,337	88,378	(65,338)	702,377
Selling, general and administrative	3,277	53,189	360,793	7,641	(59)	424,841
Depreciation, amortization and other operating expenses	798	5,666	340,974	96,560	(1,365)	442,633
Total operating expenses	4,075	58,855	1,381,104	192,579	(66,762)	1,569,851
Operating (loss) income	(4,075)	(58,855)	447,303	(14,415)	(551)	369,407
Equity in earnings of consolidated subsidiaries	124,536	289,593	170	—	(414,299)	—
Interest expense	(192)	(147,635)	(3,417)	(24,258)	18,683	(156,819)
Loss from the extinguishment of debt	—	(23,699)	—	—	—	(23,699)
Other income	3,386	736	583	439	—	5,144
Total other income (expense)	127,730	118,995	(2,664)	(23,819)	(395,616)	(175,374)
Income tax benefit (provision)	749	75,470	(150,436)	8,446	—	(65,771)
Net income (loss)	124,404	135,610	294,203	(29,788)	(396,167)	128,262
Net income attributable to the noncontrolling interests	—	—	—	(3,341)	(517)	(3,858)
Net income (loss) attributable to Sinclair Broadcast Group	$124,404	$135,610	$294,203	$(33,129)	$(396,684)	$124,404
Comprehensive income (loss)	$124,404	$135,610	$294,203	$(29,788)	$(396,167)	$128,262

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CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015
(in thousands) (unaudited)

	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	Guarantor Subsidiaries and KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Net revenue	$ —	$ —	$ 1,514,173	$ 153,757	$ (60,584)	$ 1,607,346
Media program and production expenses	—	—	535,098	61,949	(56,493)	540,554
Selling, general and administrative	3,432	40,598	302,962	10,919	(138)	357,773
Depreciation, amortization and other operating expenses	799	2,624	316,934	92,667	(2,498)	410,526
Total operating expenses	4,231	43,222	1,154,994	165,535	(59,129)	1,308,853
Operating (loss) income	(4,231)	(43,222)	359,179	(11,778)	(1,455)	298,493
Equity in earnings of consolidated subsidiaries	114,176	238,635	—	—	(352,811)	—
Interest expense	(301)	(134,626)	(3,481)	(21,898)	17,428	(142,878)
Other income (expense)	3,250	(116)	269	3,222	—	6,625
Total other income (expense)	117,125	103,893	(3,212)	(18,676)	(335,383)	(136,253)
Income tax benefit (provision)	430	60,435	(113,403)	5,567	—	(46,971)
Net income (loss)	113,324	121,106	242,564	(24,887)	(336,838)	115,269
Net income attributable to the noncontrolling interests	—					