

RTI INTERNATIONAL METALS INC

Form 10-Q

August 08, 2011

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2011

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)

Westpointe Corporate Center One, 5th Floor

1550 Coraopolis Heights Road

Pittsburgh, Pennsylvania
(Address of principal executive offices)

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

15108-2973

(Zip Code)

(412) 893-0026

Registrant's telephone number, including area code:

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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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

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

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

Yes No

Number of shares of the Corporation's common stock (Common Stock) outstanding as of July 29, 2011 was 30,189,961.

Table of Contents**RTI INTERNATIONAL METALS, INC AND CONSOLIDATED SUBSIDIARIES**

As used in this report, the terms RTI, Company, Registrant, we, our, and us, mean RTI International Metals, Inc., its predecessors, and consolidated subsidiaries, taken as a whole, unless the context indicates otherwise.

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements.****RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES****Condensed Consolidated Statements of Operations****(Unaudited)****(In thousands, except share and per share amounts)**

| | Three Months Ended | | Six Months Ended | |
|---|--------------------|------------|------------------|------------|
| | June 30, | | June 30, | |
| | 2011 | 2010 | 2011 | 2010 |
| Net sales | \$ 123,213 | \$ 106,651 | \$ 244,063 | \$ 214,536 |
| Cost and expenses: | | | | |
| Cost of sales | 98,624 | 89,702 | 193,469 | 170,064 |
| Selling, general, and administrative expenses | 17,618 | 16,418 | 35,076 | 32,057 |
| Research, technical, and product development expenses | 890 | 1,028 | 1,522 | 1,753 |
| Asset and asset-related charges (income) | | (2,590) | (1,501) | (3,111) |
| Operating income | 6,081 | 2,093 | 15,497 | 13,773 |
| Other income (expense) | 133 | 233 | (436) | 366 |
| Interest income | 355 | 133 | 580 | 231 |
| Interest expense | (4,250) | (291) | (8,550) | (564) |
| Income before income taxes | 2,319 | 2,168 | 7,091 | 13,806 |
| Provision for (benefit from) income taxes | 191 | (8,071) | 2,621 | (7,831) |
| Net income | \$ 2,128 | \$ 10,239 | \$ 4,470 | \$ 21,637 |
| Earnings per share: | | | | |
| Basic | \$ 0.07 | \$ 0.34 | \$ 0.15 | \$ 0.72 |
| Diluted | \$ 0.07 | \$ 0.34 | \$ 0.15 | \$ 0.72 |
| Weighted-average shares outstanding: | | | | |
| Basic | 30,019,933 | 29,903,061 | 30,008,108 | 29,885,280 |
| Diluted | 30,318,084 | 30,100,762 | 30,273,669 | 30,117,232 |

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

Table of Contents**RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES****Condensed Consolidated Balance Sheets****(Unaudited)****(In thousands, except share and per share amounts)**

| | June 30, 2011 | December 31, 2010 |
|--|---------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 228,313 | \$ 376,951 |
| Short-term investments | 63,590 | 20,275 |
| Receivables, less allowance for doubtful accounts of \$465 and \$478 | 66,211 | 56,235 |
| Inventories, net | 259,241 | 269,719 |
| Deferred income taxes | 22,950 | 22,891 |
| Other current assets | 11,952 | 16,299 |
| Total current assets | 652,257 | 762,370 |
| Property, plant, and equipment, net | 266,144 | 260,576 |
| Marketable securities | 92,440 | |
| Goodwill | 42,215 | 41,795 |
| Other intangible assets, net | 13,965 | 14,066 |
| Deferred income taxes | 24,909 | 21,699 |
| Other noncurrent assets | 5,600 | 6,348 |
| Total assets | \$ 1,097,530 | \$ 1,106,854 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 34,036 | \$ 47,226 |
| Accrued wages and other employee costs | 18,799 | 21,951 |
| Unearned revenues | 22,889 | 28,358 |
| Other accrued liabilities | 28,479 | 28,179 |
| Total current liabilities | 104,203 | 125,714 |
| Long-term debt | 182,462 | 178,107 |
| Liability for post-retirement benefits | 40,859 | 39,903 |
| Liability for pension benefits | 27,604 | 33,830 |
| Deferred income taxes | 3,169 | 3,147 |
| Other noncurrent liabilities | 8,527 | 7,753 |
| Total liabilities | 366,824 | 388,454 |
| Commitments and Contingencies | | |
| Shareholders' equity: | | |
| Common stock, \$0.01 par value; 50,000,000 shares authorized; 30,933,721 and 30,858,725 shares issued; 30,188,550 and 30,123,519 shares outstanding | 309 | 309 |
| Additional paid-in capital | 476,948 | 474,277 |
| Treasury stock, at cost; 745,171 and 735,206 shares | (17,646) | (17,363) |
| Accumulated other comprehensive loss | (26,889) | (32,337) |
| Retained earnings | 297,984 | 293,514 |

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| | | |
|--|--------------|--------------|
| Total shareholders' equity | 730,706 | 718,400 |
| Total liabilities and shareholders' equity | \$ 1,097,530 | \$ 1,106,854 |

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

Table of Contents**RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES****Condensed Consolidated Statements of Cash Flows****(Unaudited)****(In thousands)**

| | Six Months Ended June 30, | |
|--|--------------------------------------|-------------|
| | 2011 | 2010 |
| <u>OPERATING ACTIVITIES:</u> | | |
| Net income | \$ 4,470 | \$ 21,637 |
| Adjustment for non-cash items included in net income: | | |
| Depreciation and amortization | 11,279 | 10,978 |
| Asset and asset-related charges (income) | (597) | (2,081) |
| Deferred income taxes | (2,547) | (1,521) |
| Stock-based compensation | 2,502 | 2,086 |
| Excess tax benefits from stock-based compensation activity | (263) | (189) |
| Loss (gain) on sale of property, plant and equipment | 39 | (272) |
| Amortization of discount on long-term debt | 4,361 | |
| Other | (122) | 432 |
| Changes in assets and liabilities: | | |
| Receivables | (9,069) | (2,224) |
| Inventories | 12,501 | (4,367) |
| Accounts payable | (10,345) | (3,997) |
| Income taxes payable | (81) | 181 |
| Unearned revenue | (6,779) | (1,824) |
| Other current assets and liabilities | 2,040 | (4,256) |
| Other assets and liabilities | (2,169) | 1,704 |
| Cash provided by operating activities | 5,220 | 16,287 |
| <u>INVESTING ACTIVITIES:</u> | | |
| Proceeds from disposal of property, plant, and equipment | | 468 |
| Purchase of investments | (154,772) | (111) |
| Maturity/sale of investments | 19,079 | 45,000 |
| Capital expenditures | (18,646) | (13,565) |
| Cash provided by (used in) investing activities | (154,339) | 31,792 |
| <u>FINANCING ACTIVITIES:</u> | | |
| Proceeds from employee stock activity | 201 | 252 |
| Excess tax benefits from stock-based compensation activity | 263 | 189 |
| Repayments on long-term debt | (5) | (10) |
| Purchase of common stock held in treasury | (283) | (286) |
| Cash provided by financing activities | 176 | 145 |
| Effect of exchange rate changes on cash and cash equivalents | 305 | (113) |
| Increase (decrease) in cash and cash equivalents | (148,638) | 48,111 |
| Cash and cash equivalents at beginning of period | 376,951 | 56,216 |

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| | | |
|--|------------|------------|
| Cash and cash equivalents at end of period | \$ 228,313 | \$ 104,327 |
|--|------------|------------|

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

Table of Contents**RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES****Condensed Consolidated Statement of Comprehensive Income and Shareholders' Equity****(Unaudited)****(In thousands, except share amounts)**

| | Common Stock | | Additional Paid-In Capital | Treasury Stock | Retained Earnings | Available- For -Sale- Investments | Accumulated Other Comprehensive Income (Loss) Net Unrealized Gain (Loss) From | | Total |
|--|-----------------------|--------|----------------------------------|-------------------|----------------------|--|---|------------------------------------|------------|
| | Shares Outstanding | Amount | | | | | Minimum Pension Liability | Foreign Currency Translation | |
| Balance at December 31, 2009 | 30,010,998 | \$ 307 | \$ 439,361 | \$ (16,996) | \$ 290,097 | \$ 42 | \$ (39,932) | \$ 6,327 | \$ 679,206 |
| Net income | | | | | 21,637 | | | | 21,637 |
| Foreign currency translation | | | | | | | | (74) | (74) |
| Unrealized loss on investments | | | | | | (15) | | | (15) |
| Benefit plan amortization | | | | | | | 1,412 | | 1,412 |
| <i>Comprehensive income.</i> | | | | | | | | | 22,960 |
| Shares issued for directors compensation | 16,763 | | | | | | | | |
| Shares issued for restricted stock award plans | 49,770 | 1 | | | | | | | 1 |
| Stock-based compensation expense recognized | | | 2,086 | | | | | | 2,086 |
| Treasury stock purchased at cost | (11,328) | | | (285) | | | | | (285) |
| Exercise of employee options | 10,767 | | 252 | | | | | | 252 |
| Tax benefits from stock-based compensation activity | | | (91) | | | | | | (91) |
| Shares issued for employee stock purchase plan | 2,466 | | 64 | | | | | | 64 |
| Balance at June 30, 2010 | 30,079,436 | \$ 308 | \$ 441,672 | \$ (17,281) | \$ 311,734 | \$ 27 | \$ (38,520) | \$ 6,253 | \$ 704,193 |
| Balance at December 31, 2010 | 30,123,519 | \$ 309 | \$ 474,277 | \$ (17,363) | \$ 293,514 | \$ 27 | \$ (44,672) | \$ 12,308 | \$ 718,400 |
| Net income | | | | | 4,470 | | | | 4,470 |
| Foreign currency translation | | | | | | | | 3,590 | 3,590 |
| Unrealized gain on investments | | | | | | 40 | | | 40 |
| Benefit plan amortization | | | | | | | 1,818 | | 1,818 |
| <i>Comprehensive income.</i> | | | | | | | | | 9,918 |
| Shares issued for directors compensation | 14,273 | | | | | | | | |
| Shares issued for restricted stock award plans | 50,296 | | | | | | | | |
| Stock-based compensation expense recognized | | | 2,502 | | | | | | 2,502 |
| Treasury stock purchased at cost | (9,965) | | | (283) | | | | | (283) |
| Exercise of employee options | 7,337 | | 116 | | | | | | 116 |
| Tax benefits from stock-based compensation activity | | | (32) | | | | | | (32) |
| | 3,090 | | 85 | | | | | | 85 |

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Shares issued for employee stock
purchase plan

| | | | | | | | | | |
|--------------------------|------------|--------|------------|-------------|------------|-------|-------------|-----------|------------|
| Balance at June 30, 2011 | 30,188,550 | \$ 309 | \$ 476,948 | \$ (17,646) | \$ 297,984 | \$ 67 | \$ (42,854) | \$ 15,898 | \$ 730,706 |
|--------------------------|------------|--------|------------|-------------|------------|-------|-------------|-----------|------------|

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

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RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(In thousands, except share and per share amounts, unless otherwise indicated)

Note 1 Basis of Presentation:

The accompanying unaudited Condensed Consolidated Financial Statements of RTI International Metals, Inc. and its subsidiaries (the Company or RTI) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, certain information and note disclosures normally included in annual financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information not misleading. In the opinion of management, these financial statements contain all of the adjustments of a normal and recurring nature considered necessary to state fairly the results for the interim periods presented. The results for the interim periods are not necessarily indicative of the results to be expected for the year.

The balance sheet at December 31, 2010 has been derived from the audited consolidated financial statements at that date, but does not include all of the information and notes required by GAAP for complete financial statements. Although the Company believes that the disclosures are adequate to make the information presented not misleading, it is suggested that these Condensed Consolidated Financial Statements be read in conjunction with accounting policies and Notes to the Consolidated Financial Statements included in the Company's 2010 Annual Report on Form 10-K filed with the Securities and Exchange Commission (the SEC) on March 1, 2011.

Note 2 Organization:

The Company is a leading producer and global supplier of titanium mill products and a manufacturer of fabricated titanium and specialty metal components for the international aerospace, defense, energy, and industrial and consumer markets. It is a successor to entities that have been operating in the titanium industry since 1951. The Company first became publicly traded on the New York Stock Exchange in 1990 under the name RMI Titanium Co. and the symbol RTI, and was reorganized into a holding company structure in 1998 under the name RTI International Metals, Inc.

The Company conducts business in three segments: the Titanium Group, the Fabrication Group, and the Distribution Group.

The Titanium Group melts, processes, 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 and consumer applications. With operations in Niles, Ohio; Canton, Ohio; and Hermitage, Pennsylvania; and a new facility under construction in Martinsville, Virginia, the Titanium Group has overall responsibility for the production of primary mill products including, but not limited to, bloom, billet, sheet, and plate. In addition, the Titanium Group produces ferro titanium alloys for its steel-making customers. The Titanium Group also focuses on the research and development of evolving technologies relating to raw materials, melting and other production processes, and the application of titanium in new markets.

The Fabrication Group is comprised of companies with significant hard-metal expertise that extrude, fabricate, machine, and assemble titanium and other specialty metal parts and components. Its products, many of which are complex engineered parts and assemblies, serve commercial aerospace, defense, oil and gas, power generation, medical device, and chemical process industries, as well as a number of other industrial and consumer markets. With operations located in Houston, Texas; Washington, Missouri; Laval, Canada; and a representative office in China, the Fabrication Group provides value-added products and services such as engineered tubulars and extrusions, fabricated and machined components and sub-assemblies, as well as engineered systems for deepwater oil and gas exploration and production infrastructure.

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The Distribution Group stocks, distributes, finishes, cuts-to-size, and facilitates just-in-time delivery services of titanium, steel, and other specialty metal products, primarily nickel-based specialty alloys. With operations in Garden Grove, California; Windsor, Connecticut; Sullivan, Missouri; Staffordshire, England; and Rosny-Sur-Seine, France; the Distribution Group is in close proximity to its wide variety of commercial aerospace, defense, and industrial and consumer customers.

Both the Fabrication Group and the Distribution Group utilize the Titanium Group as their primary source of titanium mill products.

Note 3 Stock-Based Compensation:***Stock Options***

A summary of the status of the Company's stock options as of June 30, 2011, and the activity during the six months then ended, is presented below:

| Stock Options | Options |
|----------------------------------|----------------|
| Outstanding at December 31, 2010 | 497,686 |
| Granted | 86,048 |
| Forfeited | (300) |
| Expired | (4,300) |
| Exercised | (7,337) |
| Outstanding at June 30, 2011 | 571,797 |
| Exercisable at June 30, 2011 | 362,779 |

The fair value of stock options granted was estimated at the date of grant using the Black-Scholes option-pricing model based upon the assumptions noted in the following table:

| | 2011 |
|---------------------------|-------------|
| Risk-free interest rate | 1.92% |
| Expected dividend yield | 0.00% |
| Expected lives (in years) | 4.0 |
| Expected volatility | 67.00% |

The weighted-average grant date fair value of stock option awards granted during the six months ended June 30, 2011 was \$14.70.

Restricted Stock

A summary of the status of the Company's nonvested restricted stock as of June 30, 2011, and the activity during the six months then ended, is presented below:

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| Nonvested Restricted Stock Awards | Shares |
|--|---------------|
| Nonvested at December 31, 2010 | 154,289 |
| Granted | 64,569 |
| Vested | (54,857) |
| Nonvested at June 30, 2011 | 164,001 |

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The fair value of restricted stock grants was calculated using the market value of the Company's Common Stock on the date of issuance. The weighted-average grant date fair value of restricted stock awards granted during the six months ended June 30, 2011 was \$29.14.

Performance Share Awards

A summary of the Company's performance share award activity during the six months ended June 30, 2011 is presented below:

| Performance Share Awards | Awards Activity | Maximum Shares Eligible to Receive |
|----------------------------------|--------------------|--|
| Outstanding at December 31, 2010 | 113,430 | 226,860 |
| Granted | 52,341 | 104,682 |
| Forfeited | (400) | (800) |
| Outstanding at June 30, 2011 | 165,371 | 330,742 |

The fair value of the performance share awards granted was estimated by the Company at the grant date using a Monte Carlo model. The weighted-average grant-date fair value of performance shares awarded during the six months ended June 30, 2011 was \$43.68.

Note 4 Income Taxes:

Management estimates the annual effective income tax rate quarterly, based on current annual forecasted results. Items unrelated to current year ordinary income are recognized entirely in the period identified as a discrete item of tax. The quarterly income tax provision is comprised of tax on ordinary income provided at the most recent estimated annual effective tax rate, increased or decreased for the tax effect of discrete items.

For the six months ended June 30, 2011, the estimated annual effective tax rate applied to ordinary income was 35.0% compared to a rate of (52.1)% for the six months ended June 30, 2010. The effective tax rate in each year results from the mix of foreign losses benefitted at lower rates and domestic income taxed at higher rates. Although these factors are present in both 2011 and 2010, the differing mix of foreign losses and domestic income between the periods has a substantial influence on the tax rates for each respective period. The level of expected annual operating results forecasted in each period amplifies the rate impact of these factors.

Inclusive of discrete items, the Company recognized a provision for income taxes of \$2,621, or 37.0% of pretax income, and \$(7,831), or (56.7)% of pretax income, for federal, state, and foreign income taxes for the six months ended June 30, 2011 and 2010, respectively. Discrete items for the six months ended June 30, 2011 were not material. Discrete items totaling \$638 increased the benefit from income taxes for the six months ended June 30, 2010 and were comprised of a \$1.6 million charge associated with repeal of the Medicare Part D subsidy contained in healthcare legislation enacted in during the first quarter of 2010 with the remainder associated with the effective settlement of an income tax examination and other immaterial items.

Note 5 Earnings Per Share:

Basic earnings per share was computed by dividing net income by the weighted-average number of shares of Common Stock outstanding for each respective period. Diluted earnings per share was calculated by dividing net income by the weighted-average of all potentially dilutive shares of Common Stock that were outstanding during the periods presented.

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At June 30, 2011, the Company had \$230 million aggregate principal amount of 3.0% Convertible Senior Notes due 2015 (the Notes) outstanding. Under the Financial Accounting Standards Board s (the FASB)

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authoritative guidance, earnings per share for convertible notes with an optional net share settlement provision is calculated under the *If Converted* method. For the three and six months ended June 30, 2011, diluted earnings per share was calculated by including both cash and non-cash interest expense related to the Notes and excluding the shares underlying the Notes in accordance with the *If Converted* method.

Actual weighted-average shares of Common Stock outstanding used in the calculation of basic and diluted earnings per share for the three and six months ended June 30, 2011 and 2010 were as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|------------|------------------------------|------------|
| | 2011 | 2010 | 2011 | 2010 |
| Numerator: | | | | |
| Net income | \$ 2,128 | \$ 10,239 | \$ 4,470 | \$ 21,637 |
| Denominator: | | | | |
| Basic weighted-average shares outstanding | 30,019,933 | 29,903,061 | 30,008,108 | 29,885,280 |
| Effect of diluted securities | 298,151 | 197,701 | 265,561 | 231,952 |
| Diluted weighted-average shares outstanding | 30,318,084 | 30,100,762 | 30,273,669 | 30,117,232 |
| Earnings per share: | | | | |
| Basic | \$ 0.07 | \$ 0.34 | \$ 0.15 | \$ 0.72 |
| Diluted | \$ 0.07 | \$ 0.34 | \$ 0.15 | \$ 0.72 |

For the three and six months ended June 30, 2011, options to purchase 249,865 and 248,601 shares of Common Stock, at an average price of \$48.18 and \$48.31, respectively, were excluded from the calculation of diluted earnings per share because their effects were antidilutive. For the three and six months ended June 30, 2010, options to purchase 276,603 and 261,727 shares of Common Stock, at an average price of \$46.61 and \$47.82, respectively, were excluded from the calculation of diluted earnings per share because their effects were antidilutive.

Note 6 Cash, cash equivalents, short-term investments, and marketable securities:***Cash and cash equivalents***

The Company considers all highly-liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents principally consist of investments in short-term money market funds and corporate commercial paper.

Available-for-sale securities

Investments in marketable securities that are being held for an indefinite period are classified as available-for-sale and are recorded at fair value based on market quotes using the specific identification method, with unrealized gains and losses recorded as a component of accumulated other comprehensive income until realized. Realized gains and losses from the sale of available-for-sale securities, if any, are determined on a specific identification basis. The Company considers these investments to be available-for-sale as they may be sold to fund other investment opportunities as they arise.

The major categories of the Company's cash equivalents and marketable securities are as follows:

Money market mutual funds

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The Company invests in money market mutual funds that seek to maintain a stable net asset value of \$1.00, while limiting overall exposure to credit, market, and liquidity risks.

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The Company invests in high quality commercial paper issued by highly-rated corporations. By definition, the stated maturity on commercial paper obligations cannot exceed 270 days.

Short-term municipal bond fund

The dividends received by the Company are not taxable for U.S. Federal income tax purposes. The fund invests in municipal bonds that are near their maturity.

Corporate notes and bonds

The Company evaluates its corporate debt securities based upon a variety of factors including, but not limited to, the credit rating of the issuer. All of the Company's corporate debt securities are rated as investment grade by the major rating agencies.

U.S. government agencies

These U.S. government guaranteed debt securities are rated as investment grade by the major rating agencies and are publicly traded and valued.

Cash, cash equivalents, short-term investments, and marketable securities consist of the following:

| | June 30, 2011 | December 31, 2010 |
|--|--------------------------|------------------------------|
| Cash and cash equivalents: | | |
| Cash | \$ 16,536 | \$ 31,795 |
| Money market mutual funds | 211,777 | 345,156 |
| Total cash and cash equivalents | 228,313 | 376,951 |
| Short-term investments and marketable securities: | | |
| Short-term municipal bond fund | 20,456 | 20,275 |
| Commercial paper | 8,991 | |
| Corporate notes and bonds | 106,414 | |
| U.S. government agencies | 20,169 | |
| Total short-term investments and marketable securities | 156,030 | 20,275 |
| Total cash, cash equivalents, short-term investments, and marketable securities | \$ 384,343 | \$ 397,226 |

The Company's short-term investments and marketable securities at June 30, 2011 and December 31, 2010 were as follows:

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| | Amortized Cost | Gross Unrealized | | Fair Value |
|---------------------------------|-------------------|------------------|---------------|-------------------|
| | | Gains | Losses | |
| As of June 30, 2011: | | | | |
| Short-term municipal bond fund | \$ 20,372 | \$ 84 | \$ | \$ 20,456 |
| Commercial paper | 8,993 | | 2 | 8,991 |
| Corporate notes and bonds | 106,409 | 130 | 125 | 106,414 |
| U.S. government agencies | 20,153 | 16 | | 20,169 |
| Total | \$ 155,927 | \$ 230 | \$ 127 | \$ 156,030 |
| As of December 31, 2010: | | | | |
| Short-term municipal bond fund | \$ 20,233 | \$ 42 | \$ | \$ 20,275 |
| Total | \$ 20,233 | \$ 42 | \$ | \$ 20,275 |

Table of Contents**RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES****Notes to Condensed Consolidated Financial Statements****(In thousands, except share and per share amounts, unless otherwise indicated)**

Available-for-sale investments at June 30, 2011 had contractual maturities as follows:

| | Due within 1 year | Due within 2 years | Total |
|--------------------------------|----------------------|-----------------------|-------------------|
| Short-term municipal bond fund | \$ 20,456 | \$ | \$ 20,456 |
| Commercial paper | 8,991 | | 8,991 |
| Corporate notes and bonds | 34,143 | 72,271 | 106,414 |
| U.S. government agencies | | 20,169 | 20,169 |
| Total | \$ 63,590 | \$ 92,440 | \$ 156,030 |

The Company classifies investments maturing within one year as short-term investments. Investments maturing in excess of one year are classified as noncurrent.

As of June 30, 2011, no investments classified as available-for-sale have been in a continuous unrealized loss position for greater than twelve months. The Company believes that the unrealized losses on the available-for-sale portfolio as of June 30, 2011 are temporary in nature and are related to market interest rate fluctuations and not indicative of a deterioration in the creditworthiness of the issuers.

Note 7 Fair Value Measurements:

For certain of the Company's financial instruments and account groupings, including cash and cash equivalents, accounts receivable, accounts payable, accrued wages and other employee costs, unearned revenue, and other accrued liabilities, the carrying value approximates the fair value of these instruments and groupings.

Listed below are the Company's assets and liabilities, and their fair values, that are measured at fair value on a recurring basis. There were no transfers between levels for the six months ended June 30, 2011.

| | Quoted Market Prices (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
|--------------------------------|--------------------------------------|--|--|-------------------|
| As of June 30, 2011: | | | | |
| Short-term investments: | | | | |
| Short-term municipal bond fund | \$ 20,456 | \$ | \$ | \$ 20,456 |
| Commercial paper | 8,991 | | | 8,991 |
| Corporate notes and bonds | 34,143 | | | 34,143 |
| Marketable securities: | | | | |
| Corporate notes and bonds | 72,271 | | | 72,271 |
| U.S. government agencies | 20,169 | | | 20,169 |
| Total | \$ 156,030 | \$ | \$ | \$ 156,030 |

As of December 31, 2010:

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| | | | | |
|--------------------------------|----|--------|----|-----------|
| Short-term investments: | | | | |
| Short-term municipal bond fund | \$ | 20,275 | \$ | \$ 20,275 |
| Total | \$ | 20,275 | \$ | \$ 20,275 |

As of June 30, 2011, the Company did not have any financial assets or liabilities that were measured at fair value on a non-recurring basis.

Table of Contents**RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES****Notes to Condensed Consolidated Financial Statements****(In thousands, except share and per share amounts, unless otherwise indicated)**

The carrying amounts and fair values of financial instruments for which the fair value option was not elected were as follows:

| | June 30, 2011 | | December 31, 2010 | |
|---------------------------|-----------------|------------|-------------------|------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Cash and cash equivalents | \$ 228,313 | \$ 228,313 | \$ 376,951 | \$ 376,951 |
| Long-term debt | \$ 182,462 | \$ 296,700 | \$ 178,107 | \$ 239,533 |

The fair value of long-term debt was estimated based on the quoted market price for the debt.

Note 8 Receivables:

Receivables are carried at net realizable value. Estimates are made as to the Company's ability to collect outstanding receivables, taking into consideration the amount, the customer's financial condition, and the age of the receivable. The Company ascertains the net realizable value of amounts owed and provides an allowance when collection becomes doubtful. Receivables are expected to be collected in the normal course of business and consisted of the following:

| | June 30, 2011 | December 31, 2010 |
|---------------------------------------|---------------|-------------------|
| Trade and commercial customers | \$ 66,676 | \$ 56,713 |
| Less: Allowance for doubtful accounts | (465) | (478) |
| Total receivables | \$ 66,211 | \$ 56,235 |

Note 9 Inventories:

Inventories are valued at cost as determined by the last-in, first-out (LIFO) method for approximately 61% and 63% of the Company's inventories at June 30, 2011 and December 31, 2010, respectively. The remaining inventories are valued at cost determined by a combination of the first-in, first-out (FIFO) and weighted-average cost methods. Inventory costs generally include materials, labor, and manufacturing overhead (including depreciation). When market conditions indicate an excess of carrying cost over market value, a lower-of-cost-or-market provision is recorded. Inventories consisted of the following:

| | June 30, 2011 | December 31, 2010 |
|------------------------------------|---------------|-------------------|
| Raw materials and supplies | \$ 84,686 | \$ 118,031 |
| Work-in-process and finished goods | 237,162 | 211,001 |
| LIFO reserve | (62,607) | (59,313) |
| Total inventories | \$ 259,241 | \$ 269,719 |

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As of June 30, 2011 and December 31, 2010, the current cost of inventories exceeded their carrying value by \$62,607 and \$59,313, respectively. The Company's FIFO inventory value is used to approximate current costs.

Note 10 Goodwill and Other Intangible Assets:

The Company does not amortize goodwill; rather, the carrying amount of goodwill is tested, at least annually, for impairment. Absent any events throughout the year which would indicate a potential impairment has occurred, the Company performs its annual impairment testing during the fourth quarter.

While there have been no impairments during the first six months of 2011, uncertainties or other factors that could result in a potential impairment in future periods include continued long-term production delays or a

Table of Contents**RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES****Notes to Condensed Consolidated Financial Statements****(In thousands, except share and per share amounts, unless otherwise indicated)**

significant decrease in expected demand related to the Boeing 787 Dreamliner® program, as well as any cancellation of one of the other major aerospace programs the Company currently supplies, including the Joint Strike Fighter program or the Airbus family of aircraft, including the A380 and A350XWB programs. In addition, the Company's ability to ramp up its production of these programs in a cost efficient manner may also impact the results of a future impairment test.

Goodwill. The carrying amount of goodwill attributable to each segment at December 31, 2010 and June 30, 2011 was as follows:

| | Titanium Group | Fabrication Group | Distribution Group | Total |
|------------------------|---------------------------|------------------------------|-------------------------------|--------------|
| December 31, 2010 | \$ 2,548 | \$ 29,414 | \$ 9,833 | \$ 41,795 |
| Translation adjustment | | 420 | | 420 |
| June 30, 2011 | \$ 2,548 | \$ 29,834 | \$ 9,833 | \$ 42,215 |

Intangibles. Intangible assets consist of customer relationships as a result of the Company's prior acquisitions. These finite-lived intangible assets, which were initially valued at fair value using an income approach, are being amortized over 20 years. In the event that long-term demand or market conditions change and the expected future cash flows associated with these assets is reduced, a write-down or acceleration of the amortization period may be required.

There were no intangible assets attributable to either the Titanium Group or Distribution Group at December 31, 2010 and June 30, 2011. The carrying amount of intangible assets attributable to our Fabrication Group at December 31, 2010 and June 30, 2011 was as follows:

| | December 31, 2010 | Amortization | Translation Adjustment | June 30, 2011 |
|-------------------|------------------------------|---------------------|-----------------------------------|--------------------------|
| Fabrication Group | \$ 14,066 | \$ (522) | \$ 421 | \$ 13,965 |

Note 11 Unearned Revenue:

The Company reported a liability for unearned revenue of \$22,889 and \$28,358 as of June 30, 2011 and December 31, 2010, respectively. These amounts primarily represent payments received in advance from commercial aerospace, defense, and energy market customers on long-term orders, which the Company has not recognized as revenues.

Note 12 Long-term Debt:

Long-term debt consisted of:

| | June 30, 2011 | December 31, 2010 |
|---|--------------------------|------------------------------|
| \$230 million aggregate principal amount 3.0% convertible notes due December 2015 | \$ 182,422 | \$ 178,062 |
| Other | 40 | 45 |

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| | | |
|------------|------------|------------|
| Total debt | \$ 182,462 | \$ 178,107 |
|------------|------------|------------|

During the three and six months ended June 30, 2011, the Company recorded long-term debt discount amortization of \$2,195 and \$4,361, respectively, as a component of interest expense. Interest expense from the amortization of debt issuance costs was \$280 and \$560 for the three and six months ended June 30, 2011, respectively. Additionally, the Company capitalized interest totaling \$164 and \$258 for the three and six months ended June 30, 2011, respectively.

Table of Contents**RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES****Notes to Condensed Consolidated Financial Statements****(In thousands, except share and per share amounts, unless otherwise indicated)****Note 13 Employee Benefit Plans:**

Components of net periodic pension and other post-retirement benefit cost for the three and six months ended June 30, 2011 and 2010 for those salaried and hourly covered employees were as follows:

| | Pension Benefits | | | | Other Post-Retirement Benefits | | | |
|------------------------------------|------------------------|----------|------------|----------|--------------------------------|----------|------------|----------|
| | Three Months | | Six Months | | Three Months | | Six Months | |
| | Ended June 30, 2011 | 2010 | 2011 | 2010 | Ended June 30, 2011 | 2010 | 2011 | 2010 |
| Service cost | \$ 511 | \$ 451 | \$ 1,023 | \$ 902 | \$ 186 | \$ 178 | \$ 373 | \$ 356 |
| Interest cost | 1,794 | 1,770 | 3,588 | 3,540 | 591 | 550 | 1,181 | 1,100 |
| Expected return on plan assets | (1,948) | (1,869) | (3,896) | (3,738) | | | | |
| Amortization of prior service cost | 101 | 131 | 201 | 262 | 304 | 304 | 607 | 607 |
| Amortization of actuarial loss | 1,005 | 701 | 2,009 | 1,402 | | | | |
| Net periodic benefit cost | \$ 1,463 | \$ 1,184 | \$ 2,925 | \$ 2,368 | \$ 1,081 | \$ 1,032 | \$ 2,161 | \$ 2,063 |

During the three and six months ended June 30, 2011, the Company made cash contributions totaling \$1.3 million and \$7.0 million, respectively, to its qualified defined benefit pension plans. The Company expects to make additional cash contributions of approximately \$20.9 million during the remainder of 2011 in order to maintain its desired funding status.

Note 14 Commitments and Contingencies:

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 the Company's opinion, the ultimate liability, if any, resulting from these matters will have no significant effect on its 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 \$500 million, which includes grounding liability.

Environmental Matters

Based on available information, the Company believes that its share of possible environmental-related costs is in a range from \$737 to \$2,209 in the aggregate. At June 30, 2011 and December 31, 2010, the amounts accrued for future environmental-related costs were \$1,369 and \$1,403, respectively. Of the total amount accrued at June 30, 2011, \$100 was expected to be paid out within the next twelve months, and was included in the other accrued liabilities line of the balance sheet. The remaining \$1,269 was recorded in other noncurrent liabilities.

Other Matters

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 Company is of the opinion that the ultimate resolution of these matters will not have a material adverse effect on the results of the operations, cash flows, or the financial position of the Company.

Note 15 Segment Reporting:

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The Company has three reportable segments: the Titanium Group, the Fabrication Group, and the Distribution Group. Both the Fabrication Group and the Distribution Group utilize the Titanium Group as their primary source of titanium mill products. Intersegment sales are accounted for at prices that 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. Assets of general corporate activities include unallocated cash and deferred taxes.

Table of Contents**RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES****Notes to Condensed Consolidated Financial Statements**

(In thousands, except share and per share amounts, unless otherwise indicated)

A summary of financial information by reportable segment is as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|------------|------------------------------|------------|
| | 2011 | 2010 | 2011 | 2010 |
| Net sales: | | | | |
| Titanium Group | \$ 36,414 | \$ 30,556 | \$ 71,955 | \$ 69,397 |
| Intersegment sales | 38,192 | 23,291 | 71,968 | 47,056 |
| Total Titanium Group sales | 74,606 | 53,847 | 143,923 | 116,453 |
| Fabrication Group | 32,152 | 37,295 | 70,254 | 65,897 |
| Intersegment sales | 15,249 | 14,669 | 28,554 | 27,431 |
| Total Fabrication Group sales | 47,401 | 51,964 | 98,808 | 93,328 |
| Distribution Group | 54,647 | 38,800 | 101,854 | 79,242 |
| Intersegment sales | 368 | 817 | 801 | 1,281 |
| Total Distribution Group sales | 55,015 | 39,617 | 102,655 | 80,523 |
| Eliminations | 53,809 | 38,777 | 101,323 | 75,768 |
| Total consolidated net sales | \$ 123,213 | \$ 106,651 | \$ 244,063 | \$ 214,536 |
| Operating income (loss): | | | | |
| Titanium Group before corporate allocations | \$ 11,819 | \$ 3,854 | \$ 23,109 | \$ 20,937 |
| Corporate allocations | (2,637) | (2,022) | (5,188) | (4,113) |
| Total Titanium Group operating income | 9,182 | 1,832 | 17,921 | 16,824 |
| Fabrication Group before corporate allocations | (1,826) | 1,952 | 194 | (478) |
| Corporate allocations | (3,418) | (2,743) | (6,724) | (5,579) |
| Total Fabrication Group operating loss | (5,244) | (791) | (6,530) | (6,057) |
| Distribution Group before corporate allocations | 4,190 | 2,617 | 8,134 | 6,187 |
| Corporate allocations | (2,047) | (1,565) | (4,028) | (3,181) |
| Total Distribution Group operating income | 2,143 | 1,052 | 4,106 | 3,006 |
| Total consolidated operating income | \$ 6,081 | \$ 2,093 | \$ 15,497 | \$ 13,773 |
| Total assets: | | | | |
| Titanium Group | | | \$ 402,738 | \$ 367,591 |
| Fabrication Group | | | 265,821 | 246,830 |

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| | | |
|---------------------------|--------------|--------------|
| Distribution Group | 150,601 | 120,935 |
| General corporate assets | 278,370 | 371,498 |
| Total consolidated assets | \$ 1,097,530 | \$ 1,106,854 |

Note 16 New Accounting Standards:

In April 2011, the FASB issued ASU No. 2011-02, "Receivables - A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring." This ASU clarifies when a restructuring of receivables constitutes a troubled debt restructuring for a creditor. This applies to both the recording of an impairment loss and related disclosures for a troubled debt restructuring. The amendments in this ASU are effective for interim

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RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(In thousands, except share and per share amounts, unless otherwise indicated)

and annual periods beginning on or after June 15, 2011, and apply retrospectively to restructurings occurring on or after the beginning of the fiscal year of adoption. The Company does not expect the new guidance to have a material impact on its Consolidated Financial Statements.

In May 2011, the FASB issued ASU No. 2011-04, Fair Value Measurement Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS. The new guidance amends current fair value measurement and enhances disclosure requirements to include expansion of the information required for Level 3 measurements. The amendments in this ASU are effective for fiscal years and interim periods beginning after December 15, 2011 and are to be applied prospectively. The Company does not expect the new guidance to have a material impact on its Consolidated Financial Statements.

In June 2011, the FASB issued ASU No. 2011-05, Comprehensive Income Presentation of Comprehensive Income. This ASU requires that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The amendments in this ASU are effective for interim and annual periods beginning on or after December 15, 2011, and apply retrospectively. Other than the changes to the presentation of the components of comprehensive income, the Company does not expect the new guidance to have a material impact on its Consolidated Financial Statements.

Note 17 Guarantor Subsidiaries:

The Notes are jointly and severally, fully and unconditionally guaranteed by RTI International Metals, Inc., and several of its 100% owned subsidiaries (the Guarantor Subsidiaries). Separate financial statements of RTI International Metals, Inc. and each of the Guarantor Subsidiaries are not presented because the guarantees are full and unconditional and the Guarantor Subsidiaries are jointly and severally liable. The Company believes separate financial statements and other disclosures concerning the Guarantor Subsidiaries would not be material to investors in the Notes.

There are no current restrictions on the ability of the Guarantor Subsidiaries to make payments under the guarantees referred to above, except, however, the obligations of each Subsidiary Guarantor under its guarantee will be limited to the maximum amount as will result in obligations of such Subsidiary Guarantor under its guarantee not constituting a fraudulent conveyance or fraudulent transfer for purposes of bankruptcy law, the Uniform Conveyance Act, the Uniform Fraudulent Transfer Act, or any similar Federal or state law.

Table of Contents**RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES****Notes to Condensed Consolidated Financial Statements**

(In thousands, except share and per share amounts, unless otherwise indicated)

The following tables present Condensed Consolidating Financial Statements as of June 30, 2011 and December 31, 2010 and for the three and six months ended June 30, 2011 and 2010:

Condensed Consolidating Statement of Operations**Three Months Ended June 30, 2011**

| | RTI International Metals, Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|-----------------------------------|---------------------------------------|---------------------|---------------------|
| Net sales | \$ | \$ 82,096 | \$ 84,802 | \$ (43,685) | \$ 123,213 |
| Costs and expenses: | | | | | |
| Cost of sales | | 68,359 | 73,950 | (43,685) | 98,624 |
| Selling, general, and administrative expenses | (150) | 5,869 | 11,899 | | 17,618 |
| Research, technical, and product development expenses | | 798 | 92 | | 890 |
| Operating income (loss) | 150 | 7,070 | (1,139) | | 6,081 |
| Other income (expense) | (16) | 37 | 112 | | 133 |
| Interest income (expense), net | (4,138) | 504 | (261) | | (3,895) |
| Equity in earnings of subsidiaries | 4,832 | | | (4,832) | |
| Income (loss) before income taxes | 828 | 7,611 | (1,288) | (4,832) | 2,319 |
| Provision for (benefit from) income taxes | (1,300) | 2,854 | (1,363) | | 191 |
| Net income | \$ 2,128 | \$ 4,757 | \$ 75 | \$ (4,832) | \$ 2,128 |

Note to Condensed Consolidating Statement of Operations:

The parent company charges a management fee to the subsidiaries based upon its budgeted annual expenses. A credit in selling, general, and administrative expenses (SG&A) for the parent company indicates that actual expenses were lower than budgeted expenses. A credit in parent company SG&A is offset by an equal debit amount in the subsidiaries SG&A.

Table of Contents**RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES****Notes to Condensed Consolidated Financial Statements**

(In thousands, except share and per share amounts, unless otherwise indicated)

Condensed Consolidating Statement of Operations**Three Months Ended June 30, 2010**

| | RTI International Metals, Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|-----------------------------------|---------------------------------------|---------------------|---------------------|
| Net sales | \$ (1,240) | \$ 62,866 | \$ 73,636 | \$ (28,611) | \$ 106,651 |
| Costs and expenses: | | | | | |
| Cost of sales | | 56,867 | 61,446 | (28,611) | 89,702 |
| Selling, general, and administrative expenses | 12,385 | (8,025) | 12,058 | | 16,418 |
| Research, technical, and product development expenses | | 1,028 | | | 1,028 |
| Asset and asset-related charges (income) | | | (2,590) | | (2,590) |
| Operating income (loss) | (13,625) | 12,996 | 2,722 | | 2,093 |
| Other income (expense) | (65) | 59 | 239 | | 233 |
| Interest income (expense), net | (402) | 1,360 | (1,116) | | (158) |
| Equity in earnings (loss) of subsidiaries | 14,048 | | | (14,048) | |
| Income (loss) before income taxes | (44) | 14,415 | 1,845 | (14,048) | 2,168 |
| Provision for (benefit from) income taxes | (10,283) | 120 | 2,092 | | (8,071) |
| Net income (loss) | \$ 10,239 | \$ 14,295 | \$ (247) | \$ (14,048) | \$ 10,239 |

Notes to Condensed Consolidating Statement of Operations:

During the three months ended June 30, 2010, rebates on sales were provided to one of the Company's customers. This amount was recorded at the parent company as it was outside of the ordinary course of business for contracts of this type and the contract was between the parent company and the customer.

The parent company charges a management fee to the subsidiaries based upon its budgeted annual expenses. During the three months ended June 30, 2010, the guarantor subsidiaries received a credit in SG&A totaling \$15.4 million related to the settlement of Airbus' 2009 contractual obligations.

Table of Contents**RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES****Notes to Condensed Consolidated Financial Statements**

(In thousands, except share and per share amounts, unless otherwise indicated)

Condensed Consolidating Statement of Operations**Six Months Ended June 30, 2011**

| | RTI International Metals, Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|-----------------------------------|---------------------------------------|---------------------|---------------------|
| Net sales | \$ | \$ 161,018 | \$ 166,904 | \$ (83,859) | \$ 244,063 |
| Costs and expenses: | | | | | |
| Cost of sales | | 133,011 | 144,317 | (83,859) | 193,469 |
| Selling, general, and administrative expenses | (565) | 11,669 | 23,972 | | 35,076 |
| Research, technical, and product development expenses | | 1,430 | 92 | | 1,522 |
| Asset and asset-related charges (income) | | | (1,501) | | (1,501) |
| Operating income | 565 | 14,908 | 24 | | 15,497 |
| Other expense | (33) | (34) | (369) | | (436) |
| Interest income (expense), net | (8,339) | 867 | (498) | | (7,970) |
| Equity in earnings of subsidiaries | 10,431 | | | (10,431) | |
| Income (loss) before income taxes | 2,624 | 15,741 | (843) | (10,431) | 7,091 |
| Provision for (benefit from) income taxes | (1,846) | 5,708 | (1,241) | | 2,621 |
| Net income | \$ 4,470 | \$ 10,033 | \$ 398 | \$ (10,431) | \$ 4,470 |

Note to Condensed Consolidating Statement of Operations:

The parent company charges a management fee to the subsidiaries based upon its budgeted annual expenses. A credit in SG&A for the parent company indicates that actual expenses were lower than budgeted expenses. A credit in parent company SG&A is offset by an equal debit amount in the subsidiaries SG&A.

Table of Contents**RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES****Notes to Condensed Consolidated Financial Statements**

(In thousands, except share and per share amounts, unless otherwise indicated)

Condensed Consolidating Statement of Operations**Six Months Ended June 30, 2010**

| | RTI International Metals, Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|-----------------------------------|---------------------------------------|---------------------|---------------------|
| Net sales | \$ 14,160 | \$ 114,749 | \$ 140,158 | \$ (54,531) | \$ 214,536 |
| Costs and expenses: | | | | | |
| Cost of sales | | 104,206 | 120,389 | (54,531) | 170,064 |
| Selling, general, and administrative expenses | 10,824 | (2,039) | 23,272 | | 32,057 |
| Research, technical, and product development expenses | | 1,753 | | | 1,753 |
| Asset and asset-related charges (income) | | | (3,111) | | (3,111) |
| Operating income (loss) | 3,336 | 10,829 | (392) | | 13,773 |
| Other income (expense) | (86) | 58 | 394 | | 366 |
| Interest income (expense), net | (816) | 2,772 | (2,289) | | (333) |
| Equity in earnings (loss) of subsidiaries | 10,221 | | | (10,221) | |
| Income (loss) before income taxes | 12,655 | 13,659 | (2,287) | (10,221) | 13,806 |
| Provision for (benefit from) income taxes | (8,982) | (409) | 1,560 | | (7,831) |
| Net income (loss) | \$ 21,637 | \$ 14,068 | \$ (3,847) | \$ (10,221) | \$ 21,637 |

Notes to Condensed Consolidating Statement of Operations:

During the six months ended June 30, 2010, the parent company recorded net sales related to the March 2010 settlement of Airbus 2009 contractual obligations. Additionally, during the six months ended June 30, 2010, rebates on sales were provided to one of the Company's customers. This amount was recorded at the parent company as it was outside of the ordinary course of business for contracts of this type and the contract was between the parent company and the customer.

The parent company charges a management fee to the subsidiaries based upon its budgeted annual expenses. During the six months ended June 30, 2010, the guarantor subsidiaries received a credit in SG&A totaling \$15.4 million related to the settlement of Airbus 2009 contractual obligations.

Table of Contents**RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES****Notes to Condensed Consolidated Financial Statements**

(In thousands, except share and per share amounts, unless otherwise indicated)

Condensed Consolidating Balance Sheet**As of June 30, 2011**

| | RTI International Metals, Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|--------------------------------------|---------------------------|-------------------------------|-----------------------|---------------------|
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ | \$ 215,043 | \$ 13,270 | \$ | \$ 228,313 |
| Short-term investments | | 63,590 | | | 63,590 |
| Receivables, net | 454 | 43,580 | 42,241 | (20,064) | 66,211 |
| Inventories, net | | 134,581 | 124,660 | | 259,241 |
| Deferred income taxes | 21,430 | 1,418 | 102 | | 22,950 |
| Other current assets | 10,860 | 1,320 | 1,463 | (1,691) | 11,952 |
| Total current assets | 32,744 | 459,532 | 181,736 | (21,755) | 652,257 |
| Property, plant, and equipment, net | 861 | 203,767 | 61,516 | | 266,144 |
| Marketable securities | | 92,440 | | | 92,440 |
| Goodwill | | 18,097 | 24,118 | | 42,215 |
| Other intangible assets, net | | | 13,965 | | 13,965 |
| Deferred income taxes | | 23,455 | 26,059 | (24,605) | 24,909 |
| Other noncurrent assets | 5,433 | 36 | 131 | | 5,600 |
| Intercompany investments | 922,050 | 71,231 | 180 | (993,461) | |
| Total assets | \$ 961,088 | \$ 868,558 | \$ 307,705 | \$ (1,039,821) | \$ 1,097,530 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | \$ 429 | \$ 21,677 | \$ 31,994 | \$ (20,064) | \$ 34,036 |
| Accrued wages and other employee costs | 4,105 | 8,283 | 6,411 | | 18,799 |
| Unearned revenue | | 169 | 22,720 | | 22,889 |
| Other accrued liabilities | 4,084 | 11,334 | 14,752 | (1,691) | 28,479 |
| Total current liabilities | 8,618 | 41,463 | 75,877 | (21,755) | 104,203 |
| Long-term debt | 182,422 | 40 | | | 182,462 |
| Intercompany debt | | 98,116 | 86,960 | (185,076) | |
| Liability for post-retirement benefits | | 40,859 | | | 40,859 |
| Liability for pension benefits | 6,524 | 20,403 | 677 | | 27,604 |
| Deferred income taxes | 27,737 | 36 | | (24,604) | 3,169 |
| Other noncurrent liabilities | 5,081 | 3,446 | | | 8,527 |
| Total liabilities | 230,382 | 204,363 | 163,514 | (231,435) | 366,824 |
| Shareholders' equity | 730,706 | 664,195 | 144,191 | (808,386) | 730,706 |

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| | | | | | |
|---|------------|------------|------------|----------------|--------------|
| Total liabilities and shareholders equity | \$ 961,088 | \$ 868,558 | \$ 307,705 | \$ (1,039,821) | \$ 1,097,530 |
|---|------------|------------|------------|----------------|--------------|

Table of Contents**RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES****Notes to Condensed Consolidated Financial Statements**

(In thousands, except share and per share amounts, unless otherwise indicated)

Condensed Consolidating Balance Sheet

As of December 31, 2010

| | RTI | | | | |
|---|-------------------------------|---------------------------|-------------------------------|----------------|--------------|
| | International Metals, Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ | \$ 350,629 | \$ 26,322 | \$ | \$ 376,951 |
| Short-term investments | | 20,275 | | | 20,275 |
| Receivables, net | 382 | 39,313 | 35,519 | (18,979) | 56,235 |
| Inventories, net | | 151,544 | 118,175 | | 269,719 |
| Deferred income taxes | 21,430 | 1,419 | 42 | | 22,891 |
| Other current assets | 16,489 | 811 | 1,069 | (2,070) | 16,299 |
| Total current assets | 38,301 | 563,991 | 181,127 | (21,049) | 762,370 |
| Property, plant, and equipment, net | 1,050 | 198,007 | 61,519 | | 260,576 |
| Goodwill | | 18,097 | 23,698 | | 41,795 |
| Other intangible assets, net | | | 14,066 | | 14,066 |
| Deferred income taxes | | 24,371 | 21,765 | (24,437) | 21,699 |
| Other noncurrent assets | 6,168 | 36 | 144 | | 6,348 |
| Intercompany investments | 898,943 | 71,231 | 180 | (970,354) | |
| Total assets | \$ 944,462 | \$ 875,733 | \$ 302,499 | \$ (1,015,840) | \$ 1,106,854 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | \$ 15 | \$ 36,441 | \$ 29,749 | \$ (18,979) | \$ 47,226 |
| Accrued wages and other employee costs | 5,603 | 7,656 | 8,692 | | 21,951 |
| Unearned revenue | | | 28,358 | | 28,358 |
| Other accrued liabilities | 2,612 | 11,037 | 16,600 | (2,070) | 28,179 |
| Total current liabilities | 8,230 | 55,134 | 83,399 | (21,049) | 125,714 |
| Long-term debt | 178,062 | 40 | 5 | | 178,107 |
| Intercompany debt | | 99,955 | 79,024 | (178,979) | |
| Liability for post-retirement benefits | | 39,903 | | | 39,903 |
| Liability for pension benefits | 7,128 | 26,025 | 677 | | 33,830 |
| Deferred income taxes | 27,569 | 15 | | (24,437) | 3,147 |
| Other noncurrent liabilities | 5,073 | 2,680 | | | 7,753 |
| Total liabilities | 226,062 | 223,752 | 163,105 | (224,465) | 388,454 |
| Shareholders' equity | 718,400 | 651,981 | 139,394 | (791,375) | 718,400 |

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| | | | | | |
|--|------------|------------|------------|----------------|--------------|
| Total liabilities and shareholders' equity | \$ 944,462 | \$ 875,733 | \$ 302,499 | \$ (1,015,840) | \$ 1,106,854 |
|--|------------|------------|------------|----------------|--------------|

Table of Contents**RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES****Notes to Condensed Consolidated Financial Statements**

(In thousands, except share and per share amounts, unless otherwise indicated)

Condensed Consolidating Statement of Cash Flows**Six Months Ended June 30, 2011**

| | RTI | | | | |
|--|---------------------------------------|-----------------------------------|---------------------------------------|---------------------|---------------------|
| | International Metals, Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
| Cash provided by (used in) operating activities | \$ 7,276 | \$ 19,421 | \$ (21,477) | \$ | \$ 5,220 |
| Investing activities: | | | | | |
| Investments, net | | (135,693) | | | (135,693) |
| Capital expenditures | | (17,480) | (1,166) | | (18,646) |
| Investments in subsidiaries | (1,375) | | | 1,375 | |
| Cash used in investing activities. | (1,375) | (153,173) | (1,166) | 1,375 | (154,339) |
| Financing activities: | | | | | |
| Proceeds from exercise of employee stock options | 201 | | | | 201 |
| Excess tax benefits from stock-based compensation activity | 263 | | | | 263 |
| Parent company investments | | | 1,375 | (1,375) | |
| Repayments on long-term debt | | | (5) | | (5) |
| Intercompany debt | (6,082) | (1,834) | 7,916 | | |
| Purchase of common stock held in treasury | (283) | | | | (283) |
| Cash provided by (used in) financing activities | (5,901) | (1,834) | 9,286 | (1,375) | 176 |
| Effect of exchange rate changes on cash and cash equivalents | | | 305 | | 305 |
| Decrease in cash and cash equivalents | | (135,586) | (13,052) | | (148,638) |
| Cash and cash equivalents at beginning of period | | 350,629 | 26,322 | | 376,951 |
| Cash and cash equivalents at end of period | \$ | \$ 215,043 | \$ 13,270 | \$ | \$ 228,313 |

Table of Contents**RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES****Notes to Condensed Consolidated Financial Statements**

(In thousands, except share and per share amounts, unless otherwise indicated)

Condensed Consolidating Statement of Cash Flows**Six Months Ended June 30, 2010**

| | RTI International Metals, Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|--|---|-----------------------------------|---------------------------------------|---------------------|---------------------|
| Cash provided by (used in) operating activities | \$ 8,240 | \$ 8,644 | \$ (597) | \$ | \$ 16,287 |
| Investing activities: | | | | | |
| Proceeds from disposal of property, plant, and equipment | | | 468 | | 468 |
| Short-term investments, net | | 44,889 | | | 44,889 |
| Capital expenditures | | (10,802) | (2,763) | | (13,565) |
| Cash provided by (used in) investing activities | | 34,087 | (2,295) | | 31,792 |
| Financing activities: | | | | | |
| Proceeds from exercise of employee stock options | 252 | | | | 252 |
| Excess tax benefits from stock-based compensation activity | 189 | | | | 189 |
| Repayments on long-term debt | | | (10) | | (10) |
| Intercompany debt | (8,395) | 4,964 | 3,431 | | |
| Purchase of common stock held in treasury | (286) | | | | (286) |
| Cash provided by (used in) financing activities | (8,240) | 4,964 | 3,421 | | 145 |
| Effect of exchange rate changes on cash and cash equivalents | | | (113) | | (113) |
| Increase in cash and cash equivalents | | 47,695 | 416 | | 48,111 |
| Cash and cash equivalents at beginning of period | | 45,525 | 10,691 | | 56,216 |
| Cash and cash equivalents at end of period | \$ | \$ 93,220 | \$ 11,107 | \$ | \$ 104,327 |

Note 18 Subsequent Events:

On July 25, 2011, the Company's RTI Hamilton, Inc. subsidiary and Tronox LLC (Tronox) reached an agreement in principle to settle the ongoing litigation regarding a contract for the long-term supply of titanium tetrachloride. Under the terms of the agreement to settle, the Company will pay Tronox \$9.9 million in full satisfaction of its contractual take-or-pay obligation. The Company had previously accrued a liability of \$11.0 million related to this litigation. The \$1.1 million accrual reduction was recorded during the three and six months ended June 30, 2011, as a reduction to Cost of Sales.

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**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.
Forward-Looking Statements**

The following discussion should be read in connection with the information contained in the condensed Consolidated Financial Statements and condensed 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 is subject to the safe harbor created by that Act. Such forward-looking statements may be identified by their use of words like expects, anticipates, believes, intends, estimates, 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 quarterly report, the following factors and risks should also be considered, including, without limitation:

the future availability and prices of raw materials,

competition in the titanium industry,

the historic cyclicity of the titanium and commercial aerospace industries,

changes in defense spending and cancellation or changes in defense programs or initiatives,

changes in the Joint Strike Fighter production schedule,

the ability to obtain access to financial markets and to maintain current covenant requirements,

long-term supply agreements and the impact if another party to a long-term supply agreement fails to fulfill its requirements under existing contracts or successfully manage its future development and production schedule,

the impact of the current titanium inventory overhang throughout our supply chain,

the impact of Boeing 787 Dreamliner® production delays,

our ability to attract and retain key personnel,

legislative challenges to the Specialty Metals Clause, which requires that titanium for U.S. defense programs be produced in the U.S.,

labor matters,

global economic activities,

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the successful completion of our expansion projects,

our ability to execute on new business awards,

our order backlog and the conversion of that backlog into revenue,

demand for our products, 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 in this filing, as well as in other filings filed with or furnished to the Securities and Exchange Commission (SEC) over the last 12 months, copies of which are available from the SEC or may be obtained upon request from the Company. Except as may be required by applicable law, we undertake no duty to update our forward-looking information.

Overview

RTI International Metals, Inc. (the Company, RTI, we, us, or our) is a leading producer and global supplier of titanium mill products and a supplier of fabricated titanium and specialty metal components for the international aerospace, defense, energy, and industrial and consumer markets. The Company conducts business in three segments.

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The Titanium Group melts, processes, 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 and consumer applications. With operations in Niles, Ohio; Canton, Ohio; and Hermitage, Pennsylvania; and the new facility under construction in Martinsville, Virginia, the Titanium Group has overall responsibility for the production of primary mill products including, but not limited to, bloom, billet, sheet, and plate. In addition, the Titanium

Group produces ferro titanium alloys for its steel-making customers. The Titanium Group also focuses on the research and development of evolving technologies relating to raw materials, melting and other production processes, and the application of titanium in new markets.

The Fabrication Group is comprised of companies with significant hard-metal expertise that extrude, fabricate, machine, and assemble titanium and other specialty metal parts and components. Its products, many of which are complex engineered parts and assemblies, serve the commercial aerospace, defense, oil and gas, power generation, medical device, and chemical process industries, as well as a number of other industrial and consumer markets. With operations located in Houston, Texas; Washington, Missouri; Laval, Canada; and a representative office in China, the Fabrication Group provides value-added products and services such as engineered tubulars and extrusions, fabricated and machined components and sub-assemblies, as well as engineered systems for deepwater oil and gas exploration and production infrastructure.

The Distribution Group stocks, distributes, finishes, cuts-to-size, and facilitates just-in-time delivery services of titanium, steel, and other specialty metal products, primarily nickel-based specialty alloys. With operations in Garden Grove, California; Windsor, Connecticut; Sullivan, Missouri; Staffordshire, England; and Rosny-Sur-Seine, France; the Distribution Group services a wide variety of commercial aerospace, defense, and industrial and consumer customers.

Both the Fabrication and Distribution Groups access the Titanium Group as their primary source of titanium mill products. For the three months ended June 30, 2011 and 2010, approximately 51% and 43%, respectively, of the Titanium Group's sales were to the Fabrication and Distribution Groups. For the six months ended June 30, 2011 and 2010, approximately 50% and 40%, respectively, of the Titanium Group's sales were to the Fabrication and Distribution Groups.

Trends and Uncertainties

We believe that the long-term demand indicators in the titanium industry, driven largely by the significant backlog in the commercial aerospace market, remain strong as we move to the middle of the next decade. Build rate increases by Boeing and Airbus, supported by the significant commercial aircraft order activity at the 2011 Paris Air Show, and the increasing order activity in our titanium mill product business support that belief. In addition, we continue to win incremental value-added packages in validation of our strategy to move further up the value chain.

In the near-term, we will be impacted by increasing titanium sponge prices as the underlying raw material input costs increase. In the medium to long-term, we expect these costs to moderate as supply catches up with demand. Additionally, while several of our major raw material suppliers are located in Japan, which is recovering from the effects of the recent natural disasters, we do not expect to encounter significant raw material supply disruptions.

Table of Contents**Three Months Ended June 30, 2011 Compared To Three Months Ended June 30, 2010**

Net Sales. Net sales for our reportable segments, excluding intersegment sales, for the three months ended June 30, 2011 and 2010 was as follows:

| <i>(In millions except percents)</i> | Three Months Ended June 30, | | \$ Increase/ (Decrease) | % Increase/ (Decrease) |
|--------------------------------------|------------------------------------|-------------|--------------------------------|-------------------------------|
| | 2011 | 2010 | | |
| Titanium Group | \$ 36.4 | \$ 30.6 | \$ 5.8 | 19.0% |
| Fabrication Group | 32.2 | 37.3 | (5.1) | (13.7%) |
| Distribution Group | 54.6 | 38.8 | 15.8 | 40.7% |
| Total consolidated net sales | \$ 123.2 | \$ 106.7 | \$ 16.5 | 15.5% |

The combination of a 10% increase in shipments and a 9% increase in average realized selling prices of prime mill products to our trade customers resulted in a \$5.1 million increase in the Titanium Group's net sales. Additionally, ferro-alloy sales increased \$0.7 million due to increased demand from our specialty steel customers.

The decrease in the Fabrication Group's net sales was principally the result of a reduction of \$11.0 million in sales to our energy market customers due to the slowdown in drilling permitting in the Gulf of Mexico during the current year and the delivery of several engineered components supporting the containment of the oil spill in the Gulf of Mexico in the prior year. This impact was partially offset by higher shipments to military and commercial aerospace markets in the current period.

The increase in the Distribution Group's net sales was primarily related to higher demand for our titanium products, primarily in the commercial aerospace market, resulting in a \$13.7 million improvement. Additionally, higher demand for our specialty metals products increased net sales by \$3.6 million. These increases were partially offset by lower military sales in the current period.

Gross Profit. Gross profit for our reportable segments for the three months ended June 30, 2011 and 2010 was as follows:

| <i>(In millions except percents)</i> | Three Months Ended June 30, | | \$ Increase/ (Decrease) | % Increase/ (Decrease) |
|--------------------------------------|------------------------------------|-------------|--------------------------------|-------------------------------|
| | 2011 | 2010 | | |
| Titanium Group | \$ 14.4 | \$ 3.9 | \$ 10.5 | 269.2% |
| Fabrication Group | 2.2 | 6.6 | (4.4) | (66.7%) |
| Distribution Group | 8.0 | 6.4 | 1.6 | 25.0% |
| Total consolidated gross profit | \$ 24.6 | \$ 16.9 | \$ 7.7 | 45.6% |

Improved operational efficiency in the Titanium Group increased gross profit by \$4.1 million. Additionally, a higher margin sales mix and higher sales levels of prime mill products increased gross profit by \$4.0 million and \$1.3 million, respectively. Furthermore, the Titanium Group was favorably impacted \$1.1 million due to the agreement to settle the dispute regarding the Tronox supply contract.

The decrease in the Fabrication Group's gross profit was primarily driven by a reduction in sales to our energy market customers, principally due to the slowdown in drilling permitting in the Gulf of Mexico during the current year and, the delivery of several engineered components supporting the containment of the oil spill in the Gulf of Mexico, in 2010 and the continued low level of deliveries related to the Boeing 787 Pi Box program, partially offset by higher shipments to the military and commercial aerospace markets in the current period.

The increase in the Distribution Group's gross profit was principally related to increased volume, which increased gross profit \$4.2 million, driven by higher customer demand in the commercial aerospace market, partially offset by a lower margin sales mix in the current period, which

decreased gross profit by \$2.5 million.

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Selling, General, and Administrative Expenses. Selling, general, and administrative expenses (SG&A) for our reportable segments for the three months ended June 30, 2011 and 2010 were as follows:

| <i>(In millions except percents)</i> | Three Months | | \$ | % |
|--------------------------------------|--------------|---------|-------------------------|-------------------------|
| | Ended | | | |
| | June 30, | | Increase/ (Decrease) | Increase/ (Decrease) |
| | 2011 | 2010 | | |
| Titanium Group | \$ 4.5 | \$ 3.6 | \$ 0.9 | 25.0% |
| Fabrication Group | 7.4 | 7.4 | | 0.0% |
| Distribution Group | 5.7 | 5.4 | 0.3 | 5.6% |
| Total consolidated SG&A expenses | \$ 17.6 | \$ 16.4 | \$ 1.2 | 7.3% |

The increase in SG&A was primarily related to a \$1.4 million increase in salaries and benefits in the current year compared to the prior year, due in large part to higher overall salaries and incentive compensation in the current year. The increase was partially offset by a reduction of \$0.2 million in professional and consulting expenses.

Research, Technical, and Product Development Expenses. Research, technical, and product development expenses were \$0.9 million and \$1.0 million for the three months ended June 30, 2011 and 2010, respectively. This spending reflects our continued focus on productivity and quality enhancements to our operations.

Asset and Asset-Related Charges (Income). There were no asset and asset-related charges (income) for the three months ended June 30, 2011. Asset and asset-related charges (income) for the three months ended June 30, 2010 was \$(2.6) million. Asset and asset-related charges consist of settlements related to the Company's accrued contractual commitments at the Company's indefinitely idled titanium sponge plant.

Operating Income (Loss). Operating income (loss) for our reportable segments for the three months ended June 30, 2011 and 2010 was as follows:

| <i>(In millions except percents)</i> | Three Months | | \$ | % |
|--------------------------------------|--------------|--------|-------------------------|-------------------------|
| | Ended | | | |
| | June 30, | | Increase/ (Decrease) | Increase/ (Decrease) |
| | 2011 | 2010 | | |
| Titanium Group | \$ 9.2 | \$ 1.8 | \$ 7.4 | 411.1% |
| Fabrication Group | (5.3) | (0.8) | (4.5) | (562.5%) |
| Distribution Group | 2.2 | 1.1 | 1.1 | 100.0% |
| Total operating income (loss) | \$ 6.1 | \$ 2.1 | \$ 4.0 | 190.5% |

The increase in the Titanium Group's operating income was primarily attributable to higher gross profit, largely due to increased operational efficiency, a higher margin sales mix, higher volume, and the agreement to settle the dispute regarding the Tronox supply contract.

The increase in the Fabrication Group's operating loss was primarily attributable to lower gross profit, driven by a reduction in sales to our energy market customers, principally due to the delivery of several engineered components supporting the containment of the oil spill in the Gulf of Mexico in 2010, partially offset by higher shipments to military and commercial aerospace markets in the current period.

The increase in the Distribution Group's operating income was principally attributable to higher gross profit due to increased sales, which was driven by higher customer demand for both titanium and specialty metals products, partially offset by an increase in SG&A.

Other Income (Expense). Other income (expense) for the three months ended June 30, 2011 and 2010 was \$0.1 million and \$0.2 million, respectively. Other income (expense) consists primarily of foreign exchange gains and losses from our international operations.

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Interest Income and Interest Expense. Interest income for the three months ended June 30, 2011 and 2010 was \$0.4 million and \$0.1 million, respectively. The increase was principally related to higher returns on invested

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cash, as well as higher overall cash and investment balances, compared to the prior year period. Interest expense was \$4.3 million and \$0.3 million for the three months ended June 30, 2011 and 2010, respectively. The increase in interest expense was primarily attributable to the issuance of \$230 million aggregate principal amount of 3.0% Convertible Senior Notes due 2015 (the Notes) in December 2010.

Provision for (Benefit from) Income Taxes. We recognized a provision for (benefit from) income taxes of \$0.2 million, or 8.2% of pretax income, and \$(8.1) million, or (372.3)% of pretax income, for federal, state, and foreign income taxes for the three months ended June 30, 2011 and, 2010 respectively. The rate in 2011 differs from the rate in the prior year principally due to the differing mix of foreign losses benefitted at lower rates and domestic income taxed at higher rates.

Six Months Ended June 30, 2011 Compared To Six Months Ended June 30, 2010

Net Sales. Net sales for our reportable segments, excluding intersegment sales, for the six months ended June 30, 2011 and 2010 was as follows:

| (In millions except percents) | Six Months Ended June 30, | | \$ Increase/ (Decrease) | % Increase/ (Decrease) |
|---------------------------------|---------------------------|----------|-------------------------|------------------------|
| | 2011 | 2010 | | |
| Titanium Group | \$ 72.0 | \$ 69.4 | \$ 2.6 | 3.7% |
| Fabrication Group | 70.3 | 65.9 | 4.4 | 6.7% |
| Distribution Group | 101.8 | 79.2 | 22.6 | 28.5% |
| Total consolidated gross profit | \$ 244.1 | \$ 214.5 | \$ 29.6 | 13.8% |

Excluding the \$15.4 million in the prior year related to the resolution of Airbus 2009 contractual obligations, the Titanium Group's net sales increased by \$18.0 million. The combination of a 28% increase in shipments and an 8% increase in the average realized selling price of prime mill products to our trade customers resulted in a \$16.0 million increase in the Titanium Group's net sales. Additionally, ferro-alloy sales increased \$2.0 million due to increased demand from our specialty steel customers.

Excluding the \$4.3 million of nonrecurring engineering funds related to the Boeing 787 Dreamliner® program recognized in the prior year, for which there was a corresponding amount recorded in cost of sales, the Fabrication Group's net sales increased \$8.7 million. This increase was principally due to increased demand in the commercial aerospace market, led by the Boeing 787 Dreamliner® program, which increased net sales by approximately \$13.9 million. Additionally, net sales to our military customers increased \$6.0 million, principally due to strong demand on the F-15, F-18, and V-22 programs. These increases were partially offset by a decrease in sales to our energy market customers totaling \$11.2 million due to the slowdown in drilling permitting in the Gulf of Mexico during the current year and the delivery of several engineered components supporting the containment of the oil spill in the Gulf of Mexico in the prior year.

The increase in the Distribution Group's net sales was principally related to higher demand for our titanium products, primarily in the commercial aerospace market, which increased net sales \$17.8 million. Additionally, increased demand for our specialty metals products increased the Distribution Group's net sales \$8.0 million. These increases were offset by a \$3.2 million decrease in sales to military customers.

Gross Profit. Gross profit for our reportable segments for the six months ended June 30, 2011 and 2010 was as follows:

| (In millions except percents) | Six Months Ended June 30, | | \$ Increase/ (Decrease) | % Increase/ (Decrease) |
|-------------------------------|---------------------------|---------|-------------------------|------------------------|
| | 2011 | 2010 | | |
| Titanium Group | \$ 26.6 | \$ 22.9 | \$ 3.7 | 16.2% |
| Fabrication Group | 8.1 | 8.3 | (0.2) | (2.4%) |
| Distribution Group | 15.9 | 13.3 | 2.6 | 19.5% |

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| | | | | |
|---------------------------------|---------|---------|--------|-------|
| Total consolidated gross profit | \$ 50.6 | \$ 44.5 | \$ 6.1 | 13.7% |
|---------------------------------|---------|---------|--------|-------|

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Excluding the \$15.4 million in the prior year related to the resolution of Airbus' 2009 contractual obligations, the Titanium Group's gross profit increased \$19.1 million. Improved operational efficiency increased gross profit by \$9.6 million. Additionally, a higher margin sales mix and higher sales levels of prime mill products increased gross profit by \$6.1 million and \$2.3 million, respectively. Furthermore, the Titanium Group was favorably impacted \$1.1 million due to the agreement to settle the dispute regarding the Tronox supply contract.

Spending controls, increased facility utilization, and improved production efficiencies and delivery performance resulted in a \$7.6 million improvement in gross profit over the prior year, as Fabrication Group deliveries related to the Boeing 787 Dreamliner® Pi Box program began to ramp up. This increase was offset by a \$7.8 million reduction in gross profit on sales to our energy market customers, principally due to the slowdown in drilling permitting in the Gulf of Mexico during the current year and the delivery of several engineered components supporting the containment of the oil spill in the Gulf of Mexico in the prior year.

The increase in the Distribution Group's gross profit was principally related to increased volumes driven by higher customer demand in the commercial aerospace market which increased gross profit \$6.8 million, partially offset by a lower margin sales mix in the current year which reduced gross profit \$4.2 million.

Selling, General, and Administrative Expenses. SG&A for our reportable segments for the six months ended June 30, 2011 and 2010 were as follows:

| <i>(In millions except percents)</i> | Six Months | | \$ | % |
|--------------------------------------|------------|---------------------------|--------|-------|
| | 2011 | Ended June 30, 2010 | | |
| Titanium Group | \$ 8.8 | \$ 7.4 | \$ 1.4 | 18.9% |
| Fabrication Group | 14.6 | 14.3 | 0.3 | 2.1% |
| Distribution Group | 11.7 | 10.4 | 1.3 | 12.5% |
| Total consolidated SG&A expenses | \$ 35.1 | \$ 32.1 | \$ 3.0 | 9.3% |

The increase in SG&A expenses was primarily related to a \$3.5 million increase in salaries and benefits in the current year compared to the prior year, due in large part to higher overall salaries and incentive compensation in the current year. The increase was partially offset by a reduction of \$0.5 million in professional and consulting expenses.

Research, Technical, and Product Development Expenses. Research, technical, and product development expenses were \$1.5 million and \$1.8 million for the six months ended June 30, 2011 and 2010, respectively. This spending reflects our continued focus on productivity and quality enhancements to our operations.

Asset and Asset-Related Charges (Income). Asset and asset-related charges (income) for the six months ended June 30, 2011 and 2010 were \$(1.5) million and \$(3.1) million, respectively. Asset and asset-related charges consisted of settlements related to the Company's accrued contractual commitments at the Company's indefinitely idled titanium sponge plant.

Operating Income (Loss). Operating income (loss) for our reportable segments for the six months ended June 30, 2011 and 2010 was as follows:

| <i>(In millions except percents)</i> | Six Months | | \$ | % |
|--------------------------------------|------------|---------------------------|--------|--------|
| | 2011 | Ended June 30, 2010 | | |
| Titanium Group | \$ 17.9 | \$ 16.8 | \$ 1.1 | 6.5% |
| Fabrication Group | (6.5) | (6.1) | (0.4) | (6.6%) |
| Distribution Group | 4.1 | 3.1 | 1.0 | 32.3% |

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| | | | | |
|-------------------------------|---------|---------|--------|-------|
| Total operating income (loss) | \$ 15.5 | \$ 13.8 | \$ 1.7 | 12.3% |
|-------------------------------|---------|---------|--------|-------|

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Excluding the \$15.4 million in the prior year related to the resolution of Airbus' 2009 contractual obligations, the Titanium Group's operating income increased \$16.5 million. The increase was primarily attributable to higher gross profit, largely due to increased operational efficiency, offset by increased SG&A and less benefit from settlements of accrued contractual commitments at the Company's indefinitely idled titanium sponge plant. Furthermore, the Titanium Group was favorably impacted \$1.1 million due to the agreement to settle the dispute regarding the Tronox supply contract.

The increase in the Fabrication Group's operating loss was primarily attributable to a reduction in sales to our energy market customers, principally due to the delivery of several engineered components supporting the containment of the oil spill in the Gulf of Mexico in 2010, offset by improved production efficiencies and delivery performance.

The increase in the Distribution Group's operating income was principally attributable to increased demand in the commercial aerospace market, partially offset by an increase in SG&A.

Other Income (Expense). Other income (expense) for the six months ended June 30, 2011 and 2010 was \$(0.4) million and \$0.4 million, respectively. Other income (expense) consists primarily of foreign exchange gains and losses from our international operations.

Interest Income and Interest Expense. Interest income for the six months ended June 30, 2011 and 2010 was \$0.6 million and \$0.2 million, respectively. The increase was principally related to higher returns on invested cash, as well as higher overall cash and investment balances, compared to the prior year period. Interest expense was \$8.6 million and \$0.6 million for the three months ended June 30, 2011 and, 2010 respectively. The increase in interest expense was primarily attributable to the issuance of \$230 million aggregate principal amount of 3.0% Convertible Senior Notes due 2015 (the "Notes") in December 2010.

Provision for (Benefit from) Income Taxes. We recognized a provision for (benefit from) income taxes of \$2.6 million, or 37.0% of pretax income, and \$(7.8) million, or (56.7)% of pretax income, for federal, state, and foreign income taxes for the six months ended June 30, 2011 and, 2010 respectively. The rate in 2011 differs from the rate in the prior year principally due to the differing mix of foreign losses benefitted at lower rates and domestic income taxed at higher rates.

Liquidity and Capital Resources

In connection with our long-term mill product supply agreements for the Joint Strike Fighter ("JSF") program and the Airbus family of commercial aircraft, including the A380 and A350XWB programs, we are constructing a new titanium forging and rolling facility in Martinsville, Virginia, and new melting facilities in Canton and Niles, Ohio, with anticipated aggregate capital spending of approximately \$140 million. The Niles melting facility is substantially complete, whereas we have capital spending of approximately \$5 million remaining on the Canton facility and expect it will begin operations in 2011. We have capital expenditures of approximately \$45 million remaining related to the Martinsville, Virginia facility and anticipate that the rolling mill and forging cell associated with this facility will begin operations in 2012. We expect this facility will enable us to enhance our throughput and shorten lead times on certain products, primarily titanium sheet and plate. We will continually evaluate market conditions as we move forward with these capital projects to ensure our operational capabilities are matched to our anticipated demand.

Provided we continue to meet our financial covenants under our Amended and Restated Credit Agreement (the "Credit Agreement"), we expect that our cash and cash equivalents of \$228.3 million, available-for-sale investments of \$156.0 million, and our undrawn \$150 million credit facility, combined with internally generated funds, will provide us sufficient liquidity to meet our operating needs and capital expansion plans.

These financial covenants are described below:

Our leverage ratio (the ratio of Net Debt to Consolidated EBITDA, as defined in the Credit Agreement) was (1.0) at June 30, 2011. If this ratio were to exceed 3.25 to 1, we would be in default under our Credit Agreement and our ability to borrow under our Credit Agreement would be impaired.

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Our interest coverage ratio (the ratio of Consolidated EBITDA to Net Interest, as defined in the Credit Agreement) was 10.9 at June 30, 2011. If this ratio were to fall below 2.0 to 1, we would be in default under our Credit Agreement and our ability to borrow under the Credit Agreement would be impaired.

Consolidated EBITDA, as defined in the Credit Agreement, allows for adjustments related to unusual gains and losses, certain noncash items, and certain non-recurring charges. At June 30, 2011, we were in compliance with our financial covenants under the Credit Agreement.

Off-balance sheet arrangements. There are no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our financial condition, results of operations, liquidity, capital expenditures, or capital resources.

Cash provided by operating activities. Cash provided by operating activities for the six months ended June 30, 2011 and 2010 was \$5.2 million and \$16.3 million, respectively. This decrease is primarily due to increased working capital, primarily due to an increase in accounts receivable and a decrease in accounts payable, partially offset by a reduction in inventories.

Cash provided by (used in) investing activities. Cash provided by (used in) investing activities for the six months ended June 30, 2011 and 2010, was \$(154.3) million and \$31.8 million, respectively. The increase in cash used in investing activities is principally related to available-for-sale investment activity, which used \$135.7 million in the current year as we invested some of our excess cash, and provided \$44.9 million in the prior period as we sold several short-term investments. Additionally, capital expenditures were \$5.1 million higher in the current year compared to the prior year.

Cash provided by financing activities. During both periods presented, there were limited financing activities.

Duty Drawback Investigation

As previously disclosed in various Company filings, since 2007 we have been under investigation by U.S. Customs and Border Protection (U.S. Customs), with respect to \$7.6 million of claims previously filed under a program that we maintained through an authorized agent to recapture duty paid on imported titanium sponge as an offset against exports for products shipped outside the U.S. by us or our customers. We have recorded no additional charges or any change to the amount accrued for penalties during the six months ended June 30, 2011 with respect to the investigation. While our internal investigation is complete, there is not a timetable of which we are aware for when U.S. Customs will conclude its investigation.

Backlog

The Company's order backlog for all markets was approximately \$424 million as of June 30, 2011, compared to \$347 million at December 31, 2010. Of the backlog at June 30, 2011, approximately \$267 million is expected to be realized over the remainder of 2011. We define backlog as firm business scheduled for release into our production process for a specific delivery date. We have numerous contracts that extend multiple years, including the Airbus, JSF, and Boeing 787 Dreamliner® long-term supply agreements, which are not included in backlog until a specific release into production or a firm delivery date has been established.

Environmental Matters

Based on available information, we believe our share of possible environmental-related costs is in a range from \$0.7 million to \$2.2 million in the aggregate. For both June 30, 2011 and December 31, 2010, the amount accrued for future environmental-related costs was \$1.4 million. Of the total amount accrued at June 30, 2011, \$0.1 million is expected to be paid out within the next twelve months and is included in the other accrued liabilities line of the balance sheet. The remaining \$1.3 million is recorded in other noncurrent liabilities. During the six months ended June 30, 2011, payments related to our environmental liabilities were not material.

New Accounting Standards

In April 2011, the FASB issued ASU No. 2011-02, *Receivables - A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring*. This ASU clarifies when a restructuring of receivables

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constitutes a troubled debt restructuring for a creditor. This applies to both the recording of an impairment loss and related disclosures for a troubled debt restructuring. The amendments in this ASU are effective for interim and annual periods beginning on or after June 15, 2011, and apply retrospectively to restructurings occurring on or after the beginning of the fiscal year of adoption. We do not expect the new guidance to have a material impact on our Consolidated Financial Statements.

In May 2011, the FASB issued ASU No. 2011-04, Fair Value Measurement Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS. The new guidance amends current fair value measurement and enhances disclosure requirements to include expansion of the information required for Level 3 measurements. The amendments in this ASU are effective for fiscal years and interim periods beginning after December 15, 2011 and are to be applied prospectively. We do not expect the new guidance to have a material impact on our Consolidated Financial Statements.

In June 2011, the FASB issued ASU No. 2011-05, Comprehensive Income Presentation of Comprehensive Income. This ASU requires that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The amendments in this ASU are effective for interim and annual periods beginning on or after December 15, 2011, and apply retrospectively. Other than the changes to the presentation of the components of comprehensive income, we do not expect the new guidance to have a material impact on our Consolidated Financial Statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

There have been no significant changes in our exposure to market risk from the information provided in Item 7A. Quantitative Disclosures about Market Risk in our Form 10-K filed with the SEC on March 1, 2011.

Item 4. Controls and Procedures.

As of June 30, 2011, an evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Company's management concluded that the Company's disclosure controls and procedures were effective as of June 30, 2011.

There were no changes in the Company's internal control over financial reporting during the quarter ended June 30, 2011 that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings.

In connection with its now indefinitely idled plans to construct a premium-grade titanium sponge production facility in Hamilton, Mississippi, in 2008, a subsidiary of the Company, RTI Hamilton, Inc. (RTI Hamilton), entered into an agreement with Tronox LLC (Tronox) for the long-term supply of titanium tetrachloride, the primary raw material in the production of titanium sponge. Tronox filed for Chapter 11 bankruptcy protection in January 2009 and emerged from bankruptcy protection in February 2011. In September 2009, RTI Hamilton filed a complaint in the United States Bankruptcy Court for the Southern District of New York (the Bankruptcy Court) against Tronox challenging the validity of the supply agreement. Tronox filed a motion to dismiss the complaint, which the Bankruptcy Court granted in February 2010. RTI Hamilton appealed the order. During the pendency of the appeal, in January 2011, Tronox filed a complaint with the Bankruptcy Court against RTI Hamilton, alleging breach of contract, repudiation, and two additional related claims under the Bankruptcy Code with respect to the supply agreement.

On July 25, 2011, RTI Hamilton and Tronox agreed in principle to the general terms of settlement as it relates to both actions described above. Under the terms of the settlement, which is subject to finalization, RTI Hamilton has agreed to make a payment of \$9.9 million to Tronox, along with an additional payment of the invoiced but unpaid capital expenses incurred by Tronox plus interest, which totals approximately \$0.7 million.

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The agreement to settle resulted in a reduction of Cost of Sales of \$1.1 million for the three and six months ended June 30, 2011 as the Company had previously accrued \$11.0 million related to the litigation.

Item 1A. Risk Factors.

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2010 as filed with the SEC on March 1, 2011, which could materially affect our business, financial condition, financial results, or future performance. Reference is made to Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations Forward-Looking Statements of this report which is incorporated herein by reference.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Employees may surrender shares to the Company to pay tax liabilities associated with the vesting of restricted stock awards under the 2004 Stock Plan. No shares of Common Stock were surrendered to satisfy tax liabilities for the three months ended June 30, 2011. In addition, the Company may repurchase shares of Common Stock under the RTI International Metals, Inc. share repurchase program approved by the Company's Board of Directors on April 30, 1999. The repurchase program authorizes the repurchase of up to \$15 million of RTI Common Stock. No shares were purchased under the program during the three months ended June 30, 2011. At June 30, 2011, approximately \$3 million of the \$15 million remained available for repurchase. There is no expiration date specified for the share repurchase program.

Item 6. Exhibits.

The exhibits listed on the Index to Exhibits are filed herewith and incorporated herein by reference.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Dated: August 8, 2011

RTI INTERNATIONAL METALS, INC.

By

*/s/ WILLIAM T. HULL
William T. Hull
Senior Vice President and Chief Financial Officer
(principal accounting officer)*

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INDEX TO EXHIBITS

| Exhibit No. | Description |
|------------------------|---|
| 10.1 | RTI International Metals, Inc. Board of Directors Compensation Program, as amended July 29, 2011, filed herewith. |
| 31.1 | Certification of Chief Executive Officer required by Item 307 of Regulation S-K as promulgated by the Securities and Exchange Commission and pursuant to Section 302 of Sarbanes-Oxley Act of 2002, filed herewith. |
| 31.2 | Certification of Principal Financial Officer required by Item 307 of Regulation S-K as promulgated by the Securities and Exchange Commission and pursuant to Section 302 of Sarbanes-Oxley Act of 2002, filed herewith. |
| 32.1 | Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith. |
| 32.2 | Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith. |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |