2011 ANNUAL REPORT

Consolidated Financial Statements

The Associated Press and Subsidiaries
Years ended December 31, 2011 and 2010
with Report of Independent Auditors

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REPORT OF THE AUDIT AND FINANCE COMMITTEE

Dear Mr. Singleton:

Members of the Audit and Finance Committee of The Associated Press (the "Company") met March 5, 2012 at the Company's headquarters in New York City. The Committee members received consolidated financial statements reported upon by Ernst & Young LLP and reviewed them in detail. The report covered The Associated Press and its domestic and foreign subsidiaries.

The scope of procedures used by Ernst & Young LLP in auditing the results of the Company's worldwide operations was discussed. All questions raised by Committee members in regard to the assets, liabilities, revenue and expenses shown in the financial statements were addressed and answered satisfactorily by Company management or Ernst & Young LLP. Based on these discussions and the representations of management, the Audit and Finance Committee approved the 2011 audited consolidated financial statements.

The Committee thanks the representatives of The Associated Press and Ernst & Young LLP for their assistance and cooperation.

Respectfully submitted,

The Audit and Finance Committee

DUNIA SHIVE
Belo Corp.
Dallas, TX

PAUL TASH
Times Publishing Co.
St. Petersburg Times
St. Petersburg, FL

MARY JUNCK
Lee Enterprises, Inc.
Quad City Times
Davenport, IA

DAVID PAXTON
Paxton Media Group LLC
The Paducah Sun
Paducah, KY

R. JACK FISHMAN
Citizen Tribune
Morristown, TN

REPORT OF INDEPENDENT AUDITORS

AUDIT AND FINANCE COMMITTEE AND MEMBERS OF THE ASSOCIATED PRESS

We have audited the accompanying consolidated balance sheets of The Associated Press and Subsidiaries as of December 31, 2011 and 2010, and the related consolidated statements of operations, members' equity (deficit), and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Associated Press and Subsidiaries at December 31, 2011 and 2010 and the consolidated results of their operations and their cash flows for the years then ended in conformity with US generally accepted accounting principles.

Ernst + Young LLP

New York, New York

March 12, 2012

THE ASSOCIATED PRESS AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

DECEMBER 31 *(In Thousands)*

ASSETS	2011	2010
Current assets:		
Cash and cash equivalents	$ 17,013	$ 41,977
Accounts receivable, net of allowance for doubtful accounts (2011–$9,414; 2010–$9,819)	49,462	48,887
Deferred income taxes	–	10,449
Prepaid expenses	6,311	5,588
Taxes receivable	8,055	7,347
Other current assets	5,179	4,328
Total current assets	86,020	118,576
Fixed assets, net	153,559	169,148
Other non-current assets:		
Goodwill	47,638	47,638
Deferred income taxes	–	157,657
Gramling awards fund	792	827
Equity method investments	17,621	16,261
Accrued revenue	7,473	7,318
Other assets	3,460	3,739
Total other non-current assets	76,984	233,440
Total assets	$ 316,563	$ 521,164

LIABILITIES AND MEMBERS' EQUITY (DEFICIT)	2011	2010
Current liabilities:		
Current portion of long-term debt	$ 666	$ 1,269
Accounts payable	16,835	9,459
Accrued payroll expense	27,324	29,136
Accrued coverage-related liabilities	4,433	4,861
Taxes payable	3,040	4,314
Deferred revenue	10,973	12,012
Pension liabilities	12,410	4,152
Postretirement and other employee benefits	4,856	5,286
Other accrued liabilities	25,966	30,181
Total current liabilities	106,503	100,670
Non-current liabilities:		
Long-term debt, net of current portion	1,015	1,750
Pension liabilities	259,531	211,115
Postretirement and other employee benefits	136,806	125,879
Debenture bonds	781	784
Gramling awards liability	792	827
Taxes payable	10,991	13,494
Other non-current liabilities	24,448	26,202
Total non-current liabilities	434,364	380,051
Members' equity (deficit):		
Operating account	(39,753)	153,547
Accumulated other comprehensive loss	(184,551)	(113,104)
Total members' equity (deficit)	(224,304)	40,443
Total liabilities and members' equity (deficit)	$ 316,563	$ 521,164

See notes to consolidated financial statements.

THE ASSOCIATED PRESS AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF OPERATIONS

YEAR ENDED DECEMBER 31 *(In Thousands)*

	2011	2010
Revenue		
	$ 627,564	$ 630,530
Operating expenses:		
Salaries and labor-related	**378,859**	382,664
Assignment and coverage-related	**57,802**	63,924
Communications	**31,777**	31,504
Depreciation and amortization	**42,189**	42,394
Rent and utilities	**44,030**	41,472
Supplies and maintenance	**32,299**	30,145
Other general and administrative	**74,764**	72,736
Total operating expenses	**661,720**	664,839
Operating loss	**(34,156)**	(34,309)
Other income (expense):		
Earnings from equity method investees	**7,065**	11,550
Other income	**5,033**	746
Interest income	**16**	32
Interest expense	**(921)**	(503)
Total other income	**11,193**	11,825
Loss before income taxes	**(22,963)**	(22,484)
Income tax (expense) benefit		
Current	**(2,231)**	(6,455)
Deferred	**(168,106)**	14,217
Total income tax (expense) benefit	**(170,337)**	7,762
Net loss	**$ (193,300)**	$ (14,722)

THE ASSOCIATED PRESS AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY (DEFICIT)

(In Thousands)	Operating Account	Accumulated Other Comprehensive Loss	Members' Equity (Deficit)
Balance at December 31, 2009	**$ 168,269**	**$ (98,250)**	**$ 70,019**
Net loss	(14,722)	–	(14,722)
Minimum pension liability adjustment, net of $(9,930) in taxes	–	(13,826)	(13,826)
Foreign currency translation adjustment, net of $389 in taxes	–	(1,028)	(1,028)
Comprehensive loss	**(14,722)**	**(14,854)**	**(29,576)**
Balance at December 31, 2010	**153,547**	**(113,104)**	**40,443**
Net loss	(193,300)	–	(193,300)
Minimum pension liability adjustment	–	(71,574)	(71,574)
Foreign currency translation adjustment	–	127	127
Comprehensive loss	**(193,300)**	**(71,447)**	**(264,747)**
Balance at December 31, 2011	**$ (39,753)**	**$ (184,551)**	**$ (224,304)**

See notes to consolidated financial statements.

THE ASSOCIATED PRESS AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS

YEAR ENDED DECEMBER 31 *(In Thousands)*	**2011**	2010
OPERATING ACTIVITIES		
Net loss	**$ (193,300)**	$ (14,722)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization of fixed assets	**42,189**	42,394
(Gain) loss on disposal of assets	**(159)**	139
Provision for bad debt	**(405)**	(1,700)
Earnings from equity method investments (net of distributions)	**2,858**	(3,282)
Deferred income taxes	**168,106**	(22,890)
Changes in operating assets and liabilities:		
Decrease (increase) in assets:		
Accounts receivable	**(170)**	7,978
Prepaid expenses, taxes receivable and other current assets	**(2,282)**	(450)
Other long-term assets	**159**	(3,483)
Increase (decrease) in liabilities:		
Deferred revenue and accounts payable	**6,361**	(945)
Taxes payable, coverage-related and other liabilities	**(10,236)**	(5,397)
Accrued payroll expense and postretirement and other employee benefits	**(6,215)**	19,886
Net cash provided by operating activities	**6,906**	17,528
INVESTING ACTIVITIES		
Proceeds from sale of assets	**510**	–
Fixed asset additions	**(31,222)**	(26,431)
Investments at cost	**–**	(100)
Net cash used in investing activities	**(30,712)**	(26,531)
FINANCING ACTIVITIES		
Borrowings on facility	**95,095**	38,450
Repayments on facility	**(95,095)**	(38,450)
Net decrease in long-term debt	**(1,338)**	(1,137)
Net cash used in financing activities	**(1,338)**	(1,137)
Effect of exchange rate changes on cash and cash equivalents	**180**	(1,063)
Decrease in cash and cash equivalents	**(24,964)**	(11,203)
Cash and cash equivalents at beginning of year	**41,977**	53,180
Cash and cash equivalents at end of year	**$ 17,013**	$ 41,977
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	**$ 1,705**	$ 513
Income taxes	**$ 6,101**	$ 9,850
Non-cash investing activities:		
Contribution to equity method investment	**$ 4,214**	$ –

See notes to consolidated financial statements.

THE ASSOCIATED PRESS AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

The Associated Press ("AP" or the "Company") is a New York not-for-profit corporation with a regular membership of US daily newspapers and an associate membership of broadcasters and non-daily newspapers totalling approximately 1,400. Founded in 1846, AP is the oldest and one of the largest news agencies in the world, serving as a source of news, photos, graphics, audio and video for more than one billion people daily. In the United States alone, AP serves approximately 1,700 newspapers and 4,000 radio and television stations. AP also serves newspapers, radio and television subscribers internationally.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported therein. Estimates made are based on management's best assessment of the current business environment. Actual results could differ from those estimates.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Investments resulting in ownership interests of 20%-50% are accounted for under the equity method of accounting. Investments in affiliates of 20% or less are accounted for using the cost method and are included in other assets. The carrying value of cost method investments was $2.1 million at December 31, 2011 and $2.4 million at December 31, 2010. All intercompany transactions have been eliminated in consolidation.

Recently Adopted Accounting Pronouncements

On January 1, 2010, the Company adopted a new accounting standard that changes the approach to determining the primary beneficiary of a variable interest entity ("VIE") and requires companies to more frequently assess whether they must consolidate VIEs. The adoption of this standard did not have any impact on the consolidated financial statements.

On January 1, 2010, the Company adopted new accounting guidance on fair value disclosures, requiring among other things separate disclosures of the amount of significant transfers into and out of Level 3 assets and between Level 1 and Level 2 assets and the reasons for such transfers; additional details on the valuation techniques and inputs used to determine Level 2 and Level 3 measurements; and further disaggregation on the class of assets within each category of the fair value hierarchy.

On January 1, 2011, the Company adopted new accounting guidance on revenue arrangements with multiple deliverables. The adoption of the requirements of this revised guidance did not have any impact on the consolidated financial statements.

Recently Issued Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board ("FASB") issued an accounting standards update with new guidance on fair value measurement and disclosure requirements. The standards update does not extend the use of fair value accounting beyond that currently required under US GAAP, but instead provides guidance on the application of fair value accounting where it is already required or permitted by other standards. The standards update also requires additional disclosures related to transfers of financial instruments within the fair value hierarchy and quantitative and qualitative disclosures related to significant unobservable inputs. The standards update is effective for fiscal years beginning after December 15, 2011. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

In June 2011, the FASB issued an accounting standards update with new guidance on the presentation of other comprehensive income. The standards update eliminates the option of presenting other comprehensive income and its components in the statement of shareholders' equity. The standards update now requires an entity to either present components of net income and other comprehensive income in one continuous statement or in two separate but consecutive statements. The standard will require the Company to change the presentation of other comprehensive income in its financial statements effective for fiscal years beginning after December 15, 2011. The Company is currently assessing whether a qualitative or quantitative analysis will be used.

In September 2011, the FASB issued an accounting standards update with new guidance on annual goodwill impairment testing. The standards update allows an entity to first assess qualitative factors to determine if it is more likely-than-not that the fair value of a reporting unit is less than its carrying amount. If based on its qualitative assessment an entity concludes it is more likely-than-not that the fair value of a reporting unit is less than its carrying amount, quantitative impairment testing is required. However, if an entity concludes otherwise, quantitative impairment testing is not required. The standards update is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011.

Management believes the impact of other recently issued standards, which are not yet effective, will not have a material impact on the Company's consolidated financial position, results of operations, or cash flows upon adoption.

Related Parties

The Company is a membership cooperative whose members are not entitled to dividends or similar distributions. There were no individual members that could exercise significant influence on the Company to an extent that would warrant separate disclosure in these financial statements.

The Company has entered into certain transactions in the ordinary course of business with its members and unconsolidated investees. These transactions primarily include revenue arrangements with members, leasing of office space from members, and the sale of digital products to the Company's unconsolidated investees.

Foreign Currency Translation

The US dollar is the functional currency for the majority of the Company's international operations; however, for certain international subsidiaries the local currency is used as the functional currency.

For locations where the US dollar is the functional currency, foreign currency assets and liabilities are remeasured into US dollars at end-of-period exchange rates, except for nonmonetary balance sheet accounts, which are recorded at historical exchange rates. Revenues and expenses are recorded at average exchange rates in effect during each period. Gains or losses from foreign currency remeasurement are included in net earnings.

For locations where the local currency is the functional currency, assets and liabilities are translated at end-of-period rates, while revenues and expenses are translated at average rates in effect during the period. Equity is translated at historical rates and the resulting cumulative translation adjustments are included as a component of accumulated other comprehensive loss.

The consolidated statements of operations reflect foreign exchange transaction losses of $984,000 in 2011 and $3.5 million in 2010 from settling assets and liabilities denominated in foreign currencies, including the effects of any hedging activities.

During 2010, the Company entered into short-term foreign currency forward contracts as a hedge against sterling denominated payroll and rent costs, and realized losses of $1.9 million on these forward contracts. No forward contracts were open as of December 31, 2010, and no additional forward contracts were entered into during 2011.

Revenue and Expense Recognition

The Company's primary source of revenue is from subscription contracts with newspapers, radio and television stations and internet news site providers. The Company also recognizes revenue from the licensing of photos, video and graphics from its historical archives, provision of broadcast services and facilities, and from licensing ENPS, a newsroom production system for broadcasters.

Revenue is recognized when all of the following criteria are satisfied: (i) persuasive evidence of an arrangement exists; (ii) the price is fixed and determinable; (iii) collectibility is reasonably assured; and (iv) services have been performed. For ENPS sales, the Company also follows accounting guidance issued for software revenue recognition.

Revenue on non-cancelable multi-year service arrangements is recorded on a straight-line basis over the contract term. Future portions of these revenues are recorded as accrued or deferred revenue. Revenue collected in advance is deferred, and recognized when earned.

Taxes collected from customers and remitted to governmental authorities are presented on a net basis in the consolidated financial statements.

Expenses are recorded on the accrual basis.

Cash and Cash Equivalents

AP invests surplus cash in money market funds and other interest bearing accounts. AP considers investments with maturities of three months or less, when acquired, to be cash equivalents. The carrying amount reported in the consolidated balance sheets for cash and cash equivalents approximates fair value.

Accounts Receivable

Accounts receivable are presented net of an allowance for doubtful accounts, which is based upon factors surrounding the credit risk of customers, historical experience, receivables aging and current economic trends.

Fixed Assets

Fixed assets are stated at cost. Depreciation and amortization, including amortization of capital leases, are computed on the straight-line method based on the following estimated useful lives:

Furniture and fixtures	10 years
Leasehold improvements	Life of lease
Software	3-7 years
Computers	4 years
Capital leases	Life of lease
Equipment	3-7 years

The Company capitalizes qualifying computer software costs and amortizes these costs using the straight-line method. Costs incurred in the preliminary project stages, such as research and feasibility studies, as well as costs incurred post-implementation such as maintenance and training, are expensed. During 2011 and 2010, the Company capitalized software costs of $9.9 million and $14.8 million, respectively, primarily related to system replacements and upgrades.

AP records fixed asset impairment losses, if any, on assets used in operations when indicators of impairment are present and the fair values based upon undiscounted cash flows estimated to be generated from those assets are less than the assets' carrying amounts.

Goodwill and Long-lived Assets

Goodwill represents the excess of acquisition costs over the fair value of the net assets acquired. The purchase price of acquisitions is allocated to the assets acquired and liabilities assumed based on the fair value as of the acquisition date. Goodwill is subject to an annual impairment test or more frequent testing if circumstances indicate that the carrying amount of the operating unit to which the goodwill pertains is greater than its fair value.

AP assesses long-lived assets, including intangible assets subject to amortization, for impairment when an impairment indicator exists, or when events or circumstances indicate that the carrying amount of those assets may not be recoverable. Impairments of intangible assets are recognized when the carrying value of the assets is less than the expected cash flows of the assets on an undiscounted basis and the related impairment is measured as the difference between the expected cash flows of the assets on a discounted basis and the carrying value of the assets.

At December 31, 2011 and 2010, AP completed its annual assessments for goodwill impairment, using a discounted cash flow approach consisting of a study of variables, such as revenue and expense projections, projected capital spending, and discount rates, to determine the fair value of the Company's various ongoing businesses. No impairments were identified in 2011 or 2010.

As a creator and distributor of copyrighted news content, the Company has a significant number of intangible assets which are not recognized for financial reporting purposes under current accounting principles. Costs incurred to create and produce copyrighted products, such as news, photos, graphics, audio and video content, are expensed as incurred.

Gramling Awards Fund

Oliver Gramling, a former AP newsman who launched the AP broadcast news wire in 1941, bequeathed his estate to AP to create an annual awards program for AP staffers. The Gramling Awards began in 1994 and recognize outstanding AP staffers each year. Awards are financed by a portion of the investment income earned on the fund's principal.

Income Taxes

AP is considered a C corporation for federal tax purposes. Income taxes are provided under the liability method, whereby deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial statement and income tax purposes, as determined under enacted tax laws and rates. The financial effect of changes in tax laws or rates is accounted for in the period of enactment.

If the Company considers that a tax position is "more likely-than-not" of being sustained upon audit, based solely on the technical merits of the position, it recognizes the tax benefit. The Company measures the tax benefit by determining the largest amount that is greater than 50% likely of being realized upon settlement, presuming that the tax position is examined by the appropriate taxing authority having full knowledge of all relevant information. These assessments can be complex and the Company often obtains assistance from external advisors. To the extent that the Company's estimates change or the final tax outcome of these matters is different than the amounts recorded, such differences will impact the income tax provision in the period in which such determinations are made.

If the initial assessment fails to result in the recognition of a tax benefit, the Company regularly monitors its position and subsequently recognizes the tax benefit if (i) there are changes in tax law or analogous case law that sufficiently raise the likelihood of prevailing on the technical merits of the position to more likely-than-not, (ii) the statute of limitations expires, or (iii) there is a completion of an audit resulting in a settlement of that tax year with the appropriate agency. Uncertain tax positions are classified as current only when the Company expects to pay cash within the next twelve months. Interest and penalties, if any, are recorded within the provision for income taxes in the Company's consolidated statements of income and are classified on the consolidated balance sheets with the related liability for unrecognized tax benefits.

Taxes receivable are recorded gross of any related tax liabilities which are reflected in other non-current liabilities.

Fair Value Measurements

The Company recognizes certain assets and liabilities disclosed in the financial statements at fair value as required by generally accepted accounting principles. Fair value is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants based on the highest and best use of the asset or liability. The Company has adopted a fair value hierarchy that categorizes investments (as Level 1, 2 or 3) based on the valuation techniques and inputs used to measure fair value. Level 1 investments are those with unadjusted quoted prices in active markets for identical assets and liabilities; Level 2 investments have inputs (other than quoted prices in active markets for identical assets and liabilities) that are directly or indirectly observable for the full term of the asset or liability; and Level 3 investments have unobservable inputs, with valuation based more on management's own estimates and assumptions about the market.

Pensions and Postretirement Benefits

The Company sponsors several defined benefit and defined contribution pension plans and has several plans which provide for postretirement health care and life insurance benefits to eligible employees.

The Company recognizes the overfunded or underfunded status of the defined benefit and other postretirement plans as an asset or liability and recognizes changes in the funded status as a component of accumulated other comprehensive loss within the members' equity (deficit) section of the balance sheet in the year in which the changes occur.

Plan assets are valued in accordance with current guidelines for fair value measurements and classified in accordance with the fair value hierarchy. Level 1 investments include equity securities traded on major financial markets and pooled equity or short-term investment funds held with registered investment companies (all valued at the reported closing price), as well as those government and corporate bonds for which quoted prices are available in an active market. Level 2 investments include pooled equity or short-term investment funds held with common collective trusts, government and corporate bonds for which quoted prices are not available, as well as investments in certain derivative instruments and limited partnerships. Level 3 investments consist principally of real estate investments, pooled investment funds and other fixed income funds.

Foreign Severance Indemnities

AP provides for foreign severance indemnities as required by the statutes of, or the customary practice in, the respective jurisdictions. Net accrued foreign severance liabilities included in postretirement and other employee benefits were $8.9 million and $10.0 million at December 31, 2011 and 2010, respectively.

Comprehensive Loss

Accumulated balances related to each component of accumulated other comprehensive loss, net of tax, are as follows:

DECEMBER 31 *(In Thousands)*	**2011**	2010
Foreign currency translation adjustment	**$ (10,223)**	$ (10,350)
Unrealized losses and costs of benefit plans	**(174,328)**	(102,754)
Accumulated balance	**$ (184,551)**	$ (113,104)

Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

2. FIXED ASSETS

The components of the Company's fixed assets are as follows:

DECEMBER 31 *(In Thousands)*	**2011**	2010
Furniture and fixtures	**$ 27,219**	$ 27,417
Leasehold improvements	**138,398**	136,201
Software	**122,466**	116,116
Computers	**80,019**	80,598
Capital leases	**11,548**	11,548
Equipment	**98,429**	92,439
Work in progress	**8,391**	3,524
Total fixed assets, at cost	**486,470**	467,843
Accumulated depreciation and amortization	**(332,911)**	(298,695)
Net	**$ 153,559**	$ 169,148

At December 31, 2011 and December 31, 2010, work in progress consisted primarily of software development and video infrastructure upgrades.

As of December 31, 2011 and 2010, the net book value of capitalized computer software was $27.7 million and $36.6 million, respectively. The amount charged to depreciation and amortization expense within the consolidated statements of operations relating to amortization of capitalized computer software was $15.6 million in 2011 and $15.2 million in 2010.

3. EQUITY METHOD INVESTMENTS

On August 3, 2011, AP reduced its interest in NewsRight LLC, previously a wholly owned subsidiary of the Company, retaining ownership of 38.075%. No gain or loss was recognized as a result of this transaction. NewsRight LLC provides rights' clearances for, and delivery of, news reporting and original journalism on the web.

AP has a 50% equity interest in STATS LLC, a joint venture with News America Incorporated. STATS LLC provides sports information and statistical sports data to online and media customers globally.

AP also has a 50% equity interest in Sports News Television, which provides global sports news video services to international broadcasters.

Summary financial information (unaudited) for the equity method investees is as follows:

DECEMBER 31 *(In Thousands)*	2011	2010
Current assets	**$ 26,637**	$ 22,282
Long-term assets	**34,180**	29,644
Total assets	**60,817**	51,926
Current liabilities	**(17,043)**	(14,992)
Long-term liabilities	**(4,709)**	(8,089)
Total liabilities	**(21,752)**	(23,081)
Net assets	**$ 39,065**	$ 28,845

YEAR ENDED DECEMBER 31 *(In Thousands)*	2011	2010
Total revenue	**$ 70,784**	$ 73,822
Total expense	**(57,073)**	(50,811)
Income from equity method investees	**$ 13,711**	$ 23,011

4. INCOME TAXES

The provision for income taxes consists of:

YEAR ENDED DECEMBER 31 *(In Thousands)*	2011	2010
Current:		
Federal	**$ (1,479)**	$ (1,027)
State and local	**(243)**	46
Foreign	**3,953**	7,436
Total current	**2,231**	6,455
Deferred:		
Federal	**142,040**	(12,442)
State and local	**26,005**	(1,518)
Foreign	**61**	(257)
Total deferred	**168,106**	(14,217)
Total	**$ 170,337**	$ (7,762)

The differences between income tax expense at the US federal statutory rate of 35.0% and actual income taxes provided for at the Company's effective tax rate are as follows:

YEAR ENDED DECEMBER 31 *(In Thousands)*	2011	2010
Income tax benefit at federal statutory rate	**$ (8,037)**	$ (7,869)
State and local income tax benefit, net of federal effect	**(844)**	(1,148)
Tax expense (benefit) of foreign operations	**3,472**	(755)
Change in valuation allowance	**176,985**	187
Permanent differences and other	**(1,239)**	1,823
Income tax expense (benefit) at effective rate	**$ 170,337**	$ (7,762)

Under the liability method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. A deferred tax asset reflects the anticipated tax benefit associated with future tax deductions previously recognized for financial reporting purposes. A deferred tax liability reflects the anticipated tax cost associated with future taxable income previously recognized for financial reporting purposes. The realization of a deferred tax asset is dependent upon having sufficient future taxable income to absorb the deductions as the asset reverses.

Significant components of deferred tax assets and liabilities are as follows:

DECEMBER 31 *(In Thousands)*	2011	2010
Postretirement benefits other than pensions	**$ 51,194**	$ 46,902
Pension accruals	**99,408**	78,592
Deferred rent and tenant incentive liabilities	**5,908**	6,303
Compensation related accruals	**12,309**	13,678
Foreign tax credits	**11,872**	12,846
Bad debt reserve	**3,514**	3,617
Depreciation and amortization	**10,808**	6,385
Net operating losses	**14,008**	5,177
Other	**2,234**	2,468
Subtotal	**211,255**	175,968
Valuation allowance	**(207,956)**	(2,720)
Deferred tax assets	**3,299**	173,248
Deferred tax liabilities	**(3,299)**	(5,142)
Net deferred tax assets	**$ –**	$ 168,106
Current	**$ –**	$ 10,449
Non current	**$ –**	$ 157,657

In accordance with applicable accounting guidance, valuation allowances are established to reduce deferred tax assets to an amount that is more likely-than-not to be realized. The establishment of valuation allowances requires significant judgment and is impacted by various estimates in determining future taxable income. Both positive and negative evidence, as well as the objectivity and verifiability of that evidence, is considered in determining the appropriateness of recording a valuation allowance; a three-year cumulative pre-tax loss position is considered strong negative evidence in that evaluation. While the Company believes positive evidence exists with regard to the realizability of its deferred tax assets, under the accounting guidance, this is not considered sufficient to outweigh the objectively verifiable negative evidence. Accordingly, in 2011 the Company established a valuation allowance for the full amount of its net deferred tax asset balance. The non-cash charge to establish the valuation allowance does not have any impact on the Company's consolidated operating income/loss or cash flow, nor does such an allowance preclude the Company from using the loss carryforwards or other deferred tax assets in the future.

In 2011, as a result of recording the valuation allowance, the Company did not recognize any tax benefits associated with the federal and state net operating loss generated during the year. In 2010, the Company recognized federal and state tax benefits of $2.2 million and $500,000, respectively, associated with the net operating loss generated during 2010. The state benefit is recognized only in those states in which the Company files on a combined or unitary basis. In those states that do not allow combined or unitary filing, the Company has recorded a full valuation allowance against the state benefit attributable to net operating losses. As of December 31, 2011, the total federal and combined states net operating loss carryforwards are $28.6 million and $19.8 million, respectively. The federal net operating losses will expire in 2030 and 2031 while the state net operating losses will expire between 2015 and 2031.

The Company accrues for interest and penalties related to unrecognized tax benefits as a component of deferred taxes and recognizes changes through income tax expense. As of December 31, 2011 and 2010, the Company had accrued $2.8 million and $3.2 million, respectively, in interest and penalties related to unrecognized benefits. The Company recognized benefits of $389,000 in 2011 and $77,000 in 2010 through tax expense.

The total amount of unrecognized tax benefits relating to the Company's tax positions is subject to change based on future events including, but not limited to, the settlements of ongoing audits and/or the expiration of applicable statutes of limitations. At this time, the Company does not anticipate a significant increase or decrease in the existing unrecognized tax benefit within the next twelve months. The Company is no longer subject to examination by federal tax authorities for years prior to 2008, state tax authorities for years prior to 2007, and foreign tax authorities for years prior to 2003 through 2007, dependent upon location.

5. LONG-TERM DEBT

On March 15, 2011, AP amended and extended its existing $125 million credit facility to a $75 million syndicated revolving credit agreement with a number of banks (the "Facility") that extends to March 2015. The Facility is secured by substantially all assets of the Company. The terms of the Facility include certain covenants and limitations on indebtedness and require commitment fees to be paid on the unused portion of the credit facility. As of December 31, 2011 and 2010, there were no amounts outstanding against the Facility and AP was in compliance with all debt covenants related to the Facility.

Debt of $1,015,000 and $969,000 at December 31, 2011 and 2010, respectively, represents the present value of a liability, discounted at 6.5%, to a third-party that was assumed in a prior year acquisition. The non-interest bearing note payable in the amount of $1.1 million is due in June 2013.

The components of debt are as follows:

DECEMBER 31 *(In Thousands)*	**2011**	2010
Capital leases	**$ 666**	$ 2,050
Other debt	**1,015**	969
Total long-term debt	**1,681**	3,019
Less current portion	**(666)**	(1,269)
Long-term debt, net of current portion	**$ 1,015**	$ 1,750

AP amortizes capitalized costs related to financing activities using the straight-line method over the term of the agreement and includes such amortization within interest expense in the accompanying consolidated statements of operations. In 2011 and 2010, $332,960 and $138,000, respectively, of amortized fees and issuance costs were included in interest expense.

6. RETIREMENT PLANS

Defined Benefit Plans

AP sponsors several noncontributory defined benefit pension plans that cover substantially all US employees hired before certain dates as well as two nonqualified defined benefit pension plans (an executive retirement plan that primarily provides targeted benefits to designated employees and a retirement plan providing benefits to select non-US citizens working outside of the United States). Effective July 1, 2011, all US qualified and nonqualified plans were frozen; accordingly, no additional benefits will accrue after that date. AP also sponsors two defined benefit pension plans for employees in the UK that are closed to new employees, as well as a Retirement Allowance Plan provided in Japan.

The projected benefit obligation, value of plan assets and funded status for the defined benefit plans are as follows:

	US Qualified Defined Benefit Pension Plans		US Nonqualified Defined Benefit Pension Plans		Non-US Defined Benefit Pension Plans	
DECEMBER 31 *(In Thousands)*	**2011**	2010	**2011**	2010	**2011**	2010
CHANGE IN PROJECTED BENEFIT OBLIGATION ("PBO")						
PBO at beginning of year	**$ 470,299**	$ 423,152	**$ 46,039**	$ 46,879	**$ 122,193**	$ 110,836
Service cost	**5,094**	9,299	**363**	719	**4,820**	4,213
Interest cost	**24,908**	24,800	**2,265**	2,541	**6,494**	5,899
Plan participants' contributions	**–**	–	**–**	–	**804**	846
Curtailment gain	**(26,816)**	–	**(5,003)**	–	**–**	–
Actuarial loss	**59,833**	29,711	**4,283**	2,506	**5,900**	6,556
Benefits paid	**(17,200)**	(16,663)	**(2,341)**	(6,606)	**(4,777)**	(3,517)
Foreign currency translation adjustments	**–**	–	**–**	–	**(393)**	(2,640)
PBO at end of year	**$ 516,118**	$ 470,299	**$ 45,606**	$ 46,039	**$ 135,041**	$ 122,193
CHANGE IN PLAN ASSETS						
Fair value of plan assets at beginning of year	**$ 319,802**	$ 299,395	**$ –**	$ –	**$ 103,740**	$ 90,368
Actual return on plan assets	**(4,836)**	33,715	**–**	–	**1,811**	11,171
Employer contribution	**19,618**	3,355	**2,341**	6,606	**8,655**	7,466
Plan participants' contributions	**–**	–	**–**	–	**804**	846
Benefits paid	**(17,200)**	(16,663)	**(2,341)**	(6,606)	**(4,777)**	(3,517)
Foreign currency translation adjustments	**–**	–	**–**	–	**(340)**	(2,594)
Fair value of plan assets at end of year	**$ 317,384**	$ 319,802	**$ –**	$ –	**$ 109,893**	$ 103,740
FUNDED STATUS						
Fair value of plan assets	**$ 317,384**	$ 319,802	**$ –**	$ –	**$ 109,893**	$ 103,740
Less: PBO	**516,118**	470,299	**45,606**	46,039	**135,041**	122,193
Funded status	**$ (198,734)**	$ (150,497)	**$ (45,606)**	$ (46,039)	**$ (25,148)**	$ (18,453)

Accrued pension cost recognized in the consolidated balance sheets is as follows:

	US Qualified Defined Benefit Pension Plans		US Nonqualified Defined Benefit Pension Plans		Non-US Defined Benefit Pension Plans	
DECEMBER 31 *(In Thousands)*	**2011**	2010	**2011**	2010	**2011**	2010
Included in pension liabilities:						
Accrued pension cost	**$ (198,734)**	$ (150,497)	**$ (45,606)**	$ (46,039)	**$ (25,148)**	$ (18,453)
Included in accumulated other comprehensive loss on a pretax basis:						
Unrecognized net actuarial loss	**154,759**	97,149	**12,837**	14,153	**44,037**	34,097
Unrecognized prior service cost	**–**	1,497	**–**	2,088	**–**	–
Total included in other comprehensive loss	**154,759**	98,646	**12,837**	16,241	**44,037**	34,097
Net amount recognized in the balance sheets	**$ (43,975)**	$ (51,851)	**$ (32,769)**	$ (29,798)	**$ 18,889**	$ 15,644

The accumulated benefit obligation ("ABO") for all defined benefit pension plans is in excess of plan assets. Key information for the plans is as follows:

	US Qualified Defined Benefit Pension Plans		US Nonqualified Defined Benefit Pension Plans		Non-US Defined Benefit Pension Plans	
DECEMBER 31 *(In Thousands)*	**2011**	2010	**2011**	2010	**2011**	2010
PBO	**$ 516,118**	$ 470,299	**$ 45,606**	$ 46,039	**$ 135,041**	$ 122,193
ABO	**516,118**	441,205	**45,606**	40,195	**128,328**	117,890
Fair value of plan assets	**317,384**	319,802	**NA**	NA	**109,893**	103,740

The components of net pension cost are as follows:

	US Qualified Defined Benefit Pension Plans		US Nonqualified Defined Benefit Pension Plans		Non-US Defined Benefit Pension Plans	
YEAR ENDED DECEMBER 31 *(In Thousands)*	**2011**	2010	**2011**	2010	**2011**	2010
Service cost	**$ 5,094**	$ 9,299	**$ 363**	$ 719	**$ 4,820**	$ 4,213
Interest cost	**24,908**	24,800	**2,265**	2,541	**6,494**	5,899
Expected return on plan assets	**(22,458)**	(20,448)	**–**	–	**(8,043)**	(6,496)
Amortization of prior service cost	**358**	853	**289**	586	**–**	–
Recognized net acturial loss	**2,701**	3,822	**597**	1,164	**1,713**	1,718
Curtailment loss	**1,139**	–	**1,798**	–	**–**	–
Settlement loss	**–**	–	**–**	1,437	**–**	76
Net pension cost	**$ 11,742**	$ 18,326	**$ 5,312**	$ 6,447	**$ 4,984**	$ 5,410

Weighted-average assumptions used to determine net periodic pension cost are as follows:

	US Qualified Defined Benefit Pension Plans		US Nonqualified Defined Benefit Pension Plans		Non-US Defined Benefit Pension Plans	
DECEMBER 31	**2011**	2010	**2011**	2010	**2011**	2010
Discount rate	**5.50-5.55%**	6.00%	**5.50-5.55%**	6.00%	**1.00-5.30%**	1.25-5.70%
Expected long-term rate of return on plan assets	**7.00%**	7.00%	**NA**	NA	**7.25%**	7.25%
Rate of compensation increase	**2.50%**	2.50%	**2.50-4.50%**	2.50-4.50%	**2.00-4.25%**	2.00-4.25%

Weighted-average assumptions used to determine benefit obligations are as follows:

	US Qualified Defined Benefit Pension Plans		US Nonqualified Defined Benefit Pension Plans		Non-US Defined Benefit Pension Plans	
DECEMBER 31	**2011**	2010	**2011**	2010	**2011**	2010
Discount rate	**4.60%**	5.50%	**4.60%**	5.50%	**1.00 - 4.70%**	1.00-5.30%
Rate of compensation increase	**NA**	2.50%	**NA**	2.50-4.50%	**2.00 - 4.00%**	2.00-4.25%

To develop the expected long-term rate of return on assets assumption, where applicable, AP considered the historical returns and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio.

The discount rate and expected long-term rate of return used for the UK pension plans are based on local economic indicators. For the non-US defined benefit pension plans, weighted average assumptions on discount rates include assumptions for the Japan Retirement Allowance Plan of 1.00% in 2011 and 2010.

In 2012, the expected amortization of the net periodic benefit cost for the defined benefit pension plans is as follows:

(In Thousands)	Actuarial Loss
US qualified plans	$ 3,464
US nonqualified plans	310
Non-US plans	2,293
Total amortization	**$ 6,067**

The primary investment objectives for the funded pension plans' assets are to achieve maximum rates of return commensurate with safety of principal, credit quality, diversification and adequate liquidity. The investment policies include the following asset allocation guidelines:

	US Qualified Defined Benefit Pension Plans		Non-US Defined Benefit Pension Plans	
DECEMBER 31	**2011**	2010	**2011**	2010
Equity securities	**30.0-51.0%**	50.0%	**60.0%**	60.0%
Debt securities	**36.0%-62.0%**	40.0%	**40.0%**	40.0%
Real estate and other	**0.0%-7.0%**	10.0%	**–**	–
Cash	**6.0%-8.0%**	–	**–**	–
Total	**100.0%**	100.0%	**100.0%**	100.0%

The asset allocation policy links the investment program with the financial goals and objectives of the pension plans and their underlying liability structures. The asset allocations are reviewed at least quarterly to determine whether allocations are within acceptable ranges. The asset allocation guidelines represent long-term perspective and goals.

The pension plans' weighted average asset allocations by asset category are as follows:

	US Qualified Defined Benefit Pension Plans		Non-US Defined Benefit Pension Plans	
DECEMBER 31	**2011**	2010	**2011**	2010
Equity securities	**38.3%**	49.1%	**17.6 - 48.9%**	27.3-58.4%
Debt securities	**45.3%**	39.5%	**48.3 - 57.1%**	38.7-55.3%
Real estate and other	**12.4%**	10.6%	**1.3 - 17.7%**	0.0-13.3%
Cash	**4.0%**	0.8%	**1.6 - 7.6%**	2.9-4.1%

The fair value of pension plan assets as defined within the fair value hierarchy is as follows:

	DECEMBER 31, 2011				DECEMBER 31, 2010			
(In Thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Equity securities:								
US	**$ 38,177**	**$ 12,725**	**$ –**	**$ 50,902**	$ 68,520	$ 13,522	$ –	$ 82,042
Global	**40,321**	**36,322**	**26,985**	**103,628**	74,782	42,282	–	117,064
Debt securities:								
Government	**29,045**	**6,877**	**–**	**35,922**	104,489	6,396	–	110,885
Corporate	**86,034**	**27,277**	**–**	**113,311**	25,858	22,668	–	48,526
Other	**10,493**	**34,720**	**8,360**	**53,573**	10,471	–	6,431	16,902
Other investments:								
Real Estate	**1,072**	**–**	**27,767**	**28,839**	1,155	–	22,537	23,692
Other	**11,218**	**5,051**	**6,409**	**22,678**	6,825	4,969	6,471	18,265
Cash and cash investments	**5,690**	**12,734**	**–**	**18,424**	3,689	2,477	–	6,166
Total	**$ 222,050**	**$ 135,706**	**$ 69,521**	**$ 427,277**	$ 295,789	$ 92,314	$ 35,439	$ 423,542

Equity securities consist of common and preferred stock of registered investment companies as well as certain common collective trusts and 103-12 entities. Debt securities consist of government and corporate bonds as well as certain other limited partnerships. Real estate funds consist of registered investment companies, common collective trusts and limited partnerships that invest primarily in real estate or real estate related investments. Cash investments consist of money market funds. Each of the investment categories is valued as follows:

Registered Investment Companies - A registered investment company's net asset value ("NAV") is based on the fair value of the underlying assets owned by the fund, minus its liabilities and then divided by the number of shares outstanding calculated as of the close of business. Since the NAV is a quoted price in a market that is active, registered investment companies are classified within Level 1 of the hierarchy.

Common Collective Trusts and 103-12 Entities - 103-12 Entities and certain common collective trusts are public investment vehicles open to employee benefit plans that are valued using the NAV provided by the administrator of the fund. The NAV is based on the fair value of the underlying assets owned by the investment vehicle, minus its liabilities, and then divided by the number of units outstanding. The NAV is a quoted price in a market that is not active, so these investments are classified within Level 2 of the hierarchy.

Common collective trusts included within equity securities and other investment sections above invest in real estate and real estate related investments and are valued based on the fund's administrator using estimated prices and various valuation techniques and then dividing the value by the number of units/ shares outstanding. Since these investments have significant unobservable inputs, they are classified within Level 3 of the hierarchy.

Government Bonds, Corporate Bonds and Other Debt Securities - A number of these investments are valued at the closing price reported on the major market on which the individual securities are traded. Where quoted prices are available in an active market, the investments are classified within Level 1 of the hierarchy. If quoted prices are not available for the specific security, then fair market values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. When quoted market prices for the specific security are not available in an active market, they are classified within Level 2 of the hierarchy.

Limited Partnerships and Other - Limited partnerships are valued by the fund's administrator at fair value. A substantial portion of these partnerships invest in private equity and real estate. When the underlying investments of the limited partnership are publicly traded securities on a major market and the investment itself is traded at least monthly, the investment is classified within Level 2 of the hierarchy; otherwise, the investment is classified within Level 3 of the hierarchy since there is no active market.

Derivatives are valued at fair value by the trustee using quoted prices in markets that are not active and are classified within Level 2 of the hierarchy.

Cash investments that are allocated to money market funds are priced daily in an inactive market and are included in Level 2 of the hierarchy.

The changes in the fair value of the plans' Level 3 assets are as follows:

(In Thousands)	Equity Securities	Real Estate Funds	Debt Securities	Other	Total
Balance at December 31, 2009	$ –	$ 19,662	$ 4,557	$ 5,664	$ 29,883
Unrealized gains relating to instruments held at the reporting date	–	2,754	963	807	4,524
Purchases, sales, issuances and settlements (net)	–	121	911	–	1,032
Balance at December 31, 2010	–	22,537	6,431	6,471	35,439
Realized gains	–	–	829	–	829
Unrealized gains (losses) relating to instruments held at the reporting date	(245)	3,830	203	(350)	3,438
Purchases, sales, issuances and settlements (net)	27,230	1,400	897	288	29,815
Balance at December 31, 2011	$ 26,985	$ 27,767	$ 8,360	$ 6,409	$ 69,521

Administrative expenses, including investment fees, are reflected in the actual return on the plans' assets. Administrative expenses paid by the US qualified defined benefit plans were approximately $2.1 million in 2011 and $1.6 million in 2010, while administrative expenses paid by the non-US defined benefit pension plans were approximately $847,000 in 2011 and $569,000 in 2010. The US nonqualified defined benefit plans are unfunded plans and therefore no administrative expenses are paid through the plan.

In accordance with regulations governing contributions to the US defined benefit pension plans, AP's policy is to fund at least the minimum amount required by the Employee Retirement Income Security Act of 1974 and to meet the funding requirements defined in the Internal Revenue Code. In 2012, AP expects to contribute $23.2 million to its US Qualified Defined Benefit Plans, $9.8 million to its US nonqualified defined benefit plans and $8.3 million to its non-US defined benefit plans.

Estimated future benefit payments are as follows:

YEAR ENDED DECEMBER 31 *(In Thousands)*	US Qualified Defined Benefit Pension Plans	US Nonqualified Defined Benefit Pension Plans	Non-US Defined Benefit Pension Plans
2012	$ 20,400	$ 9,774	$ 1,842
2013	21,400	2,576	3,014
2014	22,500	2,579	3,340
2015	23,600	2,588	2,192
2016	24,900	2,788	3,449
2017-2021	143,300	15,475	17,544

Defined Contribution Plans

AP has a defined contribution plan in the US that includes two components: a company funded portion covering substantially all domestic employees and a voluntary 401(k) plan. The company funded defined contribution plan was established when the US defined benefits plans were closed to new hires (January 15, 2005 for administrative employees and March 1, 2006 for union employees). Until July 1, 2011, AP contributed into the plan an amount equal to 3% of each eligible employee's qualified earnings after the employee completed one year of service; effective July 1, 2011 (when the defined benefits plans were frozen), AP contributes to the plan an amount equal to 3% of each administrative employee's qualified earnings and 6% of each union employee's qualified earnings. In addition, employees previously eligible for the defined benefits plans receive a 1 to 2 percent supplemental contribution (based on years of service) as a transition benefit for eight years. Charges to operations for AP's contributions to the employer funded plan amounted to $5.9 million in 2011 and $1.7 million in 2010. Until July 1, 2011, the Company also matched a portion of all employees' contributions to the 401(k) Plan; effective July 1, 2011 union covered employees are no longer eligible for the company match. Charges to operations for AP's contributions to the 401(k) plan amounted to $4.5 million in 2011 and $5.6 million in 2010.

AP has a defined contribution plan in the UK to provide retirement benefits to new hires and those employees not enrolled in the defined benefit plan. After an employee completes six months of service, AP contributes into the plan an amount equal to 3% of the employee's qualified earnings. Charges to operations for AP's contributions amounted to $385,000 in 2011 and $294,000 in 2010.

7. POSTRETIREMENT BENEFITS (OTHER THAN PENSIONS)

In the US, AP has plans that provide postretirement health care and limited life insurance benefits for individuals hired before specified dates (January 1994 for administrative employees and February 1995 and March 2006 for editorial and technology employees covered under the collective bargaining agreements, respectively) and generally retiring from AP at or after the age of 55 with 10 or more years of service.

Health care benefits include hospitalization and major medical coverage with deductible and coinsurance provisions that integrate with Medicare on a coordination of benefit basis after age 65. Employees retiring after a specific date are required to make contributions, which are used to pay a portion of current premiums.

Periodic postretirement benefit cost includes the following components:

YEAR ENDED DECEMBER 31 *(In Thousands)*	**2011**	2010
Service cost benefits earned during the period	**$ 1,205**	$ 1,164
Interest cost on benefit obligation	**6,553**	6,668
Net amortization	**(1,737)**	(1,737)
Actuarial loss	**503**	471
Periodic postretirement benefit cost*	**$ 6,524**	$ 6,566

The following table sets forth the status of the plans and amounts recognized in the consolidated balance sheets:

YEAR ENDED DECEMBER 31 *(In Thousands)*	**2011**	2010
Change in benefit obligation:		
Benefit obligation at beginning of year	**$ 120,871**	$ 104,900
Service cost	**1,205**	1,164
Interest cost	**6,553**	6,668
Curtailment gain	**(1,673)**	–
Actuarial loss	**9,280**	11,854
Benefits paid	**(3,791)**	(3,715)
Benefit obligation at end of year	**132,445**	120,871
Unrecognized net actuarial loss	**(19,365)**	(10,588)
Unamortized prior service credit	**6,441**	6,505
Accrued benefit cost*	**119,521**	116,788
Total accumulated comprehensive income	**12,925**	4,083
Net amount recognized in the balance sheets	**$ 132,446**	$ 120,871

**Includes the effect of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 ("MMA")*

The discount rate used in determining the net periodic postretirement benefit cost was 5.50% at December 31, 2011 and 6.0% at December 31, 2010. The discount rate used in determining the postretirement benefit obligation was 4.6% at December 31, 2011 and 5.50% at December 31, 2010.

AP expects to pay benefits of $5.2 million in 2012.

The rates of increase in medical costs are assumed to be 7.95% in 2012, declining to 4.50% by 2027.

The health care cost trend rate assumption has a significant effect on the amounts reported. A one-percent increase (decrease) in the assumed trend rate would change the accumulated postretirement benefit obligation at December 31, 2011 by $21.9 million and $(17.6) million, respectively, and would change the 2011 total service and interest cost by $1.4 million and $(1.1) million, respectively.

The reduction in the accumulated postretirement benefit obligation related to the MMA is $25.3 million. The effect of the MMA Part D Subsidy ("Part D Subsidy") on the measurement of net periodic postretirement benefit cost for 2011 is a reduction of $1.6 million. In 2012, the expected amortization of the net periodic postretirement benefit cost is $1.1 million. As of December 31, 2011, the estimated future payments for the US postretirement medical plans, including the impact of the Part D Subsidy, are as follows:

YEAR ENDED DECEMBER 31 *(In Thousands)*	Prior to Part D Subsidy	Reduction due to Part D Subsidy
2012	$ 5,176	$ 614
2013	5,415	670
2014	5,790	730
2015	6,128	791
2016	6,598	860
2017 through 2021	33,591	5,492

8. CONTINGENCIES, COMMITMENTS AND OTHER MATTERS

Various legal actions, which have arisen in the ordinary course of business, remain pending against AP. Management, with advice of counsel, believes that these actions will not have a material adverse effect on AP's financial position or results of operations.

During 2011, AP settled a legal action and recorded $2.8 million as other income.

At December 31, 2011, AP had five letters of credit issued totaling $1.7 million.

AP has commitments under non-cancelable operating leases covering office space, equipment, automobiles and certain satellite contracts. Where leases contain material escalation clauses or other concessions, the impact of such adjustments is recognized on a straight-line basis over the minimum lease period. Minimum rentals under operating leases are as follows:

YEAR ENDED DECEMBER 31 *(In Thousands)*	
2012	**$ 46,131**
2013	**39,632**
2014	**34,006**
2015	**28,998**
2016	**25,463**
Thereafter	**90,613**
Total	**$ 264,843**

Rent expense related to facilities and office space was $31.6 million in 2011 and $31.2 million in 2010. Satellite, equiment and vehicle costs under operating leases were $15.6 million and $12.4 million in 2011 and 2010, respectively.

Included in fixed assets on the consolidated balance sheets as of December 31, 2011 and 2010 is approximately $11.5 million of equipment held under long-term capital leases which extend through 2012. Accumulated amortization for these leases was $11.1 million and $10.5 million in 2011 and 2010, respectively. Future payments in 2012 will be $805,000 including interest of $139,000.

9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 12, 2012 (the date the consolidated financial statements were authorized to be issued) and determined that no events had a material impact on the Company's consolidated financial position, results of operations, or cash flows.

BOARD OF DIRECTORS

AP PHOTO / RICHARD DREW

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