RTI INTERNATIONAL METALS INC
Form 10-Q
May 06, 2011

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

FORM 10-Q

(Mark One)

þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2011

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________to ________

Commission File Number: **001-14437**

RTI INTERNATIONAL METALS, INC.
(Exact name of registrant as specified in its charter)

Ohio (State or other jurisdiction of incorporation or organization)	**52-2115953** (I.R.S. Employer Identification No.)
Westpointe Corporate Center One, 5th Floor **1550 Coraopolis Heights Road** **Pittsburgh, Pennsylvania** (Address of principal executive offices)	**15108-2973** (Zip Code)

Registrant s telephone number, including area code:
(412) 893-0026

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 þ No o

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 þ No o

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. (Check one):

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

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

Yes o No þ

Number of shares of the Corporation s common stock (Common Stock) outstanding as of April 29, 2011 was 30,188,450.

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, predecessors, and consolidated subsidiaries, taken as a whole, unless the context indicates otherwise.

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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 March 31, 2011	Three Months Ended March 31, 2010
Net sales	$ 120,850	$ 107,885
Cost and expenses:		
Cost of sales	94,845	80,362
Selling, general, and administrative expenses	17,458	15,639
Research, technical, and product development expenses	632	725
Asset and asset-related charges (income)	(1,501)	(521)
Operating income	9,416	11,680
Other income (expense)	(569)	133
Interest income	225	98
Interest expense	(4,300)	(273)
Income before income taxes	4,772	11,638
Provision for income taxes	2,430	240
Net income	$ 2,342	$ 11,398
Earnings per share:		
Basic	$ 0.08	$ 0.38
Diluted	$ 0.08	$ 0.38
Weighted-average shares outstanding:		
Basic	29,995,803	29,864,801
Diluted	30,225,412	30,110,568

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

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RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets
(Unaudited)

(In thousands, except share and per share amounts)

	March 31, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 276,154	$ 376,951
Short-term investments	38,892	20,275
Receivables, less allowance for doubtful accounts of $469 and $478	76,499	56,235
Inventories, net	269,402	269,719
Deferred income taxes	22,928	22,891
Other current assets	13,933	16,299
Total current assets	697,808	762,370
Property, plant, and equipment, net	261,331	260,576
Marketable securities	48,779	
Goodwill	42,205	41,795
Other intangible assets, net	14,219	14,066
Deferred income taxes	23,537	21,699
Other noncurrent assets	5,977	6,348
Total assets	$ 1,093,856	$ 1,106,854
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 36,105	$ 47,226
Accrued wages and other employee costs	15,230	21,951
Unearned revenues	26,020	28,358
Other accrued liabilities	29,290	28,179
Total current liabilities	106,645	125,714
Long-term debt	180,269	178,107
Liability for post-retirement benefits	40,277	39,903
Liability for pension benefits	28,504	33,830
Deferred income taxes	3,102	3,147
Other noncurrent liabilities	8,569	7,753
Total liabilities	367,366	388,454
Commitments and Contingencies		

Shareholders equity:		
Common stock, $0.01 par value; 50,000,000 shares authorized; 30,917,846 and 30,858,725 shares issued; 30,172,675 and 30,123,519 shares outstanding	309	309
Additional paid-in capital	475,779	474,277
Treasury stock, at cost; 745,171 and 735,206 shares	(17,646)	(17,363)
Accumulated other comprehensive loss	(27,808)	(32,337)
Retained earnings	295,856	293,514
Total shareholders equity	726,490	718,400
Total liabilities and shareholders equity	$ 1,093,856	$ 1,106,854

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

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RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows
(Unaudited)

(In thousands)

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
OPERATING ACTIVITIES:		
Net income	$ 2,342	$ 11,398
Adjustment for non-cash items included in net income:		
Depreciation and amortization	5,582	5,372
Asset and asset-related charges (income)	(597)	(521)
Deferred income taxes	(1,233)	44
Stock-based compensation	1,402	1,086
Excess tax benefits from stock-based compensation activity	(102)	(70)
Loss (gain) on sale of property, plant, and equipment	47	(276)
Accretion of discount on long-term debt	2,166	
Other	116	101
Changes in assets and liabilities:		
Receivables	(19,479)	(11,640)
Inventories	1,522	(6,718)
Accounts payable	(6,640)	(4,597)
Income taxes payable	(87)	(80)
Unearned revenue	(3,445)	(318)
Other current assets and liabilities	(2,395)	(2,447)
Other assets and liabilities	(2,974)	(1,127)
Cash used in operating activities	(23,775)	(9,793)
INVESTING ACTIVITIES:		
Proceeds from disposal of property, plant, and equipment		468
Purchase of investments	(72,612)	(56)
Maturity/sale of investments	5,000	45,000
Capital expenditures	(10,137)	(7,564)
Cash provided by (used in) investing activities	(77,749)	37,848
FINANCING ACTIVITIES:		
Proceeds from exercise of employee stock options	154	174
Excess tax benefits from stock-based compensation activity	102	70
Repayments on long-term debt	(3)	(7)
Purchase of common stock held in treasury	(283)	(282)

Cash used in financing activities	(30)	(45)
Effect of exchange rate changes on cash and cash equivalents	757	(305)
Increase (decrease) in cash and cash equivalents	(100,797)	27,705
Cash and cash equivalents at beginning of period	376,951	56,216
Cash and cash equivalents at end of period	$ 276,154	$ 83,921

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

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RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income and Shareholders Equity (Unaudited)

(In thousands, except share amounts)

	Common Stock		Additional			Accumulated Other Comprehensive Income (Loss)			
						Net Unrealized Gain (Loss) From Available-For-Sale- Investments	Minimum Pension Liability	Foreign Currency Translation	
	Shares Outstanding	Amount	Paid-In Capital	Treasury Stock	Retained Earnings				Total
ance at ember 31, 2009	30,010,998	$ 307	$ 439,361	$ (16,996)	$ 290,097	$ 42	$ (39,932)	$ 6,327	$ 679,2
Income					11,398				11,3
eign currency slation								3,776	3,7
ecognized loss on estments						(15)			(
efit plan ortization							706		7
nprehensive income									*15,8*
res issued for ricted stock award ns	49,770	1							
ck-based npensation expense ognized			1,086						1,0
asury stock chased at cost	(11,203)			(282)					(2
rcise of employee ons	7,600		174						1
benefits from k-based npensation activity			(178)						(1
res issued for ployee stock chase plan	1,458		35						
	30,058,623	$ 308	$ 440,478	$ (17,278)	$ 301,495	$ 27	$ (39,226)	$ 10,103	$ 695,9

ance at March 31, 0									
ance at ember 31, 2010	30,123,519	$ 309	$ 474,277	$ (17,363)	$ 293,514	$ 27	$ (44,672)	$ 12,308	$ 718,4
income					2,342				2,3
eign currency slation								3,704	3,7
ecognized loss on estments						(84)			(
efit plan ortization							909		9
nprehensive income									*6,8*
res issued for ricted stock award ns	50,296								
ck-based npensation expense ognized			1,402						1,4
asury stock chased at cost	(9,965)			(283)					(2
rcise of employee ons	7,237		113						1
benefits from k-based npensation activity			(54)						(
res issued for loyee stock chase plan	1,588		41						4
ance at March 31, 1	30,172,675	$ 309	$ 475,779	$ (17,646)	$ 295,856	$ (57)	$ (43,763)	$ 16,012	$ 726,4

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

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.

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

RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

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

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 March 31, 2011, and the activity during the three 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	(7,237)
Outstanding at March 31, 2011	571,897
Exercisable at March 31, 2011	359,546

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 three months ended March 31, 2011 was $14.70.

Restricted Stock

A summary of the status of the Company s nonvested restricted stock as of March 31, 2011, and the activity during the three months then ended, is presented below:

Nonvested Restricted Stock Awards	**Shares**
Nonvested at December 31, 2010	154,289
Granted	50,296
Vested	(38,094)
Nonvested at March 31, 2011	166,491

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 three months ended March 31, 2011 was $28.47.

RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

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

Performance Share Awards

A summary of the Company s performance share award activity during the three months ended March 31, 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 March 31, 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 three months ended March 31, 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 three months ended March 31, 2011, the estimated annual effective tax rate applied to ordinary income was 49.3% compared to a rate of 5.9% for the three months ended March 31, 2010. The rate in each year differs from the federal statutory rate of 35% principally due to the mix of foreign losses benefitted at lower rates and domestic income taxed at higher rates and adjustments to unrecognized tax benefits. 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 $2,430, or 50.9% of pretax income, and $240, or 2.1% of pretax income, for federal, state, and foreign income taxes for the three months ended March 31, 2011 and 2010, respectively. Discrete items for the three months ended March 31, 2011 were not material. Discrete items totaling $447 reduced the provision from income taxes for the three months ended March 31, 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 that quarter with the remainder associated with the effective settlement of an income tax examination.

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.

At March 31, 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) 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 months ended March 31, 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.

RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

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

Actual weighted-average shares of Common Stock outstanding used in the calculation of basic and diluted earnings per share for the three months ended March 31, 2011 and 2010 were as follows:

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
Numerator:		
Net income	$ 2,342	$ 11,398
Denominator:		
Basic weighted-average shares outstanding	29,995,803	29,864,801
Effect of diluted securities	229,609	245,767
Diluted weighted-average shares outstanding	30,225,412	30,110,568
Earnings per share:		
Basic	$ 0.08	$ 0.38
Diluted	$ 0.08	$ 0.38

For the three months ended March 31, 2011 and March 31, 2010, options to purchase 338,374 and 250,366 shares of Common Stock, at an average price of $42.09 and $48.86, respectively, have been 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 cash 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

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

Commercial paper

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.

RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

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

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 consisted of the following:

	March 31, 2011	December 31, 2010
Cash and cash equivalents:		
Cash	$ 17,062	$ 31,795
Cash equivalents:		
Money market mutual funds	218,517	345,156
Commercial paper	36,542	
Corporate notes and bonds	4,033	
Total cash and cash equivalents	276,154	376,951
Short-term investments and marketable securities:		
Short-term municipal bond fund	20,348	20,275
Commercial paper	4,047	
Corporate notes and bonds	50,798	
U.S. government agencies	12,478	
Total short-term investments and marketable securities	87,671	20,275
Total cash, cash equivalents, short-term investments, and marketable securities	$ 363,825	$ 397,226

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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)

The Company s investments at March 31, 2011 and December 31, 2010 were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
At March 31, 2011:				
Short-term municipal bond fund	$ 20,306	$ 42	$	$ 20,348
Commercial paper	4,049		2	4,047
Corporate notes and bonds	50,904		106	50,798
U.S. government agencies	12,500	1	23	12,478
Total	$ 87,759	$ 43	$ 131	$ 87,671
At December 31, 2010:				
Short-term municipal bond fund	$ 20,233	$ 42	$	$ 20,275
Total	$ 20,233	$ 42	$	$ 20,275

Available-for-sale investments at March 31, 2011 had contractual maturities as follows:

	Due within 1 year	Due within 2 years	Total
Short-term municipal bond fund	$ 20,348	$	$ 20,348
Commercial paper	4,047		4,047
Corporate notes and bonds	14,497	36,301	50,798
U.S. government agencies		12,478	12,478
Total	$ 38,892	$ 48,779	$ 87,671

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 March 31, 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 March 31, 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 three months ended March 31, 2011.

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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)

	Quoted Market Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
As of March 31, 2011:				
Short-term investments:				
Commercial paper	$ 4,047	$	$	$ 4,047
Short-term municipal bond fund	20,348			20,348
Corporate notes and bonds	14,497			14,497
Marketable securities:				
Corporate notes and bonds	36,301			36,301
U.S. government agencies	12,478			12,478
Total	$ 87,671	$	$	$ 87,671
As of December 31, 2010:				
Short-term investments:				
Short-term municipal bond fund	$ 20,275	$	$	$ 20,275
Total	$ 20,275	$	$	$ 20,275

As of March 31, 2011, the Company did not have any financial assets or liabilities that were measured at fair value on a non-recurring basis.

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

	March 31, 2011		December 31, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$ 276,154	$ 276,154	$ 376,951	$ 376,951
Long-term debt	$ 180,269	$ 266,892	$ 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:

	March 31, 2011	December 31, 2010
Trade and commercial customers	$ 76,968	$ 56,713
Less: Allowance for doubtful accounts	(469)	(478)
Total receivables	$ 76,499	$ 56,235

RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

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

Note 9 INVENTORIES:

Inventories are valued at cost as determined by the last-in, first-out (LIFO) method for approximately 63% of the Company s inventories at both March 31, 2011 and December 31, 2010. 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:

	March 31, 2011	December 31, 2010
Raw materials and supplies	$ 106,056	$ 118,031
Work-in-process and finished goods	225,825	211,001
LIFO reserve	(62,479)	(59,313)
Total inventories	$ 269,402	$ 269,719

As of March 31, 2011 and December 31, 2010, the current cost of inventories exceeded their carrying value by $62,479 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; however, 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 three 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 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 March 31, 2011 was as follows:

	Titanium	Fabrication	Distribution

	Group	Group	Group	Total
December 31, 2010	$ 2,548	$ 29,414	$ 9,833	$ 41,795
Translation adjustment		410		410
March 31, 2011	$ 2,548	$ 29,824	$ 9,833	$ 42,205

Intangibles. Intangible assets consist of customer relationships as a result of the Company s 2004 acquisition of Claro Precision, Inc. These intangible assets, which were valued at fair value upon acquisition, 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.

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

	December 31, 2010	Amortization	Translation Adjustment	March 31, 2011
Fabrication Group	$ 14,066	$ (258)	$ 411	$ 14,219

Note 11 UNEARNED REVENUE:

The Company reported liabilities for unearned revenue of $26,020 and $28,358 as of March 31, 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:

	March 31, 2011	December 31, 2010
$230 million aggregate principal amount 3.0% convertible notes due December 2015	$ 180,228	$ 178,062
Other	41	45
Total long-term debt	$ 180,269	$ 178,107

During the three months ended March 31, 2011, the Company recorded long-term debt discount accretion of $2,166 as a component of interest expense.

Note 13 EMPLOYEE BENEFIT PLANS:

Components of net periodic pension and other post-retirement benefit cost for the three months ended March 31, 2011 and 2010 for those salaried and hourly covered employees were as follows:

	Pension Benefits		Other Post-Retirement Benefits	
	2011	2010	2011	2010
Service cost	$ 512	$ 451	$ 187	$ 178
Interest cost	1,794	1,770	590	550
Expected return on plan assets	(1,948)	(1,869)		
Amortization of prior service cost	100	131	303	303
Amortization of unrealized gains and losses	1,004	701		
Net periodic benefit cost	$ 1,462	$ 1,184	$ 1,080	$ 1,031

During the three months ended March 31, 2011, the Company made cash contributions totaling $5.7 million to its qualified defined benefit pension plans. The Company expects to make additional cash contributions of at least $3.8 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

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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 $350 million, which includes grounding liability.

Tronox LLC Litigation

In connection with its now indefinitely idled plans to construct a premium-grade titanium sponge production facility in Hamilton, Mississippi, a subsidiary of the Company had entered into an agreement with Tronox LLC (Tronox) for the long-term supply of titanium tetrachloride (TiCl4) in 2008, 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. On September 23, 2009, the Company s subsidiary filed a complaint in the United States Bankruptcy Court for the Southern District of New York against Tronox challenging the validity of the supply agreement. Tronox filed a motion to dismiss the complaint, and on February 9, 2010 the Bankruptcy Court issued an order granting the motion. The Company s subsidiary has appealed the order, as it believes that its claims seeking termination and/or rescission of the supply agreement and companion ground lease on grounds of breach of warranty, nondisclosure, and mistake are meritorious; however, due to the inherent uncertainties of litigation and because of the pending appeal, the ultimate outcome of the matter is uncertain. The appeal remains outstanding as of March 31, 2011.

On January 28, 2011, Tronox filed a complaint in the United States Bankruptcy Court for the Southern District of New York against the Company s subsidiary, alleging breach of contract, repudiation and two additional related claims under the Bankruptcy Code with respect to the supply agreement. As discussed above, the Company s subsidiary believes that the claims asserted by it in connection with the long-term supply agreement are meritorious, and as such disputes the claims asserted by Tronox. The Company s subsidiary intends to vigorously defend this suit; however, due to the inherent uncertainties of litigation, the ultimate outcome of the matter is uncertain.

Pending the outcome of both pieces of litigation, the Company estimates that its potential contractual exposure could be up to $36 million, of which it has currently accrued $11 million.

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 March 31, 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 March 31, 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. During the three months ended March 31, 2011, the Company made payments totaling $40 related to its environmental 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:

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

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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.

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

	Three Months Ended March 31,	
	2011	**2010**
Net sales:		
Titanium Group	$ 35,541	$ 38,841
Intersegment sales	33,776	23,765
Total Titanium Group sales	69,317	62,606
Fabrication Group	38,102	28,602
Intersegment sales	13,305	12,762
Total Fabrication Group sales	51,407	41,364
Distribution Group	47,207	40,442
Intersegment sales	433	464
Total Distribution Group sales	47,640	40,906
Eliminations	47,514	36,991
Total consolidated net sales	$ 120,850	$ 107,885
Operating income (loss):		
Titanium Group before corporate allocations	$ 11,290	$ 17,083
Corporate allocations	(2,551)	(2,091)
Total Titanium Group operating income	8,739	14,992
Fabrication Group before corporate allocations	2,020	(2,430)
Corporate allocations	(3,306)	(2,836)
Total Fabrication Group operating loss	(1,286)	(5,266)

Distribution Group before corporate allocations	3,944	3,570
Corporate allocations	(1,981)	(1,616)
Total Distribution Group operating income	1,963	1,954
Total consolidated operating income	$ 9,416	$ 11,680

	March 31, 2011	December 31, 2010
Total assets:		
Titanium Group	$ 388,670	$ 367,591
Fabrication Group	261,191	246,830
Distribution Group	140,172	120,935
General corporate assets	303,823	371,498
Total consolidated assets	$ 1,093,856	$ 1,106,854

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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 which restructuring of receivables constitutes troubled debt restructurings for a creditor. This applies to both the recording of an impairment loss and related disclosures for the troubled debt restructurings. 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. 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.

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

Condensed Consolidating Statement of Operations
Three Months Ended March 31, 2011

	RTI International Metals, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$				