

TITANIUM METALS CORP
Form 10-Q
August 07, 2007

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

FORM 10-Q

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

For the quarterly period ended June 30, 2007

OR

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

Commission file number 1-14368

Titanium Metals Corporation

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

13-5630895

(IRS Employer Identification No.)

5430 LBJ Freeway, Suite 1700, Dallas, Texas 75240-2697

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(972) 233-1700**

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, and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

Large accelerated filer

Accelerated

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filer

Non-accelerated filer

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 common stock outstanding on August 1, 2007: 162,190,755

TITANIUM METALS CORPORATION

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Items 2, 3 and 5 of Part II are omitted because there is no information to report.

TITANIUM METALS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions)

	December 31, 2006	June 30, 2007 (unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 29.4	\$ 44.0
Accounts and other receivables, less allowance of \$1.4 and \$1.8, respectively	213.0	243.1
Inventories	501.5	546.4
Refundable income taxes	-	2.3
Prepaid expenses and other	4.6	4.4
Deferred income taxes	9.1	8.9
Total current assets	757.6	849.1
Marketable securities	56.8	52.2
Property and equipment, net	329.8	344.4
Pension asset	17.9	20.1
Deferred income taxes	3.5	0.1
Prepaid expenses and other	51.3	49.9
Total assets	\$ 1,216.9	\$ 1,315.8

See accompanying Notes to Condensed Consolidated Financial Statements.

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TITANIUM METALS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)

(In millions)

LIABILITIES, MINORITY INTEREST AND STOCKHOLDERS' EQUITY	December 31, 2006	June 30, 2007 (unaudited)
Current liabilities:		
Accounts payable	\$ 87.8	\$ 67.7
Accrued liabilities	82.0	67.6
Customer advances	18.7	15.6
Income taxes payable	22.0	6.1
Deferred income taxes	0.6	0.6
Total current liabilities	211.1	157.6
Accrued OPEB cost	28.0	28.6
Accrued pension cost	52.2	51.4
Deferred income taxes	17.8	15.2
Other	7.6	10.1
Total liabilities	316.7	262.9
Minority interest	21.3	19.7
Stockholders' equity:		
Series A Preferred Stock	75.0	73.4
Common stock	1.6	1.6
Additional paid-in capital	484.4	487.6
Retained earnings	340.3	491.5
Accumulated other comprehensive loss	(22.4)	(20.9)
Total stockholders' equity	878.9	1,033.2
Total liabilities, minority interest and stockholders' equity	\$ 1,216.9	\$ 1,315.8

Commitments and contingencies (Note 9)

See accompanying Notes to Condensed Consolidated Financial Statements.

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TITANIUM METALS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In millions, except per share data)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2006	2007	2006	2007
	(unaudited)			
Net sales	\$ 300.9	\$ 341.2	\$ 587.8	\$ 682.9
Cost of sales	194.6	205.7	373.2	414.0
Gross margin	106.3	135.5	214.6	268.9
Selling, general, administrative and development expense	17.4	17.7	32.6	35.0
Other income, net	4.7	0.2	6.7	0.3
Operating income	93.6	118.0	188.7	234.2
Other non-operating (expense) income, net	(2.3)	0.4	(3.0)	0.2
Income before income taxes and minority interest	91.3	118.4	185.7	234.4
Provision for income taxes	32.8	37.9	66.1	74.3
Minority interest in after-tax earnings	2.3	2.8	4.6	5.9
Net income	56.2	77.7	115.0	154.2
Dividends on Series A Preferred Stock	1.9	1.4	3.9	2.8
Net income attributable to common stockholders	\$ 54.3	\$ 76.3	\$ 111.1	\$ 151.4
Earnings per share attributable to common stockholders:				
Basic	\$ 0.36	\$ 0.47	\$ 0.75	\$ 0.94
Diluted	\$ 0.31	\$ 0.42	\$ 0.63	\$ 0.84
Weighted average shares outstanding:				
Basic	152.1	162.1	149.0	161.9
Diluted	184.1	184.3	183.7	184.3

See accompanying Notes to Condensed Consolidated Financial Statements.

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TITANIUM METALS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

	Six months ended June 30,	
	2006	2007
	(unaudited)	
Cash flows from operating activities:		
Net income	\$ 115.0	\$ 154.2
Depreciation and amortization	16.8	19.2
Equity in earnings of joint ventures, net of distributions	(5.2)	0.1
Deferred income taxes	8.7	2.5
Excess tax benefit of stock option exercises	(9.6)	(0.8)
Minority interest	4.6	5.9
Other, net	0.1	1.4
Change in assets and liabilities:		
Receivables	(49.4)	(27.8)
Inventories	(63.2)	(41.3)
Accounts payable and accrued liabilities	0.8	(34.3)
Income taxes	6.7	(17.6)
Other, net	(2.4)	(4.2)
Net cash provided by operating activities	22.9	57.3
Cash flows from investing activities:		
Capital expenditures	(34.9)	(33.9)
Other, net	(0.7)	-
Net cash used in investing activities	(35.6)	(33.9)
Cash flows from financing activities:		
Indebtedness:		
Borrowings	330.5	-
Repayments	(334.7)	-
Dividends paid on Series A Preferred Stock	(4.3)	(2.8)
Dividends paid to minority shareholder	(3.0)	(8.1)
Issuance of common stock	10.6	0.8
Excess tax benefit of stock option exercises	9.6	0.8
Other, net	(0.7)	-
Net cash provided by (used in) financing activities	8.0	(9.3)
Net cash (used in) provided by operating, investing and financing activities	(4.7)	14.1
Effect of exchange rate changes on cash	0.9	0.5
	(3.8)	14.6
Cash and cash equivalents at beginning of period	17.6	29.4
Cash and cash equivalents at end of period	\$ 13.8	\$ 44.0
Supplemental disclosures:		
Cash paid for:		
Interest, net of amounts capitalized	\$ 1.1	\$ 1.5

Income taxes, net	\$	50.5	\$	88.9
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See accompanying Notes to Condensed Consolidated Financial Statements.

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TITANIUM METALS CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE
INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2007
(In millions)

	Series A Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings (unaudited)	Accumulated Other Comprehensive Loss	Total	Comprehensive Income
Balance at January 1, 2007	\$ 75.0	\$ 1.6	\$ 484.4	\$ 340.3	\$ (22.4)	\$ 878.9	
Net income	-	-	-	154.2	-	154.2	\$ 154.2
Other comprehensive income	-	-	-	-	1.5	1.5	1.5
Issuance of common stock	-	-	0.8	-	-	0.8	-
Conversion of Series A Preferred Stock	(1.6)	-	1.6	-	-	-	-
Tax benefit of stock options exercised	-	-	0.8	-	-	0.8	-
Dividends declared on Series A Preferred Stock	-	-	-	(2.8)	-	(2.8)	-
Change in Accounting - FIN 48	-	-	-	(0.2)	-	(0.2)	-
Balance at June 30, 2007	\$ 73.4	\$ 1.6	\$ 487.6	\$ 491.5	\$ (20.9)	\$ 1,033.2	
Comprehensive income							\$ 155.7

See accompanying Notes to Condensed Consolidated Financial Statements.

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TITANIUM METALS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007
(Unaudited)

Note 1 – Basis of presentation and organization

Basis of presentation. The unaudited Condensed Consolidated Financial Statements contained in this Quarterly Report have been prepared on the same basis as the audited Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2006 that we filed with the Securities and Exchange Commission (“SEC”) on February 28, 2007 (“2006 Annual Report”), except as disclosed below. They include the accounts of Titanium Metals Corporation and its majority owned subsidiaries (collectively referred to as “TIMET”). Unless otherwise indicated, references in this report to “we”, “us” or “our” refer to TIMET and its subsidiaries, taken as a whole. All material intercompany transactions and balances with consolidated subsidiaries have been eliminated. In our opinion, we have made all necessary adjustments (which include only normal recurring adjustments) in order to state fairly, in all material respects, our consolidated financial position, results of operations and cash flows as of the dates and for the periods presented. We have condensed the Consolidated Balance Sheet at December 31, 2006 contained in this Quarterly Report as compared to our audited Consolidated Financial Statements at that date, and we have condensed or omitted certain information and footnote disclosures (including those related to the Consolidated Balance Sheet at December 31, 2006) normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America. Our results of operations for the interim period ended June 30, 2007 may not be indicative of our operating results for the full year. The Condensed Consolidated Financial Statements contained in this Quarterly Report should be read in conjunction with the 2006 Consolidated Financial Statements contained in our 2006 Annual Report. Our first three fiscal quarters reported are the approximate 13-week periods ending on the Saturday generally nearest to March 31, June 30 and September 30. Our fourth fiscal quarter and fiscal year always end on December 31. For presentation purposes, our financial statements and the accompanying notes have been presented as ended on March 31, June 30, September 30 and December 31, as applicable.

Organization. At June 30, 2007, Contran Corporation and its subsidiaries held 32.5% of our outstanding common stock, and the Combined Master Retirement Trust (“CMRT”), a trust sponsored by Contran to permit the collective investment by trusts that maintain the assets of certain employee benefit plans adopted by Contran and certain related companies, held an additional 9.5% of our common stock. Substantially all of Contran's outstanding voting stock is held by trusts established for the benefit of certain children and grandchildren of Harold C. Simmons, of which Mr. Simmons is sole trustee, or is held by Mr. Simmons or persons or other entities related to Mr. Simmons. In addition, Mr. Simmons is the sole trustee of the CMRT and a member of the trust investment committee for the CMRT. At June 30, 2007, Mr. Simmons directly owned 3.1% of our outstanding common stock and Mr. Simmons’ spouse owned 93.9% of our outstanding Series A Preferred Stock and a nominal number of shares of our common stock. Consequently, Mr. Simmons may be deemed to control each of Contran and us.

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Recent accounting pronouncements. On January 1, 2007, we adopted Financial Accounting Standards Board Interpretation (“FIN”) No. 48, *Accounting for Uncertain Tax Positions*. FIN 48 clarifies when and how much of a benefit we can recognize in our consolidated financial statements for certain positions taken in our income tax returns under Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*, and enhances the disclosure requirements for our income tax policies and reserves. Among other things, FIN 48 prohibits us from recognizing the benefits of a tax position unless we believe it is more-likely-than-not our position will prevail with the applicable tax authorities and limits the amount of the benefit to the largest amount for which we believe the likelihood of realization is greater than 50%. FIN 48 also requires companies to accrue penalties and interest on the difference between tax positions taken on their tax returns and the amount of benefit recognized for financial reporting purposes under the new standard. We are required to classify any future reserves for uncertain tax positions in a separate current or noncurrent liability, depending on the nature of the tax position. Our adoption of FIN 48 did not have a material impact on our consolidated financial position or results of operations.

We accrue interest and penalties on our uncertain tax positions as a component of our provision for income taxes. The amount of interest and penalties we accrued at June 30, 2007 was not material, and at January 1, 2007, we had no accrued interest and penalties for our uncertain tax positions.

At June 30, 2007 we had approximately \$2.7 million accrued for uncertain tax positions, which did not change significantly from the January 1, 2007 accrual. Of this amount, \$2.0 million was reclassified from deferred income tax liabilities (where we classified such reserve before we adopted FIN 48), \$0.5 million was provided for during the first six months of 2007 which is included in our provision for income taxes and the remainder was accounted for as a reduction in our retained earnings in accordance with the transition provisions of the new standard. We have an immaterial reserve for uncertain tax positions at June 30, 2007 that, if recognized, would affect our effective income tax rate. We do not currently believe that our unrecognized tax benefits will change significantly within the next twelve months.

We file income tax returns in various U.S. federal, state and local jurisdictions. We also file income tax returns in various foreign jurisdictions, principally in the United Kingdom, Italy, France and Germany. Our domestic income tax returns prior to 2003 are generally considered closed to examination by applicable tax authorities. Our foreign income tax returns are generally considered closed to examination for years prior to 2000 for the United Kingdom, 2002 for Italy, 2003 for France and 2002 for Germany.

Note 2 – Inventories

	December 31, 2006	June 30, 2007
	(In millions)	
Raw materials	\$ 134.0	\$ 128.3
Work-in-process	239.4	268.7
Finished products	90.3	105.8
Inventory consigned to customers	20.1	23.3
Supplies	17.7	20.3
Total inventories	\$ 501.5	\$ 546.4

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Note 3 – Marketable securities

Our marketable securities consist of investments in related parties. CompX International, Inc., NL Industries, Inc. and Kronos Worldwide, Inc. are each majority owned subsidiaries of Contran. The aggregate cost basis of our marketable securities was \$36.9 million at December 31, 2006 and June 30, 2007. The following table summarizes the market value of our marketable securities:

	December 31, 2006	June 30, 2007
	(In millions)	
CompX	\$ 54.3	\$ 49.9
NL	2.3	2.2
Kronos	0.2	0.1
Total marketable securities	\$ 56.8	\$ 52.2

Note 4 – Property and equipment

	December 31, 2006	June 30, 2007
	(In millions)	
Land and improvements	\$ 9.3	\$ 11.2
Buildings and improvements	41.6	55.7
Information technology systems	66.0	66.9
Manufacturing equipment and other	376.2	433.6
Construction in progress	103.4	61.6
Total property and equipment	596.5	629.0
Less accumulated depreciation	266.7	284.6
Total property and equipment, net	\$ 329.8	\$ 344.4

Note 5 – Prepaid expenses and other noncurrent assets

	December 31, 2006	June 30, 2007
	(In millions)	
Prepaid conversion services	\$ 49.7	\$ 48.4
Other	1.6	1.5
Total prepaid expenses and other noncurrent assets	\$ 51.3	\$ 49.9

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Note 6 – Accrued liabilities

	December 31, 2006	June 30, 2007
	(In millions)	
Employee related	\$ 46.4	\$ 33.7
Deferred revenue	6.9	6.8
Scrap purchases	8.9	5.6
Taxes, other than income	6.7	8.7
Other	13.1	12.8
Total accrued liabilities	\$ 82.0	\$ 67.6

Note 7 – Employee benefits

Defined benefit pension plans. The components of the net periodic pension expense are set forth below:

	Three months ended June 30, 2006		Six months ended June 30, 2006	
	2007	2007	2007	2007
	(In millions)			
Service cost	\$ 1.1	\$ 1.3	\$ 2.2	\$ 2.7
Interest cost	3.4	4.2	6.8	8.3
Expected return on plan assets	(4.5)	(5.4)	(9.0)	(10.8)
Amortization of net losses	0.8	0.9	1.6	1.7
Amortization of prior service cost	0.1	0.1	0.3	0.2
Total pension expense	\$ 0.9	\$ 1.1	\$ 1.9	\$ 2.1

Postretirement benefits other than pensions (“OPEB”). The components of net OPEB expense are set forth below:

	Three months ended June 30, 2006		Six months ended June 30, 2006	
	2007	2007	2007	2007
	(In millions)			
Service cost	\$ 0.2	\$ 0.3	\$ 0.4	\$ 0.5
Interest cost	0.5	0.4	0.9	0.9
Amortization of net losses	(0.1)	(0.1)	0.1	(0.2)
Amortization of prior service cost	0.5	0.2	0.4	0.4
Total OPEB expense	\$ 1.1	\$ 0.8	\$ 1.8	\$ 1.6

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Note 8 – Income taxes

	Six months ended June 30,	
	2006	2007
	(In millions)	
Expected income tax expense, at 35%	\$ 65.0	\$ 82.0
Non-U.S. tax rates	(0.9)	(1.7)
U.S. state income taxes, net	3.2	4.1
Nontaxable income	(0.2)	(6.3)
Domestic manufacturing credit	(1.0)	(3.3)
Other, net	-	(0.5)
Provision for income taxes	\$ 66.1	\$ 74.3

Note 9 – Commitments and contingencies

Environmental matters. We are continuing assessment work with respect to our plant site in Henderson, Nevada. As of June 30, 2007, we have \$2.0 million accrued which represents our current estimate of the probable costs of the remediation expected to be required at the site under the current order with the state department of environmental protection. We expect these accrued expenses to be paid over the remediation period of up to thirty years. We estimate the upper end of the range of reasonably possible costs related to this matter, including the current accrual, to be approximately \$4.1 million.

We accrue liabilities related to environmental remediation obligations when estimated future costs are probable and estimable. We evaluate and adjust our estimates as additional information becomes available or as circumstances change. Estimated future costs are not discounted to their present value. In the future, if the standards or requirements under environmental laws or regulations become more stringent, if our testing and analysis at our operating facilities identify additional environmental remediation, or if we determine that we are responsible for the remediation of hazardous substance contamination at other sites, then we may incur additional costs in excess of our current estimates. We do not know if actual costs will exceed our current estimates, if additional sites or matters will be identified which require remediation or if the estimated costs associated with previously identified sites requiring environmental remediation will become estimable in the future.

Legal proceedings. From time to time, we are involved in various employment, environmental, contractual, intellectual property, product liability, general liability and other claims, disputes and litigation incidental to our operations. In certain instances, we have insurance coverage for these items to eliminate or reduce our risk of loss (other than standard deductibles, which are generally \$1 million or less). We currently believe that the outcome of these matters, individually or in the aggregate, will not have a material adverse effect on our financial position, results of operations or liquidity beyond any accruals for which we have already provided. However, all such matters are subject to inherent uncertainties, and were an unfavorable outcome to occur with respect to several of these matters in a given period, it is possible that it could have a material adverse impact on our results of operations or cash flows in that particular period.

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Note 10 – Earnings per share

Basic earnings per share is based on the weighted average number of unrestricted common shares outstanding during each period. Diluted earnings per share attributable to common stockholders reflects the dilutive effect of common stock options and the assumed conversion of our Series A Preferred Stock, if applicable. A reconciliation of the numerator and denominator used in the calculation of basic and diluted earnings per share is presented below:

	Three months ended June 30,		Six months ended June 30,	
	2006	2007	2006	2007
	(In millions)			
Numerator:				
Net income attributable to common stockholders	\$ 54.3	\$ 76.3	\$ 111.1	\$ 151.4
Dividends on Series A Preferred Stock	1.9	1.4	3.9	2.8
Diluted net income attributable to common stockholders	\$ 56.2	\$ 77.7	\$ 115.0	\$ 154.2
Denominator:				
Average common shares outstanding	152.1	162.1	149.0	161.9
Average dilutive stock options	0.3	0.1	0.5	0.1
Series A Preferred Stock	31.7	22.1	34.1	22.3
Other	-	-	0.1	-
Diluted shares	184.1	184.3	183.7	184.3

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Note 11 – Business segment information

Our production facilities are located in the United States, United Kingdom, France and Italy, and our products are sold throughout the world. Our Chief Executive Officer functions as our chief operating decision maker (“CODM”), and the CODM receives consolidated financial information about us. He makes decisions concerning resource utilization and performance analysis on a consolidated and global basis. We have one reportable segment, our worldwide “Titanium melted and mill products” segment. The following table provides segment information supplemental to our Condensed Consolidated Financial Statements:

	Three months ended June 30,		Six months ended June 30,	
	2006	2007	2006	2007
	(In millions, except product shipment data)			
Titanium melted and mill products:				
Melted product net sales	\$ 59.3	\$ 55.3	\$ 106.4	\$ 114.4
Mill product net sales	207.2	250.4	412.1	497.4
Other product sales	34.4	35.5	69.3	71.1
Total net sales	\$ 300.9	\$ 341.2	\$ 587.8	\$ 682.9
Melted product shipments:				
Volume (metric tons)	1,550	1,310	3,005	2,640
Average selling price (per kilogram)	\$ 38.25	\$ 42.20	\$ 35.40	\$ 43.35
Mill product shipments:				
Volume (metric tons)	3,750	3,595	7,425	7,315
Average selling price (per kilogram)	\$ 55.25	\$ 69.65	\$ 55.50	\$ 68.00

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

The statements contained in this Quarterly Report on Form 10-Q ("Quarterly Report") that are not historical facts, including, but not limited to, statements found in Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), are forward-looking statements that represent management's beliefs and assumptions based on currently available information. Forward-looking statements can generally be identified by the use of words such as "believes," "intends," "may," "will," "looks," "should," "could," "anticipates," "expects" or comparable terminology or by discussions of strategies or trends. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we do not know if these expectations will prove to be correct. Such statements by their nature involve substantial risks and uncertainties that could significantly affect expected results. Actual future results could differ materially from those described in such forward-looking statements, and we disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Among the factors that could cause actual results to differ materially are the risks and uncertainties discussed in this Quarterly Report, including risks and uncertainties in those portions referenced above and those described from time to time in our other filings with the SEC which include, but are not limited to:

- *the cyclical nature of the commercial aerospace industry;*
 - *the performance of aerospace manufacturers and us under our long-term agreements;*
 - *the existence or renewal of certain long-term agreements;*
 - *the difficulty in forecasting demand for titanium products;*
 - *global economic and political conditions;*
 - *global production capacity for titanium;*
 - *changes in product pricing and costs;*
- *the impact of long-term contracts with vendors on our ability to reduce or increase supply;*
 - *the possibility of labor disruptions;*
 - *fluctuations in currency exchange rates;*
 - *fluctuations in the market price of marketable securities;*
 - *uncertainties associated with new product or new market development;*
 - *the availability of raw materials and services;*
 - *changes in raw material prices and other operating costs (including energy costs);*
- *possible disruption of business or increases in the cost of doing business resulting from terrorist activities or global conflicts;*
 - *competitive products and strategies; and*
 - *other risks and uncertainties.*

Should one or more of these risks materialize (or the consequences of such a development worsen), or should the underlying assumptions prove incorrect, actual results could differ materially from those forecasted or expected.

SUMMARY

General overview. We are a vertically integrated producer of titanium sponge, melted products and a variety of mill products for commercial aerospace, military, industrial and other applications. We are one of the world's leading producers of titanium melted products (ingot, electrodes and slab) and mill products (billet, bar, sheet and strip). We are the only producer with major titanium production facilities in both the U.S. and Europe, the world's principal markets for titanium.

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The following discussion and analysis should be read in conjunction with our Condensed Consolidated Financial Statements and related notes included elsewhere in this Quarterly Report and with our Consolidated Financial Statements and the information under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” which are included in our 2006 Annual Report.

RESULTS OF OPERATIONS

Quarter ended June 30, 2007 compared to quarter ended June 30, 2006

Summarized financial information. The following table summarizes certain information regarding our results of operations for the three months ended June 30, 2006 and 2007. Our reported average selling prices are a reflection of actual selling prices we received after the effects of currency exchange rates, customer and product mix, and other related factors realized throughout the periods presented. Consequently, changes in average selling prices from period to period will be impacted by changes in actual prices and these other factors.

	Three months ended June 30,			
	2006	% of Total Net Sales	2007	% of Total Net Sales
	(In millions, except product shipment data)			
Net sales:				
Melted products	\$ 59.3	20%	\$ 55.3	16%
Mill products	207.2	69%	250.4	74%
Other products	34.4	11%	35.5	10%
Total net sales	300.9	100%	341.2	100%
Cost of sales	(194.6)	65%	(205.7)	60%
Gross margin	106.3	35%	135.5	40%
Selling, general, administrative and development expense	(17.4)	6%	(17.7)	5%
Other income, net	4.7	2%	0.2	-
Operating income	\$ 93.6	31%	\$ 118.0	35%

Melted product shipments: