RTI INTERNATIONAL METALS INC
Form 10-Q
November 12, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2013

or

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

For the transition period from to

Commission File Number: 001-14437

RTI INTERNATIONAL METALS, INC.

(Exact name of registrant as specified in its charter)

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

(412) 893-0026

Registrant s telephone number, including area code

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. x 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). x 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	x	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller company)	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ¨ Yes x No

Number of shares of the Corporation s common stock (Common Stock) outstanding as of November 1, 2013 was 30,557,195.

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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, I 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 September 30, 2013	Three Months Ended September 30, 2012 (As Restated)	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012 (As Restated)
Net sales	$ 196,532	$ 182,545	$ 588,514	$ 521,077
Cost and expenses:				
Cost of sales	151,435	148,895	460,192	420,901
Selling, general, and administrative expenses	22,491	21,725	70,040	65,236
Research, technical, and product development expenses	1,041	1,012	3,024	3,181
Asset and asset-related charges		1,617		1,617
Operating income	21,565	9,296	55,258	30,142
Other income (expense), net	(294)	16	965	318
Interest income	78	18	159	133
Interest expense	(7,387)	(4,708)	(32,876)	(13,195)
Income before income taxes	13,962	4,622	23,506	17,398
Provision for income taxes	1,670	1,423	3,507	6,048
Net income attributable to continuing operations	$ 12,292	$ 3,199	$ 19,999	$ 11,350
Net income (loss) attributable to discontinued operations, net of tax		389	(156)	1,413
Net income	$ 12,292	$ 3,588	$ 19,843	$ 12,763
Earnings per share attributable to continuing operations:				
Basic	$ 0.40	$ 0.11	$ 0.66	$ 0.37
Diluted	$ 0.37	$ 0.11	$ 0.65	$ 0.37

Earnings (loss) per share attributable to discontinued operations:				
Basic	$	$ 0.01	$ (0.01)	$ 0.05
Diluted	$	$ 0.01	$ (0.01)	$ 0.05
Weighted-average shares outstanding:				
Basic	30,325,662	30,137,187	30,285,004	30,117,204
Diluted	40,374,609	30,247,372	30,498,847	30,232,304

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

(Unaudited)

(In thousands, except share and per share amounts)

	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012 (As Restated)	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012 (As Restated)
Net income	$ 12,292	$ 3,588	$ 19,843	$ 12,763
Other comprehensive income (loss):				
Foreign currency translation, net of tax of $1,449, $2,427, $(2,471) and $2,220	2,691	4,508	(4,589)	4,123
Unrealized gains (losses) on investments, net of tax of $10, $0, $(2) and $0	18		(4)	
Realized losses on investments, net of tax of $0, $0, $0 and $4				8
Benefit plan amortization, net of tax of $767, $725, $4,572, and $2,175	1,250	1,201	9,324	3,608
Other comprehensive income (loss), net of tax	3,959	5,709	4,731	7,739
Comprehensive income	$ 16,251	$ 9,297	$ 24,574	$ 20,502

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)

	September 30, 2013	December 31, 2012 (As Restated)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 315,021	$ 97,190
Short-term investments	45,187	
Receivables, less allowance for doubtful accounts of $736 and $722	118,827	105,317
Inventories, net	420,400	385,116
Costs in excess of billings	3,425	2,260
Deferred income taxes	31,406	31,380
Assets of discontinued operations		14,741
Other current assets	23,041	11,270
Total current assets	957,307	647,274
Property, plant, and equipment, net	367,849	375,949
Goodwill	129,838	130,610
Other intangible assets, net	53,042	56,495
Deferred income taxes	29,435	33,287
Other noncurrent assets	14,910	8,866
Total assets	$ 1,552,381	$ 1,252,481
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 75,039	$ 91,661
Accrued wages and other employee costs	29,801	34,096
Unearned revenues	38,467	24,998
Liabilities of discontinued operations		2,332
Other accrued liabilities	26,037	22,550
Total current liabilities	169,344	175,637
Long-term debt	419,249	198,337
Liability for post-retirement benefits	44,112	45,066
Liability for pension benefits	10,297	20,711
Deferred income taxes	73,882	46,384
Unearned revenues	12,033	13,013
Other noncurrent liabilities	12,134	11,798

Total liabilities	741,051	510,946
Commitments and Contingencies		
Shareholders equity:		
Common stock, $0.01 par value; 50,000,000 shares authorized; 31,360,663 and 31,136,899 shares issued; 30,554,253 and 30,354,324 shares outstanding	314	311
Additional paid-in capital	530,415	484,798
Treasury stock, at cost; 806,410 and 782,575 shares	(18,798)	(18,399)
Accumulated other comprehensive loss	(39,991)	(44,722)
Retained earnings	339,390	319,547
Total shareholders equity.	811,330	741,535
Total liabilities and shareholders equity	$ 1,552,381	$ 1,252,481

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, except per share amounts)

	Nine Months Ended September 30, 2013	2012 (As Restated)
OPERATING ACTIVITIES:		
Net income	$ 19,843	$ 12,763
Adjustment for non-cash items included in net income:		
Depreciation and amortization	32,469	29,405
Asset and asset related charges		1,617
Goodwill impairments	484	
Deferred income taxes	349	(4,717)
Stock-based compensation	4,543	3,658
Excess tax benefits from stock-based compensation activity	(405)	(100)
Amortization of discount on long-term debt	10,592	7,192
Deferred financing cost writedown	1,498	
Other	1,115	1,498
Changes in assets and liabilities:		
Receivables	(14,169)	(11,799)
Inventories	(36,394)	(71,352)
Accounts payable	(11,866)	10,424
Income taxes payable	(11,566)	8,893
Unearned revenue	13,502	8,907
Cost in excess of billings	(1,165)	(1,751)
Other current assets and liabilities	(2,493)	(7,181)
Other assets and liabilities	3	(12,907)
Cash provided by (used in) operating activities	6,340	(25,450)
INVESTING ACTIVITIES:		
Purchase of investments	(128,324)	(4,037)
Maturity/sale of investments	82,957	176,809
Capital expenditures	(26,357)	(47,879)
Divestitures	10,475	
Acquisitions, net of cash acquired		(182,811)
Cash used in investing activities	(61,249)	(57,918)

FINANCING ACTIVITIES:		
Borrowings on long-term debt	402,500	
Repayments on long-term debt	(120,590)	(543)
Deferred financing costs	(12,370)	(823)
Proceeds from exercise of employee stock options	1,960	335
Excess tax benefits from stock-based compensation activity	405	100
Purchase of common stock held in treasury	(399)	(742)
Cash provided by (used in) financing activities	271,506	(1,673)
Effect of exchange rate changes on cash and cash equivalents	1,234	1,588
Increase (decrease) in cash and cash equivalents	217,831	(83,453)
Cash and cash equivalents at beginning of period	97,190	156,842
Cash and cash equivalents at end of period	$ 315,021	$ 73,389

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 Shareholders Equity

(Unaudited)

(In thousands, except per share amounts)

	Common Stock Shares Outstanding	Common Stock Amount	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2012 (As Restated)	30,354,324	$ 311	$ 484,798	$ (18,399)	$ 319,547	$ (44,722)	$ 741,535
Net income					19,843		19,843
Other comprehensive income, net						4,731	4,731
Shares issued for directors compensation	25,574						
Shares issued for restricted stock award plans	91,282	1	1				2
Stock-based compensation expense recognized			4,543				4,543
Treasury stock purchased at cost	(14,116)			(399)			(399)
Exercise of employee options	97,432	2	1,699				1,701
Forfeiture of restricted stock awards	(9,719)						
Tax benefits from stock-based compensation activity			(210)				(210)
Shares issued for employee stock purchase plan	9,476		260				260
Recognition of Equity component of 2019 Convertible Notes, net of deferred taxes			52,687				52,687
Derecognition of equity component of 2015 Convertible Notes, net of deferred taxes			(13,363)				(13,363)
	30,554,253	$ 314	$ 530,415	$ (18,798)	$ 339,390	$ (39,991)	$ 811,330

Balance at September 30, 2013

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, 2012 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 second amended Annual Report on Form 10-K/A for the year ended December 31, 2012 as filed with the Securities and Exchange Commission (the SEC) on November 12, 2013.

Note 2 RESTATEMENTS AND REVISIONS:

The Company historically recognized revenues for certain of its long-term contracts upon the delivery of products or the performance of services. In July 2013, the Company began a review of these contracts, and determined that for certain of these contracts, this treatment was incorrect, and a project-based accounting model would be more appropriate. As such, the Company filed Amendment No. 1 to its Annual Report on Form 10-K/A (Amendment No. 1) on September 24, 2013 to correctly present the Consolidated Financial Statements as if these contracts were accounted for using the percentage-of-completion accounting model under Accounting Standards Codification (ASC) 605-35, *Construction-Type and Production-Type Contracts*, as well as other related adjustments. ASC 605-35 requires that management continually update estimates of projected revenues and costs for each contract to determine the appropriate amount of revenue and costs to recognize in each period. For certain contracts, since the Company had not been historically recording revenue and expenses in accordance with ASC 605-35, such estimates were not available for historical periods and it was not practicable to create such estimates. As a result, revenues and costs under these contracts have been recorded in equal amounts using the zero profit method under ASC 605-35 until the period when the Company believed it would have been able to estimate its remaining revenues and costs, at which point the cumulative contract gross profit earned to date was recorded. This generally occurred when the primary deliverable under the contract was delivered.

In connection with the preparation of Amendment No. 1, multiple spreadsheets had been created and used to calculate the historic revenue and costs of goods sold under the contracts requiring application of the percentage of-completion methodology under ASC 605-35. During the Company s third quarter closing process, the Company determined that one of these spreadsheets inadvertently contained computational errors resulting in an inaccurate calculation of the revenues and costs of sales for these contracts. As a result, the Company filed its second amended Annual Report on Form 10-K/A for the year ended December 31, 2012 (Amendment No. 2), with the SEC on November 12, 2013.

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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)

The Condensed Consolidated Financial Statements for the three and nine months ended September 30, 2012 were restated in Amendment No. 1 and Amendment No. 2. In conjunction with Amendment No. 2, the Company also made immaterial corrections associated with its acquisition of its RTI Remmele Engineering and RTI Remmele Medical subsidiaries which increased current deferred tax assets $192, while decreasing goodwill and non-current deferred tax liabilities by $5,260 and $5,068, respectively. The effects of the restatements on the Condensed Consolidated Financial Statements as previously filed for the three and nine months ended September 30, 2012 and the Condensed Consolidated Balance Sheet as of December 31, 2012 are presented below. Columns labeled Second Restatement Adjustment represent the reconciling difference between Amendment No. 1 and Amendment No. 2. Additionally, the Condensed Consolidated Statement of Operations for the three and nine months ended September 30, 2012 and the Condensed Consolidated Balance Sheet as of December 31, 2012 have been recast for the effects of reporting RTI Pierce Spafford as a discontinued operation.

The Condensed Consolidated Financial Statements have been restated for the three and nine months ended September 30, 2012 and for the year ended December 31, 2012 as follows:

	Three Months Ended September 30, 2012					
	Previously Reported	First Restatement Adjustment	Second Restatement Adjustment	As Corrected	Discontinued Operations	Currently Reported
Condensed Consolidated Statement of Operations						
Net sales	$ 189,075	$ 439	$ 259	$ 189,773	$ (7,228)	$ 182,545
Cost of sales	151,128	3,689	19	154,836	(5,941)	148,895
Operating income	12,884	(3,250)	240	9,874	(578)	9,296
Income before income taxes	8,226	(3,250)	240	5,216	(594)	4,622
Provision for income taxes	2,601	(1,049)	76	1,628	(205)	1,423
Net income attributable to continuing operations	5,625	(2,201)	164	3,588	(389)	3,199
Basic earnings per share continuing operations	$ 0.19	$ (0.07)	$ 0.01	$ 0.12	$ (0.01)	$ 0.11
Diluted earnings per share continuing operations	$ 0.19	$ (0.07)	$ 0.01	$ 0.12	$ (0.01)	$ 0.11

	Nine Months Ended September 30, 2012					
	Previously Reported	First Restatement	Second Restatement	As Corrected	Discontinued Operations	Currently Reported

		Adjustment	Adjustment			
Condensed Consolidated Statement of Operations						
Net sales	$ 542,202	$ 1,600	$ 752	$ 544,554	$ (23,477)	$ 521,077
Cost of sales	432,054	7,583	276	439,913	(19,012)	420,901
Operating income	37,836	(5,983)	476	32,329	(2,187)	30,142
Income before income taxes	25,108	(5,983)	476	19,601	(2,203)	17,398
Provision for income taxes	8,695	(2,017)	160	6,838	(790)	6,048
Net income attributable to continuing operations	16,413	(3,966)	316	12,763	(1,413)	11,350
Basic earnings per share continuing operations	$ 0.54	$ (0.13)	$ 0.01	$ 0.42	$ (0.05)	$ 0.37
Diluted earnings per share continuing operations	$ 0.54	$ (0.13)	$ 0.01	$ 0.42	$ (0.05)	$ 0.37

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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)

	December 31, 2012					
	Previously Reported	First Restatement Adjustment	Second Restatement Adjustment	As Corrected	Discontinued Operations	Currently Reported
Condensed Consolidated Balance Sheet						
Receivables	$ 108,767	$	$ (1,261)	$ 107,506	$ (2,189)	$ 105,317
Inventories, net	405,289	(5,208)	(3,841)	396,240	(11,124)	385,116
Cost in excess of billings		1,841	419	2,260		2,260
Deferred income taxes	28,899	1,733	748	31,380		31,380
Assets of discontinued operations					14,741	14,741
Other current assets	10,709	561		11,270		11,270
Total current assets	650,854	(1,073)	(3,935)	645,846	1,428	647,274
Property, plant and equipment, net	375,996			375,996	(47)	375,949
Goodwill	137,251		(5,260)	131,991	(1,381)	130,610
Other noncurrent assets	5,844	3,022		8,866		8,866
Total assets	1,259,727	1,949	(9,195)	1,252,481		1,252,481
Accounts payable	93,656			93,656	(1,995)	91,661
Accrued wages and other employment costs	34,433			34,433	(337)	34,096
Unearned revenues	26,164	1,984	(3,150)	24,998		24,998
Liabilities of discontinued operations					2,332	2,332
Total current liabilities	176,803	1,984	(3,150)	175,637		175,637
Deferred income taxes	51,452		(5,068)	46,384		46,384
Unearned revenues	9,991	3,022		13,013		13,013
Total liabilities	514,158	5,006	(8,218)	510,946		510,946
Retained earnings	323,581	(3,057)	(977)	319,547		319,547
Total shareholders equity	745,569	(3,057)	(977)	741,535		741,535
Total liabilities and shareholders equity	1,259,727	1,949	(9,195)	1,252,481		1,252,481

Nine Months Ended September 30, 2012			
Previously	First Restatement	Second Restatement	As

	Reported	Adjustment	Adjustment	Corrected
Condensed Consolidated Statement of Cash Flows				
Operating Activities:				
Net income	$ 16,413	$ (3,966)	$ 316	$ 12,763
Adjustment for non-cash items included in net income:				
Deferred income taxes	(2,860)	(2,017)	160	(4,717)
Other	675		823	1,498
Changes in assets and liabilities:				
Inventories	(81,086)	5,785	3,949	(71,352)
Unearned revenue	11,581	350	(3,024)	8,907
Cost in excess of billings		(350)	(1,401)	(1,751)
Other current assets and liabilities	(6,844)	(145)	(192)	(7,181)
Other assets and liabilities	(13,442)	343	192	(12,907)
Cash used in operating activities	(26,273)		823	(25,450)
Financing Activities:				
Deferred financing costs			(823)	(823)
Cash used in financing activities	(850)		(823)	(1,673)

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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)

Revision of Prior Period Financial Statements

The Company has determined that the impact of errors related to the second amendment of its Annual Report on Form 10-K/A on the quarterly periods in 2013 was not material to the Quarterly Reports on Form 10-Q for March 31, 2013 and June 30, 2013, respectively, and has corrected the impact of the 2013 errors in this Quarterly Report on Form 10-Q for the nine months ended September 30, 2013. Therefore, the Condensed Consolidated Financial Statements for the three months ended March 31, 2013 and the three and six months ended June 30, 2013 will be revised in future filings. For the three months ended March 31, 2013, Net Sales were overstated by $662 and Cost of Sales was overstated by $26, resulting in an overstatement of Operating Income of $636. For the three months ended June 30, 2013, Net Sales were overstated by $206 and Cost of Sales was understated by $15, resulting in an overstatement of Operating Income of $221. The results for the three and nine months ended September 30, 2013 include an out of period adjustment related to the correction of the error from 2011 as a result of the errors related to Amendment No. 2, which decreased operating income $202. The reconciling difference between the As Revised balances for the three months ended March 31, 2013, presented below, and the balances reported in the March 31, 2013 Form 10-Q/A is the column labeled Revision Adjustment. The effects of the revision on the Condensed Consolidated Statements of Operations and the Condensed Consolidated Statements of Cash Flows for the periods ending March 31, 2013 and June 30, 2013, and the Condensed Consolidated Balance Sheets at March 31, 2013 and June 30, 2013 are presented below.

Condensed Consolidated Statements of Operations:

	Three months ended March 31, 2013				Three months ended June 30, 2013			Six months ended June 30, 2013		
	As Reported	Restatement Adjustment	Revision Adjustment	As Revised	As Reported	Revision Adjustment	As Revised	As Reported	Revision Adjustment	As Revised
Net sales	$ 187,470	$ 4,430	$ (662)	$ 191,238	$ 200,950	$ (206)	$ 200,744	$ 392,850	$ (868)	$ 391,982
Cost and expenses:										
Cost of Sales	149,381	2,605	(26)	151,960	156,782	15	156,797	308,768	(11)	308,757
Operating income	12,180	1,825	(636)	13,369	20,545	(221)	20,324	34,550	(857)	33,693
Income before income taxes	7,974	1,825	(636)	9,163	602	(221)	381	10,401	(857)	9,544

Provision for income taxes	2,470	512	(178)	2,804	(878)	(89)	(967)	2,104	(267)	1,837
Net income attributable to continuing operations	5,504	1,313	(458)	6,359	1,480	(132)	1,348	8,297	(590)	7,707
Net income	5,655	1,313	(458)	6,510	1,173	(132)	1,041	8,141	(590)	7,551
Earnings per share attributable to continuing operations:										
Basic	$ 0.18	$ 0.04	$ (0.02)	$ 0.21	$ 0.05	$	$ 0.04	$ 0.27	$ (0.02)	$ 0.25
Diluted	$ 0.18	$ 0.04	$ (0.02)	$ 0.21	$ 0.05	$	$ 0.04	$ 0.27	$ (0.02)	$ 0.25

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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)

Condensed Consolidated Balance Sheets:

	March 31, 2013				June 30, 2013		
	As Reported	Restatement Adjustment	Revision Adjustment	As Revised	As Reported	Revision Adjustment	As Revised
Inventories, net	$ 421,402	$ (6,430)	$ (3,952)	$ 411,020	$ 421,152	$ (4,265)	$ 416,887
Costs in excess of billings		1,679	426	2,105	911	1,305	2,216
Deferred income taxes	28,962	1,222	926	31,110	30,675	1,015	31,690
Other current assets	11,115	634		11,749	21,990		21,990
Total current assets	648,540	(2,895)	(2,600)	643,045	941,246	(1,945)	939,301
Goodwill	135,341		(5,260)	130,081	134,823	(5,260)	129,563
Other noncurrent assets	5,197	2,870		8,067	13,681		13,681
Total assets	1,245,229	(25)	(7,860)	1,237,344	1,541,554	(7,205)	1,534,349
Unearned revenues current	24,991	(1,151)	(1,357)	22,483	49,700	(570)	49,130
Total current liabilities	154,604	(1,151)	(1,357)	152,096	166,703	(570)	166,133
Deferred income taxes	51,400		(5,068)	46,332	81,190	(5,068)	76,122
Unearned revenues noncurrent	9,922	2,870		12,792	12,496		12,496
Total liabilities	487,676	1,719	(6,425)	482,970	746,783	(5,638)	741,145
Retained earnings	329,236	(1,744)	(1,435)	326,057	328,665	(1,567)	327,098
Total shareholders equity	757,553	(1,744)	(1,435)	754,374	794,771	(1,567)	793,204
Total liabilities and shareholders equity	1,245,229	(25)	(7,860)	1,237,344	1,541,554	(7,205)	1,534,349

Condensed Consolidated Statements of Cash Flows:

March 31, 2013

	As Reported	Restatement Adjustment	Revision Adjustment	As Revised
Net income	$ 5,655	$ 1,313	$ (458)	$ 6,510
Adjustment for non-cash items included in net income:				
Deferred income taxes	2,838	512	(178)	3,172
Changes in assets and liabilities:				
Receivables	(9,994)		(1,261)	(11,255)
Inventories	(28,351)	1,220	111	(27,020)
Unearned revenue	(1,042)	(3,286)	532	(3,796)
Cost in excess of billings		162	(7)	155
Other current assets and liabilities	(10,447)	(73)		(10,520)
Other assets and liabilities	983	152		1,135
Cash used in operating activities	(30,723)			(30,723)

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	June 30, 2013		
	As Reported	**Revision Adjustment**	**As Revised**
Net income	$ 8,141	$ (590)	$ 7,551
Adjustment for non-cash items included in net income:			
Deferred income taxes	1,810	(267)	1,543
Changes in assets and liabilities:			
Receivables	(3,054)	(1,261)	(4,315)
Inventories	(34,639)	424	(34,215)
Unearned revenue	22,714	1,319	24,033
Cost in excess of billings	930	(886)	44
Cash used in operating activities	619		619

Note 3 ORGANIZATION:

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

Effective January 1, 2013, the Company reorganized into two segments: the Titanium Segment and the Engineered Products and Services Segment. The restructuring reflects the ongoing strategic integration of the Company s operations, allows it to better communicate its portfolio of capabilities to its customers, and positions management to maximize the Company s innovation and engineering expertise, manufacturing capacity, and production capabilities. The new structure better reflects the Company s transformation into an integrated supplier of advanced titanium products across the entire supply chain, and better aligns its resources to support the Company s long-term growth strategy. In April 2013, the Company continued the strategic realignment of its business by divesting its non-core RTI Pierce Spafford subsidiary, a non-titanium service center that was formerly part of the Distribution Group. Refer to Note 4 of these Condensed Consolidated Financial Statements for further information.

The Titanium Segment melts, processes, produces, stocks, distributes, finishes, cuts-to-size and facilitates just-in-time delivery services of 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; Martinsville, Virginia; Garden Grove, California; Windsor, Connecticut; Tamworth, England; and Rosny-Sur-Seine, France, the Titanium Segment has overall responsibility for the production and distribution of primary mill products including, but not limited to, bloom, billet, sheet, and plate. In addition, the Titanium Segment produces ferro titanium alloys for its steel-making customers. The Titanium Segment 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 Engineered Products and Services Segment 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 the 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; Sullivan, Missouri; Washington, Missouri; Laval, Canada; and Welwyn Garden City, England, the Engineered Products and Services Segment provides value-added

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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 natural gas exploration and production infrastructure.

The Engineered Products and Services Segment utilizes the Titanium Segment as its primary source of titanium mill products.

Note 4 DISCONTINUED OPERATIONS:

The Company evaluates each of its subsidiaries on an ongoing basis to ensure that its resources are being utilized to optimize and advance the strategic vision of the Company as a whole. In an effort to continue to align the resources of the Company with its long-term growth strategy, during the nine months ended September 30, 2013, the Company sold one of its non-core service centers, and continued to evaluate strategic alternatives for the potential disposition of the second. The results of these two service centers were reported in the former Distribution Group prior to January 1, 2013. The evaluation of the Company s non-core businesses resulted in a goodwill impairment of $484 during the three months ended March 31, 2013.

In April 2013, the Company completed the sale of its RTI Pierce Spafford subsidiary for approximately $10.5 million of cash and a receivable from escrow of approximately $1.9 million. The escrow funds will be released in October 2014 assuming no claims from the purchaser. The results of RTI Pierce Spafford have been presented as results from discontinued operations on the Company s Condensed Consolidated Statements of Operations and the related assets and liabilities have been presented separately on the Company s Condensed Consolidated Balance Sheets as assets and liabilities of discontinued operations at December 31, 2012. The Company s Condensed Consolidated Financial Statements and the Notes thereto have been conformed to exclude amounts attributable to RTI Pierce Spafford. Management is continuing to evaluate alternatives for the other non-core service center and as a result, it did not qualify for held-for-sale accounting as of September 30, 2013. Its results are reported in the Titanium Segment.

The Company s results from discontinued operations are summarized below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	**2012**	**2013**	**2012**
Net sales	$	$ 7,228	$ 8,872	$ 23,477
Income (loss) before income taxes		594	(200)	2,203
Provision for (benefit from) income taxes		205	(44)	790
Net income (loss) from discontinued operations		389	(156)	1,413

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Assets and liabilities of discontinued operations were comprised of the following at December 31, 2012:

	December 31, 2012
ASSETS	
Accounts receivable, net	$ 2,189
Inventories, net	11,124
Property, plant and equipment, net	47
Goodwill	1,381
Total assets of discontinued operations	$ 14,741
LIABILITIES	
Accounts payable	$ 1,995
Accrued wages and other employment costs	337
Total liabilities of discontinued operations	$ 2,332

Note 5 ACCUMULATED OTHER COMPREHENSIVE LOSS:

The components of accumulated other comprehensive loss at September 30, 2013 and December 31, 2012 were as follows:

	Foreign Currency Translation	Actuarial Losses on Benefit Plans	Unrealized losses on Investments	Total
Balance at December 31, 2012	$ 12,990	$ (57,712)	$	$ (44,722)
Other comprehensive income (loss) before reclassifications, net of tax	(4,589)	3,943	(4)	(650)
Amounts reclassified from other comprehensive loss, net of tax		5,381		5,381
	$ 8,401	$ (48,388)	$ (4)	$ (39,991)

Accumulated other comprehensive income (loss) at
September 30, 2013

Amounts reclassified from accumulated other comprehensive loss, net of tax, for the three and nine months ended September 30, 2013 are as follows:

	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2013
Amortization of Defined Benefit Pension Items		
Actuarial losses and prior service costs	$ 2,017	$ 6,463
Special termination benefits		2,214
Tax expense	(767)	(3,296)
Total reclassifications	$ 1,250	$ 5,381

These amounts have been used in the calculation of net periodic benefit cost for the three and nine months ended September 30, 2013. In addition to the amounts above, the Company recognized a gain of $3,943, net of tax, related to the remeasurement of pension plan assets during the nine months ended September 30, 2013, which is included in accumulated other comprehensive income at September 30, 2013. Refer to Note 14 of these Condensed Consolidated Financial Statements for further information about the Company s benefit plans.

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Note 6 STOCK-BASED COMPENSATION:

Stock Options

A summary of the status of the Company s stock options as of September 30, 2013, and the activity during the nine months then ended, is presented below:

Stock Options	Options
Outstanding at December 31, 2012	590,850
Granted	98,831
Forfeited	(15,595)
Expired	(15,743)
Exercised	(97,432)
Outstanding at September 30, 2013	560,911
Exercisable at September 30, 2013	395,351

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:

	2013
Risk-free interest rate	0.87%
Expected dividend yield	0.00%
Expected lives (in years)	5.0
Expected volatility	65.00%

The weighted-average grant date fair value of stock option awards granted during the nine months ended September 30, 2013 was $15.80.

Restricted Stock

A summary of the status of the Company s nonvested restricted stock as of September 30, 2013, and the activity during the nine months then ended, is presented below:

Nonvested Restricted Stock Awards	**Shares**
Nonvested at December 31, 2012	182,179
Granted	116,856
Vested	(75,222)
Forfeited	(9,719)
Nonvested at September 30, 2013	214,094

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 nine months ended September 30, 2013 was $28.90.

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Performance Share Awards

A summary of the Company s performance share awards as of September 30, 2013, and the activity during the nine months then ended, is presented below:

Performance Share Awards	Awards Activity	Maximum Shares Eligible to Receive
Outstanding at December 31, 2012	107,057	214,114
Granted	72,164	144,328
Forfeited	(22,472)	(44,944)
Outstanding at September 30, 2013	156,749	313,498

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 nine months ended September 30, 2013 was $41.02.

Note 7 INCOME TAXES (As Restated):

Management estimates the annual effective income tax rate quarterly, based on the most recent forecasted annual 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, adjusted for the tax effect of discrete items. The income tax provision for the three and nine months ended September 30, 2012 has been restated.

For the nine months ended September 30, 2013, the estimated annual effective tax rate applied to ordinary income from continuing operations was 30.9%, compared to a rate of 33.4% for the nine months ended September 30, 2012. The Company s effective income tax rate decreased 2.5 percentage points from 2012 principally due to a change in the mix of foreign and domestic income between the periods and the larger benefit of the Manufacturing Deduction compared to 2012. These benefits were partially offset by the portion of debt extinguishment charges which were not deductible for income tax purposes.

Inclusive of discrete items, the Company recorded a provision for income taxes of $3,507, or 14.9% of pretax income, and $6,048 or 34.8% of pretax income, for federal, state, and foreign income taxes for the nine months ended September 30, 2013 and 2012, respectively. Discrete items for the nine months ended September 30, 2013 benefited the provision by $3,761 and were primarily related to the revaluation of certain deferred tax liabilities due to changes in state and U.K. tax laws and from the effective settlement of a tax audit during the period. These benefits were partially offset by adjustments for tax returns filed during the period. Discrete items for the nine months ended September 30, 2012 totaled $233 and were principally due to adjustments for tax returns filed during the period.

Note 8 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-

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average of all potentially dilutive shares of Common Stock that were outstanding during the periods presented. 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.

At September 30, 2013, the Company had $114.4 million aggregate principal amount of 3.000% Convertible Senior Notes due 2015 (the 2015 Notes) and $402.5 million aggregate principal amount of 1.625% Convertible Senior Notes due 2019 (the 2019 Notes) outstanding. The calculation of diluted earnings per share for the three months ended September 30, 2013 was calculated by adding back interest expense, net of tax, related to the 2019 Notes to the numerator and adding the shares underlying the 2019 Notes to the denominator using the If Converted method. Shares underlying the 2015 Notes and certain stock options were excluded from the calculation of earnings per share as their effects were antidilutive. Shares excluded from the calculation of earnings per share were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
2015 Notes	3,185,213	6,404,902	3,185,213	6,404,902
2019 Notes			9,885,561	
Anti-dilutive options (1)	241,334	425,383	238,090	421,036

(1) Average option price of shares excluded from calculation of earnings per share were $47.50 and $38.26 for the three months ended September 30, 2013 and 2012, respectively and $48.29 and $38.46 for the nine months ended September 30, 2013 and 2012, respectively.

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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 nine months ended September 30, 2013 and 2012 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012 (As Restated)	2013	2012 (As Restated)
Numerator basic earnings per share:				
Net income from continuing operations before allocation of earnings to participating securities	$ 12,292	$ 3,199	$ 19,999	$ 11,350
Less: Earnings allocated to participating securities	(87)	(20)	(140)	(67)
Net income from continuing operations attributable to common shareholders, after earnings allocated to participating securities used in calculation of basic earnings per share	$ 12,205	$ 3,179	$ 19,859	$ 11,283
Numerator diluted earnings per share:				
Net income from continuing operations before allocation of earnings to participating securities	$ 12,292	$ 3,199	$ 19,999	$ 11,350
Interest expense on 2019 Notes, net of tax	2,853	N/A	N/A	N/A
Less: Earnings allocated to participating securities	(107)	(20)	(140)	(67)
Net income from continuing operations attributable to common shareholders, after earnings allocated to participating securities used in calculation of diluted earnings per share	$ 15,038	$ 3,179	$ 19,859	$ 11,283

Net income (loss) from discontinued operations before allocation of earnings to participating securities	$	$ 389	$ (156)	$ 1,413
Less: Earnings allocated to participating securities		(2)		(8)
Net income from discontinued operations attributable to common shareholders, after earnings allocated to participating securities	$	$ 387	$ (156)	$ 1,405
Denominator:				
Basic weighted-average shares outstanding	30,325,662	30,137,187	30,285,004	30,117,204
Effect of dilutive securities	10,048,947	110,185	213,843	115,100
Diluted weighted-average shares outstanding	40,374,609	30,247,372	30,498,847	30,232,304
Earnings per share attributable to continuing operations:				
Basic	$ 0.40	$ 0.11	$ 0.66	$ 0.37
Diluted	$ 0.37	$ 0.11	$ 0.65	$ 0.37
Earnings (loss) per share attributable to discontinued operations:				
Basic	$	$ 0.01	$ (0.01)	$ 0.05
Diluted	$	$ 0.01	$ (0.01)	$ 0.05

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Note 9 CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS:

Cash and cash equivalents

The Company considers all highly-liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents principally consist of investments in short-term money market funds and corporate commercial paper with original maturities of less than 90 days.

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 stable 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 and governments. By definition, the stated maturity on commercial paper obligations cannot exceed 270 days.

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.

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

	September 30, 2013	December 31, 2012
Cash and cash equivalents:		
Cash	$ 69,193	$ 37,473
Cash equivalents:		
Commercial paper	128,448	32,642
Money market mutual funds	117,380	27,075
Total cash and cash equivalents	315,021	97,190
Short-term investments:		
Commercial paper	36,398	
Corporate notes and bonds	8,789	
Total short-term investments	45,187	
Total cash, cash equivalents, and short-term investments	$ 360,208	$ 97,190

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The Company had no investments at December 31, 2012. The Company s investments at September 30, 2013 were as follows:

	Amortized Cost	Gross Unrealized Gains	Losses	Fair Value
As of September 30, 2013:				
Commercial paper	$ 36,397	$ 1	$	$ 36,398
Corporate notes and bonds	8,794		5	8,789
Total	$ 45,191	$ 1	$ 5	$ 45,187

The Company typically purchases its available-for-sale debt securities either at a premium or a discount. The premium or discount is amortized over the remaining term of each security using the interest method. Amortization is recorded as either a decrease to interest income for premiums or an increase to interest income for discounts. For each of the three and six months ended September 30, 2013, net amortization of premiums and discounts was immaterial.

The Company classifies investments maturing within one year as short-term investments. Investments maturing in excess of one year are classified as noncurrent. All of the Company s investments had contractual maturities of less than one year at September 30, 2013.

As of September 30, 2013, 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 September 30, 2013 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 10 FAIR VALUE MEASUREMENTS:

For certain of the Company s financial instruments and account groupings, including cash, short-term investments, accounts receivable, accounts payable, accrued wages and other employee costs, unearned revenue, and other accrued liabilities, the carrying value approximates fair value due to their relative short-term nature.

Listed below are the Company s assets, and their fair values, which are measured at fair value on a recurring basis, as of September 30, 2013. The Company uses trading prices near the balance sheet date to determine the fair value of its assets measured on a recurring basis. The Company held no investments measured at fair value on a recurring basis as of December 31, 2012. There were no transfers between levels for the three or nine months ended September 30, 2013.

	Quoted Market Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
As of September 30, 2013:				
Commercial paper	$	$ 36,398	$	$ 36,398
Corporate notes and bonds		8,789		8,789
Total	$	$ 45,187	$	$ 45,187

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

	September 30, 2013		December 31, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$ 315,021	$ 315,021	$ 97,190	$ 97,190
Current portion of long-term debt	$ 999	$ 999	$ 957	$ 957
Long-term debt	$ 419,249	$ 548,560	$ 198,337	$ 249,113

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

Note 11 INVENTORIES:

Inventories are valued at cost as determined by the last-in, first-out (LIFO) method for approximately 57% and 55% of the Company s inventories at September 30, 2013 and December 31, 2012, respectively. The remaining inventories are valued at cost determined by a combination of the first-in, first-out (FIFO) and weighted-average cost methods. Inventory costs generally include materials, labor, and manufacturing overhead (including depreciation). When market conditions indicate an excess of carrying cost over market value, a lower-of-cost-or-market provision is recorded. As of September 30, 2013 and December 31, 2012, the current cost of inventories exceeded their carrying value by $58,609 and $58,598, respectively. Inventories consisted of the following:

	September 30, 2013	December 31, 2012 (As Restated)
Raw materials and supplies	$ 166,184	$ 160,627
Work-in-process and finished goods	312,825	283,087
LIFO reserve	(58,609)	(58,598)
Total inventories	$ 420,400	$ 385,116

Note 12 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 that a potential impairment has occurred, the Company performs its annual impairment testing during the fourth quarter.

Uncertainties or other factors that could result in a potential goodwill impairment include, but are not limited to:

- further long-term production delays or a significant decrease in expected demand or component pricing related to the Boeing 787 Dreamliner® program,

- the cancellation of one of the other major aerospace or defense programs in which the Company currently participates, such as the Joint Strike Fighter program, the Airbus family of aircraft including the A380 and A350XWB, or the Boeing 747-8 program,

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a reduction in revenues from medical device customers due to pricing pressures or competing technologies, or

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, 2012 and September 30, 2013 was as follows:

	Titanium Segment	Engineered Products and Services Segment	Total
December 31, 2012 (As Restated)	$ 10,020	$ 120,590	$ 130,610
Impairment (Note 4)	(293)		(293)
Translation adjustment		(479)	(479)
September 30, 2013	$ 9,727	$ 120,111	$ 129,838

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 are 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 and currently intends to continue the 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 the Titanium Segment at December 31, 2012 and September 30, 2013. The carrying amounts of intangible assets attributable to the Company s Engineered Products and Services Segment at December 31, 2012 and September 30, 2013 were as follows:

	Intangible Assets
December 31, 2012	$ 56,495
Amortization	(2,349)
Translation adjustment	(1,104)
September 30, 2013	$ 53,042

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Note 13 LONG-TERM DEBT:

Long-term debt consisted of:

	Effective Interest Rate	September 30, 2013	December 31, 2012
$114.4 million aggregate principal 3.000% Convertible Senior Notes due 2015	8.675%	$ 101,714	$ 196,644
$402.5 million aggregate principal amount 1.625% Convertible Senior Notes due 2019	5.875%	316,555	
Capital leases	various	1,979	2,650
Total debt		420,248	199,294
Less: Current portion of capital leases		(999)	(957)
Total long-term debt		$ 419,249	$ 198,337

In April, 2013, the Company issued the 2019 Notes. Interest on the 2019 Notes is payable in arrears on April 15 and October 15 of each year, beginning on October 15, 2013, at a rate of 1.625% per annum. The 2019 Notes are the Company s general unsecured obligations. The 2019 Notes are jointly and severally, fully and unconditionally (subject to the customary exceptions discussed below) guaranteed by several 100% owned subsidiaries (the Guarantor Subsidiaries) of RTI International Metals, Inc. (the Parent). Each Guarantor Subsidiary would be automatically released from its guarantee of the 2019 Notes if either (i) it ceased to be a guarantor under the Parent s $150 million revolving credit facility under its Second Amended and Restated Credit Agreement (the Credit Agreement), which expires on May 23, 2017 or (ii) it ceased to be a direct or indirect subsidiary of the Parent. Refer to Note 18 of these Condensed Consolidated Financial Statements for additional information about the Guarantor Subsidiaries.

The 2019 Notes will be convertible at the applicable conversion rate at any time on or after April 15, 2019, until the close of business on the second scheduled trading day immediately preceding the maturity date. The current conversion rate for the 2019 Notes equals 24.5604 shares of common stock per $1,000 principal amount of 2019 Notes (equivalent to a conversion price of $40.72 per share of Common Stock). Upon conversion, holders of the 2019 Notes will receive, at the Company s election, cash, shares of the Company s Common Stock, or a combination of both.

The authoritative guidance of the Financial Accounting Standards Board (FASB) requires convertible notes that may be settled in cash to be bifurcated into a liability component and an equity component. The fair value of the liability component is determined by calculating the present value of the cash flows of the convertible note using the interest rate of a bond of similar size and rating without a conversion feature (i.e., straight-debt). The fair value of the equity component is the difference between the proceeds from the issuance and the fair value of the liability.

The Company determined similar straight-debt had an interest rate of 5.875% at the time the 2019 Notes were issued. As a result, the fair value of the liability component of the 2019 Notes was calculated to be $311.2 million and was recorded as long-term debt. The conversion component of the 2019 Notes has a fair value of $91.3 million and was recorded, net of deferred taxes, as additional paid-in capital. The debt component of the 2019 Notes will accrete to the 2019 Notes par value of $402.5 million over the 2019 Notes 6.5 year term. Debt accretion is recorded in the Company s Consolidated Statement of Operations as a component of interest expense. The Company is accreting the long-term debt balance to par value using the interest method.

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RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES

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(Unaudited)

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

In conjunction with the issuance of the 2019 Notes, the Company incurred debt issuance costs totaling $12.4 million. Under the FASB s authoritative guidance, debt issuance costs for the 2019 Notes should be allocated to the liability and equity components in proportion to their respective fair values. As such, $2.8 million of these costs were attributed to the conversion feature of the 2019 Notes and was recorded, net of deferred taxes, as additional paid-in capital. The remaining $9.6 million of debt issuance costs were attributed to the liability component of the 2019 Notes and were capitalized in the Company s Condensed Consolidated Balance Sheet as a component of other current and noncurrent assets. The portion of the costs attributed to the debt component of the 2019 Notes is being amortized over the term of the 2019 Notes using the interest method. Amortization of these costs is included as a component of interest expense in the Company s Condensed Consolidated Statement of Operations.

Commensurate with the issuance of the 2019 Notes, the Company repurchased, through individually negotiated private transactions, $115.6 million aggregate principal amount of its 2015 Notes for cash consideration of $133.4 million, including $1.3 million of accrued interest on the repurchased 2015 Notes. The FASB s authoritative guidance regarding repurchases of convertible notes requires that the consideration paid be separated into a component to repurchase the debt instrument and a component to derecognize the equity component. The fair value of the liability component at repurchase is determined by calculating the present value of the cash flows of the note at a similar size and rating without a conversion feature as of the repurchase date. The fair value of the equity component is the difference between the consideration paid and the fair value of the liability component.

The Company determined similar straight-debt had an interest rate of 3.535% at the time the 2015 Notes were repurchased. Using this rate, the fair value of the liability component of the repurchased 2015 Notes was calculated to be $112.6 million while the equity component of the repurchased 2015 Notes was calculated to be $19.5 million. The book value of the liability component of the repurchased 2015 Notes was $100.4 million as of the repurchase date. The $12.2 million excess of consideration paid for the liability component of the repurchased 2015 Notes over their book value represents a debt extinguishment charge and was recorded as a component of interest expense in the Condensed Consolidated Statement of Operations. Unamortized debt issuance costs totaling $1.5 million related to the repurchased 2015 Notes were also expensed as a component of interest expense in conjunction with the repurchase.

During the three and nine months ended September 30, 2013, the Company recorded, as a component of interest expense, long-term debt discount amortization of $4,266 and $10,592, respectively. Interest expense from the amortization of debt issuance costs were $457 and $1,210 for the three and nine months ended September 30, 2013, respectively. The Company did not capitalize any interest during the three or nine months ended September 30, 2013.

During the three and nine months ended September 30, 2012, the Company recorded, as a component of interest expense, long-term debt discount amortization of $2,454 and $7,192, respectively. Interest expense from the amortization of debt issuance costs were $325 and $1,077 for the three and nine months ended September 30, 2012, respectively. The Company capitalized interest totaling $821 for the nine months ended September 30, 2012.

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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 EMPLOYEE BENEFIT PLANS:

Components of net periodic pension and other post-retirement benefit costs for the three and nine months ended September 30, 2013 and 2012 for those salaried and hourly covered employees were as follows:

	Pension Benefits				Other Post-Retirement Benefits			
	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012	2013	2012	2013	2012
Service cost	$ 594	$ 613	$ 1,879	$ 1,837	$ 177	$ 167	$ 570	$ 503
Interest cost	1,715	1,774	5,096	5,320	481	526	1,439	1,576
Expected return on plan assets	(2,615)	(2,428)	(7,814)	(7,280)				
Amortization of prior service cost	248	245	744	735	304	303	911	911
Amortization of actuarial loss	1,412	1,341	4,614	4,021	53	40	194	118
Special termination benefits			2,052				162	
Net periodic benefit cost.	$ 1,354	$ 1,545	$ 6,571	$ 4,633	$ 1,015	$ 1,036	$ 3,276	$ 3,108

The Company recorded an expense of $2,214 in net periodic benefit cost during the nine months ended September 30, 2013 related to the remeasurement of its qualified defined benefit pension plans and post-retirement medical plans as a result of a voluntary early retirement program initiated during the period.

The Company made contributions totaling $4,320 to its qualified defined benefit plans during the nine months ended September 30, 2013. The Company does not expect to make any additional contributions to its Company-sponsored pension plans during the remainder of 2013.

Note 15 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 Condensed Consolidated Financial Statements. Given the critical nature of many of the aerospace end uses for the Company s products, including specifically their use in critical rotating parts of gas turbine engines, the Company maintains aircraft products liability insurance of $500 million, which includes grounding liability.

Environmental Matters

Based on available information, the Company believes that its share of possible environmental-related costs is in a range from $631 to $2,103 in the aggregate. At September 30, 2013 and December 31, 2012, the amount accrued for future environmental-related costs was $1,264 and $1,277, respectively. Of the total amount accrued at September 30, 2013, $85 was expected to be paid within the next twelve months, and was included as a component of other accrued liabilities on the Company s Condensed Consolidated Balance Sheet. The remaining $1,179 was recorded as a component of other noncurrent liabilities. During the three months ended September 30, 2013, the Company made payments of $14 related to its environmental liabilities.

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RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES

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(Unaudited)

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

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 16 SEGMENT REPORTING:

The Company has two reportable segments: the Titanium Segment and the Engineered Products and Services Segment. The Engineered Products and Services Segment utilizes the Titanium Segment as its primary source of titanium mill products. Reportable segments are measured based on segment operating income after an allocation of certain corporate items such as general corporate overhead and expenses. Assets of general corporate activities include unallocated cash and deferred taxes.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012 (As Restated)	2013	2012 (As Restated)
Net sales:				
Titanium Segment	$ 89,661	$ 90,090	$ 273,664	$ 274,835
Intersegment sales	24,376	20,882	65,993	64,815
Total Titanium Segment sales	114,037	110,972	339,657	339,650
Engineered Products and Services Segment	106,871	92,455	314,850	246,242
Intersegment sales.	14,142	19,867	47,181	62,510
Total Engineered Products and Services Segment sales	121,013	112,322	362,031	308,752
Eliminations	38,518	40,749	113,174	127,325
Total consolidated net sales	$ 196,532	$ 182,545	$ 588,514	$ 521,077

Operating income:				
Titanium Segment before corporate allocations	$ 21,472	$ 9,875	$ 58,648	$ 40,798
Corporate allocations	(4,641)	(4,327)	(14,051)	(14,658)
Total Titanium Segment operating income	16,831	5,548	44,597	26,140
Engineered Products and Services Segment before corporate allocations	9,953	7,510	26,682	14,993
Corporate allocations	(5,219)	(3,762)	(16,021)	(10,991)
Total Engineered Products and Services Segment operating income	4,734	3,748	10,661	4,002
Total consolidated operating income	$ 21,565	$ 9,296	$ 55,258	$ 30,142
Other income (expense), net	(294)	16	965	318
Interest expense, net	(7,309)	(4,690)	(32,717)	(13,062)
Total consolidated income before income taxes	$ 13,962	$ 4,622	$ 23,506	$ 17,398

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RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES

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(Unaudited)

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

	September 30, 2013	December 31, 2012 (As Restated)
Total assets:		
Titanium Segment	$ 616,376	$ 576,786
Engineered Products and Services Segment.	633,093	577,317
General corporate assets	302,912	83,637
Assets of discontinued operations		14,741
Total consolidated assets	$ 1,552,381	$ 1,252,481

Note 17 NEW ACCOUNTING STANDARDS:

In July 2013, the FASB issued Accounting Standards Update (ASU) 2013-11, Income Taxes Presentation of an Unrecognized Tax Benefit when a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. This ASU prescribes the Balance Sheet presentation for unrecognized tax benefits in the presence of a net operating loss carryforward, tax loss or tax credit carryforward. The amendments in the ASU do not require any new recurring disclosures, and are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The Company does not expect this guidance to have a material impact on the Condensed Consolidated Financial Statements.

In March 2013, the FASB issued ASU 2013-05, Foreign Currency Matters Parent s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity. This ASU clarifies the applicable guidance for the release of the cumulative translation adjustment under current U.S. GAAP. The amendments in this ASU are effective prospectively for annual and interim reporting periods beginning after December 15, 2013. The Company does not expect this guidance to have a material impact on the Condensed Consolidated Financial Statements.

In February 2013, the FASB issued ASU 2013-04, Liabilities Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation is Fixed at the Reporting Date. This ASU provides guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of the ASU is fixed at the reporting date. The amendments in this ASU are effective prospectively for annual and interim reporting periods beginning after December 15, 2013. The Company does not expect this guidance to have a material impact on the Condensed Consolidated Financial Statements.

In February 2013, the FASB issued ASU 2013-02, Comprehensive Income Reporting of Amounts Reclassified out of Accumulated Other Comprehensive Income. This ASU added disclosure requirements for amounts reclassified out of accumulated other comprehensive income for interim and annual reporting periods. The amendments in this ASU are effective prospectively for all reporting periods beginning after December 15, 2012. The Company adopted this guidance during the first quarter of 2013. The adoption of this guidance during the nine months ended September 30, 2013 did not have a material impact on the Condensed Consolidated Financial Statements.

In January 2013, the FASB issued ASU 2013-01, Balance Sheet Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities. This ASU clarified the types of instruments to which ASU 2011-11 applied. This update is effective for annual reporting periods beginning on or after January 1, 2013. The adoption of this guidance during the nine months ended September 30, 2013 did not have a material impact on the Condensed Consolidated Financial Statements.

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RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES

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In July 2012, the FASB issued ASU No. 2012-02, Intangibles Goodwill and Other Testing Indefinite Lived Intangible Assets for Impairment. This ASU added an optional qualitative analysis to the yearly testing for indefinite-lived intangible asset impairment. Depending on the outcome of this analysis, the quantitative process could be eliminated for the year the analysis is performed. The amendments in this ASU are effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. The adoption of this guidance did not have a material impact on the Condensed 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 adoption of this guidance during the nine months ended September 30, 2013 did not have a material impact on the Condensed Consolidated Financial Statements.

Note 18 GUARANTOR SUBSIDIARIES:

The 2015 Notes and the 2019 Notes are jointly and severally, fully and unconditionally (subject to the customary exceptions discussed below) guaranteed by several of the Parent s 100% owned subsidiaries. Each Guarantor Subsidiary would be automatically released from its guarantee of the 2015 Notes and the 2019 Notes if either (i) it ceased to be a guarantor under the Parent s Credit Agreement or (ii) it ceased to be a direct or indirect 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 2015 Notes or the 2019 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 Guarantor Subsidiary under its guarantee will be limited to the maximum amount as will result in obligations of such Guarantor Subsidiary 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.

The Condensed Consolidating Financial Statements have been restated to reflect the correction of an error in the Company s revenue recognition policy for certain long-term contracts mainly related to energy-market projects. Refer to Note 2 of the Condensed Consolidated Financial Statements for further details on the restatement. The Condensed Consolidating Financial Statements present the statements as restated and recast. There was no impact on previously reported amounts in the Condensed Consolidating Statements of Cash Flows. Amounts Labeled Previously Reported represent the balances as originally filed on the Company s Quarterly Report on Form 10-Q for the period ended September 30, 2012, filed with the SEC on November 6, 2012, and the Company s Annual Report on Form 10-K for the period ended December 31, 2012, as filed with the SEC on February 22, 2013.

The Condensed Consolidating Financial Statements for the three months ended March 31, 2013 and June 30, 2013, and the six months ended June 30, 2013 will be revised in future filings. The reconciling items for the Condensed Consolidating Financial Statements as filed in the Company s Amended Quarterly Report on Form 10-Q/A for the period ended March 31, 2013 and the Company s Quarterly Report on Form 10-Q for the period ended June 30, 2013, as filed with the SEC on September 24, 2013, are detailed in Note 2. All revision adjustments are to the Non-Guarantor Subsidiaries, with the exception of the goodwill adjustment related to the Remmele purchase price adjustment, which impacts the Guarantor Subsidiaries. The goodwill adjustment at both March 31, 2013 and June 30, 2013 increases current deferred tax assets $192, while decreasing goodwill and non-current deferred tax liabilities by $5,260 and $5,068, respectively.

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RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES

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(Unaudited)

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

Condensed Consolidating Statement of Operations

Three Months Ended September 30, 2013

	RTI International Metals, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$	$ 128,285	$ 116,754	$ (48,507)	$ 196,532
Costs and expenses:					
Cost of sales		103,808	96,134	(48,507)	151,435
Selling, general, and administrative expenses	712	10,808	10,971		22,491
Research, technical, and product development expenses		1,037	4		1,041
Operating income	(712)	12,632	9,645		21,565
Other income (expense), net	4,120	(2,520)	(1,894)		(294)
Interest income (expense), net	(5,488)	(1,571)	(250)		(7,309)
Equity in earnings (loss) of subsidiaries	11,876	(439)	532	(11,969)	
Income before income taxes	9,796	8,102	8,033	(11,969)	13,962
Provision for (benefit from) income taxes	(2,496)	2,665	1,501		1,670
Net income attributable to continuing operations	$ 12,292	$ 5,437	$ 6,532	$ (11,969)	$ 12,292
Comprehensive income	$ 16,251	$ 6,561	$ 9,224	$ (15,785)	$ 16,251

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RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES

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(Unaudited)

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

Condensed Consolidating Statement of Operations and Comprehensive Income

Three Months Ended September 30, 2012

	RTI International Metals, Inc.		Guarantors		Non-Guarantors		Eliminations		Consolidated	
	Previously Reported	As Restated	Previously Reported	As Restated	Previously Reported	As Restated	Previously Reported	As Restated	Previously Reported	As Restated
Net Sales	$	$	$ 131,132	$ 131,132	$ 110,148	$ 103,618	$ (52,205)	$ (52,205)	$ 189,075	$ 182,545
Cost and expenses:										
Cost of sales			114,706	114,706	88,627	86,394	(52,205)	(52,205)	151,128	148,895
Selling, general, and administrative expenses (1)	(1,442)	(1,442)	12,048	12,048	11,828	11,119			22,434	21,725
Research, technical, and product development expenses			1,000	1,000	12	12			1,012	1,012
Asset and asset-related charges			1,617	1,617					1,617	1,617
Operating income	1,442	1,442	1,761	1,761	9,681	6,093			12,884	9,296
Other income (expense), net	(3)	(3)	20	20	15	(1)			32	16
Interest income (expense), net	(4,358)	(4,358)	36	36	(368)	(368)			(4,690)	(4,690)
Equity in earnings of subsidiaries (2)	7,460	5,034		1,231		374	(7,460)	(6,639)		
	4,541	2,115	1,817	3,048	9,328	6,098	(7,460)	(6,639)	8,226	4,622

Income before taxes										
Provision for (benefit from) income taxes	(1,084)	(1,084)	705	705	2,980	1,802			2,601	1,423
Net income attributable to continuing operations	5,625	3,199	1,112	2,343	6,348	4,296	(7,460)	(6,639)	5,625	3,199
Net income attributable to discontinued operations, net of tax		389				389		(389)		389
Net income	$ 5,625	$ 3,588	$ 1,112	$ 2,343	$ 6,348	$ 4,685	$ (7,460)	$ (7,028)	$ 5,625	$ 3,588
Comprehensive income	$ 11,334	$ 9,297	$ 2,163	$ 3,394	$ 10,856	$ 9,193	$ (13,019)	$ (12,587)	$ 11,334	$ 9,297

(1) The Parent allocates SG&A to the subsidiaries based upon its budgeted annual expenses.

(2) Amounts in equity in earnings of subsidiaries have been revised to conform to current year presentation, which reflects the Company s legal structure. Previously, the Company did not present equity in earnings of subsidiaries in the guarantor or non-guarantor subsidiaries columns. These amounts have been revised for 2012 to present $1,231 and $374, respectively, as equity in earnings of subsidiaries. This change had no impact on covenants or other obligations under the 2015 Notes or 2019 Notes.

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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)

Condensed Consolidating Statement of Operations

Nine Months Ended September 30, 2013

	RTI International Metals, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$	$ 401,236	$ 343,492	$ (156,214)	$ 588,514
Costs and expenses:					
Cost of sales		325,858	290,548	(156,214)	460,192
Selling, general, and administrative expenses	2,416	33,550	34,074		70,040
Research, technical, and product development expenses		3,020	4		3,024
Operating income	(2,416)	38,808	18,866		55,258
Other income (expense), net	4,230	(3,800)	535		965
Interest income (expense), net	(15,510)	(10,210)	(6,997)		(32,717)
Equity in earnings (loss) of subsidiaries	26,681	(549)	1,485	(27,617)	
Income before income taxes	12,985	24,249	13,889	(27,617)	23,506
Provision for (benefit from) income taxes	(7,014)	7,541	2,980		3,507
Net income attributable to continuing operations	19,999	16,708	10,909	(27,617)	19,999
Net loss attributable to discontinued operations	(156)		(156)	156	(156)
Net income	$ 19,843	$ 16,708	$ 10,753	$ (27,461)	$ 19,843
Comprehensive income	$ 24,574	$ 25,089	$ 6,164	$ (31,253)	$ 24,574

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RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES

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(Unaudited)

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

Condensed Consolidating Statement of Operations and Comprehensive Income

Nine Months Ended September 30, 2012

	RTI International Metals, Inc.		Guarantors		Non-Guarantors		Eliminations		Consolidated	
	Previously Reported	As Restated	Previously Reported	As Restated	Previously Restated	As Restated	Previously Reported	As Restated	Previously Reported	As Restated
et Sales	$	$	$ 378,866	$ 378,866	$ 329,847	$ 308,722	$ (166,511)	$ (166,511)	$ 542,202	$ 521,077
ost and penses:										
ost of sales			323,939	323,939	274,626	263,473	(166,511)	(166,511)	432,054	420,901
elling, neral, and ministrative penses (1)	(2,477)	(2,477)	33,372	33,372	36,619	34,341			67,514	65,236
esearch, chnical, and oduct velopment penses	95	95	3,024	3,024	62	62			3,181	3,181
sset and set-related arges			1,617	1,617					1,617	1,617
perating come	2,382	2,382	16,914	16,914	18,540	10,846			37,836	30,142
ther income xpense), net	(48)	(48)	301	301	81	65			334	318
terest income xpense), net)	(12,275)	(12,275)	195	195	(982)	(982)			(13,062)	(13,062
quity in rnings of bsidiaries	21,377	16,314		5,185		1,990	(21,377)	(23,489)		

come before xes	11,436	6,373	17,410	22,595	17,639	11,919	(21,377)	(23,489)	25,108	17,398
ovision for enefit from) come taxes	(4,977)	(4,977)	6,673	6,673	6,999	4,352			8,695	6,048
et income tributable to ntinuing erations	16,413	11,350	10,737	15,922	10,640	7,567	(21,377)	(23,489)	16,413	11,350
et income tributable to scontinued erations, net tax		1,413				1,413		(1,413)		1,413
et income	$ 16,413	$ 12,763	$ 10,737	$ 15,922	$ 10,640	$ 8,980	$ (21,377)	$ (24,902)	$ 16,413	$ 12,763
omprehensive come	$ 24,152	$ 20,502	$ 13,898	$ 19,083	$ 14,763	$ 13,103	$ (28,661)	$ (32,186)	$ 24,152	$ 20,502

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

(2) Amounts in equity in earnings of subsidiaries have been revised to conform to current year presentation, which reflects the Company s legal structure. Previously, the Company did not present equity in earnings of subsidiaries in the guarantor or non-guarantor subsidiaries columns. These amounts have been revised for 2012 to present $5,185 and $1,990, respectively, as equity in earnings of subsidiaries. This change had no impact on covenants or other obligations under the 2015 Notes or 2019 Notes.

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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)

Condensed Consolidating Balance Sheet

As of September 30, 2013

	RTI International Metals, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$	$ 263,561	$ 51,460	$	$ 315,021
Short-term investments		45,187			45,187
Receivables, net	716	64,790	76,167	(22,846)	118,827
Inventories, net		252,499	167,901		420,400
Costs in Excess of Billings			3,425		3,425
Deferred income taxes	26,478	2,629	2,299		31,406
Other current assets	16,361	1,676	5,004		23,041
Total current assets	43,555	630,342	306,256	(22,846)	957,307
Property, plant, and equipment, net	2,124	297,308	68,417		367,849
Investments					
Goodwill		93,665	36,173		129,838
Other intangible assets, net		33,226	19,816		53,042
Deferred income taxes		27,604	34,239	(32,408)	29,435
Other noncurrent assets	10,982	201	3,727		14,910
Intercompany investments	1,285,935	26,265	5,221	(1,317,421)	
Total assets	$ 1,342,596	$ 1,108,611	$ 473,849	$ (1,372,675)	$ 1,552,381
LIABILITIES AND SHAREHOLDERS EQUITY					
Current liabilities:					
Accounts payable	$ 1,256	$ 55,171	$ 41,458	$ (22,846)	$ 75,039
Accrued wages and other employee costs	5,763	15,594	8,444		29,801
Unearned revenue			38,467		38,467
Other accrued liabilities	9,596	8,054	8,387		26,037

Total current liabilities	16,615	78,819	96,756	(22,846)	169,344
Long-term debt	418,269	980			419,249
Intercompany debt		350,821	111,758	(462,579)	
Liability for post-retirement benefits		44,112			44,112
Liability for pension benefits	6,856	3,281	160		10,297
Deferred income taxes	81,383	21,587	3,320	(32,408)	73,882
Unearned Revenue			12,033		12,033
Other noncurrent liabilities	8,143	3,753	238		12,134
Total liabilities	531,266	503,353	224,265	(517,833)	741,051
Shareholders equity	811,330	605,258	249,584	(854,842)	811,830
Total liabilities and shareholders equity	$ 1,342,596	$ 1,108,611	$ 473,849	$ (1,372,675)	$ 1,552,381

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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)

Condensed Consolidating Balance Sheet

As of December 31, 2012

	RTI International Metals, Inc.		Guarantor Subsidiaries		Non-Guarantor Subsidiaries		Eliminations		Consolidated	
	As Reported	As Restated	As Reported	As Restated	As Reported	As Restated	As Reported	As Restated	As Reported	As Resta
ETS										
ent s:										
and valents	$	$	$ 87,283	$ 87,283	$ 9,907	$ 9,907	$	$	$ 97,190	$ 97,
ivables,	126	126	72,773	72,773	63,089	59,639	(27,221)	(27,221)	108,767	105,
tories,			221,174	220,989	184,115	164,127			405,289	385,
in ss of gs						2,260				2,
rred ne taxes	26,478	26,478	2,351	2,543	70	2,359			28,899	31,
ts of ontinued ations						14,741				14,
r current s	5,410	5,410	2,072	2,072	3,227	3,788			10,709	11,
current s	32,014	32,014	385,653	385,660	260,408	256,821	(27,221)	(27,221)	650,854	647,
erty, , and oment,	1,327	1,327	308,467	308,467	66,202	66,155			375,996	375,
dwill			98,925	93,665	38,326	36,945			137,251	130,

r gible s, net			35,152	35,152	21,343	21,343			56,495	56,
rred me taxes			32,757	32,757	33,433	33,433	(32,903)	(32,903)	33,287	33,
r urrent s	4,117	4,117	892	892	835	3,857			5,844	8,
company tments	984,901	980,867	26,814	26,814	3,736	3,736	(1,015,451)	(1,011,417)		

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