

[Table of Contents](#)

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

FORM 10-K

(Mark One)

☒ **Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the fiscal year ended December 31, 2009

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
(State or other jurisdiction of incorporation
or organization)

25-1792394
(I.R.S. Employer
Identification Number)

1000 Six PPG Place, Pittsburgh, Pennsylvania
(Address of principal executive offices)

15222-5479
(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class
Common Stock, \$0.10 Par Value

Name of each exchange on which registered
New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the Registrant is well known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒
No ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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, and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Website, 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 ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐
(Do not check if a 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 ☒

On February 12, 2010, the Registrant had outstanding 98,198,719 shares of its Common Stock.

The aggregate market value of the Registrant's voting stock held by non-affiliates at June 30, 2009 was approximately \$3.39 billion, based on the closing price per share of Common Stock on June 30, 2009 of \$34.93 as reported on the New York Stock Exchange. Shares of Common Stock known by the Registrant to be beneficially owned by directors and officers of the Registrant subject to the reporting and other requirements of Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), are not included in the computation. The Registrant, however, has made no determination that such persons are "affiliates" within the meaning of Rule 12b-2 under the Exchange Act.

[Table of Contents](#)**Item 8. Financial Statements and Supplementary Data*****Report of Independent Registered Public Accounting Firm*****The Board of Directors and Stockholders of Allegheny Technologies Incorporated**

We have audited the accompanying consolidated balance sheets of Allegheny Technologies Incorporated as of December 31, 2009 and 2008, and the related consolidated statements of income, changes in consolidated equity, and cash flows for each of the three years in the period ended December 31, 2009. 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 the standards of the Public Company Accounting Oversight Board (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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as 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 Allegheny Technologies Incorporated at December 31, 2009 and 2008, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2009, in conformity with U.S. generally accepted accounting principles.

As described in Note 9 to the financial statements, the Company changed its measurement date for pensions and other postretirement benefits in 2008. As described in Note 12 to the financial statements, the Company changed its accounting for income tax uncertainties in 2007.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Allegheny Technologies Incorporated's internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 25, 2010 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Pittsburgh, Pennsylvania
February 25, 2010

[Table of Contents](#)

<i>(in millions)</i>	Pension Benefits	Other Postretirement Benefits	Medicare Part D Subsidy
2010	\$171.5	\$ 69.8	\$1.6
2011	169.2	56.2	1.7
2012	168.7	54.6	1.7
2013	167.4	46.0	1.7
2014	169.4	44.9	1.7
2015-2019	850.8	216.8	8.1

The annual assumed rate of increase in the per capita cost of covered benefits (the health care cost trend rate) for health care plans was 9.92% in 2010 and is assumed to gradually decrease to 5.0% in the year 2028 and remain at that level thereafter. Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one percentage point change in assumed health care cost trend rates would have the following effects:

<i>(in millions)</i>	One Percentage Point Increase	One Percentage Point Decrease
Effect on total of service and interest cost components for the year ended December 31, 2009	\$ 0.9	\$(0.8)
Effect on other postretirement benefit obligation at December 31, 2009	\$10.3	\$(9.2)

Note 10. Accumulated Other Comprehensive Income (Loss)

The components of accumulated other comprehensive income (loss), net of tax, at December 31, 2009 and 2008 were as follows:

<i>(in millions)</i>	2009	2008
Attributable to ATI		
Pension plans and other postretirement benefits	\$(679.7)	\$(699.6)
Foreign currency translation	2.7	(19.2)
Derivative financial instruments	3.5	(27.7)
Accumulated other comprehensive income (loss) attributable to ATI	\$(673.5)	\$(746.5)
Attributable to noncontrolling interests		
Foreign currency translation	\$ 12.8	\$ 12.5
Accumulated other comprehensive income attributable to noncontrolling interests	\$ 12.8	\$ 12.5

Other comprehensive income (loss) amounts are net of applicable income tax expense (benefit) for each year presented. Foreign currency translation adjustments, including those pertaining to noncontrolling interests, are generally not adjusted for income taxes as they relate to indefinite investments in non-U.S. subsidiaries.

Note 11. Stockholders' Equity
Preferred Stock

Authorized preferred stock may be issued in one or more series, with designations, powers and preferences as shall be designated by the Board of Directors. At December 31, 2009, there were no shares of preferred stock issued.

Common Stock

On November 1, 2007, the Company's Board of Directors approved a share repurchase program of \$500 million. As of December 31, 2009, 6,837,000 shares had been purchased in open market transactions under this program at a cost of \$339.5 million. There were no share repurchases under this program in 2009. Per share amounts reflect the effect of the shares repurchased on a weighted average basis for the periods presented.

Table of Contents

Share-based Compensation

The Company sponsors three principal share-based incentive compensation programs. During 2007, the Company adopted the Allegheny Technologies Incorporated 2007 Incentive Plan (the "Incentive Plan"). Awards earned under share-based incentive compensation programs are generally paid with shares held in treasury, if sufficient treasury shares are held, and any additional required share payments are made with newly issued shares. At December 31, 2009, approximately 0.4 million shares of common stock were available for future awards under the Incentive Plan. The general terms of each arrangement granted under the Incentive Plan, and predecessor plans, the method of estimating fair value for each arrangement, and award activity is reported below.

Stock option awards: The Company ceased granting stock options to employees in 2003, and to non-employee directors in 2006. As of December 31, 2009, there were no unvested stock option awards.

Stock option transactions under the Company's plans for the years ended December 31, 2009, 2008, and 2007 are summarized as follows:

	2009		2008		2007	
(shares in thousands)	Number of shares	Weighted Average Exercise Price	Number of shares	Weighted Average Exercise Price	Number of shares	Weighted Average Exercise Price
Outstanding, beginning of year	823	\$ 9.96	897	\$11.43	1,324	\$11.65
Granted	—	—	—	—	—	—
Exercised	(76)	11.43	(31)	9.69	(378)	0.59
Cancelled	(46)	21.99	(43)	40.67	(49)	23.90
Outstanding at end of year	701	\$ 9.01	823	\$ 9.96	897	\$11.43
Exercisable at end of year	701	\$ 9.01	823	\$ 9.96	897	\$11.43

Options outstanding at December 31, 2009 were as follows:

Options Outstanding and Exercisable			
(shares in thousands, life in years)	Number of Shares	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
Range of Exercise Prices			
\$ 3.63 - \$7.00	308	3.1	\$ 4.19
7.01 - 10.00	200	2.8	7.26
10.01 - 15.00	49	2.4	12.61
15.01 - 20.00	130	1.5	17.52
20.01 - 30.00	7	4.6	24.52
30.01 - 72.46	7	6.3	72.46
	701	2.7	\$ 9.01

Nonvested stock awards: Awards of nonvested stock are granted to employees, with either performance and/or service conditions. Awards of nonvested stock are also granted to non-employee directors, with service conditions. For nonvested stock awarded in 2009, 2008 and 2007, nonvested shares participate in cash dividends during the restriction period. In April 2009, the Company announced that for future nonvested stock awards, dividend equivalents would not be paid on nonvested stock until the amounts are earned.

The fair value of nonvested stock awards is measured based on the stock price at the grant date, adjusted for non-participating dividends, as applicable, based on the current dividend rate. For nonvested stock awards to employees in 2009, 2008, and 2007, one-half of the nonvested stock ("performance shares") vests only on the attainment of an income target, measured over a cumulative three-year period. The remaining nonvested stock awarded to employees vests over a service period of five years, with accelerated vesting to three years if the performance shares' vesting criterion is attained. Expense for each of these awards is recognized based on estimates of attaining the performance criterion, including estimated forfeitures. As of December 31, 2009, the income statement metrics for the 2009 award was expected to be attained for the performance shares, and expense for both portions of the award was recognized on a straight line basis based on a three-year vesting assumption. During 2009, the Company

Table of Contents

determined that the income statement metric for the 2008 nonvested stock award was not probable of attainment, and expense was adjusted to reflect a five year vesting period for the service period portion of the 2008 award. The performance metric for the 2007 award comprising 107,460 shares was met as of December 31, 2009. Awards of non-vested stock to non-employee directors generally vest in three years, based on the term of service as a director, and expense is recognized over the vesting period.

Compensation expense related to all nonvested stock awards was \$6.2 million in 2009, \$9.4 million in 2008, and \$7.6 million in 2007. Approximately \$11.9 million of unrecognized fair value compensation expense relating to nonvested stock awards is expected to be recognized through 2013 based on estimates of attaining performance vesting criteria, including estimated forfeitures.

<i>(Shares in thousands, \$ in millions)</i>						
	2009		2008		2007	
	Number of shares	Weighted Average Grant Date Fair Value	Number of shares	Weighted Average Grant Date Fair Value	Number of shares	Weighted Average Grant Date Fair Value
Nonvested, beginning of year	281	\$ 25.7	223	\$18.2	258	\$ 8.4
Granted	590	13.7	162	13.3	128	13.5
Vested	(105)	(10.7)	(89)	(4.6)	(162)	(3.7)
Forfeited	(26)	(1.8)	(15)	(1.2)	(1)	—
Nonvested, end of year	740	\$ 26.9	281	\$25.7	223	\$18.2

Total shareholder return incentive compensation program (“TSRP”) awards: Awards under the TSRP are granted at a target number of shares, and vest based on the measured return of the Company’s stock price and dividend performance at the end of three-year periods compared to the stock price and dividend performance of a group of industry peers. In 2009, the Company initiated a 2009-2011 TSRP, with 415,138 shares as the target award level. The actual number of shares awarded may range from a minimum of zero to a maximum of three times target. Fair values for the TSRP awards were estimated using Monte Carlo simulations of stock price correlation, projected dividend yields and other variables over three-year time horizons matching the TSRP performance periods. Compensation expense was \$14.5 million in 2009, \$11.0 million in 2008, and \$10.2 million in 2007 for the fair value of TSRP awards.

The estimated fair value of each TSRP award, including the projected shares to be awarded, and future compensation expense to be recognized for TSRP awards, including estimated forfeitures, was as follows:

<i>(Shares in thousands, \$ in millions)</i>					
TSRP Award Performance Period	TSRP Award Fair Value	December 31, 2009 Unrecognized Compensation Expense	Minimum Shares	Target Shares	Maximum Shares
2007 - 2009	\$16.3	\$ —	—	88	264
2008 - 2010	\$11.3	3.8	—	88	264
2009 - 2011	\$15.8	10.5	—	382	1,146
Total		\$14.3	—	558	1,674

An award was earned for the 2007-2009 TSRP performance period based on the Company’s stock price performance for the three-year period ended December 31, 2009, which resulted in the issuance of 75,810 shares of stock to participants in the 2010 first quarter.

Undistributed Earnings of Investees

Stockholders’ equity includes undistributed earnings of investees accounted for under the equity method of accounting of approximately \$21 million at December 31, 2009.