

Allegheny Technologies Incorporated and Subsidiaries Consolidated Statements of Operations

(In millions except per share amounts)

| For the Years Ended December 31, | 2002 | 2001 | 2000 |
|--|------------------|-----------|-----------|
| Sales | \$1,907.8 | \$2,128.0 | \$2,460.4 |
| Costs and expenses: | | | |
| Cost of sales | 1,744.5 | 1,862.3 | 1,998.5 |
| Selling and administrative expenses | 188.3 | 198.8 | 203.7 |
| Restructuring costs | 42.8 | 74.2 | 29.5 |
| Income (loss) before interest, other income and income taxes | (67.8) | (7.3) | 228.7 |
| Interest expense, net | 34.3 | 29.3 | 34.4 |
| Other income (expense), net | (1.7) | 0.2 | 14.5 |
| Income (loss) before income taxes | (103.8) | (36.4) | 208.8 |
| Income tax provision (benefit) | (38.0) | (11.2) | 76.3 |
| Net income (loss) | \$ (65.8) | \$ (25.2) | \$ 132.5 |
| Basic and diluted net income (loss) per common share | \$ (0.82) | \$ (0.31) | \$ 1.60 |

The accompanying notes are an integral part of these statements.

Allegheny Technologies Incorporated and Subsidiaries Consolidated Balance Sheets

(In millions except share and per share amounts)

| | December 31, 2002 | December 31, 2001 |
|--|----------------------|----------------------|
| Assets | | |
| Cash and cash equivalents | \$ 59.4 | \$ 33.7 |
| Accounts receivable, net | 239.3 | 274.6 |
| Inventories, net | 409.0 | 508.4 |
| Income tax refunds | 51.9 | 48.5 |
| Deferred income taxes | 20.8 | 33.5 |
| Prepaid expenses and other current assets | 32.0 | 27.4 |
| Total Current Assets | 812.4 | 926.1 |
| Property, plant and equipment, net | 757.6 | 828.9 |
| Cost in excess of net assets acquired | 194.4 | 188.4 |
| Deferred pension asset | 165.1 | — |
| Prepaid pension cost | — | 632.9 |
| Deferred income taxes | 85.4 | — |
| Other assets | 78.3 | 66.9 |
| Total Assets | \$2,093.2 | \$2,643.2 |
| Liabilities and Stockholders' Equity | | |
| Accounts payable | \$ 171.3 | \$ 155.3 |
| Accrued liabilities | 161.0 | 168.2 |
| Short-term debt and current portion of long-term debt | 9.7 | 9.2 |
| Total Current Liabilities | 342.0 | 332.7 |
| Long-term debt | 509.4 | 573.0 |
| Accrued postretirement benefits | 496.4 | 506.1 |
| Pension liabilities | 216.0 | 35.8 |
| Deferred income taxes | — | 153.7 |
| Other long-term liabilities | 80.6 | 97.2 |
| Total Liabilities | 1,644.4 | 1,698.5 |
| 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 98,951,490 at 2002 and 2001; outstanding - 80,634,344 shares at 2002 and 80,314,624 shares at 2001 | 9.9 | 9.9 |
| Additional paid-in capital | 481.2 | 481.2 |
| Retained earnings | 835.1 | 957.5 |
| Treasury stock: 18,317,146 shares at 2002 and 18,636,866 shares at 2001 | (469.7) | (478.2) |
| Accumulated other comprehensive loss, net of tax | (407.7) | (25.7) |
| Total Stockholders' Equity | 448.8 | 944.7 |
| Total Liabilities and Stockholders' Equity | \$2,093.2 | \$2,643.2 |

The accompanying notes are an integral part of these statements.

Allegheny Technologies Incorporated and Subsidiaries Consolidated Statements of Cash Flows

(In millions)

| For the Years Ended December 31, | 2002 | 2001 | 2000 |
|--|----------------|----------------|----------------|
| Operating Activities: | | | |
| Net Income (loss) | \$ (65.8) | \$ (25.2) | \$ 132.5 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | |
| Depreciation and amortization | 90.0 | 98.6 | 99.7 |
| Non-cash restructuring costs and asset write-offs | 39.2 | 79.7 | 30.8 |
| Deferred income taxes | 25.6 | 24.5 | 57.8 |
| Gains on sales of investments and businesses | (2.6) | (2.8) | (11.6) |
| Change in operating assets and liabilities: | | | |
| Inventories | 99.4 | 67.9 | (20.4) |
| Accounts receivable | 35.6 | 47.1 | 15.9 |
| Accrued liabilities | (22.6) | (49.9) | (61.5) |
| Accounts payable | 16.5 | (12.5) | (3.6) |
| Deferred pension asset | (4.2) | (49.0) | (89.8) |
| Accrued income taxes | (3.4) | (48.5) | 0.2 |
| Other | (3.5) | (7.1) | (14.5) |
| Cash provided by operating activities | 204.2 | 122.8 | 135.5 |
| Investing Activities: | | | |
| Purchases of property, plant and equipment | (48.7) | (104.2) | (60.2) |
| Disposals of property, plant and equipment | 9.2 | 4.3 | 5.2 |
| Proceeds from sales of businesses and investments | 2.4 | 17.9 | 17.0 |
| Purchases of businesses and investment in ventures | — | (0.5) | (28.1) |
| Other | (2.7) | (2.5) | (3.9) |
| Cash used in investing activities | (39.8) | (85.0) | (70.0) |
| Financing Activities: | | | |
| Net borrowings (repayments) under credit facilities | (73.1) | (266.6) | 195.1 |
| Dividends paid | (53.2) | (64.2) | (66.0) |
| Payments of long-term debt and capital leases | (12.4) | (0.7) | (1.4) |
| Issuance of Allegheny Technologies 8.375% Notes, net | — | 292.5 | — |
| Borrowings of other long-term debt | — | 11.5 | — |
| Purchases of common stock | — | (3.0) | (221.0) |
| Exercises of stock options | — | 0.2 | 3.3 |
| Cash used in financing activities | (138.7) | (30.3) | (90.0) |
| Increase (decrease) in cash and cash equivalents | 25.7 | 7.5 | (24.5) |
| Cash and cash equivalents at beginning of year | 33.7 | 26.2 | 50.7 |
| Cash and cash equivalents at end of year | \$ 59.4 | \$ 33.7 | \$ 26.2 |

Amounts presented on the Consolidated Statements of Cash Flows may not agree to the corresponding changes in balance sheet items due to the accounting for purchases and sales of businesses and the effects of foreign currency translation.

The accompanying notes are an integral part of these statements.

Allegheny Technologies Incorporated and Subsidiaries Consolidated Statements of Stockholders' Equity

(In millions except per share amounts)

| | Common Stock | Additional Paid-In Capital | Retained Earnings | Treasury Stock | Accumulated Other Comprehensive Income (Loss) | Stockholders' Equity |
|---|-----------------|----------------------------------|----------------------|-------------------|--|-------------------------|
| Balance, December 31, 1999 | \$9.9 | \$481.0 | \$ 994.5 | \$(288.7) | \$ 3.5 | \$1,200.2 |
| Net income | — | — | 132.5 | — | — | 132.5 |
| Other comprehensive income, net of tax: | | | | | | |
| Foreign currency translation losses | — | — | — | — | (19.4) | (19.4) |
| Change in unrealized gains on securities | — | — | — | — | (3.7) | (3.7) |
| Comprehensive income (loss) | — | — | 132.5 | — | (23.1) | 109.4 |
| Cash dividends on common stock (\$0.80 per share) | — | — | (66.0) | — | — | (66.0) |
| Purchase of common stock | — | — | — | (221.0) | — | (221.0) |
| Employee stock plans | — | 0.2 | (11.0) | 27.4 | — | 16.6 |
| Balance, December 31, 2000 | 9.9 | 481.2 | 1,050.0 | (482.3) | (19.6) | 1,039.2 |
| Net loss | — | — | (25.2) | — | — | (25.2) |
| Other comprehensive loss, net of tax: | | | | | | |
| Foreign currency translation losses | — | — | — | — | (0.2) | (0.2) |
| Unrealized losses on energy, raw material and currency hedges | — | — | — | — | (2.2) | (2.2) |
| Change in unrealized gains on securities | — | — | — | — | (3.7) | (3.7) |
| Comprehensive loss | — | — | (25.2) | — | (6.1) | (31.3) |
| Cash dividends on common stock (\$0.80 per share) | — | — | (64.2) | — | — | (64.2) |
| Purchase of common stock | — | — | — | (3.0) | — | (3.0) |
| Employee stock plans | — | — | (3.1) | 7.1 | — | 4.0 |
| Balance, December 31, 2001 | 9.9 | 481.2 | 957.5 | (478.2) | (25.7) | 944.7 |
| Net loss | — | — | (65.8) | — | — | (65.8) |
| Other comprehensive income (loss), net of tax: | | | | | | |
| Minimum pension liability adjustment | — | — | — | — | (406.4) | (406.4) |
| Foreign currency translation gains | — | — | — | — | 16.6 | 16.6 |
| Unrealized gains on energy, raw material and currency hedges | — | — | — | — | 7.4 | 7.4 |
| Change in unrealized gains on securities | — | — | — | — | 0.4 | 0.4 |
| Comprehensive loss | — | — | (65.8) | — | (382.0) | (447.8) |
| Cash dividends on common stock (\$0.66 per share) | — | — | (53.2) | — | — | (53.2) |
| Employee stock plans | — | — | (3.4) | 8.5 | — | 5.1 |
| Balance, December 31, 2002 | \$9.9 | \$481.2 | \$ 835.1 | \$(469.7) | \$(407.7) | \$ 448.8 |

The accompanying notes are an integral part of these statements.