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Our registration is effective August 27, 2007 and we are operational.

ALLEGHENY TECHNOLOGIES (ATI \$101.90, rated NEUTRAL WEIGHT)
ESTIMATES CUT MORE

	2007E	2008E	2009E	2010E
Earnings Per Share revised Oct. 25	\$7.13	\$6.62	\$6.30	\$5.55
Earnings Per Share revised Oct. 14	\$7.13	\$7.00	\$7.44	\$6.62
Earnings Per Share revised Aug.5	\$8.00	\$9.00	\$7.44	\$6.62

- We cut our earnings estimates as shown above principally due to lower stainless flat-rolled profits due to a smaller market with inventory reversals of prior growth and due to recently lower titanium prices.
- Third-quarter earnings of \$1.88 almost at our \$1.89 estimate actually were better than we expected because the LIFO credit was only \$61.2 mm and we had expected as large as \$100 mm in LIFO credits.
- Improved mix and \$82 mm in cost reductions benefited results. In Flat-Rolled Products it benefited from a 16% gain in shipments of silicon electrical steel, specialty plate and specialty and titanium sheets.
- The LIFO credit of the Flat-Rolled Products segment of \$18.2 mm was much smaller than expected. ATI's explains that it did not use actual first-half 2007 record nickel prices to estimate its earlier LIFO values, but rather estimated and anticipated a decline already. It reversed \$18.2 mm because the nickel decline was a little larger than ATI had budgeted. The "price effect" could have caused a 25% nickel pool LIFO reversal as the average nickel price in the final six weeks of the third-quarter was \$6.37 per pound less than in the final six weeks of the second-quarter.
- We do not know whether ATI's Flat Rolled Products businesses were large net nickel buyers in the third-quarter or not as LME spot nickel prices bottomed near \$11.61 per pound and one noted consultant, the Commodities Research Unit in London, declined even to estimate nickel scrap prices in August for July as so few transactions were occurring. It is possible that the company made above-average scrap nickel procurement profits in the chaos. It is possible the Flat-Rolled Products division made some extra profits in this manner or had a different rate of change of inventory than the High Performance Alloys unit whose LIFO credit was more than twice as large.
- Further, we believe ATI was disciplined in selling stainless steel, adhering to the published surcharge formula's 60 day time lag to the LME. We are sure that some customers pressured all stainless suppliers to "cut delivered stainless prices faster" or instantaneously as LME spot prices fell, and that some of ATI's competitors probably did so. One large distributor was the

object of a leverage buyout, and any large stainless buyer might have been tempted to cancel or postpone or attempt to renegotiate orders as stainless and ingredient prices fell.

- Thus, it is very plausible that ATI inadvertently built finished stainless inventory or nickel scrap in the third-quarter as it produced to deliver subsequently cancelled orders possibly in July or August. Further, any such disciplined accumulation of nickel units may prove profitable in the 2008 first-half, even though it may not have been ATI's "plan" per se. At a minimum, the smaller LIFO charge suggests that ATI did not make "panic price cut sales" in the recent chaos as there is little evidence of inventory decline volume effects.
- ATI referred to "extraordinarily weak" stainless Flat-Rolled demand levels that were "the lowest in many years" according to ATI for the third-quarter. ATI warns it will deliver commodity stainless steel with significantly "above normal standard costs" for conversion since certain furnaces or rolling mills were operating one-third or one-half less than normal levels that accounts for its \$1.315 per share midpoint of its fourth-quarter guidance. We do not expect any LIFO credit or charge in the fourth-quarter.
- Third-quarter results reported on October 24th showed evidence of consistent as expected good demand conditions for titanium, high nickel alloys like alloy 718 56.65% nickel, exotic metals and generally specialized items. The High Performance Metals segment had a \$43.1 mm LIFO credit due to lower titanium and nickel prices, and had FIFO margin compression due to lower titanium prices.

SPECIFIC EARNINGS MODEL CHANGES GOING FORWARD

We lowered our 2007 earnings estimate to \$8.00 from \$7.13 per share per the October 11th guidance, and cut our estimates of operating profit by \$120 mm for stainless flat-rolled, \$35 mm for titanium prices and \$10 mm for tungsten products.

We lowered our 2008 earnings estimate from \$9.00 on October 14th to \$7.00 and again herein to \$6.72 per share cutting estimates of operating profit for stainless flat-rolled by \$165 mm, high nickel alloys \$35 mm, titanium for which we had compounded price rises rather than declines by \$131 mm, tungsten by \$9 mm and various overheads by \$19 mm.

We cut 2009 from \$7.44 to \$6.30 and 2010 from \$6.62 to \$5.52 per share, as ThyssenKrupp's Alabama stainless project may begin to influence competitive behavior by that point, with large cuts to stainless and titanium profits partly offset with increases to silicon electrical steels and high nickel alloys.

We introduced 2011 at \$4.61, 2012 at \$4.71 and 2013 at \$5.19 per share with long-term future operating profits coming about half from titanium, 15% each from stainless flat-rolled, silicon electrical and high nickel alloys and the remainder from tungsten products and exotic alloys.

Allegheny Technologies

Table 1: Earnings Model (\$ Mil.)

Sales	2006	2007E	2008E	2009E	2010E	2011E	2012E	2013E
Nickel Stainless Flat-Rolled	2,447	2,572	2,674	2,621	2,568	2,517	2,467	2,417
Si Electrical Flat-Rolled	250	313	375	375	338	304	304	304
Flat Rolled Total	2,697	2,884	3,049	2,996	2,906	2,821	2,770	2,721
Nickel based specialty alloys	615	855	850	800	765	765	765	765
Titanium mill products	926	952	1,051	1,164	1,117	1,100	1,100	1,210
Exotic alloys	174	202	194	194	194	194	194	194
Others	92	73	15	15	15	15	15	15
High Performance Alloys Total	1,807	2,081	2,109	2,173	2,091	2,074	2,074	2,184
Industrial/Engineered Products	433	430	400	400	400	400	400	400
Total Sales	4,937	5,395	5,559	5,568	5,397	5,294	5,244	5,305
Operating Profits								
Nickel Stainless Flat-Rolled	296	280	250	200	150	125	125	125
Si Electrical Flat-Rolled	48	200	188	188	150	125	125	125
Flat Rolled Total	344	480	438	388	300	250	250	250
Nickel based specialty alloys	120	169	163	138	140	115	115	140
Titanium mill products	503	524	507	489	442	350	350	385
Exotic alloys	35	41	39	39	39	39	39	39
High Performance Alloys Total	658	733	708	665	621	503	503	564
Industrial/Engineered Products	57	37	40	45	40	40	40	40
Total Operating Profit	1,059	1,250	1,185	1,098	961	793	793	854
Restructuring and other expense	(15)	(20)	(15)	(5)	(5)	(5)	(5)	(5)
Corporate expense	(69)	(76)	(76)	(76)	(76)	(76)	(76)	(76)
Net interest expense	(23)	(7)	(4)	11	30	49	64	80
Operations held for resale								
Excess pension income	(82)	(30)	(30)	(30)	(30)	(30)	(30)	(30)
Pretax Income Before Extraord.	869	1,117	1,061	998	880	731	746	823
Income Taxes	297	383	368	349	308	256	261	288
Net Income	572	734	693	649	572	475	485	535
Avg. Diluted Shares	102.4	103.0	103.0	103.0	103.0	103.0	103.0	103.0
			\$9.00	\$7.44	\$6.62			
Earnings per share	\$5.59	\$7.13	\$6.72	\$6.30	\$5.55	\$4.61	\$4.71	\$5.19
Cash Flow per share	6.86	8.13	7.82	7.54	6.79	5.86	5.95	6.43
Book Value per share	14.58	21.18	27.41	33.20	38.25	42.37	46.58	51.27
Dividends per share	0.42	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Sales per share	48.21	52.38	53.97	54.06	52.40	51.40	50.91	51.50
Operating Margin	21.4%	23.2%	21.3%	19.7%	17.8%	15.0%	15.1%	16.1%
Specialty Metals Margin	22.2%	24.4%	22.2%	20.4%	18.4%	15.4%	15.6%	16.6%
Stainless tonnage (000 t)	631	515	550	572	550	525	525	525
Nickel Price	\$10.93	\$16.00	\$12.50	\$10.00	\$10.00	\$9.00	\$9.00	\$9.00
Spot Molybdenum Price	\$25.00	\$30.00	\$30.00	\$25.00	\$20.00	\$15.00	\$10.00	\$10.00
Scrap iron cost per ton (Nucor's actua	246	275	265	270	260	260	260	260
LIFO charge (credit, \$Mil.)	197	(50)	(20)	0	0	0	0	0

Source: Company Reports; JT Very Independent Research, LLC estimates.

Table 2: Estimated Cash Flows (\$ Mil.)

Sources of Funds:	2006	2007E	2008E	2009E	2010E	2011E	2012E	2013E
Net Income	572.1	734.5	692.7	648.6	571.9	475.2	485.1	534.6
Depreciation	84.2	100.0	110.0	125.0	125.0	125.0	125.0	125.0
Deferred Taxes/Tax refunds	89.1	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Noncash Pension Credit	-43.3	-2.0	-2.0	-2.0	-2.0	-2.0	-2.0	-2.0
Gains, Noncash Charges, net								
Asset Sales	2.5	3.0						
Debt								
Equity	30.0	6.0	0.0	0.0	0.0	0.0	0.0	0.0
Other, net	254.8	-10.0	-10.0	-10.0	-10.0	-10.0	-10.0	-10.0
Total Sources:	989.4	836.5	795.7	766.6	689.9	593.2	603.1	652.6

Uses of Funds

Capital Spending	235.2	400.0	350.0	250.0	150.0	150.0	150.0	150.0
Acquisitions, net cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Common Dividends	43.1	51.5	51.5	51.5	51.5	51.5	51.5	51.5
Debt Repayments	7.1	40.0	42.7	0.0	0.0	0.0	0.0	0.0
Share Repurchases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Increase in Noncash Work.Cap.	534.2	200.0	10.0	10.0	10.0	10.0	10.0	10.0
Increase in Cash	169.8	145.0	341.5	455.1	478.4	381.7	391.6	441.1
Total Uses	989.4	836.5	795.7	766.6	689.9	593.2	603.1	652.6

Source: Company Reports; JT Very Independent Research, LLC estimates

Table 3: Estimated Balance Sheet (Mil.)

	2006	2007E	2008E	2009E	2010E	2011E	2012E	2013E
Cash-equivalents	502.3	647.3	988.7	1,443.9	1,922.2	2,303.9	2,695.6	3,136.7
Accounts Receivable, net	610.9	674.4	694.8	696.1	674.6	661.8	655.5	663.1
Total Inventories	798.7	971.1	1,000.6	1,002.3	971.4	953.0	943.9	954.8
Other Current Assets	76.0	76.0	76.0	76.0	76.0	76.0	76.0	76.0
Total Current Assets	1,987.9	2,368.8	2,760.2	3,218.2	3,644.3	3,994.7	4,371.0	4,830.6
Gross Property, Plant and Equipment	2,184.8	2,544.8	2,859.8	3,084.8	3,219.8	3,354.8	3,489.8	3,624.8
Less Accumulated Depreciation	1,317.2	1,381.2	1,459.7	1,562.2	1,673.7	1,785.2	1,896.7	2,008.2
Net Property, Plant and Equipment	867.6	1,163.6	1,400.1	1,522.6	1,546.1	1,569.6	1,593.1	1,616.6
Intangible Assets	206.5	210.0	210.0	210.0	210.0	210.0	210.0	210.0
Other Assets	220.2	260.0	260.0	260.0	260.0	260.0	260.0	260.0
Total Assets	3,282.2	4,002.4	4,630.3	5,210.8	5,660.4	6,034.3	6,434.1	6,917.2
Short-Term Debt	23.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accts. Pay. and Other Current Liabilities	621.8	678.6	688.0	651.5	560.7	490.9	437.0	417.0
Total Current Liabilities	645.5	678.6	688.0	651.5	560.7	490.9	437.0	417.0
Long-Term Debt	529.9	513.6	470.9	470.9	470.9	470.9	470.9	470.9
Post-Retirement Benefits	428.6	453.6	468.6	483.6	498.6	513.6	528.6	543.6
Other Long-term Liabilities	185.6	175.0	180.0	185.0	190.0	195.0	200.0	205.0
Common Equity	1,492.6	2,181.6	2,822.7	3,419.9	3,940.2	4,363.9	4,797.6	5,280.7
Total Liabilities and Equity	3,282.2	4,002.4	4,630.3	5,210.8	5,660.4	6,034.3	6,434.1	6,917.2

Pension plan surplus reported at year-end

Equity as a Pct. of Capital	56.1%	65.6%	71.6%	75.0%	77.3%	78.7%	80.0%	81.2%
Accts Rec / Sales	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%
Inventory / Sales	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%
AP & Other CL / Sales	12.6%	12.6%	12.4%	11.7%	10.4%	9.3%	8.3%	7.9%

Source: Company Reports; JT Very Independent Research, LLC Estimates

	2006	1Q07A	2Q07A	3Q07	4Q07E	2007E	2008E	2009E	2010E	2011E	2012E	2013E
High Nickel based alloys	615.2	185.3	233.8	225.4	210.0	854.5	850.0	800.0	765.0	765.0	765.0	765.0
Titanium mill products	925.6	232.5	247.9	230.0	240.0	952.0	1,050.9	1,164.0	1,117.5	1,100.0	1,100.0	1,210.0
Exotic alloys	173.8	42.9	55.1	50.3	52.2	201.8	193.5	193.5	193.5	193.5	193.5	193.5
Other	91.9	16.8	21.1	14.9	20.0	72.8	15.0	15.0	15.0	15.0	15.0	15.0
Total revenues	1,806.6	477.4	557.9	520.5	522.2	2,081.0	2,109.4	2,172.5	2,091.0	2,073.5	2,073.5	2,183.5
Volumes (mm lbs)	2006	1Q07A	2Q07A	3Q07A	4Q07E	2007E	2008E	2009E	2010E	2011E	2012E	2013E
Nickel based specialty alloy	42.9	10.4	11.8	11.0	12.0	45.2	50.0	50.0	51.0	51.0	51.0	51.0
Titanium mill products	27.4	7.1	7.8	7.8	8.0	30.7	37.5	46.6	46.6	50.0	50.0	55.0
Exotic alloys	4.3	1.0	1.4	1.1	1.2	4.7	4.5	4.5	4.5	4.5	4.5	4.5
Prices (\$/lb)	2006	1Q07A	2Q07A	3Q07A	4Q07E	2007E	2008E	2009E	2010E	2011E	2012E	2013E
Nickel based specialty alloy	14.35	17.90	19.75	20.49	17.50	18.9	17.00	16.00	15.00	15.00	15.00	15.00
Titanium mill products	33.83	32.89	31.75	29.43	30.00	31.0	28.00	25.00	24.00	22.00	22.00	22.00
Exotic alloys	40.39	43.52	38.66	45.16	43.50	42.7	43.00	43.00	43.00	43.00	43.00	43.00
Raw Material Cost/lb	2006	1Q07A	2Q07A	3Q07A	4Q07E	2007E	2008E	2009E	2010E	2011E	2012E	2013E
Nickel based specialty alloy	8.30	12.86	14.60	10.62	10.62	12.2	10.50	10.00	9.00	9.50	9.50	9.00
Titanium mill products	6.15	4.70	5.00	5.00	5.00	4.9	5.00	5.00	5.00	5.00	5.00	5.00
Exotic alloys												
Operating Profits (\$Mil.)	2006	1Q07A	2Q07A	3Q07E	4Q07E	2007E	2008E	2009E	2010E	2011E	2012E	2013E
EBIT Ni	120.0	21.1	25.4	75.6	46.6	168.7	162.5	137.5	140.3	114.8	114.8	140.3
EBIT Ti	502.9	135.6	138.6	120.6	128.0	522.8	506.7	488.9	442.3	350.0	350.0	385.0
Exotic Alloys Margin	20%	20%	19%	21%	21%	21%	20%	20%	20%	20%	20%	20%
EBIT Exotics	34.8	8.6	10.5	10.6	11.0	40.6	38.7	38.7	38.7	38.7	38.7	38.7
Operating Profit	657.7	165.3	174.5	206.7	185.5	732.1	707.9	665.1	621.3	503.5	503.5	564.0
Underlying Price, net Raw Materials, (\$ per lb.)	2006	1Q07A	2Q07E	3Q07E	4Q07E	2007E	2008E	2009E	2010E	2011E	2012E	2013E
Nickel based specialty alloy	6.05	5.04	5.15	9.87	6.88	6.73	6.50	6.00	6.00	5.50	5.50	6.00
Titanium mill products	27.68	28.19	26.75	24.43	25.00	26.09	23.00	20.00	19.00	17.00	17.00	17.00

Source: Company reports; John Tumazos Very Independent Research, LLC

We cut our estimate of the stainless flat-rolled portion, other than surging silicon electrical steels, from \$400 mm to \$280 mm in 2007, from \$415 to \$250 mm in 2008, from \$370 to \$200 mm in 2009 and from \$335 to \$150 mm in 2010.

Titanium mill product prices fell from roughly \$34 last year and \$33 in the first-quarter of 2007 to \$29.43 per pound in the third-quarter of 2007. Further, ATI's large investments in titanium sponge restarts in Oregon, brownfield capacity expansion in Oregon and greenfield sponge output in Utah INCREASE its titanium exposure and SUBSTITUTES FIXED MANUFACTURING cost for variable scrap procurement. Thus, declining rather than increasing titanium prices have some impact.

We cut our estimate of titanium earnings contributions accordingly for 2008 by \$131 mm, for 2009 by \$66 mm and \$72 mm for 2010. We had previously estimated 2008 to be climactic peak.

We cut our estimate of high nickel alloy profits in 2008 by \$35 mm, cut 2009 by \$25 mm and increased 2010 by \$22 mm as we estimated more steady alloy 718 conversion margins.

We raised our estimate of exotic alloy profits for 2008 by \$3 mm as those volumes appeared to be increasing slightly with ATI's capacity expansions.

We lowered our 2007 estimate of tungsten profits in the "Industrial" segment by \$7 mm, and carried another \$9 mm cut into 2008 owing to delays to expansion efforts. We remained at \$45 mm in 2009 and \$40 mm of Industrial segment profits for 2010.

AK Steel, the larger market leader in electrical steels, indicated on its October 23rd conference call that it expected at least a 20% contract price increase for 2008 for silicon electrical steels. We had already factored robust 2008 results for electrical steels into our ATI model at \$188 mm for 2008 from \$200 mm for 2007, and we increased our 2009 electrical steel profit estimate by \$102 mm to \$188 mm and our 2010 estimate by \$87 mm to \$150 mm. We have been slightly cautious as the spot prices of these silicon electrical steel products have risen three to fourfold, which might induce some new entrant in India, China, Asia, Germany, Russia or the Western Hemisphere could jostle the 2 million ton world market niche owing to the more than 50% current pretax margins.

We had previously estimated a \$50 mm LIFO credit for 2007, a \$20 mm LIFO credit for 2008 and none for 2009 or 2010. We lowered our LIFO credit estimate to \$20 mm from \$50 mm for 2007 as the third-quarter credit was smaller than expected, and spot nickel prices have rebounded.

WORLD STAINLESS OUTPUT UP > 20% FROM 2005 SIGNIFYING CONTINUED GOOD DEMAND CLIMATE

While type 304 nickel surcharges will be up \$200 per ton in November, there has been no rush by customers to buy.

Global stainless output grew 14.7% in 2006 and should rise just 1%-2% not the prior estimated 5%-7% in 2007 assuming a drop from 15.5436 mmt in the 2007 first-half to 13.5 mmt not 14.5-14.75 mmt in the second-half. Admittedly the average nickel content fell due to shifts principally to alloy 201 (4%-5% not 8%-9% ni), other 200 series or 400 series no-nickel alloys. Nonetheless, we characterize growth from 24.9 mmt in 2005 to 28.5 mmt in 2006 to 30+ mmt in 2007 as a healthy market.

In 2007 Chinese output has grown, causing displacement of U.S. and EU outputs that have fallen 9% and 10%, respectively, in the second-quarter. In the March 2007 quarter Chinese output grew 770,500 metric tonnes while the whole world grew 746,600 tonnes or fell 23,900 tonnes outside China. In the June 2007 quarter Chinese output grew 747,800 tonnes from the prior year while the whole world grew 536,100 tonnes suggesting a drop of 211,700 tonnes outside China.

India and Japan registered second-quarter output gains, while South Africa was flat and Korea and Brazil had small drops. The trend towards China displacing the U.S. or EU is adverse for nickel as Chinese producers use lower nickel alloys while U.S. and EU producers often produce high nickel specialties or non-commodity alloys.

NICKEL PIG IRON COULD REPRESENT UP TO 5% OF SUPPLY RIGHT NOW

In the first five months of 2007 Chinese nickel output within pig iron approached 10,000 tonnes per month or up to 5% of world supply including nickel scrap. China uses electric

arc steel or blast furnaces to pyrometallurgically treat lateritic (tropical vegetation acid decay of bedrock) ores from Indonesia, New Caledonia or the Philippines.

We regard this as a hugely clever idea. China has built way too many steel furnaces, and needs to find new ways to use them. We've spent hours trying to imagine new consumer products, such as ultra thin less than 0.01 inch high ductile, deep drawing, vacuum degassed super soft cold-rolled from shoes. After all, the Dutch used wood.

Moreover, it is thermodynamically practical to mix 5% to 10% nickel ores into carbon steelmaking raw materials. After all, the molten bath needs to be upwards of 3,000 degrees Fahrenheit anyway. And it does not require building a \$2 to \$4 billion plant somewhere in New Caledonia where environmentalists or local residents object. Nor does it require multi-year metallurgical pilot plant constructions to test new laterites.

We are not convinced that such supplies are entirely "new" or "incremental" supplies. It is possible that nickel pig iron is an alternative to exporting ores to Japanese smelters or some other more expensive custom smelting method. For erratic plant operations, situations with labor unrest or plants with expensive energy sources, it is possible that Chinese nickel pig has emerged as a cheaper way of bypassing existing treatment alternatives. Some of the nations or mines exporting the feed to China have inconsistent output records. And it is very possible that steel furnaces are much cheaper to operate than nickel plants.

For this reason we conclude that at least 2.5% of this supply is "new incremental supply" but that not necessarily all of it is additional supply.

Chinese nickel pig producing blast furnaces lack dust and gas collection systems to safeguard health and environment, and emit sulphur dioxide gas and carcinogenic nickel and other heavy metal compounds. Longer term, either these safeguards must be added or the practice stopped.

PRICE TARGET AND INVESTMENT VIEWS

Our \$100 price target or 14 times current record peak cycle earnings estimated at \$7.13 owing to (a) continued record aerospace backlogs, (b) recent transactions such as Alcan or Phelps Dodge higher than our earlier 7.5 P/E target, (c) the outlook for volume and margin growth in silicon steels, high nickel alloys or titanium volumes, (d) a Flat-Rolled mix shift to electrical steels, alloy 201 or other specialties and (e) the stock market's absorption of the news of ThyssenKrupp Alabama 1.0 million ton stainless melt shop construction, lower U.S. Flat-Rolled volumes in 2007 and a plethora of adverse economic news such as the credit crunch in housing. Our projections are more conservative.

Niches such as the 2.5 million ton U.S. stainless market, the 0.4 million ton U.S. grain-oriented and 3-5 million ton global silicon steel market, the almost 100,000 ton global titanium market and under 175,000 ton global high nickel alloy markets are driving the good days at Allegheny Technologies. Several extra big furnaces can adversely hit such niches, such as the 1 million ton Thyssen Gulf Coast melt shop, maybe a big electrical steel mill somewhere in India or China or

Allegheny's own 23-32,000 ton titanium sponge capacity plan able to command a 25% global market share before even using scrap.

This is a very fine company, in our view, and one of the most diverse specialty baskets an investor could ever want. We think the market could pay a 5x, 10x, 15x or 20x multiple for it depending on the mood of the era. The April 24th mood near 15x faded a little closer to 13x today, and maybe investors grew accustomed to ATI beating every estimate every time. A few things turned adverse on the volume or one-time cost side this quarter.

We maintained our Neutral Weight rating, and did not lower our rating to Underweight despite risks to housing, appliances, autos or other consumer cyclical portions of the economy that impact stainless or electrical steels. Further, we are pleased earnings have made new records in 2007 in a semi-recessionary climate. The evidence is building in support of a "growth view" in which certain aerospace, technology, growth or chartist investors will pay increasing P/E multiple for a blend of these commodity margins and "secular growth" as ATI navigates around certain market declines.

BUSINESS RISKS

Risks to our investment thesis include a downturn in the capital goods market, aerospace markets, automotive markets, power generation markets, and oil and gas exploration markets. Higher import volumes of commodity stainless could take away market share from its core business. In addition, higher oil prices and interest rates could subdue the capital good markets.

The appropriate price-earnings ratio of the stock, which suffered four loss years prior to the 2005 turn to robust profits turnaround, depends on the confidence of stock market investors. One or two years ago a 10x P/E on turnaround profits was controversial, but today investors apply P/E's near 20x to pure aerospace companies and titanium may be contributing over half of ATI's current earnings.

We believe the appropriate P/E for commodity stainless earnings is between 5 and 10 times, and worry that U.S. stainless use has not grown beyond 1999-2000 levels due to declines in paper plant, relocation of chemical capacity to cheap gas locations abroad and relocation of U.S. manufacturing to China. We do not think titanium earnings are worth too much more because such furnaces can be built in 18-24 months, and specialty or carbon steelmakers in the past have developed such operations.

We characterize nickel procurement, stainless, silicon electrical and titanium profits as "changeable." For example, the world titanium market was 78,000 tonnes last year, U.S. electrical steel output under 1 million tons and U.S. stainless usage under 2.5 million tons. Thus, it doesn't take too big of a furnace to be built to shift these specialty markets into oversupply, and investor attitudes can swing concerning the right P/E.

CHANGE IN THIS RESEARCH OPERATION

This report reflects research coverage by JTVIR, LLC. In no way shape or form should it be misconstrued as involving Prudential Equities Group (PEG), which shut down on June 6, 2007 as noted. The continuation of that same quarterly or full year earnings estimate for 2007 as JTVIR, LLC should not be construed or mistaken to involve PEG, which shut down on June 6, 2007. Certain data, such as the logic of the earnings model, are similar

owing to the same primary author, but this coverage initiation herein involves a different entity and no employment or affiliation with the former Prudential Equity Group, LLC.

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“John Tumazos Very Independent Research, LLC” (JTVIR) is a Delaware Corporation with registration effective on August 27, 2007 as an investment advisor in the state of New Jersey owing to our place of business in New Jersey.

JTVIR is not a broker-dealer, and conducts no trades. Its primary business is to provide “unbundled” metals and paper industry securities and market research to institutions or corporations in a zero commission, electronic execution, electronic dissemination, unbundled format for a specified annual fee structure.

Our investment rating system for securities recommendations is Overweight, Neutral Weight or Underweight. Overweight or Underweight recommendations are estimated to vary from the relative performance of the S&P 500 by more than 10% annually, and the intended time horizon is up to 24 months. Our securities research is intended for institutional investors that might buy up to 10% of a given company, and as such focuses more towards longer-term dynamics impacting the net present value of future cash flows rather than “day trading” sorts of near-term issues.

Neither JTVIR, its members or its employees own or have a financial interest in any securities discussed in this report. Our policy is full disclosure.

Our policy permits personal trading in the metals or paper industries, though no positions were taken in companies within regular research coverage after July 2001 after joining Prudential Financial and until after one month of completed New Jersey registration of JTVIR. Our policy is that any personal trading must be consistent with our recommendation, made two business days or more AFTER a recommendation or change in recommendation and held for a minimum of 30 days or one month. We believe it is virtuous for a securities analyst to “put his or her money where his mouth is” to invest consistent with the recommendation to clients after such recommendation has been made, and we disagree with some restrictions made upon broker-dealer employees after 2000 era scandals.

Our policy permits up to three directorships and up to five consulting projects, advisory assignments or financial advice to corporations that might supplement, backcheck or substitute for certain services of a large investment banking firm. For example, we would accept an engagement to evaluate investment banking advice on behalf of a manufacturing company concerned whether advice is sincere or intended to maximize fees. Currently no such relationships exist.

Our policy is full disclosure of any advisory relationship or conflict going back three years. None currently exist.

Numerous prior investment banking relationships existed prior to three years history to the pre-1997 time frame under the employment of Donaldson, Lufkin and Jenrette or Oppenheimer & Co., Inc. Some of these we can recollect included 14 different gold mine valuations or sales for Barrick Gold, LAC Minerals (later acquired by Barrick), Addington Resources (gold assets in Montana acquired by Canyon Resources), Westworld Industries (Bolivian assets acquired by Battle Mountain Gold later acquired by Newmont Mining), Coeur d'Alene Mines, Crown Resources (acquired by Kinross Gold), Freeport-McMoRan Gold (acquired by Minorco later AngloGold later Queenstake Resources), FMC Gold (later renamed Meridian Gold) and others. Sole managed initial public offerings included Reliance Steel & Aluminum and Huntco. Lead-managed initial public offerings included American Steel & Wire (later acquired by Birmingham Steel) and lead-managed underwritings included Quanex. Co-managed underwritings included the IPO of Century Aluminum and offerings for AK Steel, Kaiser Aluminum, Agnico-Eagle Mines, Cameco and others. Asset sales or purchase advisories, fairness opinion or trusteeships were done for Thypin Steel (sold to Ryerson Tull), Cyclops Corp. (sold to Armco later sold to AK Steel), Allegheny Corp., Bethlehem Steel, the U.S. Dept. of Justice pursuant to the June 1984 merger of LTV and Republic Steel to sell the Gadsden, AL integrated flat-rolled mill, Cobre Copper, and others. Typically more than five investment banking assignments were evaluated, partly executed or "due diligenced" for any completed transaction. Some examples we can recall for which a prospectus was either drafted or partly drafted indicating much work included stock underwritings not completed for Wheeling-Pittsburgh Steel, Steel Dynamics, Atlas Corp., Webco, Sharon Steel, IPSCO, Co-Steel Inc., and others.

ANALYST UNIVERSE COVERAGE:

John C. Tumazos, CFA: Rio Tinto, Louisiana-Pacific, Nucor Corp., Newmont Mining, U.S. Steel, International Paper, BHP Billiton, MeadWestvaco Corp., Antofagasta PLC, Allegheny Technologies, Alcoa Inc., Inco Limited, Bowater, Inc., Temple-Inland, Barrick Gold, Abitibi-Consolidated, Weyerhaeuser Co., Alcan Inc., Smurfit-Stone Container, Plum Creek Timber, Worthington Industries, Goldcorp Inc., AngloGold Ashanti, Freeport McMoRan Copper & Gold, Novelis Inc., FNX Mining.

Dynatec is a company not continued in the research coverage of JTVIR, LLC that was previously included in the prior June 6, 2007 Prudential Equities Group universe owing to a pending takeover by Sherritt International. Alcan, which Rio Tinto soon will acquire, also will be discontinued from coverage. We will continue to cover Abitibi Consolidated after it merges with Bowater, and discontinue Bowater.

Subsequently, since September 2007 JTVIR, LLC has initiated coverage of new companies not previously covered in the former universe. These new companies include General Moly, Inc., Duluth Metals, Polymet Mining, Franconia Minerals, CVRD and Century Aluminum.

In accordance with applicable rules and regulations, we note above parenthetically that our stock ratings of "Overweight," "Neutral Weight," and "Underweight" most closely correspond with the more traditional ratings of "Buy," "Hold," and "Sell," respectively; however, please note that their meanings are not the same. (See the definitions above.) We believe that an investor's decision to buy or sell a security should always take into account, among other things, that the investor's particular investment objectives and experience, risk tolerance, and financial

circumstances. Rather than being based on an expected deviation from a given benchmark (as buy, hold and sell recommendations often are), our stock ratings are determined on a relative basis (see the foregoing definitions).

There is no intention to “balance” the number of Overweight or Underweight ratings, as instances of broad over- or under-performance among basic industrials may occur. JTVIR makes each investment judgment in a “bottoms up” manner based on the assets of each individual company.

Price Target – Methods/Risks

The methods used to determine the price target generally are based on future earning estimates, product performance expectations, cash flow methodology, historical and/or relative valuation multiples. The risks associated with achieving the price target generally include customer spending, industry competition and overall market conditions.

Additional risk factors as they pertain to the analyst's specific investment thesis can be found within the report.

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