

RTI INTERNATIONAL METALS INC
Form 10-Q
August 06, 2012
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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, 2012**

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 31, 2012 was 30,317,173.

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 June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net sales	\$ 190,277	\$ 123,213	\$ 353,127	\$ 244,063
Cost and expenses:				
Cost of sales	153,781	98,624	280,926	193,469
Selling, general, and administrative expenses	23,458	17,618	45,080	35,076
Research, technical, and product development expenses	1,104	890	2,169	1,522
Asset and asset-related charges (income)				(1,501)
Operating income	11,934	6,081	24,952	15,497
Other income (expense), net	570	133	302	(436)
Interest income	33	355	115	580
Interest expense	(4,209)	(4,250)	(8,487)	(8,550)
Income before income taxes	8,328	2,319	16,882	7,091
Provision for income taxes	3,165	191	6,094	2,621
Net income	\$ 5,163	\$ 2,128	\$ 10,788	\$ 4,470
Earnings per share:				
Basic	\$ 0.17	\$ 0.07	\$ 0.36	\$ 0.15
Diluted	\$ 0.17	\$ 0.07	\$ 0.36	\$ 0.15
Weighted-average shares outstanding:				
Basic	30,126,774	30,019,933	30,107,998	30,008,108
Diluted	30,222,380	30,318,084	30,215,503	30,273,669

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 Comprehensive Income****(Unaudited)****(In thousands, except share and per share amounts)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net income	\$ 5,163	\$ 2,128	\$ 10,788	\$ 4,470
Other comprehensive income:				
Foreign currency translation	(2,577)	(114)	(385)	3,590
Unrealized loss on investments, net of tax of \$0, \$67, \$0 and \$22		124		40
Realized loss on investments, net of tax of \$0, \$0, \$4, and \$0			8	
Benefit plan amortization, net of tax of \$725, \$490, \$1,450 and \$980	1,204	909	2,407	1,818
Other comprehensive income (loss), net of tax	(1,373)	919	2,030	5,448
Comprehensive income	\$ 3,790	\$ 3,047	\$ 12,818	\$ 9,918

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, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 99,525	\$ 156,842
Short-term investments		164,255
Receivables, less allowance for doubtful accounts of \$993 and \$872	107,455	95,022
Inventories, net	349,432	275,059
Deferred income taxes	19,332	18,674
Other current assets	12,900	9,932
Total current assets	588,644	719,784
Property, plant, and equipment, net	365,788	289,434
Marketable securities		12,683
Goodwill	140,211	55,864
Other intangible assets, net	58,251	22,576
Deferred income taxes	29,239	27,424
Other noncurrent assets	5,407	5,173
Total assets	\$ 1,187,540	\$ 1,132,938
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 64,278	\$ 59,591
Accrued wages and other employee costs	25,135	27,260
Unearned revenues	42,056	31,690
Other accrued liabilities	21,716	20,085
Total current liabilities	153,185	138,626
Long-term debt	193,727	186,981
Liability for post-retirement benefits	42,000	41,388
Liability for pension benefits	13,402	20,830
Deferred income taxes	38,817	13,606
Other noncurrent liabilities	8,969	8,755
Total liabilities	450,100	410,186
Commitments and Contingencies		
Shareholders' equity:		
Common stock, \$0.01 par value; 50,000,000 shares authorized; 31,097,449 and 30,948,209 shares issued; 30,314,874 and 30,198,780 shares outstanding	311	309
Additional paid-in capital	481,855	479,245
Treasury stock, at cost; 782,575 and 749,429 shares	(18,399)	(17,657)
Accumulated other comprehensive loss	(37,181)	(39,211)
Retained earnings	310,854	300,066

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Total shareholders' equity	737,440	722,752
Total liabilities and shareholders' equity	\$ 1,187,540	\$ 1,132,938

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,	
	2012	2011
<u>OPERATING ACTIVITIES:</u>		
Net income	\$ 10,788	\$ 4,470
Adjustment for non-cash items included in net income:		
Depreciation and amortization	18,957	11,279
Asset and asset-related charges (income)		(597)
Deferred income taxes	(2,025)	(2,547)
Stock-based compensation	2,518	2,502
Excess tax benefits from stock-based compensation activity	(66)	(263)
Gain on sale of property, plant and equipment	(74)	39
Amortization of discount on long-term debt	4,738	4,361
Other	758	(122)
Changes in assets and liabilities:		
Receivables	2,904	(9,069)
Inventories	(54,089)	12,501
Accounts payable	4,172	(10,345)
Income taxes payable	5,117	(81)
Unearned revenue	9,526	(6,779)
Other current assets and liabilities	(13,154)	2,040
Other assets and liabilities	(4,279)	(2,169)
Cash provided by (used in) operating activities	(14,209)	5,220
<u>INVESTING ACTIVITIES:</u>		
Acquisitions, net of cash acquired	(185,633)	
Maturity/sale of investments	176,809	19,079
Purchase of investments	(38)	(154,772)
Capital expenditures	(34,901)	(18,646)
Cash used in investing activities.	(43,763)	(154,339)
<u>FINANCING ACTIVITIES:</u>		
Proceeds from exercise of employee stock options.	211	201
Excess tax benefits from stock-based compensation activity	66	263
Repayments on long-term debt	(298)	(5)
Purchase of common stock held in treasury	(742)	(283)
Cash provided by (used in) financing activities	(763)	176
Effect of exchange rate changes on cash and cash equivalents	1,418	305
Decrease in cash and cash equivalents	(57,317)	(148,638)
Cash and cash equivalents at beginning of period	156,842	376,951

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Cash and cash equivalents at end of period	\$ 99,525	\$ 228,313
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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

(Unaudited)

(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, 2011 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 2011 Annual Report on Form 10-K filed with the Securities and Exchange Commission (the SEC) on February 28, 2012.

Note 2 ORGANIZATION:

The Company is a leading producer and global supplier of advanced titanium mill products and a manufacturer of fabricated titanium and specialty metal components for the international aerospace, defense, energy, medical device, 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.

On February 13, 2012, the Company completed its acquisition of all of the issued and outstanding common stock of REI Delaware Holding, Inc., which directly owns all of the issued and outstanding capital stock of Remmele Engineering, Inc. (Engineering) and indirectly owns all of the issued and outstanding capital stock of REI Medical, Inc. (REI Medical) and together with Engineering, Remmele) for total consideration of approximately \$188.4 million, including approximately \$185.6 million in cash and the assumption of \$2.8 million of capitalized equipment leases. The total purchase price included adjustments totaling \$6.4 million for capital expenditures incurred during the negotiating period and working capital which increased the total consideration paid from the contractual purchase price of \$182.0 million. Remmele provides precision machining and collaborative engineering, as well as other key technologies and services, for the aerospace and defense and medical device sectors, and is included in the Fabrication Group Segment. The acquisition broadens the Company's product offerings and provides access to new markets. Refer to Note 3 for additional information on this acquisition.

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; Hermitage, Pennsylvania; and Martinsville, Virginia, the Titanium Group has overall responsibility for the production of primary mill products

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RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

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

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 and soft-metal expertise that form, extrude, fabricate, machine, micro machine, and assemble titanium, aluminum, and other specialty metal parts and components. Its products, many of which are complex engineered parts and assemblies, serve commercial aerospace, defense, medical device, oil and gas, power generation, and chemical process industries, as well as a number of other industrial and consumer markets. With operations located in Minneapolis, Minnesota; Houston, Texas; Washington, Missouri; Laval, Canada; and Welwyn Garden City, England, the Fabrication Group provides value-added products and services such as engineered tubulars and extrusions, fabricated and machined components and sub-assemblies, and components for the production of minimally invasive and implantable medical devices, 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; Tamworth, 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 ACQUISITIONS:

Remmele. On February 13, 2012, the Company purchased all of the outstanding common stock of Remmele for total consideration of approximately \$188.4 million, including approximately \$185.6 million in cash and the assumption of \$2.8 million of capitalized equipment leases. The total purchase price included the contractual purchase price of \$182.0 million and adjustments totaling \$6.4 million for capital expenditures incurred during the negotiating period and working capital. Remmele has four facilities in the Minneapolis, Minnesota area and engages in precision machining and manufacturing engineering services, as well as supply sourcing, assembly and integration, and other key services and technologies for the commercial aerospace, defense, and medical device sectors, and is included in the Fabrication Group Segment.

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

The purchase price allocation, which has not been finalized, is as follows:

Fair value of assets acquired:	
Current assets, excluding inventories	\$ 19,736
Inventories	21,264
Property, plant, and equipment	65,639
Other assets	166
Intangible assets:	
Customer relationships	19,300
Developed technologies	9,400
Backlog	1,100
Trade name	7,600
Goodwill	84,105
Fair value of liabilities assumed:	
Current liabilities	15,489
Deferred tax liabilities	25,172
Capital leases, less current portion	2,016
Net assets acquired	\$ 185,633

Goodwill is primarily attributable to Remmele's assembled workforce and exposure to new customers for the Company's products. It is not deductible for tax purposes. Customer relationships and developed technologies are being amortized over a period of 12 to 15 years and backlog over a period of two years. Trade names are not amortized as the Company believes that these assets have an indefinite life as the Company currently intends to continue use of the Remmele name indefinitely.

The amount of Remmele's net sales and earnings included in the Company's Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2012, and the net sales and earnings of the combined entity had the acquisition date been January 1, 2011, are as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Net sales:				
Actual Remmele	\$ 32,743	\$	\$ 49,822	\$
Supplemental pro forma consolidated	\$ 190,277	\$ 156,321	\$ 365,790	\$ 307,947
Net income:				
Actual Remmele	\$ 613	\$	\$ 663	\$
Earnings per share (diluted)	\$ 0.02	\$	\$ 0.02	\$
Supplemental pro forma consolidated	\$ 6,330	\$ 3,335	\$ 12,410	\$ 4,279
Earnings per share (diluted)	\$ 0.21	\$ 0.11	\$ 0.41	\$ 0.14

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

RTI Advanced Forming. On November 23, 2011 the Company purchased all of the outstanding common stock of Aeromet Advanced Forming, Ltd. for total cash consideration of \$36.1 million. Commensurate with the purchase, Aeromet Advanced Forming, Ltd. was renamed RTI Advanced Forming, Ltd. (Advanced Forming). Advanced Forming is located in Welwyn Garden City, Hertfordshire, England, and engages in hot forming, super plastic forming, diffusion bonding, and fabrication of titanium sheet and plate for the commercial aerospace and defense markets, and is included in the Fabrication Group Segment. The net working capital adjustment with respect to the acquisition of RTI Advanced Forming was agreed to in July 2012. The adjustment resulted in additional consideration of \$256, which is included in total cash consideration and will be paid during the three months ending September 30, 2012.

The purchase price allocation, which has been finalized, is as follows:

Assets purchased:	
Current assets, excluding inventory	\$ 5,186
Inventories	6,671
Plant and equipment	6,262
Intangible assets:	
Customer relationships	5,913
Developed technologies	3,890
Goodwill	14,559
Liabilities assumed:	
Current liabilities	2,613
Deferred tax liabilities	3,614
Other liabilities	186
 Net assets acquired	 \$ 36,068

Goodwill is primarily attributable to expected synergies from providing titanium mill products from the Titanium Group and Advanced Forming's assembled workforce and is not deductible for tax purposes. Customer relationships and developed technologies are being amortized over a period of 20 years.

Note 4 STOCK-BASED COMPENSATION:*Stock Options*

A summary of the status of the Company's stock options as of June 30, 2012, and the activity during the six months then ended, is presented below:

Stock Options	Options
Outstanding at December 31, 2011	558,597

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Granted	83,706
Forfeited	(2,867)
Expired	(4,218)
Exercised	(7,851)
Outstanding at June 30, 2012	627,367
Exercisable at June 30, 2012	451,004

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

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:

	2012
Risk-free interest rate	0.75%
Expected dividend yield	0.00%
Expected lives (in years)	5.0
Expected volatility	66.00%

The weighted-average grant date fair value of stock option awards granted during the six months ended June 30, 2012 was \$13.49.

Restricted Stock

A summary of the status of the Company's nonvested restricted stock as of June 30, 2012, and the activity during the six months then ended, is presented below:

Nonvested Restricted Stock Awards	Shares
Nonvested at December 31, 2011	163,070
Granted	82,326
Vested	(60,017)
Forfeited	(3,200)
Nonvested at June 30, 2012	182,179

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, 2012 was \$24.63.

Performance Share Awards

A summary of the Company's performance share award activity during the six months ended June 30, 2012 is presented below:

Performance Share Awards	Awards Activity	Maximum Shares Eligible to Receive
Outstanding at December 31, 2011	160,771	321,542
Granted	61,230	122,460
Vested	(66,047)	(132,094)
Forfeited	(4,500)	(9,000)
Outstanding at June 30, 2012	151,454	302,908

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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, 2012 was \$35.59.

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RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

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

Note 5 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, 2012, the estimated annual effective tax rate applied to ordinary income was 35.4%, compared to a rate of 35.0% for the six months ended June 30, 2011. The Company's effective income tax rate increased 0.4 percentage points from 2011 principally due to the effects of foreign operations, partially offset by adjustments to unrecognized tax benefits. Although these factors are present in both 2012 and 2011, the differing mix of foreign losses and domestic income between the periods and the level of expected annual operating results forecasted in each period influenced the tax rates for each respective period.

Inclusive of discrete items, the Company recognized a provision for income taxes of \$6,094, or 36.1% of pretax income, and \$2,621, or 37.0% of pretax income, for federal, state, and foreign income taxes for the six months ended June 30, 2012 and 2011, respectively. Discrete items for each of the six months ended June 30, 2012 and 2011 were \$0.1 million.

Note 6 EARNINGS PER SHARE:

Basic earnings per share was computed by dividing net income attributable to common shareholders 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 attributable to common shareholders by the weighted-average of all potentially dilutive shares of Common Stock that were outstanding during the periods presented.

At June 30, 2012, the Company had \$230 million aggregate principal amount of 3.0% Convertible Senior Notes due 2015 (the "Notes") outstanding. For the three and six months ended June 30, 2012 and 2011, 6.4 million potential shares of Common Stock related to the Notes have been excluded from the calculation of diluted earnings per share because their effects were antidilutive, as calculated under the "If Converted" method.

For the three and six months ended June 30, 2012, options to purchase 429,769 and 419,384 shares of Common Stock, at an average price of \$38.15 and \$38.55, respectively, have been excluded from the calculation of diluted earnings per share because their effects were antidilutive. 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, have been excluded from the calculation of diluted earnings per share because their effects were antidilutive.

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

The Company's restricted stock awards are considered participating securities. As such, the Company uses the two-class method to compute basic and diluted earnings per share. The following illustrates the earnings allocation method utilized in the calculation of basic and diluted earnings per share. 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, 2012 and 2011 were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Numerator:				
Net income before allocation of earnings to participating securities.	\$ 5,163	\$ 2,128	\$ 10,788	\$ 4,470
Less: Earnings allocated to participating securities	(31)	(11)	(63)	(24)
Net income attributable to common shareholders, after earnings allocated to participating securities	\$ 5,132	\$ 2,117	\$ 10,725	\$ 4,446
Denominator:				
Basic weighted-average shares outstanding	30,126,774	30,019,933	30,107,998	30,008,108
Effect of dilutive securities	95,606	298,151	107,505	265,561
Diluted weighted-average shares outstanding	30,222,380	30,318,084	30,215,503	30,273,669
Earnings per share:				
Basic	\$ 0.17	\$ 0.07	\$ 0.36	\$ 0.15
Diluted.	\$ 0.17	\$ 0.07	\$ 0.36	\$ 0.15

Note 7 FAIR VALUE MEASUREMENTS:

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

As of June 30, 2012, the Company did not have any financial assets or liabilities that were measured at fair value on either a recurring or 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:

	June 30, 2012		December 31, 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 99,525	\$ 99,525	\$ 156,842	\$ 156,842
Long-term debt (excluding capital leases)	\$ 191,719	\$ 233,738	\$ 186,981	\$ 229,540

The fair value of long-term debt was estimated based on the quoted market price for the debt (Level 2).

Table of Contents**RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES****Notes to Condensed Consolidated Financial Statements****(Unaudited)****(In thousands, except share and per share amounts, unless otherwise indicated)****Note 8 INVENTORIES:**

Inventories are valued at cost as determined by the last-in, first-out (LIFO) method for approximately 51% and 60% of the Company's inventories at June 30, 2012 and December 31, 2011, 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). As of June 30, 2012 and December 31, 2011, the current cost of inventories exceeded their carrying value by \$62,801 and \$63,826, respectively. 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, 2012	December 31, 2011
Raw materials and supplies	\$ 118,604	\$ 83,778
Work-in-process and finished goods	293,629	255,107
LIFO reserve	(62,801)	(63,826)
Total inventories	\$ 349,432	\$ 275,059

Note 9 GOODWILL AND OTHER INTANGIBLE ASSETS:

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 2012, 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 or defense programs in which the Company currently participates, including the Joint Strike Fighter program, the Airbus family of aircraft, including the A380 and A350XWB programs, or the Boeing 747-8 program. In addition, the Company's ability to ramp up its production 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, 2011 and June 30, 2012 was as follows:

	Titanium Group	Fabrication Group	Distribution Group	Total
December 31, 2011	\$ 2,548	\$ 43,483	\$ 9,833	\$ 55,864
Acquisitions (Note 3)		84,105		84,105
Translation adjustment		(14)		(14)
Purchase price allocation adjustment		256		256
June 30, 2012	\$ 2,548	\$ 127,830	\$ 9,833	\$ 140,211

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

Intangibles. Intangible assets consist primarily of customer relationships, trade names, and developed technology acquired through various business combinations. These intangible assets were valued at fair value at acquisition. 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. Trade names are not amortized, as the Company believes that these assets have an indefinite life as the Company currently intends to continue use of the Remmele name indefinitely. Other intangible assets are being amortized over the following periods:

Intangible Asset	Amortization Period
Customer relationships	15-20 years
Developed technology	12-20 years
Backlog	2 years

There were no intangible assets attributable to our Titanium or Distribution Groups at December 31, 2011 and June 30, 2012. The carrying amounts of intangible assets attributable to the Company's Fabrication Group at December 31, 2011 and June 30, 2012 were as follows:

	Intangible Assets
December 31, 2011	\$ 22,576
Intangible assets acquired (Note 3)	37,400
Amortization	(1,346)
Translation adjustment	(379)
June 30, 2012.	\$ 58,251

Note 10 LONG-TERM DEBT:

Long-term debt consisted of:

	June 30, 2012	December 31, 2011
\$230 million aggregate principal amount 3.0% convertible notes due December 2015	\$ 191,699	\$ 186,961
Capital leases	2,884	
Other	20	20
Total debt	194,603	186,981
Less: Current portion of capital leases	(876)	
Total long-term debt	\$ 193,727	\$ 186,981

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During the three and six months ended June 30, 2012, the Company recorded long-term debt discount amortization of \$2,386 and \$4,738, respectively, as a component of interest expense. Interest expense from the amortization of debt issuance costs was \$384 and \$752, respectively, for the three and six months ended June 30, 2012. Additionally, the Company capitalized interest totaling \$470 and \$821 for the three and six months ended June 30, 2012, respectively.

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

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, respectively, for the three and six months ended June 30, 2011. Additionally, the Company capitalized interest totaling \$164 and \$258 for the three and six months ended June 30, 2011, respectively.

On May 23, 2012, the Company entered into the Second Amended and Restated Credit Agreement (the "Credit Agreement"), which replaced its First Amended and Restated Credit Agreement, as amended. The Credit Agreement provides a revolving credit facility of \$150 million and expires on May 23, 2017. Borrowings under the Credit Agreement bear interest, at the Company's option, at a rate equal to LIBOR plus an applicable margin or the base rate plus an applicable margin. Both the applicable margin and the facility fee vary based upon the Company's consolidated net debt to consolidated EBITDA ratio, as defined in the Credit Agreement. The Company had no borrowings outstanding under either the Credit Agreement at June 30, 2012 or the First Amended and Restated Credit Agreement at June 30, 2011.

Note 11 EMPLOYEE BENEFIT PLANS:

Components of net periodic pension and other post-retirement benefit costs for the three and six months ended June 30, 2012 and 2011 for those salaried and hourly covered employees were as follows:

	Pension Benefits				Other Post-Retirement Benefits			
	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011	2012	2011	2012	2011
Service cost	\$ 612	\$ 511	\$ 1,224	\$ 1,023	\$ 168	\$ 186	\$ 336	\$ 373
Interest cost	1,773	1,794	3,546	3,588	525	591	1,050	1,181
Expected return on plan assets	(2,426)	(1,948)	(4,852)	(3,896)				
Amortization of prior service cost	245	101	490	201	304	304	608	607
Amortization of actuarial loss	1,340	1,005	2,680	2,009	39		78	
Net periodic benefit cost.	\$ 1,544	\$ 1,463	\$ 3,088	\$ 2,925	\$ 1,036	\$ 1,081	\$ 2,072	\$ 2,161

During the three and six months ended June 30, 2012, the Company made cash contributions totaling \$1.6 million and \$7.3 million, respectively, to its qualified defined benefit pension plans. The Company expects to make additional cash contributions of at least \$12.3 million during the remainder of 2012 in order to maintain its desired 95% funding status.

Note 12 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.

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RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

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

Duty Drawback Investigation

As previously disclosed, the Company has been subject to investigation by U.S. Customs and Border Protection (U.S. Customs) since 2007 relating to \$7.6 million of historic claims filed in connection with a duty recapture program. As part of this program, the Company utilized an authorized agent to recapture duty paid on imported titanium sponge as an offset against exports for Company or customer products shipped outside the United States. The Company had recorded a contingent liability of \$9.5 million as its best estimate of probable loss in connection with the investigation, and repaid \$6.7 million to U.S. Customs through the end of 2011 for invalid claims.

In April 2012, the Company received favorable rulings from U.S. Customs that effectively settled the ongoing claim protests and was issued a final penalty notice, which provided some penalty relief and reduced the Company's liability for penalties to \$0.9 million. As a result of this final penalty notice, the Company reduced its contingent liability \$2.2 million with respect to the above-mentioned claims. The liability reduction was recorded during the three months ended March 31, 2012, and the penalty paid during the three months ended June 30, 2012.

The Company has filed \$8.5 million of new duty drawback claims through a new authorized agent beginning in the fourth quarter of 2007 through the end of 2011. No additional claims have been filed during the six months ended June 30, 2012. As a result of the investigation discussed above, the Company only records these credits when payment is received from U.S. Customs, until a consistent history of receipts against claims filed has been established, at which time the Company may begin to recognize credits to cost of sales upon filing. Through June 30, 2012 the Company had received payments totaling \$3.2 million from U.S. Customs in satisfaction of claims filed since initiating its new duty drawback program.

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RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

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

Environmental Matters

Based on available information, the Company believes that its share of possible environmental-related costs is in a range from \$662 to \$2,134 in the aggregate. At June 30, 2012 and December 31, 2011, the amounts accrued for future environmental-related costs were \$1,277 and \$1,349, respectively. Of the total amount accrued at June 30, 2012, \$13 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 \$1,265 was recorded in other noncurrent liabilities. During the six months ended June 30, 2012, the Company made payments totaling \$72 related to its environmental liabilities. There were no payments during the three months ended June 30, 2012.

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 13 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 income after an allocation of certain corporate items such as general corporate overhead and expenses. General corporate assets include unallocated cash and deferred taxes.

Table of Contents**RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES****Notes to Condensed Consolidated Financial Statements****(Unaudited)****(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,	
	2012	2011	2012	2011
Net sales:				
Titanium Group	\$ 38,495	\$ 36,414	\$ 77,228	\$ 71,955
Intersegment sales	48,448	38,192	98,372	71,968
Total Titanium Group sales	86,943	74,606	175,600	143,923
Fabrication Group.	84,300	32,152	146,071	70,254
Intersegment sales	21,519	15,249	42,395	28,554
Total Fabrication Group sales.	105,819	47,401	188,466	98,808
Distribution Group.	67,482	54,647	129,828	101,854
Intersegment sales	1,073	368	1,732	801
Total Distribution Group sales.	68,555	55,015	131,560	102,655
Eliminations	71,040	53,809	142,499	101,323
Total consolidated net sales	\$ 190,277	\$ 123,213	\$ 353,127	\$ 244,063
Operating income (loss):				
Titanium Group before corporate allocations	\$ 7,780	\$ 11,819	\$ 20,425	\$ 23,109
Corporate allocations	(2,835)	(2,637)	(6,442)	(5,188)
Total Titanium Group operating income	4,945	9,182	13,983	17,921
Fabrication Group before corporate allocations	6,141	(1,826)	9,292	194
Corporate allocations	(3,858)	(3,418)	(6,924)	(6,724)
Total Fabrication Group operating income (loss)	2,283	(5,244)	2,368	(6,530)
Distribution Group before corporate allocations	6,621	4,190	12,796	8,134
Corporate allocations	(1,915)	(2,047)	(4,195)	(4,028)
Total Distribution Group operating income	4,706	2,143	8,601	4,106
Total consolidated operating income	\$ 11,934	\$ 6,081	\$ 24,952	\$ 15,497

June 30,
2012

December 31,
2011

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Total assets:		
Titanium Group	\$ 364,371	\$ 356,391
Fabrication Group	549,006	296,598
Distribution Group	180,810	170,584
General corporate assets	93,353	309,365
Total consolidated assets	\$ 1,187,540	\$ 1,132,938

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RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

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

Note 14 NEW ACCOUNTING STANDARDS:

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 adoption of this guidance did not have a material impact on the Company's Consolidated Financial Statements.

In December 2011, the FASB issued ASU No. 2011-11 Balance Sheet Disclosures about Offsetting Assets and Liabilities. This new guidance requires the disclosure of both net and gross information in the notes for relevant assets and liabilities that are offset. This update is effective for annual reporting periods beginning on or after January 1, 2013. The Company is still evaluating the impact of this guidance.

Note 15 GUARANTOR SUBSIDIARIES:

The Notes are jointly and severally, fully and unconditionally (subject to the customary exceptions discussed below) guaranteed by several of RTI International Metals, Inc.'s (the Parent's) 100% owned subsidiaries (the Guarantor Subsidiaries). Each Guarantor Subsidiary would be automatically released from its guarantee of the Notes if either (i) it ceases to be a guarantor of the Parent's Credit Agreement or (ii) it ceases to be a subsidiary of the Parent. Separate financial statements of the Parent and each of the Guarantor Subsidiaries are not presented because the guarantees are full and unconditional (subject to the aforementioned customary exceptions) 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****(Unaudited)****(In thousands, except share and per share amounts, unless otherwise indicated)**

The following tables present Condensed Consolidating Financial Statements as of June 30, 2012 and December 31, 2011 and for the three and six months ended June 30, 2012 and 2011:

Condensed Consolidating Statement of Comprehensive Income**Three Months Ended June 30, 2012**

	RTI International Metals, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$	\$ 148,017	\$ 98,455	\$ (56,195)	\$ 190,277
Costs and expenses:					
Cost of sales		127,484	82,492	(56,195)	153,781
Selling, general, and administrative expenses	(933)	14,635	9,756		23,458
Research, technical, and product development expenses		1,208	(104)		1,104
Operating income	933	4,690	6,311		11,934
Other income (expense), net	(32)	1	601		570
Interest income (expense), net	(3,903)	(15)	(258)		(4,176)
Equity in earnings of subsidiaries	5,328			(5,328)	
Income before income taxes	2,326	4,676	6,654	(5,328)	8,328
Provision for (benefit from) income taxes	(2,837)	2,926	3,076		3,165
Net income	\$ 5,163	\$ 1,750	\$ 3,578	\$ (5,328)	\$ 5,163
Comprehensive income	\$ 3,790	\$ 2,801	\$ 1,001	\$ (3,802)	\$ 3,790

The Parent Company allocates selling, general, and administrative expenses (SG&A) to the subsidiaries based upon its budgeted annual 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****(Unaudited)****(In thousands, except share and per share amounts, unless otherwise indicated)****Condensed Consolidating Statement of Comprehensive Income****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	150	7,070	(1,139)		6,081
Other income (expense), net	(16)	37	112		133
Interest income (expense), net	(4,138)	504	(261)		(3,895)
Equity in earnings of subsidiaries	4,832			(4,832)	
Income 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
Comprehensive income	\$ 3,047	\$ 5,638	\$ (40)	\$ (5,598)	\$ 3,047

The Parent Company allocates SG&A to the subsidiaries based upon its budgeted annual 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****(Unaudited)****(In thousands, except share and per share amounts, unless otherwise indicated)****Condensed Consolidating Statement of Comprehensive Income****Six Months Ended June 30, 2012**

	RTI International Metals, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$	\$ 247,734	\$ 219,699	\$ (114,306)	\$ 353,127
Costs and expenses:					
Cost of sales		209,233	185,999	(114,306)	280,926
Selling, general, and administrative expenses	(1,035)	21,324	24,791		45,080
Research, technical, and product development expenses	95	2,024	50		2,169
Operating income	940	15,153	8,859		24,952
Other income (expense), net	(45)	281	66		302
Interest income (expense), net	(7,917)	159	(614)		(8,372)
Equity in earnings of subsidiaries	13,917			(13,917)	
Income before income taxes	6,895	15,593	8,311	(13,917)	16,882
Provision for (benefit from) income taxes	(3,893)	5,968	4,019		6,094
Net income	\$ 10,788	\$ 9,625	\$ 4,292	\$ (13,917)	\$ 10,788
Comprehensive income	\$ 12,818	\$ 11,735	\$ 3,907	\$ (15,642)	\$ 12,818

The Parent Company allocates SG&A to the subsidiaries based upon its budgeted annual expenses. A credit in Parent Company SG&A is offset by an equal debit amount in the subsidiaries SG&A.

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	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 income (expense), net	(33)	(34)	(369)		(436)
Interest income (expense), net	(8,339)	867	(498)		(7,970)
Equity in earnings of subsidiaries	10,431			(10,431)	
Income 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
Comprehensive income	\$ 9,918	\$ 11,619	\$ 3,988	\$ (15,607)	\$ 9,918

The Parent Company allocates SG&A to the subsidiaries based upon its budgeted annual expenses. A credit in Parent Company SG&A is offset by an equal debit amount in the subsidiaries' SG&A.

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	RTI International Metals, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	\$	\$ 92,864	\$ 6,661	\$	\$ 99,525
Receivables, net	162	76,198	64,383	(33,288)	107,455
Inventories, net		178,140	171,292		349,432
Deferred income taxes	17,177	2,098	57		19,332
Other current assets	4,271	4,565	4,064		12,900
Total current assets	21,610	353,865	246,457	(33,288)	588,644
Property, plant, and equipment, net	543	301,438	63,807		365,788
Goodwill		102,202	38,009		140,211
Other intangible assets, net		36,436	21,815		58,251
Deferred income taxes		25,314	30,750	(26,825)	29,239
Other noncurrent assets	4,768	201	438		5,407
Intercompany investments	962,343	71,231	180	(1,033,754)	
Total assets	\$ 989,264	\$ 890,687	\$ 401,456	\$ (1,093,867)	\$ 1,187,540
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Accounts payable	\$ 1,021	\$ 43,562	\$ 52,983	\$ (33,288)	\$ 64,278
Accrued wages and other employee costs	4,465	13,477	7,193		25,135
Unearned revenue		704	41,352		42,056
Other accrued liabilities	6,388	7,823	7,505		21,716
Total current liabilities	11,874	65,566	109,033	(33,288)	153,185
Long-term debt	191,699	2,028			193,727
Intercompany debt		111,916	100,929	(212,845)	
Liability for post-retirement benefits		42,000			42,000
Liability for pension benefits	6,133	6,730	539		13,402
Deferred income taxes	36,857	25,172	3,613	(26,825)	38,817
Other noncurrent liabilities	5,261	3,491	217		8,969
Total liabilities	251,824	256,903	214,331	(272,958)	450,100
Shareholders' equity	737,440	633,784	187,125	(820,909)	737,440

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Total liabilities and shareholders equity	\$ 989,264	\$ 890,687	\$ 401,456	\$ (1,093,867)	\$ 1,187,540
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	RTI International Metals, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	\$	\$ 144,271	\$ 12,571	\$	\$ 156,842
Short-term investments		164,255			164,255
Receivables, net	351	55,499	59,707	(20,535)	95,022
Inventories, net		136,695	138,364		275,059
Deferred income taxes	17,177	1,399	98		18,674
Other current assets	9,351	883	2,034	(2,336)	9,932
Total current assets	26,879	503,002	212,774	(22,871)	719,784
Property, plant, and equipment, net	709	224,129	64,596		289,434
Investments		12,683			12,683
Goodwill		18,097	37,767		55,864
Other intangible assets, net			22,576		22,576
Deferred income taxes		26,567	27,485	(26,628)	27,424
Other noncurrent assets	4,697	36	440		5,173
Intercompany investments	938,825	71,231	180	(1,010,236)	
Total assets	\$ 971,110	\$ 855,745	\$ 365,818	\$ (1,059,735)	\$ 1,132,938
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Accounts payable	\$ 950	\$ 38,456	\$ 40,720	\$ (20,535)	\$ 59,591
Accrued wages and other employee costs	7,485	11,978	7,797		27,260
Unearned revenue			31,690		31,690
Other accrued liabilities	4,294	12,101	6,026	(2,336)	20,085
Total current liabilities	12,729	62,535	86,233	(22,871)	138,626
Long-term debt	186,961	20			