

Edgar Filing: RTI INTERNATIONAL METALS INC - Form 10-Q/A

RTI INTERNATIONAL METALS INC

Form 10-Q/A

December 15, 2005

-----  
-----  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
-----

FORM 10-Q/A

(AMENDMENT NO. 1)

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2005.

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 001-14437

RTI INTERNATIONAL METALS, INC.

(Exact name of registrant as specified in its charter)

OHIO  
(State or other jurisdiction of  
incorporation or organization)

52-2115953  
(I.R.S. Employer  
Identification No.)

1000 WARREN AVENUE, NILES, OHIO 44446  
(Address of principal executive offices)

(330) 544-7700  
(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 X NO \_\_\_\_

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

YES X NO \_\_\_\_

Edgar Filing: RTI INTERNATIONAL METALS INC - Form 10-Q/A

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES \_\_\_ NO X

At May 1, 2005, 22,166,934 shares of common stock of the registrant were outstanding.

-----  
-----

RTI INTERNATIONAL METALS, INC.

FORM 10-Q/A

QUARTER ENDED MARCH 31, 2005

INDEX

EXPLANATORY NOTE

RTI International Metals, Inc. is filing this Form 10-Q/A for the three months ended March 31, 2005 to reflect the restatement of its consolidated statements of cash flows for the three months ended March 31, 2005 and 2004. The restatement arose as a result of management's determination that the tax effect of employee stock options exercised were incorrectly reported as "cash flows from financing activities." The tax effect should have been reported as "cash flows from operating activities" as prescribed by Emerging Issues Task Force ("EITF") 00-15, "Classification in the Statement of Cash Flows of the Income Tax Benefit Received by a Company upon Exercise of Nonqualified Employee Stock Options." The Consolidated Statements of Cash Flows for 2005 and 2004 have been restated. See note 17 in the notes to the consolidated financial statements contained in this amendment for further information relating to the restatement.

No attempt has been made in this Form 10-Q/A to modify or update other disclosures presented in the original report on Form 10-Q except as required to reflect the effects of the restatement. This Form 10-Q/A does not reflect events occurring after the filing of the original Form 10-Q or modify or update those disclosures. Information not affected by the restatement is unchanged and reflects the disclosure made at the time of the original filing of Form 10-Q with the Securities and Exchange Commission on May 10, 2005.

The following Items are hereby amended and restated in their entirety.

PAGE

----

PART I--CONDENSED FINANCIAL INFORMATION

Edgar Filing: RTI INTERNATIONAL METALS INC - Form 10-Q/A

Item 1.	Financial Statements.....	2
	Consolidated Statement of Operations (Unaudited).....	2
	Consolidated Balance Sheet (Unaudited).....	3
	Consolidated Statement of Cash Flows (Unaudited).....	4
	Consolidated Statement of Changes in Shareholders' Equity (Unaudited)...	5
	Selected Notes to Consolidated Financial Statements (Unaudited).....	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations.....	17
Item 4.	Controls and Procedures.....	28
PART II--OTHER INFORMATION		
Item 6.	Exhibits.....	30
	Signatures.....	31

PART I--FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

RTI INTERNATIONAL METALS, INC.

CONSOLIDATED STATEMENT OF OPERATIONS  
(UNAUDITED)

(DOLLARS IN THOUSANDS)

	QUARTER ENDED MARCH 31,	
	2005	2004
Sales.....	\$ 73,487	\$ 50,530
Operating costs:		
Cost of sales.....	48,951	47,186
Selling, general and administrative expenses.....	11,162	8,338
Research, technical and product development expenses.....	366	287
Total operating costs.....	60,479	55,811
Operating income (loss).....	13,008	(5,281)
Other income (Note 10).....	138	9,318
Interest income (expense).....	158	(1)
Income from continuing operations before income taxes.....	13,304	4,036
Provision for income taxes (Note 5).....	4,905	1,392
Net income from continuing operations.....	8,399	2,644
Net income from discontinued operations (Note 15).....	--	131
Net income.....	\$ 8,399	\$ 2,775
Basic earnings per common share (Note 6):		

Edgar Filing: RTI INTERNATIONAL METALS INC - Form 10-Q/A

Continuing operations.....	\$ 0.38	\$ 0.12
Discontinued operations.....	\$ --	\$ 0.01
	-----	-----
Net income.....	\$ 0.38	\$ 0.13
	=====	=====
Diluted earnings per common share (Note 6):		
Continuing operations.....	\$ 0.37	\$ 0.12
Discontinued operations.....	\$ --	\$ 0.01
	-----	-----
Net income.....	\$ 0.37	\$ 0.13
	=====	=====
Weighted average shares used to compute earnings per share:		
Basic.....	21,989,659	21,106,372
	=====	=====
Diluted.....	22,455,617	21,452,858
	=====	=====

The accompanying notes are an integral part of these Consolidated Financial Statements.

2

RTI INTERNATIONAL METALS, INC.

CONSOLIDATED BALANCE SHEET  
(UNAUDITED)

(DOLLARS IN THOUSANDS)

	MARCH 31, 2005	DECEMBER 31, 2004
	-----	-----
ASSETS		
ASSETS:		
Cash and cash equivalents.....	\$ 63,013	\$ 62,701
Receivables--less allowance for doubtful accounts of \$1,952 and \$1,704.....	50,503	44,490
Inventories, net (Note 7).....	160,331	133,512
Current deferred income tax asset.....	1,145	1,145
Income tax receivable.....	--	3,321
Other current assets.....	4,407	3,597
	-----	-----
Total current assets.....	279,399	248,766
Property, plant and equipment, net.....	81,467	82,593
Goodwill (Note 8).....	47,373	46,618
Other intangible assets, net (Note 8).....	16,536	16,040
Noncurrent deferred income tax asset.....	3,079	3,012
Intangible pension asset.....	3,365	3,365
Other noncurrent assets.....	2,943	3,099
	-----	-----
Total assets.....	\$434,162	\$403,493
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Accounts payable.....	\$ 26,642	\$ 14,253

Edgar Filing: RTI INTERNATIONAL METALS INC - Form 10-Q/A

Accrued wages and other employee costs.....	5,993	4,863
Billings in excess of costs and estimated revenues (Note 9).....	4,916	4,708
Income taxes payable.....	671	--
Other accrued liabilities.....	6,242	6,498
	-----	-----
Total current liabilities.....	44,464	30,322
Accrued postretirement benefit cost.....	20,971	20,811
Accrued pension cost.....	21,952	21,090
Other noncurrent liabilities.....	7,010	7,312
	-----	-----
Total liabilities.....	94,397	79,535
	-----	-----
Commitments and contingencies (Note 12)		
SHAREHOLDERS' EQUITY:		
Common stock, \$0.01 par value, 50,000,000 shares authorized; 22,610,873 and 22,194,344 shares issued; 22,166,801 and 21,772,730 shares outstanding.....	225	221
Additional paid-in capital.....	266,428	258,526
Deferred compensation.....	(3,594)	(2,499)
Treasury stock, at cost; 444,072 and 421,614 shares.....	(4,389)	(3,906)
Accumulated other comprehensive loss.....	(21,679)	(22,759)
Retained earnings.....	102,774	94,375
	-----	-----
Total shareholders' equity.....	339,765	323,958
	-----	-----
Total liabilities and shareholders' equity.....	\$434,162	\$403,493
	=====	=====

The accompanying notes are an integral part of these Consolidated Financial Statements.

3

RTI INTERNATIONAL METALS, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS  
(UNAUDITED)

(DOLLARS IN THOUSANDS)

	QUARTER ENDED MARCH 31,	
	2005	2004
	(RESTATED) (SEE NOTE 17)	(RESTATED) (SEE NOTE 17)
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income.....	\$ 8,399	\$ 2,775
Net income from discontinued operations.....	--	131
	-----	-----
Net income from continuing operations.....	8,399	2,644
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization.....	3,133	2,925
Deferred income taxes.....	(315)	1,778

Edgar Filing: RTI INTERNATIONAL METALS INC - Form 10-Q/A

Stock-based compensation and other.....	450	306
Tax benefits from exercise of stock options.....	1,217	620
Other.....	(627)	(73)
CHANGES IN ASSETS AND LIABILITIES:		
Receivables.....	(6,454)	(2,437)
Inventories.....	(26,864)	8,716
Accounts payable.....	12,547	(4,324)
Income taxes payable.....	4,305	(1,707)
Billings in excess of costs and estimated earnings.....	225	(4,742)
Other current liabilities.....	988	(41)
Other assets and liabilities.....	528	74
	-----	-----
Cash (used) provided by continuing operating activities.....	(2,468)	3,739
Cash (used) by discontinued operating activities.....	--	(212)
	-----	-----
Cash (used) provided by operating activities.....	(2,468)	3,527
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions, net of cash acquired, and other investing...	(290)	--
Capital expenditures.....	(1,784)	(1,852)
	-----	-----
Cash used in investing activities.....	(2,074)	(1,852)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of employee stock options.....	5,334	1,768
Purchase of common stock held in treasury.....	(483)	(288)
	-----	-----
Cash provided by financing activities.....	4,851	1,480
	-----	-----
EFFECT OF EXCHANGE RATE CHANGES ON CASH.....	3	109
	-----	-----
INCREASE IN CASH AND CASH EQUIVALENTS.....	312	3,264
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD.....	62,701	67,970
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD.....	\$63,013	\$71,234
	=====	=====
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest, net of amounts capitalized.....	\$ 96	\$ 99
Cash paid for income taxes.....	\$ 18	\$ 4,027
NON-CASH FINANCING ACTIVITIES:		
Issuance of common stock for restricted stock awards.....	\$ 1,355	\$ 1,036
Capital lease obligations incurred.....	\$ 36	\$ --

The accompanying notes are an integral part of these Consolidated Financial Statements.

4

RTI INTERNATIONAL METALS, INC.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
(UNAUDITED)

(DOLLARS IN THOUSANDS, EXCEPT SHARE AMOUNTS)

SHARES	COMMON	ADDT'L PAID-IN	DEFERRED	TREASURY COMMON	RETAINED
--------	--------	-------------------	----------	--------------------	----------

Edgar Filing: RTI INTERNATIONAL METALS INC - Form 10-Q/A

	OUTSTANDING -----	STOCK -----	CAPITAL -----	COMPENSATION -----	STOCK -----	EARNINGS -----
Balance at December 31, 2004.....	21,772,730	\$221	\$258,526	\$ (2,499)	\$ (3,906)	\$ 94,375
Shares issued for restricted stock award plans.....	63,000	1	1,354	(1,355)	--	--
Compensation expense recognized.....	--	--	--	260	--	--
Treasury common stock purchased at cost.....	(22,458)	--	--	--	(483)	--
Exercise of employee stock options including tax benefit of stock plans...	353,529	3	6,548	--	--	--
Net income.....	--	--	--	--	--	8,399
Foreign currency translation.....	--	--	--	--	--	--
Comprehensive income.....	-----	----	-----	-----	-----	-----
Balance at March 31, 2005.....	22,166,801	\$225	\$266,428	\$ (3,594)	\$ (4,389)	\$102,774
	=====	=====	=====	=====	=====	=====

COMPREHENSIVE  
INCOME  
-----

Balance at December 31, 2004.....	
Shares issued for restricted stock award plans.....	
Compensation expense recognized.....	
Treasury common stock purchased at cost.....	
Exercise of employee stock options including tax benefit of stock plans...	
Net income.....	\$ 8,399
Foreign currency translation.....	1,080
Comprehensive income.....	\$ 9,479
	=====
Balance at March 31, 2005.....	

The accompanying notes are an integral part of these Consolidated Financial Statements.

## Edgar Filing: RTI INTERNATIONAL METALS INC - Form 10-Q/A

### NOTE 1--BASIS OF PRESENTATION

The consolidated financial statements included herein have been prepared by RTI International Metals, Inc. (the "Company"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. The consolidated financial statements include the accounts of RTI International Metals, Inc. and its majority owned subsidiaries. All significant intercompany transactions have been eliminated. The financial information presented reflects all adjustments, consisting only of normal recurring adjustments, which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. The financial statements should be read in conjunction with accounting policies and notes to consolidated financial statements included in the Company's 2004 Annual Report on Form 10-K and 10-K/A. Certain prior period amounts have been reclassified to conform to the current period presentation. The results for the interim periods are not necessarily indicative of the results to be expected for the year.

### NOTE 2-- ORGANIZATION

RTI International Metals, Inc. is a leading U.S. producer of titanium mill products and fabricated metal parts for the global market. The Company conducts business in two segments: the Titanium Group and the Fabrication and Distribution Group. The Titanium Group melts and produces a complete range of titanium mill products, which are further processed by its customers for use in a variety of commercial, aerospace, defense, and industrial applications. The Fabrication and Distribution Group is comprised of companies that process and distribute titanium and other specialty metals. Its products, many of which are engineered parts and assemblies, serve aerospace, oil and gas, power generation, and chemical process industries, as well as a number of other industrial and consumer markets.

On September 30, 1998, the shareholders of the Company's now wholly-owned subsidiary RMI Titanium Company ("RMI") approved a proposal to reorganize into a holding company structure (the "1998 Reorganization"). Pursuant to this reorganization, the Company became the parent company of RMI, and shares of RMI common stock were automatically exchanged on a one-for-one (1:1) basis for shares of RTI. Shares of RTI began trading on the New York Stock Exchange on October 1, 1998.

The Company is a successor to entities that have been operating in the titanium industry since 1951. In 1990, USX Corporation ("USX") and Quantum Chemical Corporation ("Quantum") transferred their entire ownership interest in RMI's immediate predecessor, RMI Company, an Ohio general partnership, to the Company in exchange for shares of the Company's common stock (the "1990 Reorganization"). Quantum sold its shares of common stock to the public while USX retained ownership of its shares. USX terminated its ownership interest in RTI in 2000.

### NOTE 3 -- ACQUISITIONS

On October 1, 2004, RTI acquired all of the stock of Claro Precision, Inc., ("Claro") of Montreal, Quebec, Canada. The aggregate purchase price was \$30.6 million consisting of cash of \$23.6 million less cash acquired of \$1.6 million and 358,908 shares of RTI common stock with a fair value of \$7.0 million. The purchase agreement provided for a post-closing audit period for adjustments to the purchase price to finalize and determine whether the target equity amount of \$9.7 million existed on the closing date. In accordance with the purchase agreement the Company determined that an adjustment to the purchase price of \$0.2 million was due the Company and has been included as a reduction to the allocated purchase price.



## Edgar Filing: RTI INTERNATIONAL METALS INC - Form 10-Q/A

The purchase was made with available cash on hand and newly issued common shares. Claro will operate and report under the Company's Fabrication and Distribution segment.

6

Claro Precision, Inc., is a manufacturer of precision-machined components and complex mechanical and electrical assemblies for the aerospace industry.

The following is a summary of the allocation of the purchase price to the assets acquired and liabilities assumed based on their fair market values as of October 1, 2004. In accordance with Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations," the purchase price was assigned to the assets and liabilities acquired based on fair value. Fair value is defined in SFAS 141 as the "amount at which that asset (or liability) could be bought (or incurred) or sold (or settled) in a current transaction between willing parties, that is, other than in a forced liquidation sale.

(IN THOUSANDS) -----	ALLOCATED PURCHASE PRICE -----
Acquired assets:	
Cash.....	\$ --
Accounts receivable.....	2,802
Inventories.....	4,728
Other assets.....	46
Property, plant & equipment.....	3,836
Goodwill.....	10,529
Intangible assets.....	16,200
	-----
Total assets.....	38,141
Acquired liabilities:	
Accounts payable.....	1,010
Income taxes payable.....	1,543
Current deferred income taxes liability.....	1,145
Other accrued liabilities.....	160
Noncurrent deferred income taxes.....	5,414
	-----
Total liabilities.....	9,272
	-----
Net assets acquired.....	28,869
	=====
Purchase price	
Cash.....	22,014
RTI common stock.....	7,016
Target equity adjustment.....	(161)
	-----
	\$28,869
	=====

The following unaudited pro forma information for RTI is provided to include the results of Claro Precision, Inc. as if the acquisition had been consummated at the beginning of the period presented;

Edgar Filing: RTI INTERNATIONAL METALS INC - Form 10-Q/A

(IN THOUSANDS, EXCEPT PER SHARE DATA)	PRO FORMA FIRST QUARTER ENDED MARCH 31, 2004
-----	----- (UNAUDITED)
Net sales.....	\$54,354
Net income.....	\$ 3,403
Net income per common share	
Basic.....	0.16
Diluted.....	0.15

7

The \$16.2 million of intangible assets represent the assigned value of customer relationships with an estimated useful life of approximately 20 years. Accumulated amortization at March 31, 2005 and December 31, 2004 related to these intangible assets was \$361 thousand and \$160 thousand, respectively. Goodwill of \$10.5 million resulted from the acquisition and is non-deductible for income tax purposes in Canada. Additionally, fixed assets were stepped-up to approximate fair market value and are being depreciated over 10 years in accordance with Company accounting policies. The preliminary purchase price allocations are subject to adjustment and may be modified within one year from the acquisition. Subsequent changes are not expected to have a material effect on the Company's consolidated financial position.

The pro forma combined financial results have been prepared for comparative purposes only and include certain adjustments as described above. The pro forma information does not purport to be indicative of the results of operations that actually would have resulted had the combination occurred on January 1, 2004, or of future results of the consolidated entities.

NOTE 4-- STOCK OPTION AND RESTRICTED STOCK AWARD PLANS

The 2004 Stock Plan, which was approved by a vote of the Company's shareholders at the 2004 Annual Meeting of Shareholders, replaced the 1995 Stock Plan and the 2002 Non-Employee Director Stock Option Plan.

The 2004 Plan limits the number of shares available for issuance to 2,500,000 (plus any shares covered by options already outstanding under the 1995 Plan and 2002 Plan that expire or are terminated without being exercised and any shares delivered in connection with the exercise of any outstanding awards under the 1995 Plan and 2002 Plan) during its ten-year term and limits the number of shares available for grants of restricted stock to 1,250,000. The plan expires after ten years and require that the exercise price of stock options, stock appreciation rights and other similar instruments awarded under the plan are not less than the fair market value of RTI stock on the date of the grant award.

During the first quarter of 2005, options to purchase up to 84,500 shares were granted at an exercise price of \$21.50 per share. All option exercise prices were equal to the common stock's fair market value on the date of the grant. Options are for a term of ten years from the date of the grant, and vest ratably over the three-year period beginning with the date of the grant. All 84,500 shares underlying options granted in 2005 were outstanding at March 31,

## Edgar Filing: RTI INTERNATIONAL METALS INC - Form 10-Q/A

2005.

During the three months ended March 31, 2005, 63,000 shares of restricted stock were granted under the 2004 Stock Plan. Compensation expense equal to the fair market value on the date of the grant is recognized ratably over the vesting period of each grant which is typically five years.

As permitted by the provisions of SFAS No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123), the Company has elected to measure stock-based compensation under the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB No. 25), and to adopt the disclosure-only alternative described in SFAS No. 123. For restricted stock awards, the Company records deferred stock-based compensation based on the fair market value of common stock on the date of the award. Such deferred stock-based compensation is amortized over the vesting period of each individual award.

If compensation expense for the Company's stock options granted had been determined based on the fair value at the grant date for the awards in accordance with SFAS No. 123, the effect on the Company's net

8

income and earnings per share for the quarter ended March 31, 2005 and 2004 would have been as follows (dollars in thousands; except per share amounts):

	QUARTER ENDED MARCH 31,	
	2005	2004
	(UNAUDITED)	
Net income.....	\$8,399	\$2,775
Add: Stock-based employee compensation expense included in reported net (loss) income, net of related tax effects....	163	97
Deduct: Total stock-based employee compensation expense determined under fair value methods for all awards, net of related tax effects.....	(298)	(260)
	-----	-----
Pro forma net income.....	\$8,264	\$2,612
	=====	=====
Net income per share:		
As reported -basic.....	\$ 0.38	\$ 0.13
-diluted.....	0.37	0.13
Pro forma -basic.....	0.38	0.12
-diluted.....	0.37	0.12

Included in the Company's income for the quarters ended March 31, 2005 and 2004 is stock-based compensation expense relating to restricted stock grants amounting to \$260 and \$147, respectively. Net of tax, these amounts were \$163 and \$97, respectively.

### NOTE 5-- INCOME TAXES

Three months ended March 31, 2005, the Company recorded an income tax expense of \$4.9 million, or 37% of pre-tax income compared to an expense of \$1.4 million, or 34% for the three months ended March 31, 2004. The first quarter 2005 rate of 37% was greater than the federal statutory rate of 35% primarily

## Edgar Filing: RTI INTERNATIONAL METALS INC - Form 10-Q/A

due to state income taxes partially offset by lower foreign tax rates, the utilization of previously impaired foreign net operating losses, and beneficial effects of the American Jobs Creation Act (discussed below). The first quarter 2004 rate was less than the federal statutory rate of 35% primarily as a result of foreign tax credits partially offset by state income taxes.

On October 22, 2004, the President signed the American Jobs Creation Act of 2004 (the "Act"). The Company has estimated that the deduction attributable to qualified production activities will decrease its annual effective tax rate by approximately 1%. Other effects of the Act include the one-time deduction of 85% of foreign earnings that are repatriated to the United States, as defined by the Act. The deduction is subject to a number of limitations and at this time there is uncertainty on how to interpret numerous provisions in the Act. As such, the Company is not in a position to decide on whether, and to what extent, the Company might repatriate foreign earnings that have not yet been remitted to the U.S. Based on our analysis to date, however, it is reasonably possible that we may repatriate some amount between \$0 and \$3 million, with the respective tax liability ranging from \$0 to \$1 million. We expect to be in a position to finalize our assessment by the fourth quarter of 2005.

9

### NOTE 6-- EARNINGS PER SHARE

A reconciliation of the income and weighted average number of outstanding common shares used in the calculation of basic and diluted earnings per share for the quarters ended March 31, 2005 and 2004 are as follows (in thousands except number of shares and per share amounts):

	NET INCOME	SHARES	EARNINGS PER SHARE
	-----	-----	-----
2005			
Basic EPS.....	\$8,399	21,989,659	\$ 0.38
Effect of potential common stock issuances:			
Stock options.....	--	465,958	(0.01)
	-----	-----	-----
Diluted EPS.....	\$8,399	22,455,617	\$ 0.37
	=====	=====	=====
2004			
Basic EPS.....	\$2,775	21,106,372	\$ 0.13
Effect of potential common stock issuances:			
Stock options.....	--	346,486	--
	-----	-----	-----
Diluted EPS.....	\$2,775	21,452,858	\$ 0.13
	=====	=====	=====

109,500 and 451,618 shares of common stock issuable upon exercise of employee stock options have been excluded from the calculation of diluted earnings per share for the quarters ended March 31, 2005 and 2004, respectively; because the exercise price of the options exceeded the weighted average market price of the Company's common stock during those periods.

### NOTE 7-- INVENTORIES

Inventories consisted of (dollars in thousands):

Edgar Filing: RTI INTERNATIONAL METALS INC - Form 10-Q/A

	MARCH 31, 2005	DECEMBER 31, 2004
	-----	-----
Raw material and supplies.....	\$ 54,363	\$ 40,459
Work-in-process and finished goods.....	131,290	112,010
Adjustment to LIFO values.....	(25,322)	(18,957)
	-----	-----
Inventories, at LIFO cost.....	\$160,331	\$133,512
	=====	=====

NOTE 8-- GOODWILL AND OTHER INTANGIBLE ASSETS

The carrying amount of goodwill and other intangible assets attributable to each segment at December 31, 2004 and March 31, 2005 is as follows (in thousands):

Goodwill

	DECEMBER 31, 2004	ADJUSTMENTS	TRANSLATION ADJUSTMENT	MARCH 31, 2005
	-----	-----	-----	-----
Titanium Group.....	\$ 1,955	\$290	\$ --	\$ 2,245
Fabrication and Distribution Group.....	44,663	--	465	45,128
	-----	-----	-----	-----
Total.....	\$46,618	\$290	\$465	\$47,373
	=====	=====	=====	=====

During the three months ended March 31, 2005, additional goodwill was added to the Titanium Group through the finalization of the acquisition of the minority interest in Galt Alloys, Inc.

10

Intangibles

The components of other intangible assets comprised of customer relationships and their estimated useful lives is as follows:

	ESTIMATED USEFUL LIFE	DECEMBER 31, 2004	AMORTIZATION	TRANSLATION ADJUSTMENT	MARCH 31, 2005
	-----	-----	-----	-----	-----
Titanium Group.....		\$ --	\$ --	\$ --	\$ --
Fabrication and Distribution Group.....	20 years	16,040	(201)	697	16,536
		-----	-----	-----	-----
Total.....		\$16,040	\$(201)	\$697	\$16,536
		=====	=====	=====	=====

NOTE 9-- BILLINGS IN EXCESS OF COSTS AND ESTIMATED REVENUES

## Edgar Filing: RTI INTERNATIONAL METALS INC - Form 10-Q/A

The Company reported a liability for billings in excess of costs and estimated revenues of \$4.9 million as of March 31, 2005 and \$4.7 million as of December 31, 2004. These amounts primarily represent payments, received in advance from energy market customers, and Fabrication and Distribution Group customers on long-term orders, which the Company has not recognized as revenues.

### NOTE 10-- OTHER INCOME

For the three months ended March 31, 2005 and 2004, the components of other income are as follows (dollars in millions):

	QUARTER ENDED MARCH 31,	
	2005	2004
Other Income		
Gain on receipt of liquidated damages.....	\$ --	\$9.1(1)
Foreign exchange gains and other.....	0.1	0.2
	\$0.1	\$9.3
	=====	=====

-----

(1) These gains were financial settlements from Boeing Airplane Group relating to Boeing's failure to meet minimum order requirements under terms of a long-term agreement between RTI and Boeing. Boeing satisfied the final claim under this agreement during the first quarter of 2004.

### NOTE 11--PENSION AND OTHER POSTRETIREMENT BENEFITS

The Company provides defined benefit pension plans for certain of its salaried and represented workforce. Benefits for its salaried participants are generally based on participant's years of service and compensation. Benefits for represented pension participants are generally determined based on an amount for years of service. Other Company employees participate in 401(k) plans whereby the Company may provide a match of employee contributions. These plans are generally not significant to the Company. The policy of the Company with respect to its defined benefit plans is to contribute at least the minimum amounts required by applicable laws and regulations.

The cost of the Company's retiree health care plans (Other Postretirement Benefits) is capped at predetermined out-of-pocket spending limits. Retiree health care is available to participants in the defined benefit pension plans. Benefit payments are made from company assets. Other Postretirement Benefits are not funded.

11

The 2005 and 2004 amounts shown below reflect the defined benefit pension and other postretirement benefit expense for the three months ended March 31 for each year for those salaried and hourly covered employees (dollars in thousands):

Edgar Filing: RTI INTERNATIONAL METALS INC - Form 10-Q/A

	PENSION BENEFITS		OTHER POSTRETIREMENT BENEFITS	
	2005	2004	2005	2004
Service cost.....	\$ 550	\$ 589	\$ 96	\$ 95
Interest cost.....	1,592	1,587	410	407
Expected return on plan assets.....	(1,922)	(2,006)	--	--
Amortization of prior service cost.....	160	144	44	44
Amortization of unrealized gains and losses.....	510	357	93	70
Net periodic benefit cost.....	\$ 890	\$ 671	\$643	\$616

RTI International Metals also has a Supplemental Pension Program ("Program") for certain key employees. The Program is unfunded. The first quarter net periodic benefit cost related to the Program was approximately \$93,000 for 2005 and 129,000 for 2004.

NOTE 12-- COMMITMENTS AND CONTINGENCIES

In connection with the 1990 Reorganization, the Company agreed to indemnify USX and Quantum against liabilities related to their ownership of RMI and its immediate predecessor, Reactive Metals, Inc., which was formed by USX and Quantum in 1964.

From time to time, the Company is involved in litigation relating to claims arising out of its operations in the normal course of business. In our opinion, the ultimate liability, if any, resulting from these matters will have no significant effect on our consolidated financial statements. Given the critical nature of many of the aerospace end uses for the Company's products, including specifically their use in critical rotating parts of gas turbine engines, the Company maintains aircraft products liability insurance of \$250 million, which includes grounding liability.

Environmental Matters

The Company is subject to environmental laws and regulations as well as various health and safety laws and regulations that are subject to frequent modifications and revisions. During the three months ended March 31, 2005, the Company spent approximately \$0.2 million for environmental remediation, compliance, and related services. While the costs of compliance for these matters have not had a material adverse impact on the Company in the past, it is impossible to accurately predict the ultimate effect these changing laws and regulations may have on the Company in the future. The Company continues to evaluate its obligations for environmental related costs on a quarterly basis and makes adjustments in accordance with provisions of Statement of Position No. 96-1, "Environmental Remediation Liabilities."

The Company is involved in investigative or cleanup projects under federal or state environmental laws at a number of waste disposal sites, including the Fields Brook Superfund Site and the Ashtabula River Area of Concern. Given the status of the proceedings with respect to these sites, ultimate investigative and remediation costs cannot presently be accurately predicted, but could, in the aggregate be material. Based on the information available regarding the current ranges of estimated remediation costs at currently active sites, and what the Company believes will be its ultimate share of such costs, provisions for environmental-related costs have been recorded.

## Edgar Filing: RTI INTERNATIONAL METALS INC - Form 10-Q/A

Given the status of the proceedings at certain of these sites, and the evolving nature of environmental laws, regulations, and remediation techniques, the Company's ultimate obligation for investigative and remediation costs cannot be predicted. It is the Company's policy to recognize environmental costs in its

12

financial statements when an obligation becomes probable and a reasonable estimate of exposure can be determined.

At March 31, 2005 and December 31, 2004, the amount accrued for future environmental-related costs was \$3.7 million and \$3.8 million, respectively. Of the total amount accrued at March 31, 2005, \$0.6 million is expected to be paid out within one year and is included in the other accrued liabilities line of the balance sheet. The remaining \$3.1 million is recorded in other non-current liabilities.

Based on available information, RMI believes that its share of potential environmental-related costs, before expected contributions from third parties, is in a range from \$2.9 to \$7.7 million in the aggregate. The Company has included in its other noncurrent assets \$2.1 million as expected contributions from third parties. This amount represents the contributions from third parties in conjunction with the company's most likely estimate of \$3.7 million. These third parties include prior owners of RMI property and prior customers of RMI, that have agreed to partially reimburse the Company for certain environmental-related costs. The Company has been receiving contributions from such third parties for a number of years as partial reimbursement for costs incurred by the Company.

As these proceedings continue toward final resolution, amounts in excess of those already provided may be necessary to discharge the Company from its obligations for these sites.

### Former Ashtabula Extrusion Plant

The Company's former extrusion plant in Ashtabula, Ohio was used to extrude depleted uranium under a contract with the DOE from 1962 through 1990. In accordance with that agreement, the DOE retained responsibility for the cleanup of the facility when the facility was no longer needed for processing government material. Processing ceased in 1990, and in 1993 RMI was chosen as the prime contractor for the remediation and restoration of the site by the DOE. Since then, contaminated buildings have been removed and approximately two-thirds of the site has been free released by the Ohio Department of Health, to RMI, at DOE expense.

In December, 2003, in accordance with its terms, the Department of Energy terminated the contract "for convenience." It is not known at this time what role, if any, RMI will play in the balance of the cleanup although discussions are ongoing. Remaining soil removal is expected to take approximately 18-24 months. As license holder and owner of the site, RMI is responsible to the state of Ohio for complying with soil and water regulations. However, remaining cleanup cost is expected to be borne by the DOE in accordance with their contractual obligation.

### Gain Contingency

As part of Boeing Commercial Airplane Group's long-term supply agreement with the Company, Boeing was required to order a minimum of 3.25 million pounds of titanium in each of the five years beginning in 1999. They failed to do so in all five years of the contract.



## Edgar Filing: RTI INTERNATIONAL METALS INC - Form 10-Q/A

The Company made a claim against Boeing in accordance with the provisions of the long-term contract for each of the years in which the minimum was not achieved. Revenue under the provisions of Statement of Financial Accounting Standards No. 5 ("SFAS No. 5"), "Accounting for Contingencies" was deemed not realized until Boeing settled the claims. Accordingly, the claims were treated as a gain contingency dependent upon realization.

As a result of the application of SFAS No. 5 as to gain contingencies, the Company recorded other income of approximately \$6 million in 2000 and 2001, and approximately \$7 million in 2002, \$8 million in 2003 and \$9.1 million in 2004. In all years, revenue recognized from these cash receipts was presented as other income in the financial statements. The agreement with Boeing has since expired as the final payment was received in 2004.

13

### Purchase Commitments

The Company has purchase commitments for materials, supplies, and machinery and equipments as part of the ordinary course of business. A few of these commitments extend beyond one year. The Company believes these commitments are not at prices in excess of current market.

### Other

The Company is also the subject of, or a party to, a number of other pending or threatened legal actions involving a variety of matters incidental to its business.

The ultimate resolution of these foregoing contingencies could, individually or in the aggregate, be material to the consolidated financial statements. However, management believes that the Company will remain a viable and competitive enterprise even though it is possible that these matters could be resolved unfavorably.

### NOTE 13-- TRANSACTIONS WITH RELATED PARTIES

In accordance with a stock purchase agreement dated October 1, 2004 the Company purchased all of the shares of Claro Precision Inc., from Mr. Jean-Louis Mourain and Mr. Daniel Molina. The purchase agreement provided for a lease agreement whereby the Company would lease space in two buildings, owned indirectly by Mr. Mourain and Mr. Molina, for three years from October 1, 2004 with an option to extend for an additional three years. The annual rental is approximately \$160,000 at current exchange rates. Rental expense of approximately \$40,000 was incurred in the quarter ended March 31, 2005 financial statements. Mr. Mourain was engaged by the Company as a consultant and Mr. Molina was made President of Claro Precision Inc. The Company believes that the rental cost is representative of market conditions around the Montreal area.

The Company acquired Reamet S.A., located in Villette, France, in December 2000. In accordance with the purchase agreement, the Company was obligated to acquire a residence located on the previously acquired land. The owner of the residence and his immediate family have been involved in the management of the business before and since the acquisition. The residence was acquired for \$581,000 (the fair value as appraised) including closing costs in February 2004.

### NOTE 14-- SEGMENT REPORTING

The Company's reportable operating segments are the Titanium Group and the Fabrication and Distribution Group.

## Edgar Filing: RTI INTERNATIONAL METALS INC - Form 10-Q/A

The Titanium Group manufactures and sells a wide range of titanium mill products to a customer base consisting primarily of manufacturing and fabrication companies in the aerospace and nonaerospace markets. Titanium mill products consist of basic mill shapes such as ingot, slab, bloom, billet, bar, plate and sheet. Titanium mill products are sold primarily to customers such as metal fabricators, forge shops and, to a lesser extent, metal distribution companies. Titanium mill products are usually raw or starting material for these customers, who then form, fabricate or further process mill products into finished or semi-finished components or parts. The Titanium Group also operates a facility that produces ferro-titanium, an additive to certain grades of steel. The Group also includes the activities related to the clean up and remediation of a former titanium extrusion facility operated by the Company under a contract from the U.S. Department of Energy.

The Fabrication and Distribution Group is engaged primarily in the fabrication of titanium, specialty metals and steel products, including pipe and engineered tubular products, for use in the oil and gas and geo-thermal energy industries; hot and superplastically formed parts; cut, forged, extruded and rolled shapes; and commercially pure titanium strip and welded tube for aerospace and nonaerospace applications. This segment also provides warehousing, distribution, finishing, cut-to-size and just-in-time delivery services of titanium, steel and other metal products.

14

Intersegment sales are accounted for at prices which are generally established by reference to similar transactions with unaffiliated customers. Reportable segments are measured based on segment operating income after an allocation of certain corporate items such as general corporate overhead and expenses.

Segment information for the quarters ended March 31, 2005 and 2004 is as follows (dollars in thousands):

	QUARTER ENDED MARCH 31	
	2005	2004
	-----	-----
TOTAL SALES		
Titanium Group.....	\$ 66,376	\$37,718
Fabrication and Distribution Group.....	60,300	41,528
	-----	-----
Total.....	126,676	79,246
INTER AND INTRA SEGMENT SALES		
Titanium Group.....	41,401	24,618
Fabrication and Distribution Group.....	11,788	4,098
	-----	-----
Total.....	53,189	28,716
TOTAL SALES TO EXTERNAL CUSTOMERS		
Titanium Group.....	24,975	13,100
Fabrication and Distribution Group.....	48,512	37,430
	-----	-----
Total.....	\$ 73,487	\$50,530
	=====	=====
OPERATING (LOSS) INCOME		
Allocated corporate items included in segment operating		

## Edgar Filing: RTI INTERNATIONAL METALS INC - Form 10-Q/A

income below:		
Titanium Group.....	\$ 1,459	\$ 768
Fabrication & Distribution Group.....	3,199	1,511
	-----	-----
Total.....	\$ 4,658	\$ 2,279
	=====	=====
Titanium Group.....	\$ 9,548	\$(4,145)
Fabrication and Distribution Group.....	3,460	(1,136)
	-----	-----
Total.....	\$ 13,008	\$(5,281)
	=====	=====
INCOME (LOSS) BEFORE INCOME TAXES:		
Allocated corporate items included in segment income		
before income taxes below:		
Titanium Group.....	\$ 1,295	\$ 9,120
Fabrication & Distribution Group.....	3,037	87
	-----	-----
Total.....	\$ 4,332	\$ 9,207
	=====	=====
Titanium Group.....	\$ 9,774	\$ 5,152
Fabrication & Distribution Group.....	3,530	(1,116)
	-----	-----
Total.....	\$ 13,304	\$ 4,036
	=====	=====

15

### NOTE 15-- DISCONTINUED OPERATIONS

In December of 2004, the Company terminated operations at the Company's Tube Mill operations as it had determined that its raw material source was inadequate to maintain commercially viable operations. The operating results of Tube Mill for the three months ended March 31, 2004, as summarized below, have been reclassified and are presented as discontinued operations.

(IN THOUSANDS)	QUARTER ENDED MARCH 31, 2004
-----	-----
Net sales.....	\$3,582
	=====
Income before income taxes.....	187
Provision for income taxes.....	56
	-----
Net income from discontinued operations.....	\$ 131
	=====

### NOTE 16-- NEW ACCOUNTING PRONOUNCEMENTS

In December 2004 the Financial Accounting Standards Board (FASB) issued SFAS No. 151, Inventory Costs (SFAS 151). The Company is required to adopt SFAS 151 on a prospective basis as of January 1, 2006. SFAS 151 clarifies the accounting for abnormal amounts of idle facility expense, freight, handling cost, and wasted material. SFAS 151 requires that those items--if abnormal--be recognized as expenses in the period incurred. SFAS 151 requires the allocation

## Edgar Filing: RTI INTERNATIONAL METALS INC - Form 10-Q/A

of fixed production overheads to the cost of conversion based upon the normal capacity of the production facilities. The Company has not yet determined what effect SFAS 151 will have on its financial statements.

In December 2004, the FASB issued FASB Staff Position No. FAS 109-2, "Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004," which states that the FASB staff believes that the lack of clarification of certain provisions within the Act and the timing of the enactment necessitate a practical exemption to the FAS 109 requirement to reflect in the period of enactment the effect of a new tax law. Accordingly, an enterprise is allowed time beyond the financial reporting period of enactment to evaluate the effect of the Act on its plan for reinvestment or repatriation of foreign earnings for purposes of applying FAS 109. The Company is evaluating the impact of earnings repatriation and once concluded will apply its action in accordance with FAS 109.

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123 (revised 2004) (SFAS 123R), Share-Based Payment. In March 2005, the SEC issued Staff Accounting Bulletin No. 107 (SAB 107) regarding the SEC Staff's interpretation of SFAS 123R and provides the Staff's views regarding interactions between SFAS 123R and certain SEC rules and regulations and provides interpretations of the valuation of share-based payments for public companies. SFAS 123R requires the mandatory expensing of share-based payments, including employee stock options, based on their fair value. In April 2005, the SEC approved the delay for implementation of FAS 123R. The delay will affect all awards granted subsequent to January 1, 2006. As a result the standard will be adopted for the Company's 2006 fiscal year. SFAS 123R provides alternative methods of adoption including prospective and modified retroactive applications. The Company is currently evaluating the financial impact, including the available alternatives under SFAS 123R and SAB 107.

On December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act) was signed into law. The Act introduced a prescription drug benefit under Medicare (Medicare Part D), as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. On May 19, 2004, FASB issued Staff Position FSP FAS 106-2 (FSP 106-2), which supercedes FSP 106-1 and provides guidance on accounting for the effects of the new Medicare prescription drug legislation for employers whose prescription drug benefits are actuarially equivalent to the drug benefit under Medicare Part D. The effect of the Act did not have a material impact on the company.

16

### NOTE 17--RESTATEMENT OF STATEMENT OF CASH FLOWS FOR THE TAX EFFECTS OF STOCK OPTIONS EXERCISED

A restatement of the Company's Consolidated Statement of Cash Flows arose as a result of management's determination that the tax effect of employee stock options exercised were incorrectly reported as "cash flows from financing activities." These should have been reported as "cash flows from operating activities" as prescribed by Emerging Issues Task Force ("EITF") 00-15, "Classification in the Statement of Cash Flows of the Income Tax Benefit Received by a Company upon Exercise of Nonqualified Employee Stock Options." The Consolidated Statements of Cash Flows for 2005 and 2004 have been restated.

## Edgar Filing: RTI INTERNATIONAL METALS INC - Form 10-Q/A

The restatement does not affect the net change in cash and cash equivalents for any of the periods presented and has no effect on the Company's consolidated balance sheet, the consolidated statement of operations and any related earnings per share amounts for any of the periods presented.

The effect of the above restatement for each period is shown below:

	AS PREVIOUSLY REPORTED FOR THREE MONTHS ENDED MARCH 31, 2004	EFFECT OF RESTATEMENT	AS RESTATED FOR THREE MONTHS ENDED MARCH 31, 2004
	-----	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:			
Tax benefits from exercise of stock options.....	\$ 0	\$ 620	\$ 620
Cash provided by continuing operating activities.....	\$3,119	\$ 620	\$3,739
Cash provided by operating activities....	\$2,907	\$ 620	\$3,527
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from exercise of employee stock options.....	\$2,388	\$ (620)	\$1,768
Cash provided by financing activities....	\$2,100	\$ (620)	\$1,480

	AS PREVIOUSLY REPORTED FOR THREE MONTHS ENDED MARCH 31, 2005	EFFECT OF RESTATEMENT	AS RESTATED FOR THREE MONTHS ENDED MARCH 31, 2005
	-----	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:			
Tax benefits from exercise of stock options.....	\$ 0	\$ 1,217	\$ 1,217
Cash (used in) provided by continuing operating activities.....	\$ (3,685)	\$ 1,217	\$ (2,468)
Cash (used in) provided by operating activities.....	\$ (3,685)	\$ 1,217	\$ (2,468)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from exercise of employee stock options.....	\$ 6,551	\$ (1,217)	\$ 5,334
Cash provided by financing activities.....	\$ 6,068	\$ (1,217)	\$ 4,851

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## Edgar Filing: RTI INTERNATIONAL METALS INC - Form 10-Q/A

The following discussion should be read in connection with the information contained in the Consolidated Financial Statements and Notes to Consolidated Financial Statements. The following information contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, and are subject to the safe harbor created by that Act. Such forward-looking statements may be identified by their use of words like "expects," "anticipates," "intends," "projects," or other words of similar meaning. Forward-looking statements are based on expectations and assumptions regarding future events. In addition to factors discussed throughout this report, the following factors and risks should also be considered, including, without

17

limitation, statements regarding the future availability and prices of raw materials, competition in the titanium industry, demand for the Company's products, the historic cyclical nature of the titanium and aerospace industries, increased defense spending, the success of new market development, long-term supply agreements, the outcome of proposed "Buy American" legislation, global economic conditions, the Company's order backlog and the conversion of that backlog into revenue, the long-term impact of the events of September 11, and the continuing war on terrorism, and other statements contained herein that are not historical facts. Because such forward-looking statements involve risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. These and other risk factors are set forth below in the "Outlook" section, as well as in the Company's other filings with the Securities and Exchange Commission ("SEC") over the last 12 months. All filings are available via the Securities and Exchange Commission's website, the Internet address of which is [www.sec.gov](http://www.sec.gov), or may be obtained upon request from the Company.

RTI International Metals, Inc. (the "Company" or "RTI") is a leading U.S. producer of titanium mill products and fabricated metal parts for the global market. The Company conducts business in two segments: the Titanium Group and the Fabrication & Distribution Group ("F&D"). The Titanium Group melts and produces a complete range of titanium mill products, which are further processed by its customers for use in a variety of aerospace and industrial applications. The Fabrication and Distribution Group is comprised of companies that fabricate, machine, assemble and distribute titanium and other specialty metal parts and components. Its products, many of which are engineered parts and assemblies, serve aerospace, oil and gas, power generation, and chemical process industries, as well as a number of other industrial and consumer markets.

A restatement of the Company's Consolidated Statement of Cash Flows arose as a result of management's determination that the tax effect of employee stock options exercised were incorrectly reported as "cash flows from financing activities." These should have been reported as "cash flows from operating activities" as prescribed by Emerging Issues Task Force ("EITF") 00-15, "Classification in the Statement of Cash Flows of the Income Tax Benefit Received by a Company upon Exercise of Nonqualified Employee Stock Options." The Consolidated Statements of Cash Flows for 2005 and 2004 have been restated. The restatement does not affect the net change in cash and cash equivalents for any of the periods presented and has no effect on the Company's consolidated balance sheet, the consolidated statement of operations and any related earnings per share amounts for any of the periods presented.

### DISCONTINUED OPERATIONS

The Company disclosed in a news release dated September 30, 2004 that its

## Edgar Filing: RTI INTERNATIONAL METALS INC - Form 10-Q/A

Tube Mill operations had stopped soliciting new orders because of a shortage of skelp, which is the key raw material in manufacturing titanium strip.

The decision to halt the solicitation of new orders was to continue until a search for other sources of skelp was concluded. In December 2004 the Company terminated its search for other skelp sources and decided to terminate production activity and discontinue the titanium strip product line and utilize the facility for other purposes unrelated to the manufacture of welded tubing. Tube Mill operations had been reported within the F&D segment.

Discontinued operations, which represent operating results of the Tube Mill operations for which further information is included in Note 15, reported trade sales of \$14.4 million, \$10.5 million and \$12.9 million for the years ended December 31, 2004, 2003, and 2002, respectively.

18

### RESULTS OF OPERATIONS

QUARTERS ENDED MARCH 31, 2005 AND 2004  
(Dollars in millions)

#### NET SALES

THREE MONTHS ENDED MARCH 31, -----	2005	2004
Titanium Group		
Trade.....	\$ 25.0	\$ 13.1
Inter-company.....	41.4	24.6
	-----	-----
Total.....	66.4	37.7
Fabrication and Distribution Group		
Trade.....	48.5	37.4
Inter-company.....	11.8	4.1
	-----	-----
Total.....	60.3	41.5
Eliminations.....	(53.2)	(28.7)
	-----	-----
Net Sales.....	\$ 73.5	\$ 50.5

#### Titanium Group

Sales for the Titanium Group amounted to \$66.4 million, including intercompany sales of \$41.4 million, in the three months ended March 31, 2005 compared to \$37.7 million including intercompany sales of \$24.6 million, in the same period of 2004. Of the \$28.7 million increase \$17.8 million was a result of higher billet, bloom, and ingot mill product shipments and \$10 million was a result of increased sales of ferro titanium and titanium electrodes.

Shipment of titanium mill products were 2.3 million pounds in the three months ended March 31, 2005, compared to 1.5 million pounds for the same period in 2004. Average realized prices on mill products for the three months ended March 31, 2005 decreased to \$14.30 per pound from a \$15.03 per pound in 2004. The decrease in average realized prices for mill products resulted primarily from an increase of billet, bloom, and ingot within the 2005 product mix.

## Edgar Filing: RTI INTERNATIONAL METALS INC - Form 10-Q/A

### Fabrication and Distribution Group

Sales for F&D amounted to \$60.3 million, including intercompany sales of \$11.8 million, in the three months ended March 31, 2005, compared to \$41.5 million, including intercompany sales of \$4.1 million in the same period of 2004. The increase of \$18.8 million occurred primarily in the fabrication businesses as a result of a Canadian acquisition in the fourth quarter of 2004 and increased intercompany shipments. Improved market conditions were reflected in increased sales in the distribution and European units of \$9.4 million. These increases were offset by a decrease of \$2.1 million in the completion of several energy contracts from the first quarter of 2004.

### GROSS PROFIT/(LOSS)

THREE MONTHS ENDED MARCH 31, -----	2005 -----	2004 -----
Titanium Group.....	\$12.6	\$(1.5)
Fabrication & Distribution Group.....	11.9	4.8
	-----	-----
Total.....	\$24.5 =====	\$ 3.3 =====

19

### Titanium Group

Gross profit increased to \$12.6 million in 2005 from a gross profit loss of \$(1.5) million in 2004. During the quarter, increased production activity resulting in a 20% increase in inventory resulted in a favorable effect on throughput and mill efficiency equaling approximately \$6.0 million. An increase in mill product shipments in 2005 of 2.3 million pounds from 1.5 million pounds in 2004 resulted in an increase in gross profits of \$4.4 million. Included in the favorable change of \$4.4 million was the effect of a reduction in price from \$15.03 in the year ago quarter to \$14.30 per pound in the first quarter of 2005. The decrease in selling price was a reflection of mix from quarter to quarter as current selling prices are increased over the year ago quarter. In the year ago quarter, input material shortages in flat-rolled product production resulted in excess costs of \$1.5 million. Included in the favorable change was an improvement of \$2.7 million in gross profit on ferro titanium as a result of increased pricing of \$1.02 per pound.

### Fabrication and Distribution Group

Gross profit increased to \$11.9 million for the three months ended March 31, 2005 from a gross profit of \$4.8 million for the same period of 2004 or a favorable change of \$7.1 million. Increased revenue from the Company's distribution sales markets of 36% resulted in an increase in margins of \$3.2 million. The Company's recently acquired Canadian business and increased sales and profitability in Europe resulted in increased gross profits of \$2.5 million. Sales and margin improvement in the energy markets resulted in an improvement in gross profit of \$1.4 million.

### SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

THREE MONTHS ENDED MARCH 31,	2005	2004
------------------------------	------	------



Edgar Filing: RTI INTERNATIONAL METALS INC - Form 10-Q/A

-----	-----	----
Titanium Group.....	\$ 2.7	\$2.3
Fabrication & Distribution Group.....	8.5	6.0
	-----	----
Total.....	\$11.2	\$8.3
	=====	=====

Titanium Group

Accounting and audit expenses increased costs by \$0.6 million, offset by a decrease of \$0.2 million due to termination of the Department of Energy contract.

Fabrication and Distribution Group

SG&A increased \$2.5 million from the three months ended March 31, 2005 compared to the same period in 2004. The Canadian acquisition and increased expenses in the Distribution facilities increased SG&A costs by \$1.6 million. Accounting and audit expenses increased the costs of the group by \$.9 million for the quarter.

RESEARCH, TECHNICAL AND PRODUCT DEVELOPMENT EXPENSES

THREE MONTHS ENDED MARCH 31, -----	2005	2004
	----	----
Titanium Group.....	\$0.4	\$0.3
Fabrication & Distribution Group.....	--	--
	----	----
Total.....	\$0.4	\$0.3
	=====	=====

Titanium Group

Research and development costs increased \$0.1 million for the three months ended March 31, 2005 compared to the same period in 2004. This increase is largely due to additional employee expenses.

20

Fabrication and Distribution Group

There were no R&D expenses for the group in 2005 or 2004.

OPERATING INCOME (LOSS)

THREE MONTHS ENDED MARCH 31, -----	2005	2004
	-----	-----
Titanium Group.....	\$ 9.5	\$(4.2)
Fabrication & Distribution Group.....	3.5	(1.1)
	-----	-----
Total.....	\$ 13.0	\$(5.3)
	=====	=====

## Edgar Filing: RTI INTERNATIONAL METALS INC - Form 10-Q/A

### Titanium Group

Operating income for the three months end March 31, 2005 increased to \$9.5 million compared to a loss of \$(4.2) million for the same period in 2004. The increase of \$13.7 million resulted from improved gross profit of \$14.1 million due to increased sales and margin, offset by increased SG&A costs of \$0.4 million.

### Fabrication and Distribution Group

Operating income for the three months ended March 31, 2005 increased to \$3.5 million compared to a loss of \$(1.1) million for the same period in 2004. The increase of \$4.6 million was primarily from the increase in revenue from distribution sales due to an increase in market conditions and increased revenues. The remainder of the change was from the energy unit's improvement in operating costs from the previous year and increased income from fabrication and European revenue increases.

### OTHER INCOME

THREE MONTHS ENDED MARCH 31,	2005	2004
Other Income.....	\$0.1	\$9.3

Other income decreased by \$9.2 million in 2005 compared to the same period in 2004. The decrease was due to the expiration of payments received relating to the Boeing long-term contract expiring in 2004. Final payment was received in 2004.

### INTEREST INCOME, NET

THREE MONTHS ENDED MARCH 31,	2005	2004
Total Interest Income, net.....	\$0.2	\$ --

Interest income, net changed \$0.2 million favorable as interest income of \$0.2 million was recorded in 2005 compared to zero in 2004. The favorable change was the result of the net effect of interest income earned on cash balances partially offsetting interest expense as a result of unused capacity fees on the Company's credit revolver.

### INCOME TAX EXPENSE

THREE MONTHS ENDED MARCH 31,	2005	2004
Income Taxes Expense.....	\$4.9	\$1.4

Income tax expense for 2005 was \$4.9 million compared to \$1.4 million in

## Edgar Filing: RTI INTERNATIONAL METALS INC - Form 10-Q/A

expense for the same period in 2004. The effective income tax rate in 2005 was 37% compared to a rate of 34% in 2004. The first quarter 2005 rate of 37% was greater than the federal statutory rate of 35% primarily due to state income taxes partially offset by lower foreign tax rates, the utilization of previously impaired foreign net operating losses, and

21

beneficial effects of the American Jobs Creation Act (discussed below). The first quarter 2004 rate was less than the federal statutory rate of 35% primarily as a result of foreign tax credits partially offset by state taxes.

On October 22, 2004, the President signed the American Jobs Creation Act of 2004 (the "Act"). The Company has estimated that the deduction attributable to qualified production activities will decrease its annual effective tax rate by approximately 1%. Other effects of the Act include the one-time deduction of 85% of foreign earnings that are repatriated to the United States, as defined by the Act. The deduction is subject to a number of limitations and at this time there is uncertainty on how to interpret numerous provisions in the Act. As such, the Company is not in a position to decide on whether, and to what extent, the Company might repatriate foreign earnings that have not yet been remitted to the U.S. Based on our analysis to date, however, it is reasonably possible that we may repatriate some amount between \$0 and \$3 million, with the respective tax liability ranging from \$0 to \$1 million. We expect to be in a position to finalize our assessment by the fourth quarter of 2005.

### INCOME FROM DISCONTINUED OPERATIONS

THREE MONTHS ENDED MARCH 31, -----	2005	2004
	----	----
Discontinued operations.....	\$ --	\$0.1

The operations of the Company's welded tubing operations were deemed a discontinued operation in the fourth quarter of 2004 as the operation was unable to source input material to satisfy its customers.

### NET INCOME

THREE MONTHS ENDED MARCH 31, -----	2005	2004
	----	----
Net income.....	\$8.4	\$2.8

Net income changed favorably by \$5.6 million in 2005 compared to the same period in 2004. The net income of \$8.4 million in 2005 represented 11% of sales compared to a net profit of \$2.8 million in 2004 or 5% of sales.

### OUTLOOK

#### Overview

Beginning in 2001, a confluence of events including weak U.S. and global economies, combined with the terrorist attacks of September 11, 2001, followed by the ongoing conflicts in the Middle East, and the worldwide outbreak of

## Edgar Filing: RTI INTERNATIONAL METALS INC - Form 10-Q/A

Severe Acute Respiratory Syndrome ("SARS") had significant adverse effects on the overall titanium industry through 2003. Beginning in 2004 however, the world economies began to improve, air traffic demand rose significantly in the commercial aircraft segment, and defense spending continued to grow, leading to a strong rebound in the demand for titanium and specialty metal products.

According to the U.S. Geological Survey, U.S. shipments of titanium mill products in 2004 increased to 42 million pounds from 34 million pounds in 2003. Aircraft manufacturers, as well as aerospace forecasters, all predict that the growth in commercial aerospace, and therefore titanium, will continue to increase in 2005 and beyond.

The following is a discussion of what is happening within each of the three major markets in which RTI participates.

### Commercial Aerospace Markets

Aerospace demand is classified into two sectors: commercial aerospace and defense programs. Demand from these two sectors comprises approximately 50% of the worldwide consumption for titanium products and in the U.S. comprises in excess of 65% of titanium consumption. The Company's sales to this market represented 35% of total sales in 2004, up from 27% in 2003.

22

Boeing and Airbus reduced their build rates for aircraft to 586 planes in 2003, a 13.5% reduction from prior year. However, a turnaround began in 2004, with the two major producers delivering 605 new aircraft. According to The Airline Monitor, the combined production of large commercial aircraft by Boeing and Airbus is forecast to reach 680 aircraft in 2005, 760 aircraft in 2006, 790 aircraft in 2007, and 815 aircraft in 2008.

Airbus has announced the launch of a large widebody aircraft, the A380, and Boeing is expected to launch a new aircraft, the 787. Airbus has approved another new aircraft, the A350, to compete with Boeing's 787 model. All three of these aircraft are expected to use large quantities of titanium, in the second half of this decade. Longer term, the commercial aerospace sector is expected to continue to be a very significant consumer of titanium products over the next 20 years due to the expected long-term growth of worldwide traffic and the need to repair and replace aging commercial fleets.

Titanium mill products that are ordered by the prime aircraft producers and their subcontractors are generally ordered in advance of final aircraft production by six to eighteen months. This is due to the time it takes to produce a final assembly or part that is ready for installation in an airframe or jet engine.

RMI entered into a long-term mill product agreement with Boeing on January 28, 1998. Under this agreement, Boeing agreed to purchase a minimum of 3.25 million pounds annually. The agreement, which began in 1999, had an initial term of five years and concluded at the end of 2003. If volumes fell short of the minimum commitment, the contract contained provisions for financial compensation. Boeing failed to make minimum purchases in each of the five years, making its final compensation payment in the first quarter of 2004. Beginning in January of 2004, business between the companies, which is not covered by other contracts within RTI, is being conducted on a non-committed basis, that is, no volume commitment by Boeing and no commitment of capacity or price by RMI.

RTI acquired Claro Precision, Inc., Montreal, Canada, in October of 2004. Claro supplies precision machining and complex sub-assemblies to the aerospace industry, primarily Bombardier. The acquisition provides RTI with additional

## Edgar Filing: RTI INTERNATIONAL METALS INC - Form 10-Q/A

manufacturing capabilities as well as access to the regional and business jet markets.

RTI, through its RTI Europe subsidiary, entered into an agreement with the European Aeronautic Defense and Space Company ("EADS") in January 2005 to supply value-added titanium products and parts to the EADS group of companies, including Airbus. The contract is in place through 2008, subject to extension. The new Airbus A380 is expected to utilize more titanium per aircraft than any commercial plane yet produced. In 2003, Airbus became the world's largest producer of commercial aircraft and this continued in 2004.

### Defense Markets

Shipments to military markets represented approximately 30% of the Company's 2004 revenues and are expected to remain significant as U.S. and other countries' defense budgets remain strong. In fact, the latest U.S. Department of Defense budget figures for Research, Development Testing and Evaluation (RDT&E) and Procurement reflect an increase of 21% from 2005 through 2009.

RTI believes it is well positioned to supply mill products and fabrications required for projected demand from this market. RTI currently supplies titanium and other materials to most military aerospace programs, including the F/A-22, C-17, F/A-18, F-15, F-16, Joint Strike Fighter ("JSF") (F-35) and in Europe, the Mirage, Rafale and Eurofighter-Typhoon.

The Company was chosen by BAE Systems RO Defence UK to supply the titanium components for the new XM-777 lightweight 155 mm Howitzer. Delivery began late in 2003 and will continue through 2010. Production approval for 495 units was awarded to BAE in March 2005. Initial deliveries will be to the U.S. Marine Corps, followed by deliveries to the U.S. Army and the Italian and British armed forces. It is anticipated that over 1,000 guns may be produced. Sales under this contract could potentially exceed \$70 million.

The Company entered into a new agreement with BAE Systems in January 2005 to provide value added titanium flat rolled products for the Eurofighter Aircraft through 2009.

23

Lockheed Martin, a major customer of the Company, was awarded the largest military contract ever on October 26, 2001, for the military's \$200 billion JSF program. The aircraft, which will be used by all branches of the military, is expected to consume 30,000 to 40,000 pounds of titanium per airplane depending on the model specified. Timing and order patterns, which are likely to extend well into the future for this program, have not been quantified, but may be as many as 3,000 to 6,000 planes over the next 30 to 40 years. The Company has entered into agreements with Lockheed and its teaming partner, BAE Systems, to be the supplier of titanium sheet and plate for the design and development phase of the program.

### Industrial and Consumer Markets

35% of RTI's 2004 revenues were generated in various industrial and consumer markets where increased demand is expected over the next twelve months.

Revenues from oil and gas markets are expected to increase in 2005 and beyond due to continued activity in deep water projects. In January 2005, RTI Energy Systems was selected by BP to provide titanium stress joints for its Shah Deniz project located in the Caspian Sea, Azerbaijan. Titanium was chosen because both strength and flexibility will be needed to deal with the strong currents in the development area. Fabrication will begin in 2005 and shipments

## Edgar Filing: RTI INTERNATIONAL METALS INC - Form 10-Q/A

will be made over the next 9-12 months.

RTI serves a number of other industrial and consumer markets through its distribution businesses. The products sold and applications served are numerous and varied. The resulting diversity tends to provide sales stability through varying market conditions. The Company believes demand from these markets will continue to improve in 2005.

The Company operates a facility that produces ferro-titanium, an additive to certain grades of steel. The recent world wide demand for steel has significantly increased demand for ferro-titanium. Sales of ferro-titanium constituted over 10% of total sales in 2004 and strong demand is expected to continue into 2005.

The Company's welded tubing operations supplied commercially pure titanium products to various customers for use in industrial operations. The Company's normal supplier advised that it was unable to meet orders due to their inability to obtain raw materials from their suppliers. The Company was unable to find alternate sources of material and had no choice but to declare the welded tubing operations a discontinued business in 2004. The physical facilities, previously utilized for the production of welded tube, are being used to support other areas of RTI's operations.

### Backlog

The Company's order backlog for all markets increased to approximately \$269 million as of March 31, 2005, up from \$238 million at December 31, 2004, principally due to increased demand from the commercial aerospace industry. Of the backlog at March 31, 2005, approximately \$200 million will be realized in 2005.

### LIQUIDITY AND CAPITAL RESOURCES (Dollars in millions)

The Company believes it will generate sufficient cash flow from operations to fund operations and capital expenditures in 2005. In addition, RTI has cash reserves and available borrowing capacity to maintain adequate liquidity. RTI currently has no debt, and based on the expected strength of 2005 cash flows, the Company does not believe there are any material near-term risks related to fluctuations in interest rates.

### Cash (used) provided by operating activities

THREE MONTHS ENDED MARCH 31, -----	2005	2004
Cash (used) provided by operating activities.....	\$(2.5)	\$3.5

The decrease in net cash flows from operating activities for the three months ended March 31, 2005 compared to the three months ended March 31, 2004 primarily reflects an increase in inventory levels due to the improved demand in all market segments as mentioned in the "Outlook" section of Management's Discussion and Analysis. The overall decrease in cash flows from operating activities, due to increased inventory levels, was partially offset from cash generated due to increases in net income, accounts payable and other balance sheet line items. In addition, the overall decrease in cash flows from operating

Edgar Filing: RTI INTERNATIONAL METALS INC - Form 10-Q/A

activities was

partially offset by the increase in tax benefits from stock options. The Company's income tax liability substantially increased in the quarter ended March 31, 2005 as a result of improved operating income. The liability for billings in excess of costs increased during the quarter as new work on projects increased over the prior period.

The Company's working capital ratio was 6.3 and 8.2 to 1 at March 31, 2005 and December 31, 2004, respectively.

Cash used in investing activities

THREE MONTHS ENDED MARCH 31, -----	2005 ----	2004 ----
Cash used in investing activities.....	\$2.1	\$ 1.9

Gross capital expenditures for the three months ended March 31, 2005 amounted to \$1.8 million compared to \$1.9 million in 2004. In February 2005, the Company amended its purchase of the minority interest in Galt Alloys, Inc. from the prior owners agreeing to pay an additional \$0.3 million. Additional capital spending for all periods primarily reflected equipment additions and improvements as well as information systems projects.

During the three months ended March 31, 2005 and 2004, the Company's cash flow requirements for capital expenditures were funded with cash provided by operations. The Company anticipates that its capital expenditures for 2005 will total approximately \$13 million and will be funded with cash generated by operations.

At March 31, 2005 and December 31, 2004, the Company had a borrowing capacity equal to \$64.3 and \$33.8 million, respectively.

Cash provided by financing activities

THREE MONTHS ENDED MARCH 31, -----	2005 ----	2004 ----
Cash provided by financing activities.....	\$4.9	\$1.5

The favorable change in cash flows from financing activities for the three months ended March 31, 2005 compared to the three months ended March 31, 2004 primarily reflects an increase in proceeds from the exercise of employee stock options of \$3.6 million.

## Edgar Filing: RTI INTERNATIONAL METALS INC - Form 10-Q/A

### CONTRACTUAL OBLIGATIONS, COMMITMENTS, AND POST-RETIREMENT BENEFITS

Following is a summary of the Company's contractual obligations and other commercial commitments as of March 31, 2005 (dollars in thousands):

	REMAINDER 2005	2006	2007	2008	2009	THEREAFTER
	-----	-----	-----	-----	-----	-----
<b>CONTRACTUAL OBLIGATIONS</b>						
Operating leases.....	\$ 1,893	\$ 2,438	\$2,167	\$1,485	\$1,187	\$ 795
Capital leases.....	114	53	35	11	9	2
	-----	-----	-----	-----	-----	-----
Total contractual obligations.....	2,007	2,491	2,202	1,496	1,196	797
	=====	=====	=====	=====	=====	=====
<b>COMMERCIAL COMMITMENTS</b>						
<b>AMOUNT OF COMMITMENT EXPIRATION PER PERIOD</b>						
Long-term supply agreements(1)...	42,874	11,431	4,784	--	--	--
Purchase obligations(2).....	23,871	2,051	3	--	--	--
Standby letters of credit(3).....	1,584	--	--	--	--	--
	-----	-----	-----	-----	-----	-----
Total commercial commitments.....	68,329	13,482	4,787	--	--	--
	=====	=====	=====	=====	=====	=====
<b>POST-RETIREMENT BENEFITS</b>						
Post-retirement benefits(4).....	\$ 1,206	\$ 1,881	\$1,894	\$1,915	\$1,934	\$10,096
	=====	=====	=====	=====	=====	=====

25

-----

(1) Amounts represent commitments for which contractual terms exceed twelve months.

(2) Amounts primarily represent purchase commitments under purchase orders.

(3) Amounts represent standby letters of credit primarily related to commercial performance and insurance guarantees.

(4) The Company does not fund its other post-retirement employee benefits obligation but instead pays amounts when incurred. However, these estimates are based on current benefit plan coverage and are not contractual commitments in as much as the Company retains the right to modify, reduce, or terminate any such coverage in the future. Amounts shown in the years 2005 through 2008 are based on actuarial estimates of expected future cash payments. The Company is not forecasting or required to make a pension contribution in 2005. As in past years, the Company may make voluntary contributions when there is an economic advantage to contribute to the fund. Future contributions to the fund, if required, will be provided based on actuarial evaluation.

CREDIT AGREEMENT



## Edgar Filing: RTI INTERNATIONAL METALS INC - Form 10-Q/A

The Company amended its former \$100 million, three-year credit agreement on June 4, 2004. The amendment provides for \$90 million of standby credit through May 31, 2008. The Company has the option to increase the available credit to \$100 million with the addition of another bank, without the approval of the existing bank group. The terms and conditions of the amended facility remain unchanged with the exception that the tangible net worth covenant in the replaced facility was eliminated.

Under the terms of the facility, the Company, at its option, will be able to borrow at (a) a base rate (which is the higher of PNC Bank's prime rate or the Federal Funds Effective Rate plus 0.5% per annum), or (b) LIBOR plus a spread (ranging from 1.0% to 2.25%) determined by the ratio of the Company's consolidated total indebtedness to consolidated earnings before interest, taxes, depreciation and amortization. The credit agreement contains restrictions, among others, on the minimum cash flow required, and the maximum leverage ratio permitted. At March 31, 2005, there was \$1.6 million of standby letters of credit outstanding under the facility, the Company was in compliance with all covenants, and had a borrowing capacity equal to \$64.3 million.

### ENVIRONMENTAL MATTERS

The Company is subject to environmental laws and regulations as well as various health and safety laws and regulations that are subject to frequent modifications and revisions. During the three months ended March 31, 2005, the Company spent approximately \$0.2 million for environmental remediation, compliance, and related services. While the costs of compliance for these matters have not had a material adverse impact on the Company in the past, it is impossible to accurately predict the ultimate effect these changing laws and regulations may have on the Company in the future. The Company continues to evaluate its obligations for environmental related costs on a quarterly basis and makes adjustments in accordance with provisions of Statement of Position No. 96-1, "Environmental Remediation Liabilities."

The Company is involved in investigative or cleanup projects under federal or state environmental laws at a number of waste disposal sites, including the Fields Brook Superfund Site and the Ashtabula River Area of Concern. Given the status of the proceedings with respect to these sites, ultimate investigative and remediation costs cannot presently be accurately predicted, but could, in the aggregate be material. Based on the information available regarding the current ranges of estimated remediation costs at currently active sites, and what the Company believes will be its ultimate share of such costs, provisions for environmental-related costs have been recorded.

Given the status of the proceedings at certain of these sites, and the evolving nature of environmental laws, regulations, and remediation techniques, the Company's ultimate obligation for investigative and remediation costs cannot be predicted. It is the Company's policy to recognize environmental costs in its financial statements when an obligation becomes probable and a reasonable estimate of exposure can be determined.

26

At March 31, 2005, the amount accrued for future environmental-related costs was \$3.7 million. Of the total amount accrued at March 31, 2005, \$0.6 million is expected to be paid out within one year and is included in the other accrued liabilities line of the balance sheet. The remaining \$3.1 million is recorded in other non-current liabilities.

Based on available information, RMI believes that its share of potential environmental-related costs, before expected contributions from third parties, is in a range from \$2.9 to \$7.7 million in the aggregate. The Company has

## Edgar Filing: RTI INTERNATIONAL METALS INC - Form 10-Q/A

included in its other noncurrent assets \$2.1 million as expected contributions from third parties. These third parties include prior owners of RMI property and prior customers of RMI, that have agreed to partially reimburse the Company for certain environmental-related costs. The Company has been receiving contributions from such third parties for a number of years as partial reimbursement for costs incurred by the Company.

As these proceedings continue toward final resolution, amounts in excess of those already provided may be necessary to discharge the Company from its obligations for these sites.

### Former Ashtabula Extrusion Plant

The Company's former extrusion plant in Ashtabula, Ohio was used to extrude depleted uranium under a contract with the DOE from 1962 through 1990. In accordance with that agreement, the DOE retained responsibility for the cleanup of the facility when the facility was no longer needed for processing government material. Processing ceased in 1990, and in 1993 RMI was chosen as the prime contractor for the remediation and restoration of the site by the DOE. Since then, contaminated buildings have been removed and approximately two-thirds of the site has been free released by the Ohio Department of Health, to RMI, at DOE expense.

In December, 2003, in accordance with its terms, the Department of Energy terminated the contract "for convenience." It is not known at this time what role, if any, RMI will play in the balance of the cleanup although discussions are ongoing. Remaining soil removal is expected to take approximately 18-24 months. As license holder and owner of the site, RMI is responsible to the state of Ohio for complying with soil and water regulations. However, remaining cleanup cost is expected to be borne by the DOE in accordance with their contractual obligation.

### EMPLOYEES

As of March 31, 2005, the Company and its subsidiaries employed 1,193 persons, 373 of whom were classified as administrative and sales personnel. 605 of the total number of employees were in the Titanium Group, while 588 were employed in the Fabrication & Distribution Group.

The United Steelworkers of America represents 311 of the hourly clerical and technical employees at RMI's plant in Niles, Ohio and 1 hourly employee at RMI Environmental Services in Ashtabula, Ohio. No other Company employees are represented by a union.

### NEW ACCOUNTING STANDARDS

In December 2004 the FASB issued SFAS No. 151, Inventory Costs. The Company is required to adopt SFAS 151 on a prospective basis as of January 1, 2006. SFAS 151 clarifies the accounting for abnormal amounts of idle facility expense, freight, handling cost, and wasted material. SFAS 151 requires that those items--if abnormal--be recognized as expenses in the period incurred. SFAS 151 requires the allocation of fixed production overheads to the cost of conversion based upon the normal capacity of the production facilities. The Company has not yet determined what effect SFAS 151 will have on its financial statements.

In December 2004, the FASB Issued FASB Staff Position No. FAS 109-2, "Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004," which states that the FASB staff believes that the lack of clarification of certain provisions within the Act and the timing of the enactment necessitate a practical exemption to the FAS 109 requirement to reflect in the period of enactment the effect of a new tax law. Accordingly, an enterprise is allowed time beyond the financial

## Edgar Filing: RTI INTERNATIONAL METALS INC - Form 10-Q/A

reporting period of enactment to evaluate the effect of the Act on its plan for reinvestment or

27

repatriation of foreign earnings for purposes of applying FAS 109. The Company is evaluating the impact of earnings repatriation and once concluded will apply its action in accordance with FAS 109.

In December 2004, the Financial Accounting Standards (FASB) issued Statement of Financial Accounting Standards No. 123 (revised 2004) (SFAS 123R), Share-Based Payment. In March 2005, the SEC issued Staff Accounting Bulletin No. 107 (SAB 107) regarding the SEC Staff's interpretation of SFAS 123R and provides the Staff's views regarding interactions between SFAS 123R and certain SEC rules and regulations and provides interpretations of the valuation of share-based payments for public companies. SFAS 123R requires the mandatory expensing of share-based payments, including employee stock options, based on their fair value. Recently, the FASB delayed mandatory implementation for fiscal years beginning after December 15, 2005. As a result the standard will be adopted for the Company's 2006 fiscal year. SFAS 123R provides alternative methods of adoption including prospective and modified retroactive applications. The Company is currently evaluating the financial impact, including the available alternatives under SFAS 123R and SAB 107.

On December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act) was signed into law. The Act introduced a prescription drug benefit under Medicare (Medicare Part D), as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. On May 19, 2004, FASB issued Staff Position FSP FAS 106-2 (FSP 106-2), which supercedes FSP 106-1 and provides guidance on accounting for the effects of the new Medicare prescription drug legislation for employers whose prescription drug benefits are actuarially equivalent to the drug benefit under Medicare Part D. The effect of the Act did not have a material impact on the Company.

#### ITEM 4. CONTROLS AND PROCEDURES

##### (a) Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of the Chief Executive officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this quarterly report on Form 10-Q. Based upon that evaluation they have concluded that the Company's disclosure controls and procedures are not effective in ensuring that all material information required to be filed in reports that the Company files with the Securities and Exchange Commission is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Commission because of material weaknesses in its internal control over financial reporting as discussed in the Company's Form 10-K/A filed on May 9, 2005.

The evaluation of our disclosure controls and procedures by our Chief Executive Officer and Chief Administrative Officer included a review of the restatement described in Note 17 on page 17 of this Form 10-Q/A, where the Company restated its consolidated statement of cash flows for periods ended March 31, 2004 and 2005, including all interim periods. Management has determined that the restatement is an additional effect of the material weaknesses already described in the Form 10-K/A Amendment No. 2.

## Edgar Filing: RTI INTERNATIONAL METALS INC - Form 10-Q/A

In light of material weaknesses described in our Form 10-K/A Amendment No. 2, management continues to perform additional analysis and other post-closing procedures to ensure our Condensed Consolidated Financial Statements are prepared in accordance with generally accepted accounting principles. Accordingly, management believes that the financial statements included in this report fairly present in all material respects our financial condition, results of operations and cash flows for the period presented.

### (b) Changes in Internal Control over Financial Reporting

The Company reported material weaknesses in its Form 10-K/A. The Company has begun to implement a remediation program to address those material weaknesses during 2005.

There were no changes in the Company's internal control over financial reporting during the quarter ended March 31, 2005, other than those as described below that are interim measures until all planned control measures are implemented. Additionally, the Company replaced the Director of Corporate Accounting and Consolidation. In the Company's 10-K/A filed May 9, 2005 the Company identified numerous control

28

improvements over its disclosure controls and procedures that the Company plans to implement in 2005. Those control improvements that were implemented in the quarter ended March 31, 2005 included:

- Reduction in the number of SAP users with unrestricted access;
- Direction of the Company's internal audit department to concentrate on examination, evaluation and testing of reported material weaknesses.

Interim measures used in the quarter ended March 31, 2005 and until remediation is effective over all control weaknesses identified in the Company's 10-K/A are implemented include:

- Re-testing of material internal control weaknesses identified in 2004 to determine their effectiveness in the current quarter;
- Substantive testing for certain of its transactions to ensure their accuracy and compliance with GAAP and;
- Enhanced review of critical transactions and balances to ensure their accuracy.

These matters have been discussed with the Company's Audit Committee, and the Company is taking appropriate, diligent action to continually improve its internal control over financial reporting.

29

## PART II--OTHER INFORMATION

### ITEM 6. EXHIBITS

Edgar Filing: RTI INTERNATIONAL METALS INC - Form 10-Q/A

(a) Exhibits

EXHIBIT NUMBER -----	DESCRIPTION -----
10.1	Form of Indemnification Agreements with certain directors and executive officers(1)
10.2	Summary of Executive Compensation
31.1	Certification pursuant to Exchange Act Rules 13a-14 and 15d-14.
31.2	Certification pursuant to Exchange Act Rules 13a-14 and 15d-14.
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

-----  
(1) Previously filed.

30

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

RTI INTERNATIONAL METALS, INC.  
-----

(Registrant)

Date: December 15, 2005

By: /s/ WILLIAM T. HULL  
-----

William T. Hull

Vice President and Chief Accounting  
Officer

31