ALLEGHENY TECHNOLOGIES INC
Form 10-Q
July 30, 2015

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

FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended June 30, 2015
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 1-12001

ALLEGHENY TECHNOLOGIES INCORPORATED
(Exact name of registrant as specified in its charter)

Delaware	25-1792394
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1000 Six PPG Place	
Pittsburgh, Pennsylvania	15222-5479
(Address of Principal Executive Offices)	(Zip Code)

(412) 394-2800
(Registrant’s telephone number, including area code)

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 period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ý No ¨
Indicate by check mark whether the Registrant 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý 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 definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ý	Accelerated filer ¨
Non-accelerated filer o (Do not check if a smaller reporting company)	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 ý

At July 24, 2015, the registrant had outstanding 109,209,729 shares of its Common Stock.

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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements
Allegheny Technologies Incorporated and Subsidiaries
Consolidated Balance Sheets
(In millions, except share and per share amounts)
(Current period unaudited)

	June 30, 2015	December 31, 2014
ASSETS		
Current Assets:		
Cash and cash equivalents	$250.9	$269.5
Accounts receivable, net of allowances for doubtful accounts of $4.8 million as of June 30, 2015 and December 31, 2014	593.4	603.6
Inventories, net	1,472.9	1,472.8
Prepaid expenses and other current assets	66.3	136.2
Total Current Assets	2,383.5	2,482.1
Property, plant and equipment, net	2,946.7	2,961.8
Cost in excess of net assets acquired	781.5	780.4
Other assets	357.6	358.3
Total Assets	$6,469.3	$6,582.6
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable	$487.5	$556.7
Accrued liabilities	314.4	323.2
Deferred income taxes	67.8	62.2
Short term debt and current portion of long-term debt	18.3	17.8
Total Current Liabilities	888.0	959.9
Long-term debt	1,502.7	1,509.1
Accrued postretirement benefits	397.1	415.8
Pension liabilities	722.1	739.3
Deferred income taxes	143.6	80.9
Other long-term liabilities	103.0	156.2
Total Liabilities	3,756.5	3,861.2
Redeemable noncontrolling interest	12.1	12.1
Equity:		
ATI Stockholders' Equity:		
Preferred stock, par value $0.10: authorized-50,000,000 shares; issued-none	—	—
Common stock, par value $0.10: authorized-500,000,000 shares; issued-109,695,171 shares at June 30, 2015 and December 31, 2014; outstanding- 109,209,730 shares at June 30, 2015 and 108,710,914 shares at December 31, 2014	11.0	11.0
Additional paid-in capital	1,154.9	1,164.2
Retained earnings	2,346.3	2,398.9
Treasury stock: 485,441 shares at June 30, 2015 and 984,257 shares at December 31, 2014	(20.6)	(44.3)
Accumulated other comprehensive loss, net of tax	(907.3)	(931.4)
Total ATI stockholders' equity	2,584.3	2,598.4
Noncontrolling interests	116.4	110.9
Total Equity	2,700.7	2,709.3
Total Liabilities and Equity	$6,469.3	$6,582.6

The accompanying notes are an integral part of these statements.

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Allegheny Technologies Incorporated and Subsidiaries
Consolidated Statements of Operations
(In millions, except per share amounts)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Sales	$1,022.5	$1,119.0	$2,148.0	$2,106.3
Costs and expenses:				
Cost of sales	945.5	1,029.5	1,961.5	1,946.6
Selling and administrative expenses	72.4	65.7	135.5	133.4
Income before interest, other income and income taxes	4.6	23.8	51.0	26.3
Interest expense, net	(26.8)	(28.5)	(53.5)	(57.6)
Other income, net	0.6	1.3	1.5	1.9
Loss from continuing operations before income taxes	(21.6)	(3.4)	(1.0)	(29.4)
Income tax provision (benefit)	(7.7)	(2.9)	0.3	(12.9)
Loss from continuing operations	(13.9)	(0.5)	(1.3)	(16.5)
Loss from discontinued operations, net of tax	—	(0.2)	—	(2.1)
Net loss	(13.9)	(0.7)	(1.3)	(18.6)
Less: Net income attributable to noncontrolling interests	2.5	3.3	5.1	5.4
Net loss attributable to ATI	$(16.4)	$(4.0)	$(6.4)	$(24.0)
Income (loss) per common share:				
Basic				
Continuing operations attributable to ATI per common share	$(0.15)	$(0.03)	$(0.06)	$(0.20)
Discontinued operations attributable to ATI per common share	—	—	—	(0.02)
Basic net loss attributable to ATI per common share	$(0.15)	$(0.03)	$(0.06)	$(0.22)
Diluted				
Continuing operations attributable to ATI per common share	$(0.15)	$(0.03)	$(0.06)	$(0.20)
Discontinued operations attributable to ATI per common share	—	—	—	(0.02)
Diluted net loss attributable to ATI per common share	$(0.15)	$(0.03)	$(0.06)	$(0.22)
Dividends declared per common share	$0.18	$0.18	$0.36	$0.36
Amounts attributable to ATI common stockholders:				
Loss from continuing operations, net of tax	$(16.4)	$(3.8)	$(6.4)	$(21.9)
Loss from discontinued operations, net of tax	—	(0.2)	—	(2.1)
Net loss	$(16.4)	$(4.0)	$(6.4)	$(24.0)

The accompanying notes are an integral part of these statements.

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Allegheny Technologies Incorporated and Subsidiaries
Consolidated Statements of Comprehensive Income
(In millions)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Net loss	$(13.9)	$(0.7)	$(1.3)	$(18.6)
Currency translation adjustment				
Unrealized net change arising during the period	19.3	7.7	(2.5)	4.4
Unrealized holding gain on securities				
Net gain (loss) arising during the period	(0.1)	0.1	(0.1)	0.1
Derivatives				
Net derivatives gain (loss) on hedge transactions	(10.4)	12.8	8.1	22.1
Reclassification to net loss of net realized loss (gain)	(2.1)	(0.5)	(4.8)	1.6
Income taxes on derivative transactions	(4.8)	4.7	1.3	9.1
Total	(7.7)	7.6	2.0	14.6
Postretirement benefit plans				
Amortization of net actuarial loss	18.7	22.0	37.4	44.0
Prior service cost				
Amortization to net loss of net prior service cost (credits)	1.5	(0.1)	3.0	(0.3)
Income taxes on postretirement benefit plans	7.7	8.4	15.4	16.8
Total	12.5	13.5	25.0	26.9
Other comprehensive income, net of tax	24.0	28.9	24.4	46.0
Comprehensive income	10.1	28.2	23.1	27.4
Less: Comprehensive income attributable to noncontrolling interests	3.0	2.2	5.4	2.4
Comprehensive income attributable to ATI	$7.1	$26.0	$17.7	$25.0

The accompanying notes are an integral part of these statements.

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Allegheny Technologies Incorporated and Subsidiaries
Consolidated Statements of Cash Flows
(In millions)
(Unaudited)

	Six months ended June 30, 2015	2014
Operating Activities:		
Net loss	$(1.3)	$(18.6)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	93.6	87.5
Deferred taxes	(9.6)	10.5
Changes in operating asset and liabilities:		
Inventories	(0.1)	(78.0)
Accounts receivable	10.2	(119.7)
Accounts payable	(69.3)	82.2
Retirement benefits	5.0	10.9
Accrued income taxes	60.2	(29.3)
Accrued liabilities and other	2.8	17.0
Cash provided by (used in) operating activities	91.5	(37.5)
Investing Activities:		
Purchases of property, plant and equipment	(63.3)	(97.9)
Purchases of businesses, net of cash acquired	(0.5)	(92.5)
Asset disposals and other	—	2.1
Cash used in investing activities	(63.8)	(188.3)
Financing Activities:		
Payments on long-term debt and capital leases	(6.3)	(403.4)
Dividends paid to stockholders	(38.6)	(38.6)
Shares repurchased for income tax withholding on share-based compensation	(1.4)	(3.9)
Cash used in financing activities	(46.3)	(445.9)
Decrease in cash and cash equivalents	(18.6)	(671.7)
Cash and cash equivalents at beginning of period	269.5	1,026.8
Cash and cash equivalents at end of period	$250.9	$355.1

The accompanying notes are an integral part of these statements.

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Allegheny Technologies Incorporated and Subsidiaries
Statements of Changes in Consolidated Equity
(In millions, except per share amounts)
(Unaudited)

	ATI Stockholders						
	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interests	Total Equity
Balance, December 31, 2013	$11.0	$1,185.9	$2,490.1	$(79.6)	$ (713.2)	$100.5	$2,994.7
Net income (loss)	—	—	(24.0)	—	—	5.4	(18.6)
Other comprehensive income (loss)	—	—	—	—	49.0	(3.0)	46.0
Cash dividends on common stock ($0.36 per share)	—	—	(38.6)	—	—	—	(38.6)
Conversion of convertible notes	—	—	(0.5)	5.5	—	—	5.0
Employee stock plans	—	(29.3)	(10.5)	29.9	—	—	(9.9)
Balance, June 30, 2014	$11.0	$1,156.6	$2,416.5	$(44.2)	$ (664.2)	$102.9	$2,978.6
Balance, December 31, 2014	$11.0	$1,164.2	$2,398.9	$(44.3)	$ (931.4)	$110.9	$2,709.3
Net income (loss)	—	—	(6.4)	—	—	5.1	(1.3)
Other comprehensive income	—	—	—	—	24.1	0.3	24.4
Cash dividends on common stock ($0.36 per share)	—	—	(38.6)	—	—	—	(38.6)
Redeemable noncontrolling interest	—	—	(0.1)	—	—	0.1	—
Employee stock plans	—	(9.3)	(7.5)	23.7	—	—	6.9
Balance, June 30, 2015	$11.0	$1,154.9	$2,346.3	$(20.6)	$ (907.3)	$116.4	$2,700.7

The accompanying notes are an integral part of these statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Unaudited
Note 1. Accounting Policies
The interim consolidated financial statements include the accounts of Allegheny Technologies Incorporated and its subsidiaries. Unless the context requires otherwise, “Allegheny Technologies”, “ATI” and “the Company” refer to Allegheny Technologies Incorporated and its subsidiaries.
These unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions for Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and note disclosures required by U.S. generally accepted accounting principles for complete financial statements. In management’s opinion, all adjustments (which include only normal recurring adjustments) considered necessary for a fair presentation have been included. These unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s 2014 Annual Report on Form 10-K. The results of operations for these interim periods are not necessarily indicative of the operating results for any future period. The December 31, 2014 financial information has been derived from the Company’s audited consolidated financial statements.
In 2013, the Company sold or announced closures of certain businesses that are reported as discontinued operations. Remaining closure activities were completed in 2014. Financial results for discontinued operations for the three and six months ended June 30, 2014 were sales of $6.4 million and $11.6 million, respectively, and pretax losses of $0.2 million and $3.0 million, respectively.
New Accounting Pronouncements Adopted
In January 2015, the Company adopted changes issued by the Financial Accounting Standards Board (FASB) to the criteria for reporting discontinued operations. Under the new criteria, a disposal of a component of an entity is required to be reported as discontinued operations only if the disposal represents a strategic shift that has, or will have, a major effect on an entity’s operations and financial results. The criteria that there be no significant continuing involvement in the operations of the component after the disposal transaction has been removed under the new guidance. The new guidance also requires the presentation of the assets and liabilities of a disposal group that includes a discontinued operation for each comparative period and requires additional disclosures about discontinued operations, including the major line items constituting the pretax profit or loss of the discontinued operation, certain cash flow information for the discontinued operation, expanded disclosures about an entity’s significant continuing involvement in a discontinued operation, and disclosures about a disposal of an individually significant component of an entity that does not qualify for discontinued operations presentation. The provisions of the new guidance are effective for all disposals that occur for the Company beginning in fiscal year 2015. The adoption of these changes had no impact on the consolidated financial statements.
Pending Accounting Pronouncements

In July 2015, the FASB issued changes to simplify the measurement of inventory valuation at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. The new inventory measurement requirements are effective for the Company’s 2017 fiscal year, and will replace the current inventory valuation guidance that requires the use of a lower of cost or market framework. This change in the measurement of inventory does not apply to inventory valued on LIFO, which is the accounting basis used for most of the Company’s inventory. The adoption of these changes is not expected to have a material impact to the Company’s consolidated financial statements.

In April 2015, the FASB issued new guidance on presentation of debt issuance costs. This guidance requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this guidance. This update will be effective for the Company beginning in fiscal year 2016, with early adoption permitted, and is applied on a retrospective basis. The Company plans to adopt this new guidance in the fourth quarter of fiscal year 2015. As of June 30, 2015 and December 31, 2014, the Company had $10.2 million and $10.9 million, respectively, of debt issuance costs reported as assets on the consolidated balance sheet that will be reclassified to a reduction of the carrying amount of the debt liability upon the Company's adoption of this new guidance.

In May 2014, the FASB issued changes to revenue recognition with customers. This update provides a five-step analysis of transactions to determine when and how revenue is recognized. An entity should recognize revenue to depict the transfer of

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promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In July 2015, the FASB approved a one-year deferral of the effective date of this new guidance resulting in it now being effective for the Company beginning in fiscal year 2018. This update may be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this update recognized at the date of initial application. The Company is currently evaluating the impact of the new guidance on its consolidated financial statements.

Note 2. Inventories

Inventories at June 30, 2015 and December 31, 2014 were as follows (in millions):

	June 30, 2015	December 31, 2014
Raw materials and supplies	$239.2	$249.3
Work-in-process	1,166.3	1,184.1
Finished goods	191.8	172.2
Total inventories at current cost	1,597.3	1,605.6
Adjustment from current cost to LIFO cost basis	9.3	4.8
Inventory valuation reserves	(71.0)	(68.8)
Progress payments	(62.7)	(68.8)
Total inventories, net	$1,472.9	$1,472.8

Inventories are stated at the lower of cost (last-in, first-out (“LIFO”), first-in, first-out (“FIFO”), and average cost methods) or market, less progress payments. Most of the Company’s inventory is valued utilizing the LIFO costing methodology. Inventory of the Company’s non-U.S. operations is valued using average cost or FIFO methods. The effect of using the LIFO methodology to value inventory, rather than FIFO, decreased cost of sales by $4.5 million for the first six months of 2015, which was offset by a $4.3 million increase in net realizable value reserves on the carrying value of LIFO-based inventory. The first six months of 2014 results included a $37.9 million increase in cost of sales from using the LIFO costing methodology, which was offset by a $35.0 million reduction in net realizable value reserves on the carrying value of LIFO-based inventory. The first six months of 2015 and 2014 results included $11.4 million and $13.1 million, respectively, in inventory valuation charges related to the market-based valuation of industrial titanium products in the Flat Rolled Products segment.

Note 3. Property, Plant and Equipment

Property, plant and equipment at June 30, 2015 and December 31, 2014 was as follows (in millions):

	June 30, 2015	December 31, 2014
Land	$30.4	$30.2
Buildings	1,051.2	1,048.9
Equipment and leasehold improvements	3,762.4	3,702.5
	4,844.0	4,781.6
Accumulated depreciation and amortization	(1,897.3)	(1,819.8)
Total property, plant and equipment, net	$2,946.7	$2,961.8

The construction in progress portion of property, plant and equipment at June 30, 2015 was $65.6 million.

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Note 4. Debt

Debt at June 30, 2015 and December 31, 2014 was as follows (in millions):

	June 30, 2015	December 31, 2014
Allegheny Technologies 5.875% Notes due 2023 (a)	$500.0	$500.0
Allegheny Technologies 5.95% Notes due 2021	500.0	500.0
Allegheny Technologies 9.375% Notes due 2019	350.0	350.0
Allegheny Ludlum 6.95% debentures due 2025	150.0	150.0
ATI Ladish Series B 6.14% Notes due 2016 (b)	5.9	11.9
ATI Ladish Series C 6.41% Notes due 2015 (c)	10.1	10.3
Domestic Bank Group $400 million credit facility	—	—
Foreign credit facilities	—	—
Industrial revenue bonds, due through 2020, and other	5.0	4.7
Total short-term and long-term debt	1,521.0	1,526.9
Short-term debt and current portion of long-term debt	18.3	17.8
Total long-term debt	$1,502.7	$1,509.1

(a) Bearing interest at 6.375% effective February 15, 2015.
(b) Includes fair value adjustments of $0.2 million at June 30, 2015 and $0.4 million at December 31, 2014.
(c) Includes fair value adjustments of $0.1 million at June 30, 2015 and $0.3 million at December 31, 2014.

During the first quarter of 2015, Standard & Poor's ("S&P") downgraded the Company's credit rating one notch to BB+ from BBB-, resulting in an increase of the interest rate on the Senior Notes due 2023 (the "2023 Notes") from 6.125% as of December 31, 2014 to 6.375% effective with the interest period beginning February 15, 2015. Future downgrades of the Company's credit ratings could result in additional increases to the interest cost with respect to the 2023 Notes.
There were no outstanding borrowings made under the Company's $400 million senior domestic credit facility ("credit facility") as of June 30, 2015, although approximately $4.6 million has been utilized to support the issuance of letters of credit. Average borrowings under the credit facility for the first six months of 2015 were $49.8 million, bearing an average annual interest rate of 2.1%. The credit facility provides for a springing lien on certain of the Company's accounts receivable and inventory. This springing lien became effective during the first quarter of 2015 as the Company's credit ratings from both S&P's and Moody's are now below investment grade following S&P's downgrade in the first quarter 2015 discussed above. This springing lien is subsequently released if the Company's credit rating returns to investment grade from either rating agency, assuming no event of default condition exists. The credit facility requires the Company to maintain a leverage ratio (measured as consolidated total indebtedness net of cash on hand in excess of $50 million, divided by consolidated EBITDA, defined as earnings before interest, taxes, depreciation and amortization, and non-cash pension expense, with the definition of consolidated EBIT excluding any gain or loss attributable to sale or other dispositions of assets outside the ordinary course of business, for the four prior fiscal quarters) of not greater than 4.50 for the quarter ended June 30, 2015, 3.75 for the quarter ended September 30, 2015, and 3.50 for the quarter ended December 31, 2015 and for each fiscal quarter thereafter. The credit facility also requires the Company to maintain an interest coverage ratio (consolidated EBITDA as calculated for the leverage ratio, divided by interest expense) of not less than 3.00 for the quarter ended June 30, 2015, 3.25 for the quarter ended September 30, 2015, and 3.50 for the quarter ended December 31, 2015 and for each fiscal quarter thereafter. At June 30, 2015, the leverage ratio was 3.93 and the interest coverage ratio was 3.13. While the Company was in compliance with these required financial ratios during all applicable periods through June 30, 2015, the Company does not expect to meet these required credit facility financial ratios at September 30, 2015, the next quarterly measurement period. In the third quarter 2015, the Company expects to replace the current revolving credit facility with an asset-based lending facility at the same $400 million borrowing capacity.
The Company has an additional separate credit facility for the issuance of letters of credit. As of June 30, 2015, $32 million in letters of credit were outstanding under this facility.

Shanghai STAL Precision Stainless Steel Company Limited (STAL), the Company’s Chinese joint venture company in which ATI has a 60% interest, is in the process of amending a separate $20 million revolving credit facility entered into in April 2015. As amended, borrowings under the STAL revolving credit facility are in U.S. dollars based on U.S. interbank offered rates.

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The credit facility is supported solely by STAL's financial capability without any guarantees from the joint venture partners. The credit facility requires STAL to maintain a minimum level of shareholders' equity, and certain financial ratios.

The ATI Ladish Series B and Series C Notes are guaranteed by ATI and are equally ranked with all of ATI's existing and future senior unsecured debt.

Note 5. Derivative Financial Instruments and Hedging

As part of its risk management strategy, the Company, from time-to-time, utilizes derivative financial instruments to manage its exposure to changes in raw material prices, energy costs, foreign currencies, and interest rates. In accordance with applicable accounting standards, the Company accounts for most of these contracts as hedges. In general, hedge effectiveness is determined by examining the relationship between offsetting changes in fair value or cash flows attributable to the item being hedged, and the financial instrument being used for the hedge. Effectiveness is measured utilizing regression analysis and other techniques to determine whether the change in the fair market value or cash flows of the derivative exceeds the change in fair value or cash flow of the hedged item. Calculated ineffectiveness, if any, is immediately recognized in the consolidated statements of operations.

The Company sometimes uses futures and swap contracts to manage exposure to changes in prices for forecasted purchases of raw materials, such as nickel, and natural gas. Under these contracts, which are generally accounted for as cash flow hedges, the price of the item being hedged is fixed at the time that the contract is entered into and the Company is obligated to make or receive a payment equal to the net change between this fixed price and the market price at the date the contract matures.

The majority of ATI's products are sold utilizing raw material surcharges and index mechanisms. However, as of June 30, 2015, the Company had entered into financial hedging arrangements, primarily at the request of its customers, related to firm orders, for an aggregate notional amount of approximately 20% of its estimated annual nickel requirements. These nickel hedges extend to 2020.

At June 30, 2015, the outstanding financial derivatives used to hedge the Company's exposure to energy cost volatility included natural gas cost hedges for approximately 80% of its annual forecasted domestic requirements for 2015, approximately 80% for 2016, and approximately 50% for 2017.

While the majority of the Company's direct export sales are transacted in U.S. dollars, foreign currency exchange contracts are used, from time-to-time, to limit transactional exposure to changes in currency exchange rates for those transactions denominated in a non-U.S. currency. The Company sometimes purchases foreign currency forward contracts that permit it to sell specified amounts of foreign currencies expected to be received from its export sales for pre-established U.S. dollar amounts at specified dates. The forward contracts are denominated in the same foreign currencies in which export sales are denominated. These contracts are designated as hedges of the variability in cash flows of a portion of the forecasted future export sales transactions which otherwise would expose the Company to foreign currency risk, primarily euros. At June 30, 2015, the Company held euro forward sales contracts designated as hedges with a notional value of approximately 334 million euro with maturity dates through June 2018, including approximately 103 million euro with maturities in 2015. In addition, the Company may also designate cash balances held in foreign currencies as hedges of forecasted foreign currency transactions.

During the first quarter of 2015, the Company net settled 126.5 million euro notional value of foreign currency forward contracts designated as cash flow hedges with 2015 maturity dates, receiving cash proceeds of $26.1 million which is reported in cash provided by operating activities on the consolidated cash flow statement. Deferred gains on these settled cash flow hedges currently recognized in accumulated other comprehensive income will be reclassified to earnings when the underlying transactions occur. The Company subsequently entered into 115 million euro notional value of foreign currency forward contracts designated as fair value hedges in the first quarter of 2015, all with 2015 maturity dates and of which 69 million euro notional was outstanding as of June 30, 2015. The Company recorded a $1.9 million and $7.4 million benefit in costs of sales on the consolidated statement of operations in the second quarter and six months ended June 30, 2015, respectively, for mark-to-market changes on these fair value hedges.

The Company may enter into derivative interest rate contracts to maintain a reasonable balance between fixed- and floating-rate debt. There were no unsettled derivative financial instruments related to debt balances for the periods presented.

There are no credit risk-related contingent features in the Company’s derivative contracts, and the contracts contained no provisions under which the Company has posted, or would be required to post, collateral. The counterparties to the Company’s derivative contracts are substantial and creditworthy commercial banks that are recognized market makers. The Company controls its credit exposure by diversifying across multiple counterparties and by monitoring credit ratings and credit default swap spreads of its counterparties. The Company also enters into master netting agreements with counterparties when possible.

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The fair values of the Company’s derivative financial instruments are presented below, representing the gross amounts recognized which are not offset by counterparty or by type of item hedged. All fair values for these derivatives were measured using Level 2 information as defined by the accounting standard hierarchy, which includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs derived principally from or corroborated by observable market data.

(In millions) Asset derivatives	Balance sheet location	June 30, 2015	December 31, 2014
Derivatives designated as hedging instruments:			
Foreign exchange contracts	Prepaid expenses and other current assets	$25.2	$23.6
Nickel and other raw material contracts	Prepaid expenses and other current assets	—	1.1
Foreign exchange contracts	Other assets	32.9	28.3
Nickel and other raw material contracts	Other assets	—	0.5
Total derivatives designated as hedging instruments		58.1	53.5
Derivatives not designated as hedging instruments:			
Foreign exchange contracts	Prepaid expenses and other current assets	—	6.4
Total derivatives not designated as hedging instruments		—	6.4
Total asset derivatives		$58.1	$59.9
Liability derivatives	Balance sheet location		
Derivatives designated as hedging instruments:			
Natural gas contracts	Accrued liabilities	$10.9	$10.2
Nickel and other raw material contracts	Accrued liabilities	10.7	5.8
Electricity contracts	Accrued liabilities	—	0.1
Natural gas contracts	Other long-term liabilities	8.9	7.9
Nickel and other raw material contracts	Other long-term liabilities	10.5	3.0
Total derivatives designated as hedging instruments		41.0	27.0
Derivatives not designated as hedging instruments:			
Foreign exchange contracts	Accrued liabilities	1.2	—
Total derivatives not designated as hedging instruments		1.2	—
Total liability derivatives		$42.2	$27.0

For derivative financial instruments that are designated as cash flow hedges, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income (OCI) and reclassified into earnings in the same period or periods during which the hedged item affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current period results. For derivative financial instruments that are designated as fair value hedges, changes in the fair value of these derivatives are recognized in current period results. The Company did not use net investment hedges for the periods presented. The effects of derivative instruments in the tables below are presented net of related income taxes.

Assuming market prices remain constant with those at June 30, 2015, a gain of $2.2 million is expected to be recognized over the next 12 months.

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Activity with regard to derivatives designated as cash flow hedges for the three and six month periods ended June 30, 2015 and 2014 was as follows (in millions):

Derivatives in Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in OCI on Derivatives (Effective Portion)		Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) (a)		Amount of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing) (b)	
	Three months ended June 30,		Three months ended June 30,		Three months ended June 30,	
	2015	2014	2015	2014	2015	2014
Nickel and other raw material contracts	$(3.5)	$7.1	$(2.4)	$0.9	$—	$—
Natural gas contracts	0.2	(1.0)	(2.4)	1.0	—	—
Electricity contracts	—	(0.1)	—	0.1	—	—
Foreign exchange contracts	(3.1)	1.9	6.1	(1.7)	—	—
Total	$(6.4)	$7.9	$1.3	$0.3	$—	$—

Derivatives in Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in OCI on Derivatives (Effective Portion)		Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) (a)		Amount of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing) (b)	
	Six months ended June 30,		Six months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014	2015	2014
Nickel and other raw material contracts	$(13.1)	$10.1	$(4.6)	$(0.8)	$—	$—
Natural gas contracts	(5.8)	1.3	(4.8)	2.4	—	—
Electricity contracts	—	0.8	(0.1)	0.5	—	—
Foreign exchange contracts	23.9	1.4	12.5	(3.1)	—	—
Total	$5.0	$13.6	$3.0	$(1.0)	$—	$—

(a) The gains (losses) reclassified from accumulated OCI into income related to the effective portion of the derivatives are presented in cost of sales in the same period or periods in which the hedged item affects earnings.

(b) The gains (losses) recognized in income on derivatives related to the ineffective portion and the amount excluded from effectiveness testing are presented in selling and administrative expenses.

The disclosures of gains or losses presented above for nickel and other raw material contracts and foreign currency contracts do not take into account the anticipated underlying transactions. Since these derivative contracts represent hedges, the net effect of any gain or loss on results of operations may be fully or partially offset.

During the first quarter of 2015, the Company net settled 40.3 million euro notional value of foreign currency forward contracts that were not designated as hedges, receiving cash proceeds of $11.8 million which is reported in cash provided by operating activities on the consolidated cash flow statement. The Company also entered into 33 million euro notional value of foreign currency forward contracts not designated as hedges in the first quarter of 2015, all of which are still outstanding as of June 30, 2015 and with maturity dates through June 2016.

Derivatives that are not designated as hedging instruments were as follows:

(In millions)	Amount of Gain (Loss) Recognized in Income on Derivatives	
Derivatives Not Designated	Three months ended June 30,	Six months ended June 30,

as Hedging Instruments	2015	2014	2015	2014
Foreign exchange contracts	$(0.5)	$0.9	$3.0	$1.1

Changes in the fair value of foreign exchange contract derivatives not designated as hedging instruments are recorded in cost of sales.

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Note 6. Fair Value of Financial Instruments

The estimated fair value of financial instruments at June 30, 2015 was as follows:

(In millions)	Total Carrying Amount	Total Estimated Fair Value	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets(Level 1)	Significant Observable Inputs (Level 2)
Cash and cash equivalents	$250.9	$250.9	$250.9	$—
Derivative financial instruments:				
Assets	58.1	58.1	—	58.1
Liabilities	42.2	42.2	—	42.2
Debt	1,521.0	1,624.9	1,603.9	21.0

The estimated fair value of financial instruments at December 31, 2014 was as follows:

(In millions)	Total Carrying Amount	Total Estimated Fair Value	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)
Cash and cash equivalents	$269.5	$269.5	$269.5	$—
Derivative financial instruments:				
Assets	59.9	59.9	—	59.9
Liabilities	27.0	27.0	—	27.0
Debt	1,526.9	1,616.0	1,589.1	26.9

In accordance with accounting standards, fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Accounting standards established three levels of a fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. No transfers between levels were reported in 2015 or 2014.

The following methods and assumptions were used by the Company in estimating the fair value of its financial instruments:

Cash and cash equivalents: Fair value was determined using Level 1 information.

Derivative financial instruments: Fair values for derivatives were measured using exchange-traded prices for the hedged items. The fair value was determined using Level 2 information, including consideration of counterparty risk and the Company’s credit risk.
Short-term and long-term debt: The fair values of the Company’s publicly traded debt were based on Level 1 information. The fair values of the other short-term and long-term debt were determined using Level 2 information.

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Note 7. Pension Plans and Other Postretirement Benefits

The Company has defined benefit pension plans or defined contribution plans covering substantially all employees. Benefits under the defined benefit pension plans are generally based on years of service and/or final average pay. The Company funds the U.S. pension plans in accordance with the Employee Retirement Income Security Act of 1974, as amended, and the Internal Revenue Code.

The Company also sponsors several postretirement plans covering certain salaried and hourly employees. The plans provide health care and life insurance benefits for eligible retirees. In most plans, Company contributions towards premiums are capped based on the cost as of a certain date, thereby creating a defined contribution. For the non-collectively bargained plans, the Company maintains the right to amend or terminate the plans at its discretion.

For the three month periods ended June 30, 2015 and 2014, the components of pension expense and components of other postretirement benefit expense for the Company’s defined benefit plans included the following (in millions):

	Pension Benefits		Other Postretirement Benefits	
	Three months ended June 30,		Three months ended June 30,	
	2015	2014	2015	2014
Service cost - benefits earned during the year	$5.7	$7.3	$0.7	$0.7
Interest cost on benefits earned in prior years	30.2	33.4	4.5	6.0
Expected return on plan assets	(42.0)	(46.0)	—	(0.1)
Amortization of prior service cost (credit)	0.3	0.6	1.2	(0.7)
Amortization of net actuarial loss	15.1	18.5	3.6	3.5
Termination benefits	—	0.3	—	—
Total retirement benefit expense	$9.3	$14.1	$10.0	$9.4

For the six month periods ended June 30, 2015 and 2014, the components of pension expense and components of other postretirement benefit expense for the Company’s defined benefit plans included the following (in millions):

	Pension Benefits		Other Postretirement Benefits	
	Six months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Service cost - benefits earned during the year	$11.4	$14.7	$1.4	$1.4
Interest cost on benefits earned in prior years	60.5	66.8	9.0	12.0
Expected return on plan assets	(84.1)	(92.1)	—	(0.1)
Amortization of prior service cost (credit)	0.6	1.2	2.4	(1.5)
Amortization of net actuarial loss	30.2	37.0	7.2	7.0
Termination benefits	—	0.3	—	—
Total retirement benefit expense	$18.6	$27.9	$20.0	$18.8

Other postretirement benefit costs for a defined contribution plan were $0.6 million and $1.3 million for the three and six months ended June 30, 2014, respectively.

Note 8. Income Taxes

Second quarter 2015 results included a benefit for income taxes of $7.7 million, or 35.6% of loss from continuing operations before income tax, compared to a benefit of $2.9 million, or 85.3% of loss from continuing operations before income tax, for the 2014 comparable period. Income taxes in the second quarter of 2015 included discrete tax expense of $0.7 million and income taxes in the second quarter of 2014 included discrete tax benefits of $2.2 million primarily associated with adjustments to prior years’ taxes. During the second quarter of 2015, the Company resolved various uncertain tax position matters related to temporary differences which resulted in $60.9 million of the long-term liability for uncertain tax positions being reclassified as a deferred tax liability at June 30, 2015.

For the first six months of 2015, the provision for income taxes was $0.3 million, compared to a benefit for income taxes of $12.9 million, for the 2014 comparable period. The income tax rate in 2015 and 2014 is impacted by the Company’s inability to use the federal domestic manufacturing deduction tax benefit due to net operating loss carryforwards. The first six months of 2015 included discrete tax expense of $0.9 million and the first six months of 2014 included discrete tax benefits of $4.4

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million, primarily associated with adjustments to prior years' and foreign taxes. A federal income tax refund of $59.9 million was received in the first quarter of 2015.

For the three and six months ended June 30, 2015 and 2014, the Company determined that it was unable to make a reliable estimate of the annual effective tax rate, as significant changes in projected results for the Company's domestic operations can produce a significant variation in its annual effective tax rate. Therefore, the Company recorded a tax benefit/provision for the three and six months ended June 30, 2015 and 2014 based on the actual year to date effective rate for these periods.

Note 9. Business Segments

The Company operates in two business segments: High Performance Materials & Components and Flat Rolled Products. The measure of segment operating profit, which is used to analyze the performance and results of the business segments, excludes income taxes, corporate expenses, net interest expense, retirement benefit expense, closed company expenses and restructuring costs, if any. Discontinued operations are also excluded. Management believes segment operating profit, as defined, provides an appropriate measure of controllable operating results at the business segment level. Following is certain financial information with respect to the Company's business segments for the periods indicated (in millions):

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Total sales:				
High Performance Materials & Components	$533.5	$531.4	$1,098.4	$1,035.5
Flat Rolled Products	533.5	630.5	1,138.2	1,160.1
	1,067.0	1,161.9	2,236.6	2,195.6
Intersegment sales:				
High Performance Materials & Components	22.4	17.3	44.5	37.0
Flat Rolled Products	22.1	25.6	44.1	52.3
	44.5	42.9	88.6	89.3
Sales to external customers:				
High Performance Materials & Components	511.1	514.1	1,053.9	998.5
Flat Rolled Products	511.4	604.9	1,094.1	1,107.8
	$1,022.5	$1,119.0	$2,148.0	$2,106.3
Operating profit (loss):				
High Performance Materials & Components	$42.6	$85.1	$118.5	$154.2
Flat Rolled Products	(3.4)	(19.9)	4.5	(45.5)
Total operating profit	39.2	65.2	123.0	108.7
Corporate expenses	(9.2)	(11.7)	(21.0)	(23.2)
Interest expense, net	(26.8)	(28.5)	(53.5)	(57.6)
Closed company and other expenses	(5.5)	(4.3)	(10.9)	(9.3)
Retirement benefit expense	(19.3)	(24.1)	(38.6)	(48.0)
Loss from continuing operations before income taxes	$(21.6)	$(3.4)	$(1.0)	$(29.4)

Retirement benefit expense represents defined benefit pension expense and other postretirement benefit expense for both defined benefit and defined contribution plans. Operating profit with respect to the Company's business segments excludes any retirement benefit expense. Costs associated with multiemployer pension plans are included in segment operating profit, and costs associated with defined contribution retirement plans are included in segment operating profit or corporate expenses, as applicable.

Interest expense, net of interest income, in the second quarter 2015 was $26.8 million, compared to net interest expense of $28.5 million in the second quarter 2014. The decrease in interest expense was primarily due to lower debt levels. Interest expense benefited from the capitalization of interest costs of $0.5 million in the second quarter 2015 compared to $1.4 million in the second quarter 2014.

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Note 10. Redeemable Noncontrolling Interest

The holders of the 15% noncontrolling interest in ATI Flowform Products have a put option to require the Company to purchase their equity interest at a redemption value determinable from a specified formula based on a multiple of EBITDA (subject to a fixed minimum linked to the original acquisition date value). The put option is fully exercisable beginning in the second quarter of 2017, and is also exercisable under certain other circumstances. The put option cannot be separated from the noncontrolling interest, and the combination of a noncontrolling interest and the redemption feature requires classification as redeemable noncontrolling interest in the consolidated balance sheet, separate from Stockholders' Equity.

The carrying amount of the redeemable noncontrolling interest approximates its maximum redemption value. Any subsequent change in maximum redemption value is adjusted through retained earnings. The adjustment to the carrying amount for the six months ended June 30, 2015 reduced retained earnings by $0.1 million. The Company applied the two-class method of calculating earnings per share, and as such this adjustment to the carrying amount was reflected in earnings per share. The redeemable noncontrolling interest was $12.1 million as of June 30, 2015 and December 31, 2014, which was unchanged from the acquisition date value.

Note 11. Per Share Information

The following table sets forth the computation of basic and diluted income from continuing operations per common share:

(In millions, except per share amounts)	Three months ended June 30, 2015	2014	Six months ended June 30, 2015	2014
Numerator for basic loss from continuing operations per common share –				
Loss from continuing operations attributable to ATI	$ (16.4)	$ (3.8)	$ (6.4)	$ (21.9)
Redeemable noncontrolling interest (Note 10)	—	—	(0.1)	—
Numerator for diluted loss from continuing operations per common share –				
Loss from continuing operations available to ATI after assumed conversions	$ (16.4)	$ (3.8)	$ (6.5)	$ (21.9)
Denominator for basic net loss per common share-weighted average shares	107.3	107.1	107.2	107.0
Effect of dilutive securities:				
Share-based compensation	—	—	—	—
4.25% Convertible Notes due 2014	—	—	—	—
Denominator for diluted net loss per common share – adjusted weighted average shares assuming conversions	107.3	107.1	107.2	107.0
Basic loss from continuing operations attributable to ATI per common share	$ (0.15)	$ (0.03)	$ (0.06)	$ (0.20)
Diluted loss from continuing operations attributable to ATI per common share	$ (0.15)	$ (0.03)	$ (0.06)	$ (0.20)

Common stock that would be issuable upon the assumed conversion of the 2014 Convertible Notes (prior to maturity on June 2, 2014) and other option equivalents and contingently issuable shares are excluded from the computation of contingently issuable shares, and therefore, from the denominator for diluted earnings per share, if the effect of inclusion is anti-dilutive. There were 1.2 million and 1.0 million anti-dilutive shares for the three and six month periods ended June 30, 2015, respectively, and 7.0 million and 8.5 million anti-dilutive shares for the three and six month periods ended June 30, 2014, respectively.

Note 12. Financial Information for Subsidiary and Guarantor Parent

The payment obligations under the $150 million 6.95% debentures due 2025 issued by Allegheny Ludlum, LLC (the "Subsidiary") are fully and unconditionally guaranteed by Allegheny Technologies Incorporated (the "Guarantor Parent"). In accordance with positions established by the Securities and Exchange Commission, the following financial information sets forth separately financial information with respect to the Subsidiary, the Non-guarantor Subsidiaries and the Guarantor Parent. The principal elimination entries eliminate investments in subsidiaries and certain intercompany balances and transactions.

ATI is the plan sponsor for the U.S. qualified defined benefit pension plan (the "Plan") which covers certain current and former employees of the Subsidiary and the Non-guarantor Subsidiaries. As a result, the balance sheets presented for the Subsidiary and the Non-guarantor Subsidiaries do not include any Plan assets or liabilities, or the related deferred taxes. The Plan assets, liabilities and related deferred taxes and pension income or expense are recognized by the Guarantor Parent. Management and royalty fees charged to the Subsidiary and to the Non-guarantor Subsidiaries by the Guarantor Parent have been excluded solely for purposes of this presentation.

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Allegheny Technologies Incorporated
Financial Information for Subsidiary and Guarantor Parent
Balance Sheets
June 30, 2015

(In millions)	Guarantor Parent	Subsidiary	Non-guarantor Subsidiaries	Eliminations	Consolidated
Assets:					
Cash and cash equivalents	$5.2	$14.9	$230.8	$—	$250.9
Accounts receivable, net	0.1	168.0	425.3	—	593.4
Intercompany notes receivable	—	—	2,515.5	(2,515.5)	—
Inventories, net	—	388.6	1,084.3	—	1,472.9
Prepaid expenses and other current assets	7.0	9.8	49.5	—	66.3
Total current assets	12.3	581.3	4,305.4	(2,515.5)	2,383.5
Property, plant and equipment, net	2.5	1,549.5	1,394.7	—	2,946.7
Cost in excess of net assets acquired	—	126.6	654.9	—	781.5
Intercompany notes receivable	—	—	200.0	(200.0)	—
Investment in subsidiaries	6,228.5	37.7	—	(6,266.2)	—
Other assets	22.9	30.9	303.8	—	357.6
Total assets	$6,266.2	$2,326.0	$6,858.8	$(8,981.7)	$6,469.3
Liabilities and stockholders' equity:					
Accounts payable	$3.4	$263.7	$220.4	$—	$487.5
Accrued liabilities	42.8	59.8	211.8	—	314.4
Intercompany notes payable	1,274.2	1,241.3	—	(2,515.5)	—
Deferred income taxes	67.8	—	—	—	67.8
Short-term debt and current portion of long-term debt	0.7	0.1	17.5	—	18.3
Total current liabilities	1,388.9	1,564.9	449.7	(2,515.5)	888.0
Long-term debt	1,350.9	150.2	1.6	—	1,502.7
Intercompany notes payable	—	200.0	—	(200.0)	—
Accrued postretirement benefits	—	147.1	250.0	—	397.1
Pension liabilities	662.0	5.7	54.4	—	722.1
Deferred income taxes	143.6	—	—	—	143.6
Other long-term liabilities	20.1	21.0	61.9	—	103.0
Total liabilities	3,565.5	2,088.9	817.6	(2,715.5)	3,756.5
Redeemable noncontrolling interest	—	—	12.1	—	12.1
Total stockholders' equity	2,700.7	237.1	6,029.1	(6,266.2)	2,700.7
Total liabilities and stockholders' equity	$6,266.2	$2,326.0	$6,858.8	$(8,981.7)	$6,469.3

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Allegheny Technologies Incorporated
Financial Information for Subsidiary and Guarantor Parent
Statements of Operations and Comprehensive Income
For the three months ended June 30, 2015

(In millions)	Guarantor Parent	Subsidiary	Non-guarantor Subsidiaries	Eliminations	Consolidated
Sales	$—	$436.7	$585.8	$—	$1,022.5
Cost of sales	10.6	429.0	505.9	—	945.5
Selling and administrative expenses	21.4	9.4	41.6	—	72.4
Income (loss) before interest, other income and income taxes	(32.0)	(1.7)	38.3	—	4.6
Interest income (expense), net	(28.6)	(12.5)	14.3	—	(26.8)
Other income (loss) including equity in income of unconsolidated subsidiaries	39.0	0.2	0.5	(39.1)	0.6
Income (loss) from continuing operations before income tax provision (benefit)	(21.6)	(14.0)	53.1	(39.1)	(21.6)
Income tax provision (benefit)	(7.7)	(4.6)	22.3	(17.7)	(7.7)
Income (loss) from continuing operations	(13.9)	(9.4)	30.8	(21.4)	(13.9)
Income (loss) from discontinued operations, net of tax	—	—	—	—	—
Net income (loss)	(13.9)	(9.4)	30.8	(21.4)	(13.9)
Less: Net income attributable to noncontrolling interests	—	—	2.5	—	2.5
Net income (loss) attributable to ATI	$(13.9)	$(9.4)	$28.3	$(21.4)	$(16.4)
Comprehensive income (loss) attributable to ATI	$10.1	$(6.4)	$47.4	$(44.0)	$7.1

Allegheny Technologies Incorporated
Financial Information for Subsidiary and Guarantor Parent
Statements of Operations and Comprehensive Income
For the six months ended June 30, 2015

(In millions)	Guarantor Parent	Subsidiary	Non-guarantor Subsidiaries	Eliminations	Consolidated
Sales	$—	$945.2	$1,202.8	$—	$2,148.0
Cost of sales	12.8	933.0	1,015.7	—	1,961.5
Selling and administrative expenses	47.2	21.1	67.2	—	135.5
Income (loss) before interest, other income and income taxes	(60.0)	(8.9)	119.9	—	51.0
Interest income (expense), net	(56.6)	(24.7)	27.8	—	(53.5)
Other income (loss) including equity in income of unconsolidated subsidiaries	115.6	0.6	1.1	(115.8)	1.5
Income (loss) from continuing operations before income tax provision (benefit)	(1.0)	(33.0)	148.8	(115.8)	(1.0)
Income tax provision (benefit)	0.3	(11.2)	56.4	(45.2)	0.3
Income (loss) from continuing operations	(1.3)	(21.8)	92.4	(70.6)	(1.3)
Income (loss) from discontinued operations, net of tax	—	—	—	—	—
Net income (loss)	(1.3)	(21.8)	92.4	(70.6)	(1.3)

Less: Net income attributable to noncontrolling interests	—	—	5.1	—	5.1
Net income (loss) attributable to ATI	$(1.3)	$(21.8)	$87.3	$(70.6)	$(6.4)
Comprehensive income (loss) attributable to ATI	$23.1	$(15.5)	$85.2	$(75.1)	$17.7

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Condensed Statements of Cash Flows
For the six months ended June 30, 2015

(In millions)	Guarantor Parent	Subsidiary	Non-guarantor Subsidiaries	Eliminations	Consolidated
Cash flows provided by (used in) operating activities	$(38.0)	$(98.1)	$227.6	$—	$91.5
Investing Activities:					
Purchases of property, plant and equipment	—	(26.0)	(37.3)	—	(63.3)
Purchases of businesses, net of cash acquired	—	—	(0.5)	—	(0.5)
Net receipts/(payments) on intercompany activity	—	—	(206.4)	206.4	—
Asset disposals and other	—	0.2	(0.2)	—	—
Cash flows provided by (used in) investing activities	—	(25.8)	(244.4)	206.4	(63.8)
Financing Activities:					
Net receipts/(payments) on intercompany activity	81.3	125.1	—	(206.4)	—
Dividends paid to stockholders	(38.6)	—	—	—	(38.6)
Other	(1.7)	(0.1)	(5.9)	—	(7.7)
Cash flows provided by (used in) financing activities	41.0	125.0	(5.9)	(206.4)	(46.3)
Increase (decrease) in cash and cash equivalents	$3.0	$1.1	$(22.7)	$—	$(18.6)

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Allegheny Technologies Incorporated
Financial Information for Subsidiary and Guarantor Parent
Balance Sheets
December 31, 2014

(In millions)	Guarantor Parent	Subsidiary	Non-guarantor Subsidiaries	Eliminations	Consolidated
Assets:					
Cash and cash equivalents	$2.2	$13.8	$253.5	$—	$269.5
Accounts receivable, net	0.1	209.1	394.4	—	603.6
Intercompany notes receivable	—	—	2,390.8	(2,390.8)	—
Inventories, net	—	387.7	1,085.1	—	1,472.8
Prepaid expenses and other current assets	63.7	13.2	59.3	—	136.2
Total current assets	66.0	623.8	4,183.1	(2,390.8)	2,482.1
Property, plant and equipment, net	2.2	1,545.1	1,414.5	—	2,961.8
Cost in excess of net assets acquired	—	126.6	653.8	—	780.4
Intercompany notes receivable	—	—	200.0	(200.0)	—
Investment in subsidiaries	6,149.4	37.7	—	(6,187.1)	—
Other assets	23.7	28.0	306.6	—	358.3
Total assets	$6,241.3	$2,361.2	$6,758.0	$(8,777.9)	$6,582.6
Liabilities and stockholders' equity:					
Accounts payable	$4.5	$302.0	$250.2	$—	$556.7
Accrued liabilities	47.5	72.0	203.7	—	323.2
Intercompany notes payable	1,232.6	1,158.2	—	(2,390.8)	—
Deferred income taxes	62.2	—	—	—	62.2
Short-term debt and current portion of long-term debt	0.5	0.1	17.2	—	17.8
Total current liabilities	1,347.3	1,532.3	471.1	(2,390.8)	959.9
Long-term debt	1,350.6	150.3	8.2	—	1,509.1
Intercompany notes payable	—	200.0	—	(200.0)	—
Accrued postretirement benefits	—	153.0	262.8	—	415.8
Pension liabilities	675.5	6.0	57.8	—	739.3
Deferred income taxes	80.9	—	—	—	80.9
Other long-term liabilities	77.7	22.5	56.0	—	156.2
Total liabilities	3,532.0	2,064.1	855.9	(2,590.8)	3,861.2
Redeemable noncontrolling interest	—	—	12.1	—	12.1
Total stockholders' equity	2,709.3	297.1	5,890.0	(6,187.1)	2,709.3
Total liabilities and stockholders' equity	$6,241.3	$2,361.2	$6,758.0	$(8,777.9)	$6,582.6

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Allegheny Technologies Incorporated
Financial Information for Subsidiary and Guarantor Parent
Statements of Operations and Comprehensive Income
For the three months ended June 30, 2014

(In millions)	Guarantor Parent	Subsidiary	Non-guarantor Subsidiaries	Eliminations	Consolidated
Sales	$—	$513.8	$605.2	$—	$1,119.0
Cost of sales	14.8	525.2	489.5	—	1,029.5
Selling and administrative expenses	20.9	10.3	34.5	—	65.7
Income (loss) before interest, other income and income taxes	(35.7)	(21.7)	81.2	—	23.8
Interest income (expense), net	(28.6)	(11.2)	11.3	—	(28.5)
Other income (loss) including equity in income of unconsolidated subsidiaries	60.9	0.2	0.8	(60.6)	1.3
Income (loss) from continuing operations before income tax provision (benefit)	(3.4)	(32.7)	93.3	(60.6)	(3.4)
Income tax provision (benefit)	(2.9)	(11.8)	38.6	(26.8)	(2.9)
Income (loss) from continuing operations	(0.5)	(20.9)	54.7	(33.8)	(0.5)
Income (loss) from discontinued operations, net of tax	(0.2)	—	(0.2)	0.2	(0.2)
Net income (loss)	(0.7)	(20.9)	54.5	(33.6)	(0.7)
Less: Net income attributable to noncontrolling interests	—	—	3.3	—	3.3
Net income (loss) attributable to ATI	$(0.7)	$(20.9)	$51.2	$(33.6)	$(4.0)
Comprehensive income (loss) attributable to ATI	$28.2	$(18.8)	$60.2	$(43.6)	$26.0

Allegheny Technologies Incorporated
Financial Information for Subsidiary and Guarantor Parent
Statements of Operations and Comprehensive Income
For the six months ended June 30, 2014

(In millions)	Guarantor Parent	Subsidiary	Non-guarantor Subsidiaries	Eliminations	Consolidated
Sales	$—	$941.7	$1,164.6	$—	$2,106.3
Cost of sales	27.1	964.8	954.7	—	1,946.6
Selling and administrative expenses	48.0	20.4	65.0	—	133.4
Income (loss) before interest, other income and income taxes	(75.1)	(43.5)	144.9	—	26.3
Interest income (expense), net	(57.1)	(21.8)	21.3	—	(57.6)
Other income (loss) including equity in income of unconsolidated subsidiaries	102.8	0.5	1.4	(102.8)	1.9
Income (loss) from continuing operations before income tax provision (benefit)	(29.4)	(64.8)	167.6	(102.8)	(29.4)
Income tax provision (benefit)	(12.9)	(23.1)	65.0	(41.9)	(12.9)
Income (loss) from continuing operations	(16.5)	(41.7)	102.6	(60.9)	(16.5)
Income (loss) from discontinued operations, net of tax	(2.1)	—	(2.1)	2.1	(2.1)
Net income (loss)	(18.6)	(41.7)	100.5	(58.8)	(18.6)
	—	—	5.4	—	5.4

Less: Net income attributable to noncontrolling interests					
Net income (loss) attributable to ATI	$(18.6)	$(41.7)	$95.1	$(58.8)	— $(24.0)
Comprehensive income (loss) attributable to ATI	$27.4	$(37.6)	$102.7	$(67.5)	$25.0

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Condensed Statements of Cash Flows
For the six months ended June 30, 2014

(In millions)	Guarantor Parent	Subsidiary	Non-guarantor Subsidiaries	Eliminations	Consolidated
Cash flows provided by (used in) operating activities	$(45.6)	$(196.9)	$205.0	$—	$(37.5)
Investing Activities:					
Purchases of property, plant and equipment	—	(72.4)	(25.5)	—	(97.9)
Purchases of businesses, net of cash acquired	—	—	(92.5)	—	(92.5)
Net receipts/(payments) on intercompany activity	—	—	(766.5)	766.5	—
Asset disposals and other	—	1.5	0.6	—	2.1
Cash flows provided by (used in) investing activities	—	(70.9)	(883.9)	766.5	(188.3)
Financing Activities:					
Payments on long-term debt and capital leases	(397.7)	—	(5.7)	—	(403.4)
Net receipts/(payments) on intercompany activity	486.8	279.7	—	(766.5)	—
Dividends paid to stockholders	(38.6)	—	—	—	(38.6)
Other	(3.9)	—	—	—	(3.9)
Cash flows provided by (used in) financing activities	46.6	279.7	(5.7)	(766.5)	(445.9)
Increase (decrease) in cash and cash equivalents	$1.0	$11.9	$(684.6)	$—	$(671.7)

Note 13. Accumulated Other Comprehensive Income (Loss)

The changes in accumulated other comprehensive income (loss) (AOCI) by component, net of tax, for the three month period ended June 30, 2015 were as follows (in millions):

		Post-retirement benefit plans		Currency translation adjustment		Unrealized holding gains on securities		Derivatives	Total
Attributable to ATI:									
Balance, March 31, 2015	$	(919.0)	$	(37.8)	$	—	$	26.0	$(930.8)
OCI before reclassifications		—		18.8		(0.1)		(6.4)	12.3
Amounts reclassified from AOCI	(a)	12.5	(b)	—	(b)	—	(c)	(1.3)	11.2
Net current-period OCI		12.5		18.8		(0.1)		(7.7)	23.5
Balance, June 30, 2015	$	(906.5)	$	(19.0)	$	(0.1)	$	18.3	$(907.3)
Attributable to noncontrolling interests:									
Balance, March 31, 2015	$	—	$	$24.8	$	—	$	—	$24.8
OCI before reclassifications		—		0.5		—		—	0.5
Amounts reclassified from AOCI		—	(b)	—		—		—	—
Net current-period OCI		—		0.5		—		—	0.5
Balance, June 30, 2015	$	—	$	25.3	$	—	$	—	$25.3

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The changes in accumulated other comprehensive income (loss) (AOCI) by component, net of tax, for the six month period ended June 30, 2015 were as follows (in millions):

	Post-retirement benefit plans	Currency translation adjustment	Unrealized holding gains on securities	Derivatives	Total
Attributable to ATI:					
Balance, December 31, 2014	$ (931.5)	$ (16.2)	$ —	$ 16.3	$ (931.4)
OCI before reclassifications	—	(2.8)	(0.1)	5.0	2.1
Amounts reclassified from AOCI	(a) 25.0	(b) —	(b) —	(c) (3.0)	22.0
Net current-period OCI	25.0	(2.8)	(0.1)	2.0	24.1
Balance, June 30, 2015	$ (906.5)	$ (19.0)	$ (0.1)	$ 18.3	$ (907.3)
Attributable to noncontrolling interests:					
Balance, December 31, 2014	$ —	$ $25.0	$ —	$ —	$25.0
OCI before reclassifications	—	0.3	—	—	0.3
Amounts reclassified from AOCI	—	(b) —	—	—	