RTI INTERNATIONAL METALS INC
Form 10-K/A
December 15, 2005

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

FORM 10-K/A

(AMENDMENT NO. 2)

(MARK ONE)

[X] Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2004 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	52-2115953
(State of Incorporation)	(I.R.S. Employer Identification No.)
1000 WARREN AVENUE, NILES, OHIO	44446
(Address of principal executive offices)	(Zip code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: 330-544-7700

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, par value $0.01 per share	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: None

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 [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this

Form 10-K. [X]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes [X] No [ ]

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [X] No [ ]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes [ ] No [X]

Aggregate market value of the voting stock held by non-affiliates of the registrant as of June 30, 2004: $230,615,319. The amount shown is based on the closing price of the registrant's common stock on the New York Stock Exchange on that date. Shares of common stock known by the registrant to be beneficially owned by officers or directors of the registrant or persons who have filed a report on Schedule 13D or 13G are not included in the computation. The registrant, however, has made no determination that such persons are "affiliates" within the meaning of Rule 12b-2 under the Securities Exchange Act of 1934.

Number of shares of common stock outstanding at March 15, 2005: 22,188,759

DOCUMENTS INCORPORATED BY REFERENCE:

Selected Portions of the Proxy Statement for the 2005 Annual Meeting of Shareholders are incorporated by reference into Part III of this Report.

RTI INTERNATIONAL METALS, INC.
AND CONSOLIDATED SUBSIDIARIES

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

EXPLANATORY NOTE

RTI International Metals, Inc. (the "Company" or "RTI") is filing this Amendment No. 2 (the "Amendment No. 2") to its Annual Report on Form 10-K for the fiscal year ended December 31, 2004, which was originally filed with the United States Securities and Exchange Commission (the "SEC") on April 14, 2005 and first amended on May 9, 2005 (the original filing), to amend and restate the Consolidated Statements of Cash Flows, Management's Discussion and Analysis of Financial Condition and Results of Operations and the Controls and Procedures disclosure. The restatement arose as a result of management's determination that the tax effect of employee stock options exercised was incorrectly reported as "cash flows from financing activities." The tax effect should have been reported

as "cash flows from operating activities" as prescribed by Emerging Issues Task Force ("EITF") 00-15, "Classification in the Statement of Cash Flows of the Income Tax Benefit Received by a Company upon Exercise of Nonqualified Employee Stock Options." The Company has restated prior periods beginning with the year ended December 31, 2003 through the second quarter of 2005. See Note 22 in the notes to the consolidated financial statements contained in this amendment for further information relating to the restatement. This Amendment No. 2 also contains the required consent of the Company's independent registered public accounting firm and re-executed certifications pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act of 2002.

Except for the amendments discussed above, this Amendment No. 2 does not modify or update other disclosures in or exhibits to the original filing as amended. With the exception of the matters disclosed in Item 7, Item 8, Item 9(A) and Item 15 this Amendment No. 2 continues to speak as of the date of the original filing and the Company has not updated the disclosures therein to reflect events that have occurred since the date of the original filing.

The following items are hereby amended and restated in their entirety.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in connection with the information contained in the Consolidated Financial Statements and Notes to Consolidated Financial Statements. The following information contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, and are subject to the safe harbor created by that Act. Such forward-looking statements may be identified by their use of words like "expects," "anticipates," "intends," "projects," or other words of similar meaning. Forward-looking statements are based on expectations and assumptions regarding future events. In addition to factors discussed throughout this

report, the following factors and risks should also be considered, including, without limitation, statements regarding the future availability and prices of raw materials, competition in the titanium industry, demand for the Company's products, the historic cyclicality of the titanium and aerospace industries, increased defense spending, the success of new market development, long-term supply agreements, the outcome of proposed "Buy American" legislation, global economic activities, the Company's order backlog and the conversion of that backlog into revenue, the long-term impact of the events of September 11, and the continuing war on terrorism, and other statements contained herein that are not historical facts. Because such forward-looking statements involve risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. These and other risk factors are set forth below in the "Outlook" section, as well as in the Company's other filings with the Securities and Exchange Commission ("SEC") over the last 12 months, copies of which are available from the SEC or may be obtained upon request from the Company.

The Company's management, with the participation of the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this annual report on Form 10-K/A. Based upon that evaluation, including all matters discussed in Item 9A below, they have concluded that as of December 31, 2004, the Company's disclosure controls and procedures were not effective in ensuring that all material information required to be filed in reports that the Company files with the Securities and Exchange Commission ("SEC") is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. In light of the deficiencies described in Item 9A below, the Company performed additional post-closing procedures to ensure its consolidated financial statements are prepared in accordance with generally accepted accounting principles. Accordingly, management believes that the financial statements presented in Item 8 below which form the basis of this discussion and analysis fairly present, in all material respects, the Company's financial condition, results of operations and cash flows for the periods presented.

A restatement of the Company's Consolidated Statement of Cash Flows arose as a result of management's determination that the tax effect of employee stock options exercised were incorrectly reported as "cash flows from financing activities." These should have been reported as "cash flows from operating activities" as prescribed by Emerging Issues Task Force ("EITF") 00-15, "Classification in the Statement of Cash Flows of the Income Tax Benefit Received by a Company upon Exercise of Nonqualified Employee Stock Options." The Consolidated Statements of Cash Flows for 2004 and 2003 have been restated. Amounts prior to the fourth quarter of 2003 were immaterial to the Company's Consolidated Statement of Cash Flows. The restatement does not affect the net change in cash and cash equivalents for any of the periods presented and has no effect on the Company's consolidated balance sheet, the consolidated statement of operations and any related earnings per share amounts for any of the periods presented.

OVERVIEW

RTI International Metals, Inc. conducts its operations in two segments: the Titanium Group and the Fabrication & Distribution Group ("F&D"). The Titanium Group, with primary operations in Niles, Ohio and Canton, Ohio, has overall responsibility for the production of primary mill products including, but not

limited to, bloom, billet, sheet and plate. This 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. F&D, with operations located throughout the U.S., Europe and Canada and representative offices in Germany, Italy and China, concentrates its efforts on maximizing its profitability by offering value-added products and services such as engineered tubulars and extrusions, fabricated and machine components and sub-assemblies, as

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well as engineered systems for energy-related markets, accessing the Titanium Group as its primary source of mill products. Approximately 65% of the Titanium Group's sales in 2004 were to F&D.

While 35% of RTI's sales in 2004 were directed to the commercial aerospace market, approximately 50% of all U.S. titanium production is shipped to this segment. In 2004, the world economies began to improve, air traffic demand rose significantly (12.5%) in the commercial aircraft segment and defense spending continued to grow, leading to a rebound from 2003 in the demand for titanium and speciality metal products.

An agreement with the United Steelworkers of America ("USWA") expired on October 15, 2003 at the Company's Niles, Ohio facility where the Union represents 357 hourly and clerical workers. After two extensions and a union rejection vote on October 25, 2003 a work stoppage commenced and non-represented employees began operating the facility. Non-represented employees operated the facility until a new 62-month agreement was reached on December 1, 2004.

The diversification offered by F&D has allowed management to de-emphasize commodity titanium products and move the Company up the value chain, as well as pursue growth opportunities through acquisitions. Supply chain management is a capability that is becoming more important in F&D's targeted markets and RTI intends to enhance this core competency.

Much of the deployed capital within RTI relates to inventory, primarily work-in-process, necessitated by the nature of processing titanium to demanding metallurgical and physical specifications. However, significant investments in raw materials, such as titanium sponge and master alloys, have also been made in order to insure uninterrupted supply and to accommodate surges in demand. As a result, management has put in place various goals aimed at optimizing inventory levels, thereby freeing cash resources to be invested in other areas of the company.

In conjunction with the close monitoring of our working capital position, an emphasis is also made on capital expenditures. It is not the intent of management to match these with depreciation expense but rather identify those opportunities that will result in the highest return to our shareholders. Over the past few years, capital outlays have been less than depreciation however, in 2004 the company acquired RTI Claro for the sum of $23.6 million plus 358,908 shares of RTI stock. The cash position at the year end 2004 stood at $62.7 million against $67.9 million at 2003. As for the ultimate disposition of this cash, the RTI Board of Directors regularly considers such options as dividends, stock repurchases in excess of an approved $15 million program, acquisitions or strategic combinations. Given the uncertainty and competitive pressures in the current marketplace, as well as the Company's growth strategy, management believes that a net cash position with no long-term debt is currently the most desirable capital structure.

DISCONTINUED OPERATIONS

The Company disclosed in a news release dated September 30, 2004 that its Tube Mill operations had stopped soliciting new orders because of a shortage of skelp, which is the key raw material in manufacturing titanium strip.

The decision to halt the solicitation of new orders was to continue until a search for other sources of skelp was concluded. In December 2004 the Company terminated its search for other skelp sources and decided to terminate production activity and discontinue the titanium strip product line and utilize the facility for other purposes unrelated to the manufacture of welded tubing. Tube Mill operations had been reported within the F&D segment.

Discontinued operations, which represent operating results of the Tube Mill operations for which further information is included in Note 19, reported trade sales of $14.4 million, $10.5 million and $12.9 million for the years ended December 31, 2004, 2003, and 2002, respectively.

At December 31, 2004 the Company impaired certain Tube Mill assets and provided for certain contingencies which resulted in an after tax charge of $0.7 million. This charge and the required balance sheet adjustments were reflected in the net loss from discontinued operations for the period ended December 31, 2004.

All amounts included in Management's Discussion and Analysis of Financial Condition and Results of Operations have been amended to reflect the discontinued operation.

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RESULTS OF OPERATIONS

YEARS ENDED DECEMBER 31, 2004, 2003, AND 2002
(Dollars in millions)

NET SALES

YEAR ENDED DECEMBER 31,	2004	2003	2002
Titanium Group			
Trade	$ 53.6	$ 56.7	$ 88.9
Inter-company	101.2	91.2	107.8
Total	154.8	147.9	196.7
Fabrication and Distribution Group			
Trade	161.0	138.3	169.1
Inter-company	32.0	10.6	12.3
Total	193.0	148.9	181.4
Eliminations	(133.2)	(101.8)	(120.1)
Net Sales	$ 214.6	$ 195.0	$ 258.0

Titanium Group

Sales for the Company's Titanium Group amounted to $154.8 million, including intercompany sales of $101.2 million, in the year ended December 31, 2004 compared to $147.9 million, including intercompany sales of $91.2 million, in the same period of 2003. The increase in sales of $6.9 million or an increase of 5% was mainly due to an increase in mill product shipments of 445 thousand pounds. Shipments in 2004 of mill products were 5.4 million pounds versus the year ago period of 4.9 million pounds. The increase in shipments was due to higher levels of bloom and sheet sales from the year ago period and resulted in increased revenue of approximately $2.6 million. Increased demand from the steel industry for ferro titanium and increased intercompany shipments of electrodes generated $12.2 million in increased revenue. The termination of the Company's contract with the U.S. Department of Energy resulted in reduced revenues of $(7.9) million.

Sales for the Company's Titanium Group amounted to $147.9 million, including intercompany sales of $91.2 million, in the year ended December 31, 2003 compared to $196.7 million, including intercompany sales of $107.8 million, in the same period of 2002. The Group's net sales decreased as a result of a decrease in mill product shipments, partially offset by higher average realized prices as product mix shifted to higher value-added flat rolled products. Shipments of titanium mill products were 5.9 million pounds in the year ended December 31, 2003, compared to 10.0 million pounds for the same period in 2002. Averaged realized prices increased to $15.95 per pound compared to the same period in 2002 of $14.96 per pound. The net effect of the reduced mill shipments offset by increased prices was $(46.0) million. Revenue was lower at the groups RMI environmental services business based as a result of reduced remediation activity by $(2.2) million.

Fabrication and Distribution Group

Sales in F&D amounted to $193.0 million, including intercompany sales of $32.0 million in the year ended December 31, 2004 compared to $148.9 million including intercompany sales of $10.6 million in the same period in 2003. The increase of $44.1 million or 30% reflected increased customer demand for smaller quantity lots and custom sizes from the several distribution centers throughout the country. Small quantity and custom size lots resulted in increased revenue of $16.5 million. Sales through the Group's European outlets were increased $5.0 million and the Company's acquisition of Claro Precision, Inc., added $4.0 million. Sales from the Group's fabrication units primarily through intercompany channels added $20.0 million in increased revenue from the year ago period.

Sales through F&D amounted to $148.9 million, including intercompany sales of $10.6 million in the year ended December 31, 2003 compared to $181.4 million including intercompany sales of $12.3 million in the same

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period in 2002. The decrease of $32.5 million or 18% was a result of reduced demand from aerospace customers in both the United States and Europe. Of the decrease of $32.5 million approximately 78% was reduced revenue in the United States and 22% in Europe.

GROSS PROFIT/(LOSS)

YEAR ENDED DECEMBER 31,	2004	2003	2002
Titanium Group..	$(0.1)	$ 7.8	$22.7
Fabrication & Distribution Group..........................	26.2	22.0	25.8

Total	$26.1	$29.8	$48.5

Titanium Group

Gross profit/(loss) decreased to a $(0.1) million loss in 2004 from a gross profit of $7.8 million in 2003 or a change of $7.9 million. Reduced prices on mill products net of mix effects resulted in a reduction in product margins of $3.0 million. Prices were reduced from the year ago period by over $2.00 per pound as prices dropped to an average of $14.59 from the prior period of $16.91 per pound. The reduced prices were partially due to the effect of lower price mix of goods sold. Inventory reductions in LIFO inventories resulted in increased cost of sales of $1.2 million; increased metallics costs equaled $1.0 million and the effect of the contract cancellation with the DOE resulted in reduced gross profits of $2.3 million. Other cost increases of $0.3 million included increased healthcare and pension costs.

Gross profit decreased to $7.8 million in 2003 from a gross profit of $22.7 million in 2002 or a change of $14.9 million. The decrease in gross profit was a result of a reduction in mill product shipments of 4.1 million pounds. The reduced titanium shipment level necessitated temporary production outages as the Company's Niles, Ohio facility maintained inventory balances in line with lower shipment levels. The reduced shipment level occurred primarily in heavy shapes as demand for these products from forging companies for use in commercial aircraft and certain industrial applications fell.

Fabrication and Distribution Group

Gross profit increased to $26.2 million in 2004 from a gross profit of $22.0 million in 2003 or a favorable change of $4.2 million. Most of the favorable change was a result of increased revenues in the Group's Distribution Businesses as a 25% increase in revenue from these businesses resulted in improved margins of $5.4 million. The Company made a Canadian acquisition in the fourth quarter which increased gross profit by $0.4 million. The effect of reduced revenues for energy projects of $2.4 partially offset the Distribution Business and Canadian improvements.

Gross profit decreased to $22.0 million in 2003 from a gross profit of $25.8 million in 2002 or an unfavorable change of $3.8 million. The unfavorable change of 15% was due to the Group's Energy business in 2002 concluding work on a major project that provided significantly higher margins in 2002. The reduction in Energy caused a reduction in gross profits of 4%. Reduced demand from aerospace customers in the United States and Europe resulted in a reduction of gross profits by approximately 5%.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

YEAR ENDED DECEMBER 31,	2004	2003	2002
Titanium Group	$10.3	$ 9.5	$12.3
Fabrication & Distribution Group	29.7	21.2	19.5
Total	$40.0	$30.7	$31.8

Titanium Group

Selling, general and administrative expenses, increased $0.8 million in 2004 from the same period in 2003. The increase was primarily due to the Company's cost associated with the implementation of the Sarbanes-Oxley Act, Section 404 (SOX 404) which amounted to $2.6 million. Partially offsetting the increased expense was the effect of the elimination of most SG&A activities at the Group's Ashtabula site which had been notified in December of 2003 that the DOE contract was being terminated by the DOE for convenience and reduced legal and rent expenses. It is not known at this time what role, if any, RMI will play in the balance of the cleanup although discussions are ongoing. The reduction of the Ashtabula SG&A expenses equaled $1.3 million and the legal and rent expenses amounted to $0.5 million.

Selling, general and administrative expenses, decreased $2.8 million in 2003 from the same period in 2002. The decrease reflected a reduction in corporate overhead charges that are allocated based on a formula which among several factors includes sales as a percent of the total Company. The larger percentage reduction in sales from 2002 to 2003 resulted in a lower amount of Corporate costs charged to the Titanium Group and a correspondingly higher amount charged to the Fabrication and Distribution Group.

Fabrication and Distribution Group

SG&A increased $7.8 million in 2004 from 2003 in the F&D group. The increase was primarily due to the implementation of SOX 404 resulting in increased expenses in the group of $3.9 million. The group, primarily the distribution business, experienced significant growth in sales resulting in the addition of additional personnel, increased compensation and increased overhead equaling $1.8 million. The Company acquired a Canadian company in the fourth quarter of 2004, expanded sales and marketing efforts into mainland China during the year and increased its sales and marketing efforts in energy, and Europe resulting in increased expenses of $2.1 million.

Selling, general and administrative expenses, increased $1.7 million in 2003 from the same period in 2002 as a result of the allocation issue described in the Titanium Group. Additionally, the increase was partially offset as certain depreciation expense previously recorded in SG&A in 2002 was reclassified to cost of sales and bad debt expense was $0.2 million higher in 2002 than in 2003.

RESEARCH, TECHNICAL AND PRODUCT DEVELOPMENT EXPENSES

YEAR ENDED DECEMBER 31,	2004	2003	2002
Titanium Group	$1.2	$1.2	$1.2
Fabrication & Distribution Group	--	0.1	--
Total	$1.2	$1.3	$1.2

Additional development activities conducted at customer expense (not included above) totaled $0.3, $0.2 and $0.3 for 2004, 2003 and 2002, respectively.

Titanium Group

There was no change in expenses for the group in 2004, 2003 or 2002.

Fabrication and Distribution Group

In 2004 the group did not incur expenses related to R&D, which represented a decrease of $0.1 million from the prior year 2003. R&D expenditures in this group are primarily in the energy business area. The decrease in 2004 represented the completion of an R&D project in the energy business in 2003.

The change in R&D expenditures from 2003 to 2002 represented an Energy business project completed in 2003.

OTHER OPERATING INCOME

YEAR ENDED DECEMBER 31,	2004	2003	2002
Titanium Group	$0.5	$1.0	$ --
Fabrication & Distribution Group	--	--	--
Total	$0.5	$1.0	$ --

Titanium Group

Other operating income decreased $0.5 million in 2004 from the same period in 2003. The decrease was a result of a gain recorded in 2003 of $1.0 million on the sale of certain buildings at the Company's Ashtabula facility. In 2004 the Company sold its site in Salt Lake City, Utah and recorded a gain of $0.4 million.

Other operating income increased $1.0 million in 2003 from the same period in 2002. The increase was a result of the net gain on a sale lease back of certain buildings and land at the Company's Ashtabula, Ohio facility.

Fabrication and Distribution Group

The group did not have any activity in other operating income for the periods reported.

OPERATING (LOSS) INCOME

YEAR ENDED DECEMBER 31,	2004	2003	2002
Titanium Group	$(11.0)	$(2.0)	$11.0
Fabrication & Distribution Group	(3.5)	0.8	4.4
Total	$(14.5)	$(1.2)	$15.4

Titanium Group

Operating losses increased in 2004 to a loss of $(11.0) million from a loss of $(2.0) million in 2003. The increase of $9.0 million in loss was a result of reduced selling prices on product of $3.0 million, LIFO inventory liquidations of $1.2 million, increased metallics cost of $1.0 million and the effect of the DOE contract cancellation in 2004 of $2.3 million. Additional expenses for healthcare and pension expense resulted in an increase in expenses of $0.3 million. SG&A expenses were increased by $0.8 million primarily related to application of SOX 404 net of reduced expenses from the DOE contract termination and reduced legal and rent expenses.

Operating losses in 2003 equaled $(2.0) million in 2003 compared to a reported income in 2002 of $11.0 million or a change of $(13.0) million unfavorable. The unfavorable change reflects a decrease in mill product shipments due to a decline in forged mill products demand from the commercial aerospace market, partially offset by a $1.0 million gain on the sale of one of the Company's Ashtabula, Ohio facilities.

Fabrication and Distribution Group

Operating losses in 2004 equaled $(3.5) million in 2004 compared to an income in 2003 of $0.8 million or an unfavorable change of $(4.3) million. The unfavorable change was due to an increase in SG&A expenses of $7.8 million caused by the expenses associated with the implementation of SOX 404 of $3.9 million, increased compensation of $1.8 million and the expansion of marketing efforts internationally and the acquisition of a Canadian Company which totaled $1.4 million. Offsetting the increased SG&A was increased gross profits of $3.5 million primarily on increased revenues.

Operating income equaled $0.8 million in 2003 compared to operating income of $4.4 million in 2002 or an unfavorable change of $3.6 million. The change was due to weak demand for products sold to commercial aerospace and a reduction in the profitability of the group's energy business principally due to timing of the completion of long-term orders.

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OTHER INCOME

YEAR ENDED DECEMBER 31,	2004	2003	2002
Other Income...	$9.6	$8.9	$9.4

Other income increased by $0.7 million in 2004 compared to the same period in 2003. The increase was caused in part by an increase in the amount received from Boeing for liquidated damages on a long-term contract.

Other income for the year ended December 31, 2003 was $8.9 million compared to other income of $9.4 million in 2002 or an unfavorable change of $(0.5) million. The unfavorable change was due to the receipt in 2002 of a $2.1 million common stock distribution in connection with the demutualization of one of the Company's insurance carriers. This amount was partially offset by the increase in the amount received for liquidated damages from Boeing of $1.3 million.

INTEREST INCOME (EXPENSE), NET

YEAR ENDED DECEMBER 31,	2004	2003	2002
Total Interest Income/(Expense), net........................	$0.1	$(0.2)	$(0.4)

Interest income/(expense), net changed $0.3 million favorable as interest income of $0.1 million was recorded in 2004 compared to interest expense in 2002 of $(0.2) million. The favorable change was the result of interest income earned on cash balances in excess of bank fees incurred on the unused capacity of the Company's credit revolver.

Interest income/(expense), net changed $0.2 million favorable as interest expense of $(0.2) million was recorded in 2003 compared to interest expense in 2002 of $(0.4) million. The favorable change was the result of the net effect of interest income earned on cash balances partially offsetting interest expense as a result of unused capacity fees on the Company's credit revolver.

INCOME TAX (BENEFIT) EXPENSE

YEAR ENDED DECEMBER 31,	2004	2003	2002
Income Taxes (Benefit) Expense............................	$(2.6)	$2.8	$9.3

Income tax benefit for 2004 was $2.6 million compared to $2.8 million in expense for the same period in 2003. The effective income tax rate in 2004 was 55% compared to a rate of 37% in 2003. The rate was increased as a result of adjustments of prior year taxes from three sources: normal revisions in estimates from filing 2003 tax returns; tax reserve adjustments related to a reassessment of potential exposures identified in prior years, and adjustments to certain deferred tax assets and liabilities and the release of current liabilities identified in reconciling deferred tax temporary differences.

Income taxes decreased by $6.5 million as a result of a decrease in pretax income and a decrease of 1% in the effective tax rate. The effective income tax rate in 2003 was 37% compared to a rate of 38% in 2002. The rate was reduced as a result of the net effect of a reduction in the amount of estimated tax provision for previously recorded federal income taxes.

(LOSS) FROM DISCONTINUED OPERATIONS

YEAR ENDED DECEMBER 31,	2004	2003	2002
Discontinued operations....................................	$(0.8)	$ --	$(0.1)

The operations of the Company's welded tubing operations were deemed a discontinued operation in the fourth quarter of 2004 as the operation was unable to source input material to satisfy its customers. The Company recorded a $(0.8) million net of tax expense in 2004 compared to breakeven results net of tax in 2003. The breakeven results net of tax in 2003 is a presentation of the prior years effect of the tubing operations. The unfavorable change of $(0.8) million was the result of a net of tax loss on disposal of $(0.7) million and an unfavorable change in net of tax income of $(0.1) million.

The favorable change of $0.1 million in net of tax income as restated reflects the change from a net of tax loss in 2002 of $(0.1) million to a breakeven result net of tax in 2003.

NET (LOSS) INCOME

YEAR ENDED DECEMBER 31,	2004	2003	2002
Net (loss) income..	$(3.0)	$4.7	$15.1

Net income (loss) changed unfavorably by $(7.7) million in 2004 compared to the same period in 2003. The net loss of $(3.0) million in 2004 represented 1.4% of sales compared to a net profit of $4.7 million in 2003 or 2.4% of sales.

Net income changed unfavorably by $(10.4) million in 2003 compared to the same period in 2002. Net income of $4.7 million in 2003 or 2.4% of sales compares to net income of $15.1 million in 2002 or 5.9% of sales.

OUTLOOK

OVERVIEW

Beginning in 2001, a confluence of events including the weak U.S. and global economies, combined with the terrorist attacks of September 11, followed by ongoing conflicts in the Middle East and the worldwide outbreak of Severe Acute Respiratory Syndrome ("SARS"), had a significant adverse affect on the overall titanium industry, through 2003. Beginning in 2004 however, the world economies began to improve, air traffic demand rose significantly in the commercial aircraft segment, and defense spending continued to grow, leading to a rebound in the demand for titanium and speciality metal products.

According to the U.S. Geological Survey, U.S. shipments of titanium mill products declined from a high of approximately 65 million pounds in 1997 to approximately 34 million pounds in 2003. The Company believes shipment levels in 2004 increased due to an inventory replenishment cycle along with improved demand in all market segments, and expect U.S. shipments to reach approximately 42 million pounds in 2005. Aircraft manufactures, as well as aerospace forecasters, all predict that the growth in commercial aerospace, and therefore titanium, will continue to increase in 2005 and beyond.

The following is a discussion of the Company's belief of what is happening within each of the three major markets in which RTI participates.

COMMERCIAL AEROSPACE MARKETS

Aerospace demand is classified into two sectors: commercial aerospace and defense programs. Demand from these two sectors comprises approximately 50% of the worldwide consumption for titanium products and in the U.S. comprises approximately 65% of titanium consumption. The Company's sales to this market represented 35% of total sales in 2004, up from 27% in 2003 due to a greater participation in the regional and business jet market with the acquisition of Claro Precision, Inc. in Canada which was completed in October, 2004.

Due to reduced demand, Boeing and Airbus reduced their build rates for

large commercial aircraft to 586 planes in 2003, a 13.5% reduction from the prior year. However, a turnaround began in 2004, with major producers delivering 605 new aircraft. According to The Airline Monitor, the combined production of large commercial aircraft by Boeing and Airbus is forecast to reach 680 aircraft in 2005, 760 aircraft in 2006, 790 aircraft in 2007, and 815 aircraft in 2008.

Airbus is now producing the world's largest commercial aircraft, the A380, and Boeing has launched a new composite and titanium aircraft, the 787. In addition, Airbus has approved another new aircraft, the A350, to compete with Boeing's 787 model. All three of these aircraft are expected to use large quantities of titanium, in the second half of this decade. Longer term, the commercial aerospace sector is expected to be a very significant consumer of titanium products over the next 20 years due to the expected long-term growth of worldwide traffic and the need to repair and replace aging commercial fleets.

Titanium mill products that are ordered by the prime aircraft producers and their subcontractors are generally ordered in advance of final aircraft production by six to eighteen months. This is due to the time it takes to produce a final assembly or part that is ready for installation in an airframe or jet engine.

RMI entered into a long-term agreement with Boeing on January 28, 1998. Under this agreement, RMI agreed to supply Boeing and its family of commercial suppliers with up to 4.5 million pounds of titanium products annually. The agreement, which began in 1999, had an initial term of five years and concluded at the end of 2003. Under the accord, Boeing received firm prices in exchange for RMI receiving a minimum volume commitment of 3.25 million pounds per year. If volumes fell short of the minimum commitment, the contract contained provisions for financial compensation. In accordance with the agreement, and as a result of volume shortfalls in 1999, 2000, 2001, 2002 and 2003, Boeing settled claims of approximately $6 million in both 2000 and 2001 and $7 million in 2002. The claim for 2002 was settled during the first quarter of 2003 for approximately $8 million. Boeing ordered 0.4 million pounds in 2003, the final year of the contract, and accordingly, the Company received a payment of $9.1 million in March 2004 when Boeing satisfied the final claim under the contract. Beginning in January of 2004, business between the companies not covered by other contracts is being conducted on a non-committed basis, that is, no volume commitment by Boeing and no commitment of capacity or price by RMI.

RTI acquired Claro Precision, Inc., Montreal, Canada, in October of 2004. Claro supplies precision machining and complex sub-assemblies to the aerospace industry, primarily Bombardier. The acquisition provides RTI with additional manufacturing capabilities as well as access to the regional and business jet markets.

RTI, through its RTI Europe subsidiary, entered into an agreement with the European Aeronautic Defense and Space Company ("EADS") in January 2005 to continue to supply value-added titanium products and parts to the EADS group of companies, including Airbus. The contract is in place through 2008, subject to extension. The new Airbus A380 is expected to utilize more titanium per aircraft than any commercial plane yet produced. In 2003, Airbus became the world's largest producer of commercial aircraft and this continued in 2004.

DEFENSE MARKETS

Shipments to military markets represented approximately 30% of the Company's 2004 revenues and are expected to remain significant as a percent of total sales in 2005 as U.S. and other countries' defense budgets remain strong. In fact, the latest U.S. Department of Defense budget figures for Research,

Development Testing and Evaluation (RDT&E) and Procurement reflect an increase of 21% from 2005 through 2009.

RTI believes it is well positioned to supply mill products and fabrications required for any increase in demand from this market. RTI currently supplies titanium and other materials to most military aerospace programs, including the F/A-22, C-17, F/A-18, F-15, F-16, Joint Strike Fighter ("JSF") and in Europe, the Mirage, Rafale and Eurofighter-Typhoon.

Lockheed Martin, a major customer of the Company, was awarded the largest military contract ever on October 26, 2001, for the military's $200 billion JSF program. The aircraft, which will be used by all branches of the military, is expected to consume 25,000 to 30,000 pounds of titanium per airplane. Timing and order patterns, which are likely to extend well into the future for this program, have not been quantified, but may be as many as 3,000 to 5,000 planes over the life of the program. The Company has entered into agreements with Lockheed and its teaming partner, BAE Systems, to be the supplier of titanium sheet and plate for the design and development phase of the program.

The company entered into a new agreement with BAE Systems in January 2005 to provide value added titanium flat rolled products for the Eurofighter Aircraft through 2009.

The Company was chosen by BAE Systems RO Defence UK to supply the titanium components for the new XM-777 lightweight 155 mm Howitzer. Delivery began late in 2003 and will continue through 2010. Initial deliveries will be to the U.S. Marine Corps, followed by deliveries to the U.S. Army and the Italian and British armed forces. It is anticipated that over 1,000 guns may be produced. Sales under this contract could potentially exceed $70 million.

INDUSTRIAL AND CONSUMER MARKETS

35% of RTI's 2004 revenues were generated in various industrial and consumer markets where business conditions are expected to experience increased demand over the next twelve months due to the demand for oil and gas products in the deep water and more hostile environments. Revenues from oil and gas markets are expected to be increased in 2005 and beyond due to continued activity in deep water projects.

The Company's welded tubing operations supplied commercially pure titanium products to various customers for use in industrial operations. The Company's normal supplier advised that it was unable to meet orders due to their inability to obtain raw materials from their suppliers. The Company was unable to find alternate sources of material and had no choice but to declare the welded tubing operations a discontinued business in 2004. The physical facilities, previously utilized for the production of welded tube, are being used to support other areas of RTI's operations.

In January 2005, RTI Energy Systems was selected by BP to provide titanium stress joints for its Shah Deniz project located in the Caspian Sea, Azerbaijan. Titanium was chosen because both strength and flexibility will be needed to deal with the strong currents in the development area. Fabrication will begin in 2005 and shipments will be made over the next 10-14 months.

The Company operates a facility that produces ferro-titanium, an additive to certain grades of steel. The recent world wide demand for steel has significantly increased demand for ferro-titanium. Sales of ferro-titanium constituted over 10% of total sales in 2004 and demand is expected to be strong again in 2005.

RTI serves a number of other industrial and consumer markets through its distribution businesses. The products sold and applications served are numerous and varied. The resulting diversity tends to provide sales stability through varying market conditions. The Company believes demand from these markets will continue to improve in 2005 and beyond as economic conditions continue to show improvement.

BACKLOG

The Company's order backlog for all market segments increased to $237.9 million as of December 31, 2004, up from $92.3 million at December 31, 2003, principally from titanium mill product markets. The 158% increase in the backlog, is primarily due to increased demand from the aerospace industry. Of the backlog at December 31, 2004, $36.8 million is not likely to be filled in 2005. The Company includes in its backlog those orders from customers that are represented by a bona-fide purchase order or an executable contract. In most cases, prior to the Company incurring production cost to complete an order, a customer may cancel the order without penalty. If the Company has incurred cost for a customer order the customer is liable to reimburse the Company for out-of-pocket expenses. In the case of certain high dollar energy contracts the contract normally provides for damages and fees based on particular milestones.

LIQUIDITY AND CAPITAL RESOURCES
(Dollars in millions)

The Company believes it will generate sufficient cash flow from operations to fund operations and capital expenditures in 2005. In addition, RTI has cash reserves and available borrowing capacity to maintain adequate liquidity. RTI currently has no debt, and based on the expected strength of 2005 cash flows, the Company does not believe there are any material near-term risks related to fluctuations in interest rates.

Cash provided by operating activities

YEAR ENDED DECEMBER 31,	2004	2003	2002
Cash provided by operating activities......................	$20.7	$30.8	$41.3

The decrease in net cash flows from operations for the year ended December 31, 2004 compared to the year ended December 31, 2003 primarily reflects a decrease in net income of $7.7 million due to a decline in business operating results as mentioned in the "Results of Operations" section of Management's Discussion and Analysis. The remainder of the decrease is primarily due to a decrease in cash generated from reductions in working capital and other balance sheet line items. The most significant items driving the decrease in cash generated from

changes in working capital and other balance sheet line items when comparing 2004 to 2003 are accounts receivable, inventory and the liability for billings in excess of costs and estimated earnings. Changes in accounts receivable decreased cash generated as billings exceeded cash collections in 2004 compared to 2003. The increase in billings reflects an improvement in market conditions

in the last quarter of 2004 compared to 2003. Changes in inventory levels generated cash as the value of shipments exceeded purchases in 2004. Changes in the liability for billings in excess of costs and estimated earnings generated less cash in 2004 than in 2003 as it decreased due primarily to the Company fulfilling obligations and recognizing revenue relating to advanced payments on long-term orders.

The decrease in net cash flows from operations for the year ended December 31, 2003 compared to the year ended December 31, 2002 primarily reflects a decrease in net income of $10.4 million due to decline in business operating results as mentioned in the "Results of Operations" section of Management's Discussion and Analysis. The remainder of the decrease is primarily due to a decrease in cash generated from reductions in working capital and other balance sheet line items. The most significant items driving the decrease in cash generated from changes in working capital and other balance sheet line items when comparing 2003 to 2002 are accounts receivable, inventory and the liability for billings in excess of costs and estimated earnings. Changes in accounts receivable generated cash as cash collections exceeded billings in 2003. The decrease in billings reflected the general decline in the commercial aerospace industry though the decrease was greater in 2002. Changes in inventory levels also generated cash as the value of shipments exceeded purchases in both 2003 and 2002, as a result of management's efforts to match inventory levels to the decline in business, though the decrease was greater in 2002. Changes in the liability for billings in excess of costs and estimated earnings generated less cash in 2003 than in 2002 as it increased due to the Company receipt of cash payments in advance of work completed on additional long-term orders.

The Company's working capital ratio was 8.2 to 1 and 7.8 to 1 at December 31, 2004 and 2003, respectively.

Cash used in investing activities

YEAR ENDED DECEMBER 31,	2004	2003	2002
Cash used in investing activities..........................	$(29.4)	$(4.0)	$(7.6)

Gross capital expenditures for the year ended December 31, 2004 amounted to $5.8 million compared to $5.4 million in 2003 and $7.6 million in 2002. In all periods, capital spending primarily reflected equipment additions and improvements as well as information systems projects. Partially offsetting the capital expenditures in 2004 were proceeds of $.5 million relating to the sale of property and equipment at the Company's Salt Lake City, Utah facilities.

During the years ended December 31, 2004, 2003 and 2002, the Company's cash flow requirements for capital expenditures were funded with cash provided by operations. The Company anticipates that its capital expenditures for 2005 will total approximately $13.3 million and will be funded with cash generated by operations.

Acquisitions net of cash acquired amount to $24.2 million. $22.0 million related to the acquisitions of Claro Precision, Inc., the remaining $2.2 million being the acquisition of the outstanding minority interest in Galt Alloys.

At December 31, 2004, the Company had a borrowing capacity equal to $33.8 million.

Cash provided by (used in) financing activities

YEAR ENDED DECEMBER 31,	2004	2003	2002
Cash provided by (used in) financing activities............	$3.5	$0.5	$(1.0)

The favorable change in cash flows from financing activities for the year ended December 31, 2004 compared to the year ended December 31, 2003 primarily reflects an increase in proceeds from the exercise of employee stock options to $4.0 million in 2004 from $1.1 million in 2003.

The favorable change in cash flows from financing activities for the year ended December 31, 2003 compared to the year ended December 31, 2002 primarily reflects an increase in proceeds from exercise of employee stock options of $1.0 million.

CONTRACTUAL OBLIGATIONS, COMMITMENTS AND POST-RETIREMENT BENEFITS

Following is a summary of the Company's contractual obligations and other commercial commitments as of December 31, 2004 (dollars in thousands):

	CONTRACTUAL OBLIGATIONS						
	2005	2006	2007	2008	2009	THEREAFTER	
Operating leases (1)..............	$ 2,373	$ 2,002	$1,716	$1,026	$ 737	$ 830	$
Capital leases (1)................	144	47	27	3	--	--	
Total contractual obligations................	$ 2,517	$ 2,049	$1,743	$1,029	$ 737	$ 830	$

	COMMERCIAL COMMITMENTS						
	AMOUNT OF COMMITMENT EXPIRATION PER PERIOD						
	2005	2006	2007	2008	2009	THEREAFTER	
Long-term supply agreements (2)...	$42,374	$11,431	$4,784	$ --	$ --	$ --	$
Purchase obligations (3)..........	27,888	636	--	--	--	--	
Standby letters of credit (4).....	4,214	--	--	--	--	--	
Total commercial commitments................	$74,476	$12,067	$4,784	$ --	$ --	$ --	$

	POST-RETIREMENT BENEFITS						
	2005	2006	2007	2008	2009	THEREAFTER	
Post-retirement benefits (5)......	$ 1,866	$ 1,881	$1,894	$1,915	$1,934	$10,096	$

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(1) See Note 12 to the Company's Financial Statements.

(2) Amounts represent commitments for which contractual terms exceed twelve months.

(3) Amounts primarily represent purchase commitments under purchase orders.

(4) Amounts represent standby letters of credit primarily related to commercial performance and insurance guarantees.

(5) The Company does not fund its other post-retirement employee benefits obligation but instead pays amounts when incurred. However, these estimates are based on current benefit plan coverage and are not contractual commitments in as much as the Company retains the right to modify, reduce, or terminate any such coverage in the future. Amounts shown in the years 2005 through 2008 are based on actuarial estimates of expected future cash payments. The Company is not forecasting or required to make a pension contribution in 2005. As in past years, the Company may make voluntary contributions when there is an economic advantage to contribute to the fund. Future contributions to the fund, if required, will be provided based on actuarial evaluation.

CREDIT AGREEMENT

The Company amended its former $100 million, three-year credit agreement on June 4, 2004. The amendment provides for $90 million of standby credit through May 31, 2008. The Company has the option to increase the available credit to $100 million with the addition of another bank, without the approval of the existing bank group. The terms and conditions of the amended facility remain unchanged with the exception that the tangible net worth covenant in the replaced facility was eliminated.

Under the terms of the amended facility, the Company, at its option, will be able to borrow at (a) a base rate (which is the higher of PNC Bank's prime rate or the Federal Funds Effective Rate plus 0.5% per annum), or (b) LIBOR plus a spread (ranging from 1.0% to 2.25%) determined by the ratio of the Company's consolidated total indebtedness to consolidated earnings before interest, taxes, depreciation and amortization. The credit

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agreement contains restrictions, among others, on the minimum cash flow required, and the maximum leverage ratio permitted.

At December 31, 2004 the Company had $4.2 million of standby letters of

credit outstanding under the facility.

ENVIRONMENTAL MATTERS

The Company is subject to environmental laws and regulations as well as various health and safety laws and regulations that are subject to frequent modifications and revisions. During the years ended December 31, 2004, 2003 and 2002, the Company spent approximately $1.2 million, $1.0 million and $1.1 million, respectively, for environmental remediation, compliance, and related services. The Company estimates environmental-related expenditures, including capital items and compliance costs, will total approximately $2.0 million for 2005 and $1.3 million for 2006. While the costs of compliance for these matters have not had a material adverse impact on the Company in the past, it is impossible to predict accurately the ultimate effect these changing laws and regulations may have on the Company in the future. The Company continues to evaluate its obligations for environmental related costs on a quarterly basis and makes adjustments in accordance with provisions of Statement of Position No. 96-1, "Environmental Remediation Liabilities".

The Company is involved in investigative or cleanup projects under federal or state environmental laws at a number of waste disposal sites, including the Fields Brook Superfund Site and the Ashtabula River Area of Concern. Given the status of the proceedings with respect to these sites, ultimate investigative and remediation costs cannot presently be accurately predicted, but could, in the aggregate be material. Based on the information available regarding the current ranges of estimated remediation costs at currently active sites, and what the Company believes will be its ultimate share of such costs, provisions for environmental-related costs have been recorded.

Given the status of the proceedings at certain of these sites, and the evolving nature of environmental laws, regulations, and remediation techniques, the Company's ultimate obligation for investigative and remediation costs cannot be predicted. It is the Company's policy to recognize environmental costs in its financial statements when an obligation becomes probable and a reasonable estimate of exposure can be determined.

At December 31, 2004, the amount accrued for future environmental-related costs was $3.8 million. Of the total amount accrued at December 31, 2004, $0.6 million is expected to be paid out during 2005 and is included in the other accrued liabilities line of the balance sheet. The remaining $3.2 million is recorded in other non current liabilities.

The Company has included in other non-current assets $2.2 million as expected contributions from third parties. This amount represents the contributions from third parties in conjunction with the Company's most likely estimate of its accrued amount of $3.8 million.

Based on available information, RMI believes that its share of potential environmental-related costs, before expected contributions form third parties, is in a range from $2.9 to $7.7 million in the aggregate. As these proceedings continue toward final resolution, amounts in excess of those already provided may be necessary to discharge the Company from its obligations for these sites.

Former Ashtabula Extrusion Plant

The Company's former extrusion plant in Ashtabula, Ohio was used to extrude uranium under a contract with the DOE from 1962 through 1990. In accordance with that agreement, the DOE retained responsibility for the cleanup of the facility when it was no longer needed for processing government material. Processing ceased in 1990, and in 1993 RMI was chosen as the prime contractor for the remediation and restoration of the site by the DOE. Since then, contaminated buildings have been removed and approximately two-thirds of the site has been

free released by the Ohio Department of Health, to RMI, at the DOE expense.

In December, 2003, in accordance with its terms, the Department of Energy terminated the contract "for convenience." It is not known at this time what role, if any, RMI will play in the balance of the cleanup although discussions are ongoing. Remaining soil removal is expected to take approximately 18-24 months. As license

holder and owner of the site, RMI is responsible to the state of Ohio for complying with soil and water regulations. However, remaining cleanup cost is expected to be borne by the DOE in accordance with their contractual obligation.

NEW ACCOUNTING STANDARDS

In December 2004 the FASB issued SFAS No. 151, Inventory Costs. The Company is required to adopt SFAS 151 on a prospective basis as of January 1, 2006. SFAS 151 clarifies the accounting for abnormal amounts of idle facility expense, freight, handling cost, and wasted material. SFAS 151 requires that those items -- if abnormal -- be recognized as expenses in the period incurred. SFAS 151 requires the allocation of fixed production overheads to the cost of conversion based upon the normal capacity of the production facilities. The Company has not yet determined what effect SFAS 151 will have on its financial statements.

In December 2004, the FASB issued FASB Staff Position No. FAS 109-1, "Application of FASB Statement No. 109, "Accounting for Income Taxes," to the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004," (FSP FAS 109-1) which states that the FASB staff believes that the qualified production activities deduction provided by the American Jobs Creation Act of 2004 (the Act) should be accounted for as a special deduction in accordance with FASB Statement No. 109 (FAS 109). This FSP was effective upon issuance. FAS 109-1 will not likely have a material impact on the Company.

In December 2004, the FASB Issued FASB Staff Position No. FAS 109-2, "Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004," which states that the FASB staff believes that the lack of clarification of certain provisions within the Act and the timing of the enactment necessitate a practical exemption to the FAS 109 requirement to reflect in the period of enactment the effect of a new tax law. Accordingly, an enterprise is allowed time beyond the financial reporting period of enactment to evaluate the effect of the Act on its plan for reinvestment or repatriation of foreign earnings for purposes of applying FAS 109. The Company is evaluating the impact of earnings repatriation and once concluded will apply its action in accordance with FAS 109.

In January 2003, the Financial Accounting Standards Board (FASB) issued Interpretation No. 46 (revised December 2003), "Consolidation of Variable Interest entities, an interpretation of ARB No. 51," (FIN 46) which addresses consolidation by business enterprises of variable interest entities that do not have sufficient equity investment to permit the entity to finance its activities without additional subordinated financial support from other parties or whose equity investors lack characteristics of a controlling financial interest. The Interpretation provides guidance related to identifying variable interest entities and determining whether such entities should be consolidated. It also provides guidance related to the initial and subsequent measurement of assets, liabilities and noncontrolling interests in newly consolidated variable interest entities and requires disclosures for both the primary beneficiary of a variable interest entity and other beneficiaries of the entity. FIN 46 must be applied to all entities subject to this Interpretation as of March 31, 2004. However, prior

to the required application of this Interpretation, FIN 46 must be applied to those entities that are considered to be special-purpose entities as of December 31, 2003. There was no financial statement impact from the application at December 31, 2003. However, prior to the required application of this Interpretation, FIN 46 must be applied to those entities that are considered to be special-purpose entities as of December 31, 2003. There was no financial statement impact from the application of this standard.

In December 2004, the Financial Accounting Standards (FASB) issued Statement of Financial Accounting Standards No. 123 (revised 2004) (SFAS 123R), Share-Based Payment. SFAS 123R requires the mandatory expensing of share-based payments, including employee stock options, based on their fair value. The Company is required to adopt the provision of SFAS 123R effective as of the beginning of the third quarter in 2005. SFAS 123R provides alternative methods of adoption including prospective and modified retroactive applications. The Company is currently evaluating the financial impact, including the available alternatives under SFAS 123R.

On December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act) was signed into law. The Act introduced a prescription drug benefit under Medicare (Medicare Part D), as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. On May 19, 2004, FASB issued Staff Position FSP FAS 106-2 (FSP 106-2) "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug Improvement

and Modernization Act of 2003" which provides guidance on the accounting for the effects of the Act. FASB Staff Position 106-2 was effective for the first interim or annual period beginning after June 15, 2004. The Company's retiree health care plans are capped at predetermined out-of-pocket spending limits. The out-of-pocket limits provide for both retiree medical and prescription drug benefits under one limit without specification of the amount for medical versus drug benefit. In order for the Company to receive a subsidy under the Act the prescription drug benefits provided by the Company must be actuarially equivalent to the Act. Because of the Company's cap on retiree health care and prescription drug benefits, the Company does not believe its prescription drug benefits are actuarially equivalent to the Act. Accordingly, the measure of its Accumulated Postretirement Benefit Obligation (APBO) and net periodic benefit cost do not reflect any potential effects of the Act.

ACQUISITIONS

RTI continues to evaluate potential acquisition candidates to determine if they are likely to increase the Company's earnings and value. RTI evaluates such potential acquisitions on the basis of their ability to enhance or improve the Company's existing operations or capabilities, as well as the ability to provide access to new markets and/or customers for its products. RTI may make acquisitions using its available cash resources, borrowings under its existing credit facility, new debt financing, the Company's common stock, joint venture/ partnership arrangements or any combination of the above.

On October 1, 2004, RTI acquired all of the stock of Claro Precision, Inc., of Montreal, Quebec, Canada. The aggregate purchase price was $30.6 million consisting of cash of $23.6 million less cash acquired of $1.6 million and 358,908 shares of RTI common stock with fair value of $7.0 million. The agreement provides for an adjustment to a target equity of $9.7 million based on the finalization of a closing balance sheet at the date of closing. In accordance with the agreement the Company determined that an adjustment to the purchase price of $0.2 million was due the Company and has been included to the

allocated purchase price.

The purchase was made with available cash on hand and newly issued common shares. The results of operations are included in the quarter beginning October 1, 2004. Claro will operate and report under the Company's Fabrication and Distribution segment.

Claro Precision, Inc., is a manufacturer of precision-machined components and complex mechanical and electrical assemblies for the aerospace industry.

CRITICAL ACCOUNTING POLICIES

RTI's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. These principles require management to make estimates and assumptions that have a material impact on the amounts recorded for assets and liabilities and resulting revenue and expenses. Management estimates are based on historical evidence and other available information, which in management's opinion provide the most reasonable and likely result under the current facts and circumstances. Under different facts and circumstances expected results may differ materially from the facts and circumstances applied by management.

Of the accounting policies described in Note 2 of the Company's Financial Statements and others not expressly stated but adopted by management as the most appropriate and reasonable under the current facts and circumstances, the effect upon the Company of the policy of goodwill and intangible assets, long-lived assets, income taxes, employee benefit plans, environmental liabilities and certain valuation accounts described below would be most critical if management estimates were incorrect. Generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Actual results could differ from these estimates. Significant items subject to such estimates and assumptions include the carrying values of valuation accounts receivable, duty drawback property, plant and equipment, goodwill, pensions, post-retirement benefits, workers compensation, environmental liabilities and income taxes.

Goodwill and Intangible Assets. In the case of goodwill and long-lived assets, if future product demand or market conditions reduce management's expectation of future cash flows from these assets, a write-down of the

carrying value of goodwill or long-lived assets may be required. Intangible assets were valued at fair value with the assistance of outside experts. In the event that demand or market conditions change and the expected future cash flows associated to these assets is reduced, a write-down or acceleration of the amortization period may be required. Intangible assets are amortized over 20 years.

Management evaluates the recoverability of goodwill by comparing the fair value of each reporting unit with its carrying value. The fair values of the reporting units are determined using a discounted cash flow analysis based on historical and projected financial information. The carrying value of goodwill at December 31, 2004 was $46.6 million and $35.7 million at December 31, 2003, representing 12% and 9% total assets, respectively. Management relies on its estimate of cash flow projections using business and economic data available at the time the projection is calculated. A significant number of assumptions and estimates are involved in the application of the discounted cash flow model to forecast operating cash flows, including overall conditions, sales volumes and prices, costs of production, and working capital changes. The discounted cash

flow evaluation is completed annually in the fourth quarter, absent any events throughout the year which would indicate an impairment. If an event were to occur that indicates a potential impairment, the Company would perform a discounted cash flow evaluation prior to the fourth quarter. At December 31, 2004 the results of management's assessment did not indicate an impairment. Results of the test in 2003 did indicate that the difference between carrying value and discounted cash flows had been reduced from prior years for one of the Company's reportable units. No events occurred during 2004 that would indicate a potential impairment exists.

Long-Lived Assets. Management evaluates the recoverability of property plant, and equipment whenever events or changes in circumstances indicate the carrying amount of any such asset may not be fully recoverable in accordance with SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Changes in circumstances may include technological changes, changes in our business model, capital structure, economic conditions, or operating performance. Our evaluation is based upon, among other items, our assumptions about the estimated undiscounted cash flows these assets are expected to generate. When the sum of the undiscounted cash flows is less than the carrying value, the Company will recognize an impairment loss. Management applies its best judgment when performing these evaluations to determine the timing of the testing, the undiscounted cash flows associated with the assets, and the fair value of the asset.

Income Taxes. In the case of deferred tax assets, management has provided under current facts and circumstances what it believes to be adequate allowances for reduced value. Similar to goodwill and long-lived assets, should the future benefit of deferred tax assets become impaired because of the possibility of reduced utilization, an increase to the valuation allowance and corresponding charge to expense may be required.

The future tax benefit arising from net deductible temporary differences was $4.2 million at December 31, 2004 and $10.9 million at December 31, 2003. The Company has provided a valuation allowance to fully offset deferred tax assets at one of its foreign entities as it became uncertain that those assets, consisting principally of net operating losses, would be utilized (see Note 8). Deferred tax assets can be impacted by changes to tax laws, statutory tax rates and future taxable income levels. In the event the Company were to determine that it would not be able to realize all or a part of its deferred tax assets in the future, the Company would reduce such amounts through a charge to income or equity, as appropriate, in the period in which the determination were made.

Employee Benefit Plans. Included in the Company's accounting for its defined benefit pension plans are assumptions on future discount rates, expected return on assets and rate of future compensation changes. The Company considers current market conditions, including changes in interest rates and plan asset investment returns, as well as longer-term assumptions in determining these assumptions. Actuarial assumptions may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of participants. These differences may result in a significant impact to the amount of net pension expense or income recorded in the future.

The discount rate is used to determine the present value of future payments. In general, the Company's liability increases as the discount rate decreases and decreases as the discount rate increases. The Company considers a variety of sources that provide rates on high quality (Aaa-Aa) corporate bonds and other sources in order to select a discount rate that best matches its pension investment profile. The Company reduced its discount rate at December 31, 2004 and 2003 to determine its future benefit obligation. The discount rate at December 31, 2004 was 5.75% and at December 31, 2003 was 6.0%.

The discount rate is a significant factor in determining the amounts reported. A one quarter percent change in the discount rate of 5.75% at December 31, 2004 would have the following effect in millions of dollars:

	-.25%	+.25%
Effect on total projected benefit obligation (PBO) (in millions)	+$3.2	-$3.1
Effect on subsequent years periodic pension expense (in millions)	+$0.3	-$0.3

Decreases in the level of plan assets have a direct impact on the amount of periodic pension expense the Company records. During 2004 the value of the Company's plan assets increased as improved returns occurred particularly on equities held by the fund. The Company assumed an 8.5% expected rate of return to record expense during 2004, which was the same as 2003. The Company is expected to use 8.5% in 2005.

At December 31, 2004, the estimated accumulated benefit obligation related to plan assets exceeded the value of those assets. The reduction in the discount rate from 6.0% to 5.75% and a decrease on the return of plan assets from 2003 to 2004 resulted in an adjustment to equity to reflect an increase in the additional minimum liability of $3.8 million, net of deferred taxes. Pension expense in 2005 will increase $1.0 million.

The Company currently does not have any minimum funding obligations under ERISA but continually evaluates whether the best use of its cash may include a contribution to the pension plans. If the Company chooses to make a contribution prior to the 2004 funding deadline, the increase in pension expense for 2005 will likely decrease.

Environmental Liabilities. The Company provides for environmental liabilities when these liabilities become probable and can be reasonably determined. The Company regularly evaluates and assesses its environmental responsibilities. Should facts and circumstances indicate that a liability exists or that previously evaluated and assessed liabilities have changed, the Company will record the liability or adjust the amount of an existing liability.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of RTI International Metals, Inc.:

We have completed an integrated audit of RTI International Metals, Inc.'s 2004 consolidated financial statements and of its internal control over financial reporting as of December 31, 2004 and audits of its 2003 and 2002 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of RTI International Metals, Inc. and its subsidiaries at December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2004 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our

audits provide a reasonable basis for our opinion.

As discussed in Note 22 to the consolidated financial statements, the Company has restated its 2004 and 2003 consolidated financial statements.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Also, we have audited management's assessment, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A, that RTI International Metals, Inc. did not maintain effective internal control over financial reporting as of December 31, 2004, because (1) the Company did not maintain a sufficient complement of personnel with an appropriate level of accounting knowledge, experience and training in the application of generally accepted accounting principles commensurate with the Company's financial reporting requirements. This material weakness contributed to the following individual material weaknesses: (a) the Company did not maintain effective controls over account reconciliations or journal entries; (b) the Company did not maintain effective controls over the selection and application of generally accepted accounting principles (GAAP); (c) the Company did not maintain effective controls over consolidation and elimination adjustments; (d) the Company did not maintain effective controls over the segregation of duties; (e) the Company did not maintain effective controls over the timely and accurate preparation and review of its financial statements in accordance with GAAP; (f) the Company did not maintain effective controls over spreadsheets; and (g) the Company did not maintain effective controls over the accounting for income taxes, (2) the Company did not maintain effective control over the effectiveness of controls at two third-party service organizations, (3) the Company did not maintain effective control over the accounting for property, plant and equipment and (4) the Company did not maintain an effective control environment, based on criteria established in "Internal Control -- Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an

understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. The following material weaknesses have been identified and included in management's assessment.

1) As of December 31, 2004, the Company did not maintain a sufficient complement of personnel with an appropriate level of accounting knowledge, experience and training in the application of generally accepted accounting principles commensurate with the Company's financial reporting requirements. This material weakness contributed to the following individual material weaknesses:

a) The Company did not maintain effective controls over account reconciliations or journal entries. Specifically, the Company did not have effective controls over the preparation, review and approval of certain account reconciliations or journal entries for balance sheet or income statement accounts including: (i) payroll and payroll related accounts, (ii) import duty recovery accounts, and (iii) workers compensation accrual accounts. These control deficiencies resulted in audit adjustments to the Company's consolidated financial statements.

b) The Company did not maintain effective controls over the selection and application of GAAP. Specifically, the Company incorrectly applied GAAP in accounting for: (i) the presentation of the tax effect of employee stock options exercised as a financing activity instead of an operating activity in the statement of cash flows, (ii) supplemental employment and other post-retirement benefit liabilities and expense by incorrectly accounting

for unvested vacation and holiday pay expenses and incorrectly accounting for their other post-retirement benefit liability, (iii) leases by depreciating leasehold improvements over a period of time greater than the lease term, (iv) business combinations by incorrectly determining the appropriate value of stock used in acquisitions, and (v) foreign currency translation by incorrectly translating the financial statements of a foreign subsidiary. This control deficiency also resulted in the restatement, discussed in Note 22 to the consolidated financial statements, of the Company's consolidated financial statements for the years ended December 31, 2003 and 2004, its consolidated financial statements for the quarters ended March 31 and June 30, 2005, and for all quarters in 2004 as well as adjustments to the Company's consolidated financial statements for the quarter ended September 30, 2005 and audit adjustments to the Company's 2004 annual consolidated financial statements.

c) The Company did not maintain effective controls over consolidation and elimination adjustments. Specifically, the Company did not have controls over the completeness or accuracy of consolidating information to ensure that all required consolidation and elimination adjustments were prepared, approved and recorded, including the proper accounting for a minority interest. This control deficiency resulted in audit adjustments to the Company's consolidated financial statements.

d) The Company did not maintain effective controls over the segregation of duties. Specifically, certain of the Company's personnel had incompatible duties that permitted unrestricted access to various financial

application programs and data beyond that needed to perform their individual job responsibilities, nor were there effective controls in place to monitor user access. These applications impact all business processes, including accounts receivable, accounts payable, payroll and inventory. This control deficiency did not result in a misstatement to the Company's consolidated financial statements.

e) The Company did not maintain effective controls over the timely and accurate preparation and review of its financial statements in accordance with GAAP. Specifically, the Company did not have effective controls over the process for identifying and accumulating all required supporting information to ensure the completeness and accuracy of its footnote disclosures, and to ensure that balances in the financial statements agreed to supporting details. These control deficiencies resulted in audit adjustments to the Company's consolidated financial statements.

f) The Company did not maintain effective controls over certain spreadsheets. Specifically, the Company's controls over the completeness, accuracy, validity, and restricted access and the review of certain spreadsheets used in the period-end financial statement preparation and reporting process were either not designed appropriately or did not operate as designed. These control deficiencies did not result in a misstatement to

the Company's consolidated financial statements.

g) The Company did not maintain effectively designed controls over the accounting for income taxes including income taxes payable, deferred income tax assets and liabilities and the related income tax provision. Specifically, due to an insufficient complement of personnel with an appropriate level of accounting knowledge, experience and training in accounting for income taxes in accordance with GAAP, a lack of clarity in the roles and responsibilities related to income tax accounting, insufficient and/or ineffective review and approval practices, and the lack of internal control and review processes to ensure the accuracy of data used in income tax computations, the Company was unable to accurately determine its income tax liability and related provision. This control deficiency resulted in audit adjustments to the Company's consolidated financial statements.

Each of these control deficiencies could result in a misstatement of account balances or disclosures that would result in a material misstatement to the annual or interim financial statements that would not be prevented or detected. Accordingly, management has determined that each control deficiency constitutes a material weakness.

2) As of December 31, 2004, the Company did not maintain effective control over the effectiveness of controls at two third-party service organizations. The service organizations process payroll for certain Company employees as well as health care claims for both Company employees and retirees. Such processes are considered part of the Company's internal control over financial reporting specifically as to the existence and completeness of payroll and health care claims liabilities as well as the related expenses. Management was unable to obtain evidence about the effectiveness of controls over financial reporting at these service organizations which represents a control deficiency. This control deficiency did not result in a misstatement to the Company's consolidated financial statements. However, it could result in the misstatement of payroll and health care claims liabilities as well as the related expenses that would result in a material misstatement to annual or interim financial statements that would not be prevented or detected. Accordingly, management determined that this control deficiency constitutes a material weakness.

3) As of December 31, 2004, the Company did not maintain effective controls over the accounting for property, plant and equipment. Specifically, the Company's controls to ensure the complete and accurate processing of additions, disposals, maintenance of useful lives and the calculation of depreciation were not designed effectively. This control deficiency did not result in a misstatement to the Company's consolidated financial statements. However, it could result in a misstatement of property, plant and equipment and the related depreciation expense that would result in a material misstatement to annual or interim financial statements that would not be prevented or detected. Accordingly, management determined that this control deficiency constitutes a material weakness.

4) As of December 31, 2004, the Company did not maintain an effective control environment. The financial reporting organizational structure was not

adequate to support the size, complexity, operating activities or locations of the Company. Deficiencies, such as an insufficient complement of personnel with an appropriate level of accounting knowledge, experience and training in the application of generally accepted accounting principles have resulted in adjustments to the consolidated financial statements as discussed in item 1 above.

Item 1, together with the material weaknesses described in items 2 and 3 above, indicate that the Company did not maintain an effective control environment. These control deficiencies could result in a misstatement of accounts and disclosures that would result in a material misstatement to annual or interim financial statements that would not be prevented or detected. Accordingly, management determined that this control deficiency constitutes a material weakness.

These material weaknesses were considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2004 consolidated financial statements, and our opinion regarding the effectiveness of the Company's internal control over financial reporting does not affect our opinion on those consolidated financial statements.

As described in Management's Report on Internal Control Over Financial Reporting, management has excluded Claro Precision, Inc. from its assessment of internal control over financial reporting as of December 31, 2004 because it was acquired by the Company through a purchase business combination in October 2004. We have also excluded Claro Precision, Inc. from our audit of internal control over financial reporting. Claro Precision, Inc. is a wholly-owned subsidiary whose total assets and total revenues represent approximately 9% and approximately 2%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2004.

In our opinion, management's assessment that RTI International Metals, Inc. did not maintain effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on criteria established in "Internal Control -- Integrated Framework" issued by the COSO. Also, in our opinion, because of the effects of the material weaknesses described above on the achievement of the objectives of the control criteria, RTI International Metals, Inc. has not maintained effective internal control over financial reporting as of December 31, 2004, based on criteria established in "Internal Control -- Integrated Framework" issued by the COSO.

Management and we previously concluded that the Company did not maintain effective internal control over financial reporting as of December 31, 2004 because of the material weaknesses described above. In connection with the restatement of the Company's consolidated financial statements discussed in Note 22 to the consolidated financial statements, management has determined that the restatement was an additional effect of the material weakness described in 1b above. Accordingly, this restatement did not affect management's assessment or our opinions on internal control over financial reporting.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Pittsburgh, Pennsylvania

May 6, 2005, except for the restatement discussed in Note 22 to the consolidated financial statements and the matter discussed in the penultimate paragraph of Management's Report on Internal Control Over Financial Reporting, as to which the date is December 15, 2005.

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RTI INTERNATIONAL METALS, INC.

CONSOLIDATED STATEMENT OF OPERATIONS

(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

	YEARS ENDED DECEMBER 31,		
	2004	2003	2002
Sales	$214,591	$195,000	$257,954
Operating costs:			
Cost of sales	188,430	165,170	209,477
Selling, general and administrative expenses	40,004	30,706	31,812
Research, technical and product development expenses (Note 2)	1,181	1,306	1,251
Total operating costs	229,615	197,182	242,540
Other operating income (Note 9)	538	967	--
Operating (loss) income	(14,486)	(1,215)	15,414
Other income (Note 9)	9,633	8,878	9,428
Interest income (expense), net	142	(172)	(367)
Income (loss) from continuing operations before income taxes	(4,711)	7,491	24,475
(Benefit) Provision for income taxes (Note 8)	(2,583)	2,763	9,300
Net (loss) income from continuing operations	(2,128)	4,728	15,175
Net (loss) from discontinued operations (Note 19)	(829)	(14)	(50)
Net (loss) income	$ (2,957)	$ 4,714	$ 15,125
Basic (loss) earnings per common share (Note 4):			
Continuing operations	$ (0.10)	$ 0.23	$ 0.73
Discontinued operations	(0.04)	--	--
Net (loss) Income	$ (0.14)	$ 0.23	$ 0.73

Diluted (loss) earnings per common share (Note 4):			
Continuing operations	$ (0.10)	$ 0.23	$ 0.73
Discontinued operations	(0.04)	(0.01)	(0.01)
Net (loss) Income	$ (0.14)	$ 0.22	$ 0.72

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

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RTI INTERNATIONAL METALS, INC.

CONSOLIDATED BALANCE SHEET

(DOLLARS IN THOUSANDS)

	DECEMBER 31,	
	2004	2003
ASSETS		
ASSETS:		
Cash and cash equivalents	$ 62,701	$ 67,970
Receivables, less allowance for doubtful accounts of $1,704 and $1,759 (Note 5)	44,490	30,855
Inventories, net (Note 6)	133,512	153,497
Current deferred income tax asset (Note 8)	1,145	5,251
Income tax receivable	3,321	--
Other current assets (Note 14)	3,597	3,284
Total current assets	248,766	260,857
Property, plant and equipment, net (Note 7)	82,593	85,505
Goodwill	46,618	35,693
Other intangible assets, net (Note 3)	16,040	--
Noncurrent deferred income tax asset (Note 8)	3,012	5,616
Intangible pension asset (Note 11)	3,365	3,186
Other noncurrent assets	3,099	2,918
Total assets	$403,493	$393,775
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Accounts payable	$ 14,253	$ 14,008
Accrued wages and other employee costs	4,863	5,568
Billings in excess of costs and estimated earnings (Note 13)	4,708	7,502
Income taxes payable	--	4,759
Other accrued liabilities (Note 17)	6,498	3,216
Total current liabilities	30,322	35,053
Long-term debt (Note 10)	--	--
Accrued postretirement benefit cost (Note 11)	20,811	20,428
Accrued pension cost (Note 11)	21,090	12,445
Other noncurrent liabilities (Note 17)	7,312	8,189

Total liabilities	79,535	76,115
Commitments and Contingencies (Note 17)		
SHAREHOLDERS' EQUITY:		
Common stock, $0.01 par value; 50,000,000 shares authorized; 21,351,116 and 21,337,002 shares issued; and 21,772,730 and 20,934,663 shares outstanding	221	213
Additional paid-in capital	258,526	244,860
Deferred compensation	(2,499)	(2,009)
Treasury stock, at cost; 421,614 and 402,339 shares	(3,906)	(3,618)
Accumulated other comprehensive (loss)	(22,759)	(19,118)
Retained earnings	94,375	97,332
Total shareholders' equity	323,958	317,660
Total liabilities and shareholders' equity	$403,493	$393,775

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

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RTI INTERNATIONAL METALS, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

(DOLLARS IN THOUSANDS)

	YEARS ENDED DECEMBER 31,		
	2004 RESTATED (SEE NOTE 22)	2003 RESTATED (SEE NOTE 22)	200
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (loss) income	$ (2,957)	$ 4,714	$15,
Net loss from discontinued operations	137	14	
Loss on disposal of discontinued operations	692	--	
Net (loss) income from continuing operations	(2,128)	4,728	15,
Adjustment for non-cash items included in net income:			
Depreciation and amortization	12,461	12,036	12,
Deferred income taxes	2,565	(4,184)	6,
Stock-based compensation and other	1,216	1,736	2,
Tax benefits from exercise of stock options	1,336	444	
Gain from sale of common stock	--	--	(2,
Gain on sale of property, plant and equipment	(349)	(967)	
Changes in assets and liabilities (net of effects of businesses acquired):			
Receivables	(10,136)	6,922	9,
Inventories	19,868	(3,746)	3,
Accounts payable	(938)	(728)	(2,
Income taxes payable	(9,623)	4,759	
Billings in excess of costs and estimated earnings	(2,794)	5,114	(3,

Other current liabilities	4,098	(373)	(3,
Other assets and liabilities	2,173	(116)	2,
Cash provided by continuing operating activities	17,749	25,625	40,
Cash provided by discontinued operating activities	2,933	5,140	
Cash provided by operating activities	20,682	30,765	41,
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisitions, net of cash acquired, and other investing	(24,225)	--	
Proceeds from disposal of property, plant and equipment	595	1,437	
Capital expenditures	(5,771)	(5,402)	(7,
Cash used in investing activities	(29,401)	(3,965)	(7,
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from exercise of employee stock options	4,023	1,090	
Purchase of common stock held in treasury	(288)	(586)	(
Deferred charges related to credit facility	(285)	--	(
Cash provided by (used in) financing activities	3,450	504	(1,
(Decrease) increase in cash and cash equivalents	(5,269)	27,304	32,
Cash and cash equivalents at beginning of period	67,970	40,666	8,
Cash and cash equivalents at end of period	$ 62,701	$67,970	$40,
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid for interest (net of amounts capitalized)	$ 426	$ 443	$
Cash paid for income taxes	$ 6,086	$ 3,165	$ 5,
NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Issuance of common stock for restricted stock awards	$ 1,301	$ 955	$
Capital lease obligations incurred	$ 6	$ 40	$
Common stock issued in acquisition	$ 7,014	--	

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

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RTI INTERNATIONAL METALS, INC.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(DOLLARS IN THOUSANDS, EXCEPT SHARE AMOUNTS)

	SHARES OUTSTANDING	COMMON STOCK	ADDT'L. PAID-IN CAPITAL	DEFERRED COMPENSATION	TREASURY COMMON STOCK	RETAI EARNI

Balance at December 31, 2001......................	20,730,604	$ 210	$241,579	$(2,278)	$(2,612)	$77,4
Shares issued for directors' compensation..............	18,912	--	187	(187)	--	
Shares issued for restricted Stock award plans..........	50,000	1	478	(479)	--	
Compensation expense recognized................	--	--	--	962	--	
Treasury common stock purchased at cost..........	(40,000)	--	--	--	(420)	
Exercise of employee stock options including tax benefit...................	16,467	--	129		--	
Net income..................	--	--	--	--	--	15,1
Adjustment to excess minimum pension liability(a).......	--	--	--	--	--	
Unrealized gains on investments held for sale......................	--	--	--	--	--	
Comprehensive income.........						
	----------	-------	--------	-------	-------	-----
Balance at December 31, 2002......................	20,775,983	$ 211	$242,373	$(1,982)	$(3,032)	$92,6
Shares issued for directors' compensation..............	18,213	--	186	(186)	--	
Shares issued for restricted Stock award plans..........	75,220	1	768	(769)	--	
Compensation expense recognized................	--	--	--	928	--	
Treasury common stock purchased at cost..........	(57,489)	--	--	--	(586)	
Exercise of employee stock options including tax benefit of stock plans.....	122,736	1	1,533	--	--	
Net income..................	--	--	--	--	--	4,7
Adjustment to excess minimum pension liability(a).......	--	--	--	--	--	
Comprehensive income.........						
	----------	-------	--------	-------	-------	-----
Balance at December 31, 2003......................	20,934,663	$ 213	$244,860	$(2,009)	$(3,618)	$97,3
Shares issued for directors' compensation..............	18,179	--	265	(265)	--	
Shares issued for restricted Stock award plans..........	69,250	1	1,035	(1,036)	--	
Compensation expense recognized................	--	--	--	811	--	
Treasury common stock purchased at cost..........	(19,275)	--	--	--	(288)	
Exercise of employee stock options including tax benefit...................	411,005	3	5,356	--	--	
Net loss....................	--	--	--	--	--	(2,9
Stock issued in Claro purchase..................	358,908	4	7,010	--	--	
Adjustment to excess minimum pension liability(a).......	--	--	--	--	--	
Foreign currency translation...............	--	--	--	--	--	
Comprehensive income (loss)...................						

Balance at December 31, 2004	21,772,730	$ 221	$258,526	$(2,499)	$(3,906)	$94,3

	COMPREHENSIVE INCOME (LOSS)
Balance at December 31, 2001	
Shares issued for directors' compensation	
Shares issued for restricted Stock award plans	
Compensation expense recognized	
Treasury common stock purchased at cost	
Exercise of employee stock options including tax benefit	
Net income	$ 15,125
Adjustment to excess minimum pension liability(a)	(10,338)
Unrealized gains on investments held for sale	(1,260)
Comprehensive income	$ 3,527
Balance at December 31, 2002	
Shares issued for directors' compensation	
Shares issued for restricted Stock award plans	
Compensation expense recognized	
Treasury common stock purchased at cost	
Exercise of employee stock options including tax benefit of stock plans	
Net income	$ 4,714
Adjustment to excess minimum pension liability(a)	(103)
Comprehensive income	$ 4,611
Balance at December 31, 2003	
Shares issued for directors' compensation	
Shares issued for restricted Stock award plans	
Compensation expense recognized	
Treasury common stock purchased at cost	

Exercise of employee stock options including tax benefit....................	
Net loss.....................	$ (2,957)
Stock issued in Claro purchase...................	
Adjustment to excess minimum pension liability(a).......	(3,794)
Foreign currency translation................	153
Comprehensive income (loss).....................	$ (6,598)
Balance at December 31, 2004......................	

(a) Charges to minimum pension liability adjustments in 2004, 2003 and 2002 are net of tax benefits of $2,042, $56 and $5,567, respectively.

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

RTI INTERNATIONAL METALS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, UNLESS OTHERWISE NOTED)

NOTE 1-- ORGANIZATION AND OPERATIONS:

The consolidated financial statements of RTI International Metals, Inc. (the "Company") include the financial position and results of operations for the Company and its subsidiaries.

The Company is a successor to entities that have been operating in the titanium industry since 1951. The Company is engaged in the manufacture of titanium mill products and the fabrication and distribution of titanium and other specialty metal products for use in the aerospace, oil and gas exploration and production, geo-thermal energy production, chemical processing, and other industries.

NOTE 2-- SUMMARY OF SIGNIFICANT ACCOUNT POLICIES:

Principles of consolidation:

The consolidated financial statements include the accounts of RTI International Metals, Inc. and its majority owned and wholly-owned subsidiaries. All significant intercompany accounts and transactions are eliminated.

Use of estimates:

Generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at year-end and the reported amounts of revenues and expenses during the year. Actual

results could differ from these estimates. Significant items subject to such estimates and assumptions include the carrying values of accounts receivable, duty drawback, property, plant and equipment, goodwill, pensions, post-retirement benefits, worker's compensation, environmental liabilities and income taxes.

Fair Value:

For certain of the Company's financial instruments and account groupings, including cash, accounts receivable, accounts payable, accrued wages and other employee costs, billings in excess of costs and estimated earnings and other accrued liabilities, the carrying value approximates fair value due to the short maturities of the instruments and groupings.

Employees:

At December 31, 2004, a portion of the Company's employees were covered by a collective bargaining agreement. On October 25, 2003 certain union members voted to reject management's final contract proposal and a work stoppage commenced. Non-represented employees operated the plant until an agreement was reached December 1, 2004. The new contract expires January 31, 2010. The contract for the hourly employees at the facilities in Ashabula expires in January 2006.

Cash equivalents:

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

Accounts Receivable:

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

Inventories:

Inventories are valued at cost as determined by the last-in, first-out (LIFO) method for approximately 57% for both 2004 and 2003 of the Company's inventories. 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 costs 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.

U.S. Customs Recovery--Other Current Assets:

The Company maintains a program through its authorized agent to recapture duty paid by the Company on imported titanium sponge as an offset against exports by its customers. The agent who matches the Company's duty paid with export shipments of its customers through filings with the U.S. Customs Service performs the recapture process. The Company has entered into multiple sharing arrangements with its export customers.

The Company takes a credit to cost of sales when it receives notification from its agent that the claim has been accepted by the U.S. Customs Department. In 2004, the Company recognized cost reduction amounts of $763,000 and $244,000 in 2003. There was no recognized cost reduction in 2002. The Company assesses the net realizable value of its amount owed based on the age of the claim and may provide for an allowance for amounts not received in a timely manner. At December 31, 2004, the Company was owed $2.0 million and at December 31, 2003, the Company was owed $2.2 million from U.S. Customs. In 2004, the Company provided an allowance of $219,000, $381,000 in 2003.

Property, plant and equipment:

The cost of property, plant and equipment includes all direct costs of acquisition and capital improvements. Applicable amounts of interest on borrowings outstanding during the construction or acquisition period for major capital projects are capitalized. During the periods included in the financial statements the Company did not capitalize interest expense. During all periods presented, the Company did not have any long-term debt and interest expense incurred was related to fees on unused capacity for the Company's unsecured credit facility.

In general, depreciation of properties is determined using the straight-line method over the estimated useful lives of the various classes of assets. For financial accounting purposes, depreciation and amortization are provided over the following useful lives:

Building and improvements	20-25 years
Machinery and equipment	10-14 years
Furniture and fixtures	3-10 years
Computer hardware and software	3-10 years

The cost of properties retired or otherwise disposed of, together with the accumulated depreciation provided thereon, is eliminated from the accounts. The net gain or loss is recognized in operating income.

Leased property and equipment under capital leases are amortized using the straight-line method over the term of the lease.

Routine maintenance, repairs and replacements are charged to operations. Expenditures that materially increase values, change capacities or extend useful lives are capitalized.

Under the provisions of Statement of Position No. 98-1, "Accounting for the Cost of Computer Software Developed or Obtained for Internal Use," the Company capitalizes costs associated with software developed or obtained for internal use when both the preliminary project stage is completed and management has authorized further funding for the project which it deems probable will be completed and used to perform the function intended. Capitalized costs include only (1) external direct costs of materials and services consumed in developing or obtaining internal-use software, (2) payroll and payroll-related costs for employees who are directly associated with and who devote time to the internal-use software project, and (3) internal costs incurred, when material, while developing internal-use software. Capitalization of such costs ceases no later than the point at which the project is substantially complete and the software is ready for its intended purpose.

Goodwill and Intangible Assets:

Goodwill arising from business acquisitions, which represents the excess of the purchase price over the fair value of the assets acquired, is recorded as an asset.

Prior to adoption of Statement of Financial Accounting Standards No. 142 ("SFAS No. 142), "Goodwill and Intangible Assets," goodwill was amortized using the straight-line method over the economic life of the asset acquired, not to exceed 25 years. Under SFAS No. 142, goodwill amortization ceased and the carrying amount of goodwill is tested at least annually for impairment. Absent any events throughout the year which would indicate an impairment, the Company performs annual impairment testing during the fourth quarter. There have been no impairments to date. In the case of goodwill and long-lived assets, if future product demand or market conditions reduce management's expectation of future cash flows from these assets, a write-down of the carrying value of goodwill or long-lived assets may be required.

Intangible assets were valued at fair value with the assistance of outside experts. In the event that demand or market conditions change and the expected future cash flows associated to these assets is reduced, a write-down or acceleration of the amortization period may be required. Intangible assets are amortized over 20 years.

Other Long-Lived Assets:

The Company evaluates the potential impairment of other long-lived assets including property plant and equipment when events or circumstances indicate that a change in value may have occurred. Pursuant to SFAS No. 144, "Accounting for the Impairment or Disposal of Long-lived Assets," if the carrying value of the assets exceeds the sum of the undiscounted expected future cash flows, the carrying value of the asset is written down to fair value.

Environmental:

The Company expenses environmental expenditures related to existing conditions from which no future benefit is determinable. Expenditures that enhance or extend the life of the assets are capitalized. The Company determines its liability for remediation on a site by site basis and records a liability when it is probable and can be reasonably estimated. The Company has included in other noncurrent assets an amount that it expects to collect from third parties. This amount represents the contributions from third parties in conjunction with the Company's most likely estimate of its environmental liabilities. The estimated liability of the Company is not discounted or reduced for possible recoveries from insurance carriers.

Revenue and cost recognition:

Revenues from the sale of products are recognized upon passage of title, risk of loss, and risk of ownership to the customer. Title, risk of loss and ownership in most cases coincides with shipment from the Company's facilities. On occasion, the Company may use shipping terms of FOB-Destination or Ex-Works.

From time to time the Company may enter into a long-term, fixed-price contract whereby the Company will recognize revenue based on percentage-of-completion accounting. The Company will use percentage-of-completion accounting when it deems that this method more accurately reflects the timing and reporting of the Company's earnings process.

Other contracts for which percentage-of-completion accounting is not used results in the deferral of costs and estimated earnings on uncompleted contracts, net of progress billings. This amount is included in "Inventories" on

the consolidated balance sheet. In 2004, this amount was $2.4 million and in 2003 equaled $6.5 million. Contract costs comprise all direct material and labor costs, including outside processing fees, and those indirect costs related to contract performance. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

The Company recognizes revenue only upon the acceptance of a definitive agreement or purchase order and with the exception of percentage-of-completion contracts upon delivery in accordance with the delivery terms on the agreement or purchase order, and the price to the buyer is fixed and collectibility is reasonably assured.

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Research and Development:

Research and development costs are expensed as incurred.

Pensions:

The Company and its subsidiaries have a number of pension plans which cover substantially all employees. Most employees in the Titanium Group are covered by defined benefit plans in which benefits are based on years of service and annual compensation. Contributions to the defined benefit plans, as determined by an independent actuary in accordance with applicable regulations, provide not only for benefits attributed to date but also for those expected to be earned in the future. The Company's policy is to fund pension costs at amounts equal to the minimum funding requirements of the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended, for U.S. plans plus additional amounts as may be approved from time to time.

The majority of employees in the Fabrication and Distribution Group participate in defined contribution or money purchase plans. Employees of Tradco, Inc., a company that operates as part of the Fabrication and Distribution Group, participated in a defined benefit plan until June 30, 2004. Effective July 1, 2004 those employees were switched to a defined contribution plan and those benefits that had accrued under the prior defined benefit plan were frozen and no other benefits were subject to future accrual. The freezing of the benefits under the plan resulted in a curtailment of the plan under SFAS No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination of Benefits" (SFAS No. 88) See Note 11.

Postretirement benefits:

The Company provides health care benefits and life insurance coverage for certain of its employees and their dependents. Under the Company's current plans, certain of the Company's employees will become eligible for those benefits if they reach retirement age while working with the Company. In general, employees of the Titanium Group are covered by postretirement health care and life insurance benefits.

The Company does not prefund postretirement benefit costs, but rather pays claims as presented.

Income taxes:

In connection with the 1990 Reorganization and Initial Public Offering, the tax basis of RMI Titanium Company's assets at that time reflected the fair market value of the common stock then issued by RMI. The new tax basis was allocated to all assets of RMI based on federal income tax rules and

regulations, and the results of an independent appraisal. For financial statement purposes, these assets are carried at historical cost. As a result, the tax basis of a significant portion of RMI's assets exceeds the related book values, and depreciation and amortization for tax purposes exceeds the corresponding financial statement amounts.

Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities multiplied by the enacted tax rates which will be in effect when these differences are expected to reverse. In addition, deferred tax assets may arise from net operating losses ("NOL's") and tax credits which may be carried back to obtain refunds or carried forward to offset future cash tax liabilities.

Statement of Financial Accounting Standards No. 109 ("SFAS No. 109"), "Accounting for Income Taxes," requires a valuation allowance when it is "more likely than not" that some portion or all of the deferred tax assets will not be realized. The Company continually evaluates the available evidence supporting the realization of deferred tax assets and adjusts the valuation allowance accordingly. (See Note 8).

Foreign currencies:

For foreign subsidiaries whose functional currency is the U.S. dollar, monetary assets and liabilities are remeasured at current rates, non-monetary assets and liabilities are remeasured at historical rates, and revenues and expenses are translated at average rates on a monthly basis throughout the period. Resulting differences from the remeasurement process are recognized in income and reported as other income.

The functional currency of the Company's newly acquired Canadian subsidiary is the local currency. Assets and liabilities are translated at year-end exchange rates. Income statement accounts are translated at the average

rates of exchange prevailing during the year. Translation adjustments are reported as a component of shareholders equity and are not included in income. Foreign currency transaction gains and losses are included in net income for the period.

Transactions and balances denominated in currencies other than the functional currency of the transacting entity are remeasured at current rates when the transaction occurs and at each balance sheet date.

Derivative financial instruments:

The Company may enter into derivative financial instruments only for hedging purposes. Derivative instruments are used as risk management tools. The Company does not use these instruments for trading or speculation. Derivatives used for hedging purposes must be designated and effective as a hedge of the identified risk exposure upon inception of the instrument. If a derivative instrument fails to meet the criteria as an effective hedge, gains and losses are recognized currently in income. There were no derivatives for hedge accounting in 2004 and 2003.

Stock-based compensation:

As permitted by the provisions of SFAS No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123), the Company has elected to measure stock-based compensation under the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB No. 25), and to adopt the

disclosure-only alternative described in SFAS No. 123. For restricted stock awards, the Company records deferred stock-based compensation based on the fair market value of common stock on the date of the award. Such deferred stock-based compensation is amortized over the vesting period of each individual award.

If compensation expense for the Company's stock options granted had been determined based on the fair value at the grant date for the awards in accordance with SFAS No. 123, the effect on the Company's net income and earnings per share for the three years ended December 31, 2004 would have been as follows:

	2004	2003	2002
	(IN THOUSANDS, EXCEPT PER SHARE DATA)		
Net (loss) income	$(2,957)	$4,714	$15,125
Add: Stock-based employee compensation expense included in reported net (loss) income, net of related tax effects	365	586	596
Deduct: Total stock-based employee compensation expense determined under fair value methods for all awards, net of related tax effects	(761)	(1,091)	$(1,127)
Pro forma net (loss) income	$(3,353)	$4,209	$14,594
Net income (loss) per share:			
-As reported -basic	$ (0.14)	$ 0.23	$ 0.73
-diluted	$ (0.14)	$ 0.22	$ 0.72
-Pro forma -basic	$ (0.16)	$ 0.20	$ 0.70
-diluted	$ (0.16)	$ 0.20	$ 0.70

Fair values of options at grant date were estimated using a Black-Scholes model and the assumptions listed below:

	2004	2003	2002
Expected life (years)	5	5	5
Risk-free interest rate	3.3%	3.0%	3.0%
Expected volatility	38.0%	40.0%	40.0%
Expected weighted average fair value of options granted during the year	$ 5.21	$ 3.65	$ 3.42

In addition to the assumptions above, the Company adjusts for the non-exercisability as the options vest ratably over the initial 3 year term and adjusts for factors associated to attrition amongst awardees.

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Included in the Company's income for the years 2004, 2003 and 2002 is stock-based compensation expense amounting to $811, $928, and $962, respectively. Net of tax, these amounts were $365, $586, and $596, respectively.

New accounting standards:

In December 2004, the Financial Accounting Standards (FASB) issued Statement of Financial Accounting Standards No. 123 (revised 2004) (SFAS 123R),

Share-Based Payment. SFAS 123R requires the mandatory expensing of share-based payments, including employee stock options, based on their fair value. The Company is required to adopt the provision of SFAS 123R effective as of the beginning of the third quarter in 2005. SFAS 123R provides alternative methods of adoption including prospective and modified retroactive applications. The Company is currently evaluating the financial impact, including the available alternatives, under SFAS 123R.

In December 2004 the FASB issued SFAS No. 151, Inventory Costs. The Company is required to adopt SFAS 151 on a prospective basis as of January 1, 2006. SFAS 151 clarifies the accounting for abnormal amounts of idle facility expense, freight, handling cost, and wasted material. SFAS 151 requires that those items -- if abnormal -- be recognized as expenses in the period incurred. SFAS 151 requires the allocation of fixed production overheads to the costs of conversion based upon the normal capacity of the production facilities. The Company has not yet determined what effect SFAS 151 will have on its financial statements.

In December 2004, the FASB issued FASB Staff Position No. FAS 109-1, "Application of FASB Statement No. 109, "Accounting for Income Taxes," to the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004," (FSP FAS 109-1) which states that the FASB staff believes that the qualified production activities deduction provided by the American Jobs Creation Act of 2004 (the Act) should be accounted for as a special deduction in accordance with FASB Statement No. 109 (FAS 109). This FSP was effective upon issuance.

In December 2004, the FASB issued FASB Staff Position No. FAS 109-2, "Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004," which states that the FASB staff believes that the lack of clarification of certain provisions within the Act and the timing of the enactment necessitate a practical exemption to the FAS 109 requirement to reflect in the period of enactment the effect of a new tax law. Accordingly, an enterprise is allowed time beyond the financial reporting period of enactment to evaluate the effect of the Act on its plan for reinvestment or repatriation of foreign earnings for purposes of applying FAS 109.

In January 2003, the FASB issued Interpretation No. 46 (revised December 2003), "Consolidation of Variable Interest entities, an interpretation of ARB No. 51," (FIN 46) which addresses consolidation by business enterprises of variable interest entities that do not have sufficient equity investment to permit the entity to finance its activities without additional subordinated financial support from other parties or whose equity investors lack characteristics of a controlling financial interest. The Interpretation provides guidance related to identifying variable interest entities and determining whether such entities should be consolidated. It also provides guidance related to the initial and subsequent measurement of assets, liabilities and noncontrolling interests in newly consolidated variable interest entities and requires disclosures for both the primary beneficiary of a variable interest entity and other beneficiaries of the entity. FIN 46 must be applied to all entities subject to this Interpretation as of March 31, 2004. However, prior to the required application of this Interpretation, FIN 46 must be applied to those entities that are considered to be special-purpose entities as of December 31, 2003. There was no financial statement impact from the application of this standard.

On December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act) was signed into law. The Act introduced a prescription drug benefit under Medicare (Medicare Part D), as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. On May 19, 2004,

FASB issued Staff Position FSP FAS 106-2 (FSP 106-2), which supercedes FSP 106-1 and provides guidance on accounting for the effects of the new Medicare prescription drug legislation for employers whose prescription drug benefits are actuarially equivalent to the drug benefit under Medicare Part D. RTI has not completed analyzing the effects of the Act. Accordingly, the measure of its Accumulated Postretirement Benefit Obligation (APBO) and net periodic benefit cost do not reflect any potential effects of the Act.

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Reclassifications:

Certain amounts in the 2003 and 2002 financial statements have been reclassified to be consistent with the 2004 presentation. Refer to Note 21.

NOTE 3--ACQUISITIONS:

On October 1, 2004, RTI acquired all of the stock of Claro Precision, Inc., of Montreal Quebec Canada. The aggregate purchase price was $30.6 million consisting of cash of $23.6 million less cash acquired of $1.6 million and 358,908 shares of RTI common stock with a fair value of $7.0 million. The agreement provided for an audit period after the purchase on October 1, 2004 for adjustments to the purchase price to finalize and determine whether the target equity amount of $9.7 million existed on the closing date. In accordance with the agreement the Company determined that an adjustment to the purchase price of $0.2 million was due the Company and has been included as a reduction to the allocated purchase price.

The purchase was made with available cash on hand and newly issued common shares. The results of operations are included in the quarter beginning October 1, 2004. Claro will operate and report under the Company's Fabrication and Distribution segment.

Claro Precision, Inc., is a manufacturer of precision-machined components and complex mechanical and electrical assemblies for the aerospace industry.

The following is a summary of the allocation of the purchase price to the assets acquired and liabilities assumed based on their fair market values as of October 1, 2004. In accordance with Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations," the purchase price was assigned to the assets and liabilities acquired based on fair value. Fair value is defined in SFAS 141 as the "amount at which that asset (or liability) could be bought (or incurred) or sold (or settled) in a current transaction between willing parties, that is, other than in a forced liquidation sale.

(IN THOUSANDS)	ALLOCATED PURCHASE PRICE
Acquired assets:	
Cash	$ --
Accounts receivable	2,802
Inventories	4,728
Other assets	46
Property, plant & equipment	3,836
Goodwill	10,529
Intangible assets	16,200

Total assets	38,141
Acquired liabilities:	
Accounts payable	1,010
Income taxes payable	1,543
Current deferred income taxes liability	1,145
Other accrued liabilities	160
Noncurrent deferred income taxes	5,414
Total liabilities	9,272
Net assets acquired	28,869
Purchase price	
Cash	22,014
RTI common stock	7,016
Target equity adjustment	(161)
	$28,869

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The following unaudited pro forma information for RTI is provided to include the fiscal year-end results of Claro Precision, Inc. as if the acquisition had been consummated on January 1, 2003;

(IN THOUSANDS, EXCEPT PER SHARE DATA) (UNAUDITED)	PRO FORMA 2004	PRO FORMA 2003
Net sales	$235,999	$219,941
Net income from continuing operations	$ 434	$ 8,338
Net income (loss) from continuing operations per common share		
Basic	0.02	0.40
Diluted	0.02	0.40
Net income (loss)	$ (533)	$ 8,338
Net income (loss) per common share		
Basic	(0.03)	0.40
Diluted	(0.03)	0.40

Pro forma adjustments include the amortization of intangible assets with an assigned value of $16.2 million. The amortization period is equal to 20 years. The amortization expense over the next five years is $4.1 million. The intangible assets represent the assigned value of customer relationships. Goodwill of $10.4 million resulted resulted from the acquisition and is non deductive for income tax purposes in Canada. Included in the pro forma information above is the write-off of a step up in inventory values which is not expected to occur beyond each of the one year periods shown. Additionally, fixed assets were stepped-up to approximate fair market value and are being depreciated over 10 years in accordance with Company accounting policies. The preliminary purchase price allocations are subject to adjustment and may be modified within one year

from the acquisition. Subsequent changes are not expected to have a material effect on the Company's consolidated financial position.

The pro forma combined financial results have been prepared for comparative purposes only and include certain adjustments as described above. The pro forma information does not purport to be indicative of the results of operations that actually would have resulted had the combination occurred on January 1 of each year presented, or of future results of the consolidated entities.

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NOTE 4-- EARNINGS PER SHARE:

A reconciliation of the income and weighted average number of outstanding common shares used in the calculation of basic and diluted earnings per share for each of the years ended December 31, 2004, 2003, and 2002, follows (in thousands except number of shares and per share amounts):

	NET INCOME	SHARES	EARNINGS PER SHARE
For the year ended December 31, 2004			
Basic EPS	$(2,957)	21,309,737	$(0.14)
Effect of potential common stock:			
Stock options	--	358,339	--
Diluted EPS	$(2,957)	21,668,076	$(0.14)
For the year ended December 31, 2003			
Basic EPS	$ 4,714	20,829,796	$ 0.23
Effect of potential common stock:			
Stock options	--	166,498	(0.01)
Diluted EPS	$ 4,714	20,996,294	$ 0.22
For the year ended December 31, 2002			
Basic EPS	$15,125	20,772,994	$ 0.73
Effect of potential common stock:			
Stock options	--	151,149	(0.01)
Diluted EPS	$15,125	20,924,143	$ 0.72

451,230, 957,202, and 914,066 shares of common stock issuable upon exercise of employee stock options have been excluded from the calculation of diluted earnings per share in 2004, 2003 and 2002, respectively, because the exercise price of the options exceeded the weighted average market price of the Company's common stock during those periods.

NOTE 5-- ACCOUNTS RECEIVABLE:

DECEMBER 31,

	2004	2003
Trade and commercial customers	$43,058	$31,151
U.S. Government--Department of Energy	3,136	1,463
	46,194	32,614
Less--Allowance for doubtful accounts	(1,704)	(1,759)
	$44,490	$30,855

NOTE 6-- INVENTORIES:

	DECEMBER 31,	
	2004	2003
Raw materials and supplies	$ 40,459	$ 49,248
Work-in-process and finished goods	112,010	120,718
LIFO Reserve	(18,957)	(16,469)
	$133,512	$153,497

The Company used a LIFO valuation method for approximately 57% of its inventories in 2004 and 2003. The remaining inventories are valued using a combination of FIFO and weighted average cost methods.

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A reduction of LIFO inventories (decrements) resulted in reducing pretax income $1,150 in 2004, $600 in 2003 and $200 in 2002.

NOTE 7-- PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment is stated at cost and consists of the following:

	DECEMBER 31,	
	2004	2003
Land	$ 969	$ 1,028
Buildings and improvements	44,296	43,509
Machinery and equipment	165,008	150,496
Computer hardware and software, furniture and fixtures, and other	40,566	45,562
Construction in progress	3,750	1,066
	254,589	241,661
Less--Accumulated depreciation	(171,996)	(156,156)

	$ 82,593	$ 85,505

NOTE 8-- INCOME TAXES:

The "(Benefit) Provision for income taxes" caption in the Consolidated Statement of Income includes the following income tax expense (benefit) from continuing operations:

	DECEMBER 31, 2004			DECEMBER 31, 2003			DECEMBER	
	CURRENT	DEFERRED	TOTAL	CURRENT	DEFERRED	TOTAL	CURRENT	DEF
Federal..............	$(6,107)	$3,008	$(3,099)	$3,212	$ (721)	$2,491	$2,98 2	$5
State................	116	(249)	(133)	384	(141)	243	300	
Foreign..............	630	19	649	418	(389)	29	278	
Total..............	$(5,361)	$2,778	$(2,583)	$4,014	$(1,251)	$2,763	$3,560	$5

The following table sets forth the components of income (loss) before income taxes by jurisdiction:

	YEAR ENDED DECEMBER 31		
	2004	2003	2002
United States...	$(4,203)	$8,267	$25,353
Foreign...	(508)	(776)	(878)
	$(4,711)	$7,491	$24,475

A reconciliation of the expected tax at the federal statutory tax rate to the actual provision follows:

	DECEMBER 31,		
	2004	2003	2002
Statutory rate of 35% applied to income before income taxes..	$(1,649)	$2,621	$8,569
State income taxes, net of federal benefit (loss)..........	(127)	159	394
Adjustments of prior years' income taxes...................	(850)	(123)	280
Effects of foreign operations..............................	(604)	40	(11)
Nondeductible expenses.....................................	70	66	68
Valuation allowance..	577	--	--
Total provision..	$(2,583)	$2,763	$9,300

Effective tax rate	55%	37%	38%

The results for 2003 included the impact of a settlement with the IRS related to examinations performed on RTI's 1998 through 2001 tax years. As a result of this settlement, the Company is now closed with the IRS in respect to all years through 2001.

Deferred tax assets and liabilities resulted from the following:

	DECEMBER 31,	
	2004	2003
DEFERRED TAX ASSETS		
Inventories	$ 5,575	$ 4,739
Postretirement benefit costs	8,053	7,801
Employment costs	1,631	2,026
Foreign tax credits (Expires 12/31/14)	150	--
Environmental related costs	621	638
Pension costs	6,123	2,962
Foreign tax loss carryforwards	450	--
Other	1,464	4,634
Gross deferred tax assets	24,067	22,800
Valuation allowance	(577)	--
Total deferred tax assets	23,490	22,800
DEFERRED TAX LIABILITIES		
Property, plant and equipment	(12,848)	(11,933)
Intangible assets	(6,485)	--
Unremitted foreign earnings	--	--
Total deferred tax liabilities	(19,333)	(11,933)
Net deferred tax asset	$ 4,157	$ 10,867

During 2004, a valuation allowance of $577,000 was established for net deferred tax assets of the Company's wholly-owned United Kingdom subsidiary, which consist principally of Net Operating Loss carryforwards of $450,000 that have no expiration date. Nevertheless, because of cumulative losses generated by the subsidiary in recent years, the Company believes that more likely than not, a benefit will be not realized for these deferred tax assets. The Company expects to generate sufficient future taxable income from future operations in the appropriate periods to realize the benefit of its remaining deferred tax assets.

On October 22, 2004, the President signed the American Jobs Creation Act of 2004 (the "Act"). The Act provides a deduction for income from qualified domestic production activities, which will be phased in from 2005 through 2010. In return, the Act also provides for a two-year phase-out of the existing extra-territorial income exclusion (ETI) for foreign sales that was viewed to be

inconsistent with international trade protocols by the European Union. The Company expects the net effect of the phase out of the ETI and the phase in of this new deduction to have an immaterial effect on the Company's tax rate but the Company has not completed its evaluation.

Under the guidance in FASB Staff Position No. FAS 109-1, Application of FASB Statement No. 109, "Accounting for Income Taxes," to the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004, the deduction will be treated as a "special deduction" as described in FASB Statement No. 109. As such, the special deduction has no effect on deferred tax assets and liabilities existing at the enactment date. Rather, the impact of this deduction will be reported in the period in which the deduction is claimed on our tax return.

The Act also creates a temporary incentive for U.S. corporations to repatriate accumulated income earned abroad by providing an 85 percent dividends received deduction for certain dividends from controlled foreign corporations for an effective rate of tax of 5.25% before potential applicable foreign tax credits. The deduction is

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subject to a number of limitations and, as of today, uncertainty remains as to how to interpret numerous provisions in the Act. As such, we are not yet in a position to decide on whether, and to what extent, we might repatriate foreign earnings that have not yet been remitted to the U.S. Based on our analysis to date, however, it is reasonably possible that we may repatriate some amount between $0 to $3 million, with the respective tax liability ranging from $0 to $1 million. We expect to be in a position to finalize our assessment by the fourth quarter of 2005.

While the Company is currently studying the impact of these one-time favorable dividend provisions, the Company intends to indefinitely reinvest undistributed retained earnings of its wholly-owned French and United Kingdom subsidiaries, which amounted to $3,967,000 at December 31, 2004. Accordingly, no deferred U.S. tax liability has been recorded with respect to this amount, and the Company believes it is not practicable to estimate the amount of incremental taxes that might be payable if these earnings were repatriated.

NOTE 9-- OTHER OPERATING INCOME AND OTHER INCOME:

For the years ended December 31, 2004, 2003 and 2002, the components of other operating income and other income are as follows (dollars in millions):

	YEAR ENDED DECEMBER 31,		
	2004	2003	2002
Other Operating Income			
Gain on disposal of plant sites	$0.5(1)	$ 1.0(1)	$ --
Other Income			
Gain on receipt of liquidated damages	$9.1(2)	$ 8.4(2)	$ 7.1(2)
Gain on receipt of a common stock distribution	--	--	2.1(3)
Loss on disposal of other assets	--	(0.2)	(0.4)
Foreign exchange gains and other	0.5	0.7	0.6
	$9.6	$ 8.9	$ 9.4

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(1) Other operating income in 2004 reflected the gain on the sale of the Company's RMI Metals (MICRON) site in Salt Lake City, Utah, of $0.4 million and the income from a deferred gain on a sale/leaseback of one of the Company's Ashtabula, Ohio facilities previously used for storage of $0.1 million. In 2003 the Company sold the Ashtabula facility and recorded a gain of $1.0 million and deferred the gain on the leaseback portion to coincide with the term of the lease, which was five years with a five-year renewal option.

(2) These gains were financial settlements from Boeing Commercial Airplane Group relating to Boeing's failure to meet minimum order requirements under terms of a long-term agreement between RTI and Boeing. The long-term agreement between RTI and Boeing expired December 31, 2003.

(3) This gain was due to the receipt of a common stock distribution in connection with the demutualization of one of the Company's insurance carriers.

NOTE 10-- LONG-TERM DEBT:

At December 31, 2004, the Company maintained a credit agreement entered into on April 26, 2002, which provides a $100 million three-year unsecured revolving credit facility. The Company can borrow up to the lesser of $100 million or a borrowing base equal to the sum of 85% of qualifying accounts receivable and 60% of qualifying inventory subject to terms of the credit agreement disclosed below.

Under the terms of the facility, the Company, at its option, will be able to borrow at (a) a base rate (which is the higher of PNC Bank's prime rate or the Federal Funds Effective Rate plus 0.5% per annum), or (b) LIBOR plus a spread (ranging from 1.0% to 2.25%) determined by the ratio of the Company's consolidated total indebtedness to consolidated earnings before interest, taxes, depreciation and amortization. The credit agreement contains restrictions, among others, on the minimum shareholders' equity required, the minimum cash flow required, and the maximum leverage ratio permitted. At December 31, 2004, there was $4.2 million of standby

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letters of credit outstanding under the facility, the Company believes it was in compliance with all covenants, and had a borrowing capacity equal to $33.8 million.

The Company generated net interest income in 2004 of $0.1 million as cash deposits and resulting interest income exceeded bank fees on the unused facility. Net interest expense in 2003 and 2002 equaled $0.2 million and $0.4 million, respectively. The Company had no bank debt at December 31 for any of the balance sheets presented in this report.

NOTE 11-- EMPLOYEE BENEFIT PLANS:

The following table provides reconciliations of the changes in the Company's pension and other postemployment benefit plan obligations and the values of plan assets for the years ended December 31, 2004 and 2003, and a statement of the funded status as of December 31, 2004 and 2003. The Company uses a December 31 measurement date for all plans. All amounts in thousands

unless specifically stated.

	PENSION BENEFIT PLANS		OTHER POSTRETIREMENT BENEFIT PLANS	
	2004	2003	2004	2003
CHANGE IN BENEFIT OBLIGATION:				
Benefit obligation January 1	$109,305	$103,274	$27,996	$25,177
Service cost	2,289	2,307	381	400
Interest cost	6,338	6,489	1,626	1,584
Amendment	794	--	--	--
Curtailment	(830)	--	--	--
Actuarial loss	3,780	4,497	1,539	2,540
Benefits paid	(7,687)	(7,262)	(2,080)	(1,705)
Benefit obligation December 31	$113,989	$109,305	$29,462	$27,996

Included as an amendment to the Pension Plan of RMI Titanium Company was an increase in the multiplier of $4 per hour for all service in excess of fifteen years.

	2004	2003
CHANGE IN PLAN ASSETS:		
Fair value of plan assets January 1	$ 90,930	$ 83,103
Actual return on plan assets	5,646	12,089
Employer contributions	--	3,000
Benefits paid	(7,687)	(7,262)
Fair value of plan assets December 31	$ 88,889	$ 90,930

Included in the aggregate disclosures above are four plans for which the projected benefit obligation for each plan exceeds the fair value of each plan's assets at December 31, 2004 by $25.1 million.

The Company froze benefits under one of its defined benefit plans, The TRADCO Pension Plan, effective June 30, 2004 and replaced it by enhancing an existing 401(k) Plan. In the case of a second plan, the Eligible Salaried Plan, the termination of the DOE contract at Ashtabula (see Note 17) resulted in an elimination of future services earlier than expected. As a result, the Plan was accounted for as curtailed at December 31, 2004. The

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effect of the TRADCO curtailment was a charge to operating income of $37 thousand, which was partially offset by a gain on the Eligible Salaried Plan of $33 thousand.

	PENSION BENEFIT PLANS	OTHER POSTRETIREMENT BENEFIT PLANS

	2004	2003	2004	2003
FUNDED STATUS:				
Funded status December 31	$(25,100)	$(18,375)	$(29,462)	$(27,996)
Unrecognized (gain) loss	39,293	35,385	7,426	6,168
Unrecognized prior service cost	3,362	3,145	1,225	1,400
Net amount recognized	$ 17,555	$ 20,155	$(20,811)	$(20,428)

Amounts recognized in the Consolidated Balance Sheets at December 31 consist of the following:

	PENSION BENEFIT PLANS		OTHER POSTRETIREMENT BENEFIT PLANS	
	2004	2003	2004	2003
Intangible asset	$ 3,365	$ 3,186	$ --	$ --
Accrued benefit liability	(21,090)	(12,445)	(20,811)	(20,428)
Accumulated other comprehensive income	35,280	29,414	--	--
Net amount recognized	$ 17,555	$ 20,155	$(20,811)	$(20,428)

Net periodic benefit costs as determined by independent actuaries, include the following components:

	PENSION BENEFIT PLANS			OTHER POSTRETIREMENT BENEFIT PLANS		
	2004	2003	2002	2004	2003	2002
Service cost	$ 2,289	$ 2,307	$ 2,028	$ 381	$ 400	$ 262
Interest cost	6,338	6,489	6,450	1,626	1,584	1,344
Expected return on assets	(8,023)	(8,190)	(8,629)	--	--	--
Prior service cost amortization	572	577	666	193	175	175
Amortization of actuarial loss	1,418	808	163	373	101	--
Net periodic benefit cost	$ 2,594	$ 1,991	$ 678	$2,573	$2,260	$1,781

The accumulated benefit obligation for all defined benefit pension plans was $110 million and $103.4 million at December 31, 2004 and 2003, respectively.

Qualified domestic pension plan benefits comprise 100% of the projected benefit obligation in each of the years 2004 and 2003. Benefits for unionized pension participants are generally determined based on an amount for years of service. Benefits for salaried participants are generally based on participants' years of service and compensation.

The Company did not make a cash contribution in 2004. In 2003 the Company contributed $3.0 million to its deferred benefit plans. The 2003 cash contribution occurred as a result of contributing the proceeds derived from the sale of stock acquired under the demutualization of one of the Company's insurance carriers.

Assumptions used in the determination of the benefit obligations and other postretirement obligations include the following:

	BENEFIT OBLIGATION	
	2004	2003
Discount rate......................	5.75%	6.0%
Expected return on plan assets.....	8.5%	8.5%
Rate of increase in compensation...	3.8%	4.2%

The discount rate is a significant factor in determining the amounts reported. A one quarter percent change in the discount rate of 5.75% at December 31, 2004 would have the following effect in millions of dollars:

	-.25%	+.25%
Effect on total projected benefit obligation (PBO) (in millions)...	+$3.2	-$3.1
Effect on subsequent years periodic pension expense (in millions)...	+$0.3	-$0.3

	PERIODIC BENEFIT COST		
	2004	2003	2002
Discount rate..	6.0%	6.5%	7.0%
Rate of increase in compensation...........................	4.2%	4.8%	4.8%
Expected return on plan assets.............................	8.5%	8.5%	9.0%

In determining the expected return on plan assets, the Company considers the relative weighting of plan assets, the historical performance of total plan assets and individual asset classes, economic and other indicators of future performance. Additionally, the Company may consult with and consider the information available from financial and other professionals in forecasting an appropriate return.

Management of the plan assets includes consideration of the needs of diversification to reduce interest rate and market risk and liquidity to meet

immediate and future benefit payments.

The allocation of pension plan assets is as follows:

	ACTUAL ALLOCATION	
	2004	2003
Equity securities	59%	58%
Debt securities	40%	39%
Real estate	1%	3%
	100%	100%

The Company's investment strategy provides that 40% to 60% of the plan assets are invested in common stock, 40% to 60% in debt securities and 0% to 5% in real estate investments. The policy of the Plan prohibits investment of any equity securities in the Company's stock. Assets are evaluated once a quarter in consideration of targets and relative risk and performance.

The Company has not completed its evaluation for making a contribution to its Retirement Plans in 2005. The Company evaluates contributions to its plans based on a review of all investment alternatives including business investments. The Company will make its investment decision based on a result, which is in the best interest of the plans and the Company.

The following benefit payments which will be paid by the Plan, reflect expected future service as appropriate are:

2005	$ 7,364
2006	7,471
2007	7,576
2008	7,781
2009	7,826
2010 - 2014	42,387

For those employees not covered by a defined benefit pension plan, the Company sponsors a 401(k) plan whereby the Company may provide a match of employee contributions. The Company's matching contributions for the years ended December 31, 2004, 2003 and 2002 were approximately $394,000, $355,000 and $398,000, respectively.

The Company has a supplemental pension program ("Program") for certain key employees. The Program is unfunded. The actuarial present value of the projected benefit obligations related to the Program was $2.3 million

and $3.0 million at December 31, 2004 and 2003 respectively. Accrued pension costs, which are reflected as a liability in other non-current liabilities, were $1.2 million and $0.7 million at December 31, 2004 and 2003 respectively. Net periodic benefit costs related to the Program were $0.5 million for 2004, $0.4

million for 2003 and $0.2 million for 2002. Actuarial assumptions are the same as those used for the Company's defined benefit plans except that the rate of future bonus increases is equal to 2.0%.

Postretirement Benefit Plans. The ultimate costs of certain of the Company's retiree health care plans are capped at predetermined out-of-pocket spending limits. The annual rate of increase in the per capita costs for these plans is limited to the predetermined spending cap. As of December 31, 2004 and 2003, the predetermined limits had been reached and, as a result, increases in claim cost rates will have no impact on the reported accumulated postretirement benefit obligation or net periodic expense.

The following benefit payments which reflect future participants retired times the cap in effect in 2004 are expected as follows. All of the benefit payments are expected to be paid from company assets. These estimates are based on current benefit plan coverages and, in accordance with the Company's rights under the plan, these coverages may be modified, reduced or terminated in the future.

2005	$ 1,866
2006	1,881
2007	1,894
2008	1,915
2009	1,934
2010 - 2014	10,096

In December 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act") was signed into law. The Act incorporates a plan sponsor subsidy based on a percentage of a beneficiary's annual prescription drug benefits, within certain limits, and opportunity for a retiree to obtain prescription drug benefits under Medicare.

Since the Company has had an established cap on its postretirement medical benefits, any reductions in postretirement benefit costs resulting from the Act are not expected to be material although the Company will evaluate the effect of the Act during the two year transitional period provided under the Act.

NOTE 12-- LEASES:

The Company and its subsidiaries have entered into various operating and capital leases for the use of certain equipment, principally office equipment and vehicles. The operating leases generally contain renewal options and provide that the lessee pay insurance and maintenance costs. The total rental expense under operating leases amounted to $4.0 million in 2004, $3.3 million in 2003 and $2.9 million in 2002. Amounts recognized as capital lease obligations are reported in other accrued liabilities and other non-current liabilities in the consolidated balance sheet.

The Company's future minimum commitments under operating and capital leases for years after 2004 are as follows (in thousands):

	OPERATING	CAPITAL
2005	$2,373	$144
2006	2,002	47
2007	1,716	27

2008	1,026	3
2009	737	--
Thereafter	830	--
Total lease payments	$8,684	221
Less interest portion		16
Amount recognized as capital lease obligations		$205

NOTE 13-- BILLINGS IN EXCESS OF COSTS AND ESTIMATED EARNINGS:

The Company reported a liability for billings in excess of costs and estimated earnings of $4.7 million as of December 31, 2004 and $7.5 million as of December 31, 2003. These amounts primarily represent payments, received in advance from energy market customers on long-term orders, which the Company has not recognized as revenues.

NOTE 14-- OTHER CURRENT ASSETS:

	DECEMBER 31, 2004	DECEMBER 31, 2003
	(DOLLARS IN THOUSANDS)	
Receivable from U.S. Customs for recovery of import duties, less allowance for uncollectible accounts of $219 and $381, respectively	$1,779	$1,686
Miscellaneous non-trade receivable	161	--
Prepaid insurance	750	908
Other prepayments	907	690
	$3,597	$3,284

NOTE 15-- TRANSACTIONS WITH RELATED PARTIES:

In accordance with a stock purchase agreement dated October 1, 2004 the Company purchased all of the shares of Claro Precision, Inc., from Mr. Jean-Louis Mourain and Mr. Daniel Molina. The purchase agreement provided for a lease agreement whereby the Company would lease space in two buildings for three years from October 1, 2004 with an option to extend for an additional three years. The annual rental is approximately $160,000 at current exchange rates. Approximately $40,000 was incurred in the 2004 financial statements. Mr. Mourain was engaged by the Company as a consultant and Mr. Molina was made President of Claro Precision, Inc. The Company believes that the rental cost is representative of market conditions around the Montreal area.

In accordance with the purchase agreement of Reamet S.A. located in Villette, France from December of 2000, the Company was obligated to acquire a residence located on the previously acquired land. The owner of the residence and his immediate family have been involved in the management of the business

before and since the acquisition. The residence was acquired for $581,000 (the fair value as appraised) including closing costs in February 2004. The Company had previously disclosed that the residence was worth approximately $500,000 without closing costs.

There were no related party transactions in 2003 and 2002.

NOTE 16-- SEGMENT REPORTING:

The Company's reportable operating segments are the Titanium Group and the Fabrication and Distribution Group.

The Titanium Group manufactures and sells a wide range of titanium mill products to a customer base consisting primarily of manufacturing and fabrication companies in the aerospace and nonaerospace markets. Titanium mill products consist of basic mill shapes such as ingot, slab, bloom, billet, bar, plate and sheet. Titanium mill products are sold primarily to customers such as metal fabricators, forge shops and, to a lesser extent, metal distribution companies. Titanium mill products are usually raw or starting material for these customers, who then form, fabricate or further process mill products into finished or semi-finished components or parts. The Titanium Group includes the activities related to the clean up and remediation of a former titanium extrusion facility operated by the Company under a contract from the U.S. Department of Energy.

The Fabrication & Distribution Group is engaged primarily in the fabrication of titanium, specialty metals and steel products, including pipe and engineered tubular products, for use in the oil and gas and geo-thermal energy industries; hot and superplastically formed parts; and cut, forged, extruded and rolled shapes; and

commercially pure titanium strip and welded tube for aerospace and nonaerospace applications. This segment also provides warehousing, distribution, finishing, cut-to-size and just-in-time delivery services of titanium, steel and other metal products. Claro Precision, Inc., which was acquired in the fourth quarter of 2004 is reported in this group.

Intersegment sales are accounted for at prices which are generally established by reference to similar transactions with unaffiliated customers. Reportable segments are measured based on segment operating income after an allocation of certain corporate items such as general corporate overhead and expenses. Assets of general corporate activities include unallocated cash and short-term investments, and deferred taxes.

On January 1, 2003 the Company realigned its two operating segments to better reflect its strategy for achieving higher value-added sales. Prior period information presented herein has been restated to reflect this realignment. Included in the realignment was the transfer from the Titanium Group to the Fabrication & Distribution Group of the Company's commercially pure products business, grinding operations at the Company's Washington, MO., facility and marketing and sales responsibility for most sheet and plate products.

Segment information has been restated to eliminate the effect of discontinued operations.

Segment information for the three years ended December 31, 2004 is as follows:

	2004	2003	2002
TOTAL SALES:			
Titanium Group	$154,855	$147,976	$196,648
Fabrication & Distribution Group	193,029	148,852	181,367
Total	347,884	296,828	378,015
Inter and intra segment sales			
Titanium Group	101,236	91,238	107,787
Fabrication & Distribution Group	32,057	10,590	12,274
Total	133,293	101,828	120,061
Total sales to external customers			
Titanium Group	53,619	56,738	88,861
Fabrication & Distribution Group	160,972	138,262	169,093
Total	$214,591	$195,000	$257,954
OPERATING (LOSS) INCOME:			
Titanium Group	$(10,964)	$ (1,989)	$ 11,026
Fabrication & Distribution Group	(3,522)	774	4,388
Total	$(14,486)	$ (1,215)	$ 15,414
Allocated corporate items included in segment operating income (1):			
Titanium Group	$ (5,227)	$ (2,946)	$ (4,436)
Fabrication & Distribution Group	(12,457)	(6,712)	(5,603)
Total	$(17,684)	$ (9,658)	$(10,039)
INCOME (LOSS) BEFORE INCOME TAXES:			
Titanium Group	$ (1,206)	$ 7,875	$ 21,521
Fabrication & Distribution Group	(3,505)	(384)	2,954
Total	$ (4,711)	$ 7,491	$ 24,475

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(1) Allocated on a three factor formula based on sales, assets and payrolls.

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	2004	2003	2002
ASSETS:			
Titanium	$ 153,585	$163,594	
Fabrication & distribution	197,886	166,784	
General corporate assets	52,022	63,397	
Total consolidated assets	$ 403,493	$393,775	
CAPITAL EXPENDITURES:			
Titanium	$ 3,555	$ 2,530	$ 4,440

Fabrication & distribution	2,216	2,872	3,163
Total capital spending	$ 5,771	$ 5,402	$ 7,603
DEPRECIATION AND AMORTIZATION:			
Titanium	$ 9,126	$ 9,294	$ 9,592
Fabrication & distribution	3,335	2,742	2,629
Total depreciation and amortization	$ 12,461	$ 12,036	$ 12,221
CARRYING VALUE OF GOODWILL:			
Titanium	$ 1,955	$ 1,560	$ --
Fabrication & distribution	44,663	34,133	34,133
Total carrying value of goodwill	$ 46,618	$ 35,693	$ 34,133

	2004	2003	2002
REVENUE BY MARKET INFORMATION:			
Titanium Group			
Aerospace	$ 95,818	$ 93,071	$ 124,200
Nonaerospace	59,033	54,905	72,448
Total	$ 154,851	$147,976	$ 196,648
Fabrication & Distribution Group			
Aerospace	$ 110,935	$101,534	$ 137,347
Nonaerospace	82,097	47,318	44,020
Total	$ 193,032	$148,852	$ 181,367
Eliminations			
Aerospace	$(106,308)	$(86,478)	$(101,004)
Nonaerospace	(26,984)	(15,350)	(19,057)
Total net sales	$ 214,591	$195,000	$ 257,954

The following geographic area information includes trade sales based on product shipment destination, and property, plant and equipment based on physical location.

	2004	2003	2002
Geographic location of trade sales:			
United States	$171,325	$151,646	$211,823
England	11,726	9,065	12,322
France	13,099	12,216	13,972
Canada	6,854	--	--
Germany	3,158	--	--
Korea	--	7,819	--
Rest of world	8,429	14,254	19,837

Total	$214,591	$195,000	$257,954
Gross property, plant and equipment:			
United States	$241,813	$239,082	
England	2,200	2,318	
France	800	261	
Canada	9,776	--	
Accumulated depreciation	(171,996)	(156,156)	
Net property, plant and equipment	$ 82,593	$ 85,505	

In the years ended December 31, 2004, 2003 and 2002, export sales were $43.3 million, $43.3 million, and $46.1 million, respectively, principally to customers in Western Europe.

Substantially all of the Company's sales and operating revenues are generated from its U.S. and European operations. A significant portion of the Company's sales are made to customers in the aerospace industry. The concentration of aerospace customers may expose the Company to cyclical, credit and other risks generally associated with the aerospace industry. In the three years ended December 31, 2004, no single customer accounted for as much as 10% of consolidated sales, although Boeing Company, Airbus and their subcontractors together consume in excess of 10% of the Company's sales and are the ultimate consumers of a significant portion of the Company's commercial aerospace products. Trade accounts receivable are generally not secured or collateralized.

NOTE 17-- COMMITMENTS AND CONTINGENCIES:

In connection with the 1990 Reorganization, the Company agreed to indemnify USX and Quantum against liabilities related to their ownership of RMI and its immediate predecessor, Reactive Metals, Inc., which was formed by USX and Quantum in 1964.

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 our opinion, the ultimate liability, if any, resulting from these matters will have no significant effect on our 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 $250 million, which includes grounding liability.

Environmental Matters

The Company is subject to environmental laws and regulations as well as various health and safety laws and regulations that are subject to frequent modifications and revisions. During the years ended December 31, 2004, 2003 and 2002, the Company spent approximately $1.2 million, $1.0 million and $1.1 million, respectively, for environmental remediation, compliance, and related services. While the costs of compliance for these matters have not had a material adverse impact on the Company in the past, it is impossible to accurately predict the ultimate effect these changing laws and regulations may have on the Company in the future. The Company continues to evaluate its obligations for environmental related costs on a quarterly basis and makes adjustments in accordance with provisions of Statement of Position No. 96-1, "Environmental Remediation Liabilities".

The Company is involved in investigative or cleanup projects under federal or state environmental laws at a number of waste disposal sites, including the

Fields Brook Superfund Site and the Ashtabula River Area of

Concern. Given the status of the proceedings with respect to these sites, ultimate investigative and remediation costs cannot presently be accurately predicted, but could, in the aggregate be material. Based on the information available regarding the current ranges of estimated remediation costs at currently active sites, and what the Company believes will be its ultimate share of such costs, provisions for environmental-related costs have been recorded.

Given the status of the proceedings at certain of these sites, and the evolving nature of environmental laws, regulations, and remediation techniques, the Company's ultimate obligation for investigative and remediation costs cannot be predicted. It is the Company's policy to recognize environmental costs in its financial statements when an obligation becomes probable and a reasonable estimate of exposure can be determined.

At December 31, 2004, the amount accrued for future environmental-related costs was $3.8 million. Of the total amount accrued at December 31, 2004, $0.6 million is expected to be paid out during 2005 and is included in the other accrued liabilities line of the balance sheet. The remaining $3.2 million is recorded in other non-current liabilities.

Based on available information, RMI believes that its share of potential environmental-related costs, before expected contributions from third parties, is in a range from $2.9 to $7.7 million in the aggregate. The Company has included in its other noncurrent assets $2.2 million as expected contributions from third parties. This amount represents the contributions from third parties in conjunction with the Company's most likely estimate of $3.8 million. These third parties include prior owners of RMI property and prior customers of RMI, that are expected to partially reimburse the Company for their portion of certain environmental-related costs. The Company has been receiving contributions from such third parties for a number of years as partial reimbursement for costs incurred by the Company.

As these proceedings continue toward final resolution, amounts in excess of those already provided may be necessary to discharge the Company from its obligations for these sites.

Former Ashtabula Extrusion Plant

The Company's former extrusion plant in Ashtabula, Ohio was used to extrude uranium under a contract with the DOE from 1962 through 1990. In accordance with that agreement, the DOE retained responsibility for the cleanup of the facility when it was no longer needed for processing government material. Processing ceased in 1990, and in 1993 RMI was chosen as the prime contractor for the remediation and restoration of the site by the DOE. Since then, contaminated buildings have been removed and approximately two-thirds of the site has been free released by the Ohio Department of Health, to RMI, at DOE expense.

In December, 2003, in accordance with its terms, the Department of Energy terminated the contract "for convenience." It is not known at this time what role, if any, RMI will play in the balance of the cleanup although discussions are ongoing. Remaining soil removal is expected to take approximately 18-24 months. As license holder and owner of the site, RMI is responsible to the state of Ohio for complying with soil and water regulations. However, remaining cleanup cost is expected to be borne by the DOE in accordance with their contractual obligation.

Gain Contingency

As part of Boeing Commercial Airplane Group's long-term supply agreement with the Company, Boeing was required to order a minimum of 3.25 million pounds of titanium in each of the five years beginning in 1999. They failed to do so in all five years of the contract.

The Company made claim against Boeing in accordance with the provisions of the long-term contract for each of the years. Revenue under the provisions of Statement of Financial Accounting Standards No. 5 ("SFAS No. 5"), "Accounting for Contingencies" was deemed not realized until Boeing settled the claims. Accordingly, the claims were treated as a gain contingency dependent upon realization.

In accordance with the application of SFAS No. 5, the Company recorded income of $6 million in each of 2000 and 2001, approximately $7 million in 2002, $8 million in 2003 and $9 million in 2004. In all years, revenue recognized from these cash receipts was presented as Other Income in the financial statements. The agreement with Boeing has since expired as the final payment was received in 2004.

Other

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 ultimate resolution of these foregoing contingencies could, individually or in the aggregate, be material to the consolidated financial statements. However, management believes that the Company will remain a viable and competitive enterprise even though it is possible that these matters could be resolved unfavorably.

Other accrued liabilities have increased by $3.3 million to $6.5 million. The principal components of the increase are increased audit and legal fees relating to Sarbanes-Oxley compliance of $2.4 million and liabilities of Claro Precision, Inc., acquired in the year of $0.4 million.

NOTE 18-- STOCK OPTION AND RESTRICTED STOCK AWARD PLANS:

2004 STOCK PLAN

The 2004 Stock Plan, which was approved by a vote of the Company's shareholders at the 2004 Annual Meeting of Shareholders, replaced the 1995 Stock Plan and the 2002 Non-Employee Director Stock Option Plan.

The plan limits the number of shares available for issuance to 2,500,000 (plus any shares covered by options already outstanding under the 1995 Plan and 2002 Plan that expire or are terminated without being exercised and any shares delivered in connection with the exercise of any outstanding awards under the 1995 Plan and 2002 Plan) during its ten-year term and limits the number of shares available for grants of restricted stock to 1,250,000. The plan expires after ten years and requires the exercise price of stock options, stock appreciation rights and other similar instruments awarded under the plan may not be less than the fair market value of RTI stock on the date of the grant award.

The plan prohibits the repricing of stock options and stock appreciation rights. A committee appointed by the Board of Directors administers the Plan, and determines the type or types of grants to be made under the Plan and sets forth in each such grant the terms, conditions and limitations applicable to it,

including, in certain cases, provisions relating to a possible change in control of the Company.

During 2004, 184,000 option shares were granted at an exercise price of $14.96. In 2003, 207,750 option shares were granted at an exercise price of $10.22. In 2002, 238,000 option shares were granted at an exercise price of $9.575. All option exercise prices were equal to the common stock's fair market value on the date of the grant. Options are for a term of ten years from the date of the grant, and vest ratably over the three-year period beginning with the date of the grant. 181,400 of the option shares granted in 2004 were outstanding at December 31, 2004.

During 2004, 2003 and 2002, 87,430 shares, 93,508 shares and 68,912 shares, respectively, of restricted stock were granted. Compensation expense equal to the fair market value on the date of the grant is recognized ratably over the vesting period of each grant which is typically five years.

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The following table presents a summary of stock option activity under the plans described above for the years ended December 31, 2002 through 2004:

	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Balance January 1, 2002	1,400,120	$14.62
Granted	238,000	$ 9.58
Exercised	(16,467)	$ 7.81
Forfeited or Expired	(4,050)	$11.87
Balance December 31, 2002	1,617,603	$13.95
Granted	207,750	$10.22
Exercised	(122,736)	$ 8.86
Forfeited or Expired	--	--
Balance December 31, 2003	1,702,617	$13.87
Granted	184,000	$14.96
Exercised	(411,005)	$ 9.78
Forfeited or Expired	(3,900)	$13.38
Balance December 31, 2004	1,471,712	$15.15

At December 31, 2004 the weighted average exercise price and weighted average remaining contractual life for all outstanding options are reflected in the following tables:

OPTIONS OUTSTANDING

RANGE OF EXERCISE PRICE	NUMBER	WEIGHTED-AVERAGE REMAINING LIFE	WEIGHTED-AVERAGE EXERCISE PRICE
$7.31 - $10.22	516,228	6.96	$ 9.63
$12.50 - $15.78	503,382	3.51	$14.52

$20.19 - $25.56	452,102	2.02	$22.16
	1,471,712	4.14	$15.15

OPTIONS EXERCISABLE

RANGE OF EXERCISE PRICE	NUMBER	WEIGHTED-AVERAGE REMAINING LIFE	WEIGHTED-AVERAGE EXERCISE PRICE
$7.31 - $10.22	313,600	6.45	$ 9.39
$12.50 - $15.78	321,982	4.92	$14.28
$20.19 - $25.56	452,102	2.02	$22.16
	1,087,684	4.16	$16.15

NOTE 19-- DISCONTINUED OPERATIONS:

In December of 2004, the Company terminated operations at the Company's Tube Mill operations as it had determined that its raw material source was inadequate to maintain commercially viable operations. The operating results of the Tube Mill Operations have been classified as discontinued operations for all the periods presented. The Tube Mill Operation was included in the Company's F&D segment. In the fourth quarter of 2004 the Company impaired certain assets, terminated operations and provided for certain contingencies which

resulted in an after-tax charge of $692 thousand. The remaining residual assets were assumed by other RTI subsidiaries.

	2004	2003	2002
	(IN THOUSANDS)		
Net sales	$14,427	$10,527	$12,936
Loss before income taxes	(211)	(20)	(80)
Provision for income taxes	74	6	30
Net loss from discontinued operations	(137)	(14)	(50)
Loss on disposal	(1,064)		
Provision for income taxes	372		
Loss on discontinued operations, net of tax	$ (829)		

NOTE 20-- SELECTED QUARTERLY FINANCIAL INFORMATION (UNAUDITED):

The following table sets forth selected quarterly financial data for 2004 and 2003. All amounts in thousands except for per share numbers.

2004	1ST QUARTER(1)	2ND QUARTER	3RD QUARTER	4TH QUARTER(2)
Sales	$50,530	$51,809	$50,951	$61,301
Gross profit	3,344	7,710	7,649	7,458
Operating (loss)	(5,281)	(531)	(2,276)	(6,398)
Net income (loss) from continuing operations	2,644	326	(2,067)	(3,031)
Net income (loss) from discontinued operations	131	107	(100)	(967)
Net income (loss)	2,775	433	(2,167)	(3,998)
Net income (loss) from continuing operations per share				
Basic	$ 0.13	$ 0.02	$ (0.10)	$ (0.14)
Diluted	$ 0.12	$ 0.02	$ (0.10)	$ (0.14)
Net income (loss) per share				
Basic	$ 0.13	$ 0.02	$ (0.10)	$ (0.18)
Diluted	$ 0.13	$ 0.02	$ (0.10)	$ (0.18)

2003	1ST QUARTER(1)	2ND QUARTER(3)	3RD QUARTER	4TH QUARTER
Sales	$55,232	$47,274	$46,830	$45,664
Gross profit	6,687	8,274	3,845	11,024
Operating (loss) income	(1,145)	1,444	(4,433)	2,919
Net income (loss) from continuing operations	4,666	919	(2,690)	1,833
Net (loss) income from discontinued operations	(333)	92	165	62
Net income (loss)	4,333	1,011	(2,525)	1,895
Net income (loss) from continuing operations per share				
Basic	$ 0.22	$ 0.04	$ (0.13)	$ 0.09
Diluted	$ 0.22	$ 0.04	$ (0.13)	$ 0.09
Net income (loss) per share				
Basic	$ 0.21	$ 0.05	$ (0.12)	$ 0.09
Diluted	$ 0.21	$ 0.05	$ (0.12)	$ 0.09

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(1) Net income from continuing operations included the favorable effect of $5.9 million and $5.2 million, net of tax in 2004 and 2003, respectively in liquidated damages from Boeing. The liquidated damages were a result of Boeing's failure to meet minimum order requirements under a long-term purchase agreement that expired on December 31, 2003. The first quarter 2004 payment was the final payment under the agreement.

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(2) Net income was unfavorably affected by $.8 million due to the discontinuance of operations at the Company's Tube Mill Operations. The effect of the discontinuance of operations is more fully described in Note 19.

(3) Operating income was favorably affected by a gain of approximately $1

million from the sale of one of the Company's Ashtabula, Ohio facilities previously used for storage.

NOTE 21-- RECLASSIFICATION OF ENVIRONMENTAL LIABILITY AND GOODWILL (IN THOUSANDS):

The Company had classified its environmental liabilities net of recoveries from third parties in prior periods. For the period ended December 31, 2004 the Company has shown environmental liabilities gross without recoveries from third parties. It has shown the amount of recoveries from third parties as other non-current assets. For comparative purposes the Company has reclassified prior periods.

The Company had included in other accrued liabilities goodwill related to the 1997 purchase of its 90% ownership in Galt Alloys, Inc., of $1,560. In the fourth quarter the Company reclassified goodwill previously shown as other accrued liabilities.

The effect of the above reclassifications for the prior period 12/31/03 is shown:

	AS REPORTED AT 12/31/2003	EFFECT OF ENVIRONMENTAL RECLASSIFICATION	EFFECT OF GOODWILL RECLASSIFICATION
Goodwill	$ 34,133	--	$1,560
Other non-current assets	637	2,281	--
Total Assets	389,934	2,281	1,560
Other accrued liabilities	1,492	164	1,560
Total current liabilities	33,329	164	1,560
Other noncurrent Liabilities	6,072	2,117	--
Total liabilities	72,274	2,281	1,560
Total liabilities and shareholders' equity	$389,934	$2,281	$1,560

NOTE 22-- RESTATEMENT OF CASH FLOW STATEMENT FOR THE TAX EFFECTS OF STOCK OPTIONS EXERCISED:

A restatement of the Company's Consolidated Statement of Cash Flows arose as a result of management's determination that the tax effect of employee stock options exercised was incorrectly reported as "cash flows from financing activities." These should have been reported as "cash flows from operating activities" as prescribed by Emerging Issues Task Force ("EITF") 00-15, "Classification in the Statement of Cash Flows of the Income Tax Benefit Received by a Company upon Exercise of Nonqualified Employee Stock Options." The Consolidated Statements of Cash Flows for 2004 and 2003 have been restated. Amounts prior to the fourth quarter of 2003 were immaterial to the Company's Consolidated Statement of Cash Flows.

The restatement does not affect the net change in cash and cash equivalents for any of the periods presented and has no effect on the Company's consolidated balance sheet, the consolidated statement of operations and any related earnings per share amounts for any of the periods presented.

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The effect of the above restatement for each of the prior periods is shown below:

	AS PREVIOUSLY REPORTED FOR THE YEAR ENDED DECEMBER 31, 2003	EFFECT OF RESTATEMENT	AS RESTATED FOR THE YEAR ENDED DECEMBER 31, 2003
CASH FLOWS FROM OPERATING ACTIVITIES:			
Tax benefits from exercise of stock options................................	$ 0	$ 444	$ 444
Cash provided by continuing operating activities............................	$25,181	$ 444	$25,625
Cash provided by operating activities.....	$30,321	$ 444	$30,765
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from exercise of employee stock options................................	$ 1,534	$(444)	$ 1,090
Cash provided by financing activities.....	$ 948	$(444)	$ 504

	AS PREVIOUSLY REPORTED FOR THE YEAR ENDED DECEMBER 31, 2004	EFFECT OF RESTATEMENT	AS RESTATED FOR THE YEAR ENDED DECEMBER 31, 2004
CASH FLOWS FROM OPERATING ACTIVITIES:			
Tax benefits from exercise of stock options................................	$ 0	$ 1,336	$ 1,336
Cash provided by continuing operating activities............................	$16,413	$ 1,336	$17,749
Cash provided by operating activities......	$19,346	$ 1,336	$20,682
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from exercise of employee stock options................................	$ 5,359	$(1,336)	$ 4,023
Cash provided by financing activities......	$ 4,786	$(1,336)	$ 3,450

ITEM 9A. CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES

The Company's management, with the participation of the Company's Disclosure Committee and the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this amended annual report on Form 10-K/A. Based upon that evaluation, including all matters discussed in the paragraphs below, they have concluded that as of December 31, 2004, the Company's disclosure controls and procedures were not effective in ensuring that all material information required to be disclosed in the reports that the Company files with the Securities and Exchange Commission ("SEC") is recorded, processed, summarized, and reported within the time periods specified in the rules and the forms of the SEC.

As set forth in detail below, management has completed its assessment of internal control over financial reporting for the year ended December 31, 2004, as required by Item 308 of Regulation S-K and has determined that it had several control deficiencies that each represented a material weakness. In light of the deficiencies described below, the Company performed additional post-closing procedures to ensure its consolidated financial statements, were prepared in accordance with generally accepted accounting principles. Accordingly, management believes that the Company's financial statements as presented in Item 8 of this Form 10-K/A Amendment No. 2 fairly present, in all material respects, the Company's financial position, results of operations and cash flows for the periods presented.

Section 404 of the Sarbanes-Oxley Act of 2002 ("SOX 404") and related rules of the SEC requires management of public companies to periodically assess the effectiveness of internal control over financial reporting and to annually report their conclusions, including the disclosure of all material weaknesses in internal control over financial reporting. In addition, SOX 404 requires the Company to provide a report of its independent registered public accounting firm on management's annual assessment of the effectiveness of the Company's internal control over financial reporting.

As an "accelerated filer," the Company was required to comply with SOX 404 for the year ended December 31, 2004, and thus management's report on its internal control assessment, as well as the attestation report of the Company's independent registered public accounting firm on management's annual assessment, as of the end of the year 2004, was to have been included in the Form 10-K for the year ended December 31, 2004. Because management had not completed its review and report by the Form 10-K original due date of March 16, 2005, the Company filed a Form 12b-25 on March 17, 2005, disclosing, among other things, that its review and report were not completed. The Company did complete it's year end closing process and filed its Form 10-K on April 14, 2005. However, as of the date of the filing of the Form 10-K, management had still not completed its report and review on its internal control for the year ended 2004, and so indicated in the Form 10-K. Management has completed that review and reports its conclusions as follows:

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING (AS RESTATED)

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Management has assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2004. In making its assessment of internal control over financial reporting, management used the criteria described in "Internal Control--Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. The following material weaknesses have been identified by management:

1) As of December 31, 2004, the Company did not maintain a sufficient complement of personnel with an appropriate level of accounting knowledge, experience and training in the application of generally accepted accounting principles commensurate with the Company's financial reporting requirements. This material weakness contributed to the following individual material weaknesses:

a) The Company did not maintain effective controls over account reconciliations or journal entries. Specifically, the Company did not have effective controls over the preparation, review and approval of certain account reconciliations or journal entries for balance sheet or income statement accounts including: (i) payroll and payroll related

accounts, (ii) import duty recovery accounts, and (iii) workers compensation accrual accounts. These control deficiencies resulted in audit adjustments to the Company's consolidated financial statements.

b) The Company did not maintain effective controls over the selection and application of generally accepted accounting principles ("GAAP"). Specifically, the Company incorrectly applied GAAP in accounting for: (i) the presentation of cash flows in the consolidated statement of cash flows by incorrectly presenting the tax effect of employee stock options exercised as a financing activity instead of an operating activity, (ii) supplemental employment and other post-retirement benefit liabilities and expense by incorrectly accounting for unvested vacation and holiday pay expenses and incorrectly accounting for its other post-retirement benefit liability, (iii) leases by depreciating

leasehold improvements over a period of time greater than the lease term, (iv) business combinations by incorrectly determining the appropriate value of stock used in acquisitions, and (v) foreign currency translation by incorrectly translating the financial statements of a foreign subsidiary. This control deficiency also resulted in the restatement, discussed in Note 22 to the consolidated financial statements, of the Company's consolidated financial statements for the years ended December 31, 2003 and 2004, its consolidated financial statements for the quarters ended March 31 and June 30, 2005, and for all quarters in 2004 as well adjustments to the Company's consolidated financial statements for the quarter ended September 30, 2004 and audit adjustments to the Company's 2004 annual consolidated financial statements.

c) The Company did not maintain effective controls over consolidation and elimination adjustments. Specifically, the Company did not have controls over the completeness or accuracy of consolidating information to ensure that all required consolidation and elimination adjustments were prepared, approved and recorded, including the proper accounting for a minority interest. This control deficiency resulted in audit adjustments to the Company's consolidated financial statements.

d) The Company did not maintain effective controls over the segregation of duties. Specifically, certain of the Company's personnel had incompatible duties that permitted unrestricted access to various financial application programs and data beyond that needed to perform their individual job responsibilities, nor were there effective controls in place to monitor user access. These applications impact all business processes, including accounts receivable, accounts payable, payroll and inventory. This control deficiency did not result in a misstatement to the Company's consolidated financial statements.

e) The Company did not maintain effective controls over the timely

and accurate preparation and review of its financial statements in accordance with GAAP. Specifically, the Company did not have effective controls over the process for identifying and accumulating all required supporting information to ensure the completeness and accuracy of its footnote disclosures, and to ensure that balances in the financial statements agreed to supporting details. These control deficiencies resulted in audit adjustments to the Company's consolidated financial statements.

f) The Company did not maintain effective controls over certain spreadsheets. Specifically, the Company's controls over the completeness, accuracy, validity, and restricted access and the review of certain spreadsheets used in the period-end financial statement preparation and reporting process were either not designed appropriately or did not operate as designed. These control deficiencies did not result in audit adjustments to the Company's consolidated financial statements.

g) The Company did not maintain effectively designed controls over the accounting for income taxes including income taxes payable, deferred income tax assets and liabilities and the related income tax provision. Specifically, due to an insufficient complement of personnel with an appropriate level of accounting knowledge, experience and training in accounting for income taxes in accordance with GAAP, a lack of clarity in the roles and responsibilities related to income tax accounting, insufficient and/or ineffective review and approval practices, and the lack of internal control and review processes to ensure the accuracy of data used in income tax computations, the Company was unable to accurately determine its income tax liability and related provision. This control deficiency resulted in audit adjustments to the Company's consolidated financial statements.

Each of these control deficiencies could result in a misstatement of account balances or disclosures that would result in a material misstatement to the annual or interim financial statements that would not be prevented or detected. Accordingly, management has determined that each control deficiency constitutes a material weakness.

2) As of December 31, 2004, the Company did not maintain effective control over the effectiveness of controls at two third-party service organizations. The service organizations process payroll for certain Company employees as well as health care claims for both Company employees and retirees. Such processes are considered part of the Company's internal control over financial reporting specifically as to the existence and completeness of payroll and health care claims liabilities as well as the related expenses. Management

was unable to obtain evidence about the effectiveness of controls over financial reporting at these service organizations which represents a

control deficiency. This control deficiency did not result in a misstatement to the Company's consolidated financial statements. However, it could result in the misstatement of payroll and health care claims liabilities as well as the related expenses that would result in a material misstatement to annual or interim financial statements that would not be prevented or detected. Accordingly, management determined that this control deficiency constitutes a material weakness.

3) As of December 31, 2004, the Company did not maintain effective control over the accounting for property, plant and equipment. Specifically, the Company's controls to ensure the complete and accurate processing of additions, disposals, maintenance of useful lives and the calculation of depreciation were not designed effectively. This control deficiency did not result in a misstatement to the Company's consolidated financial statements. However, it could result in a misstatement of property, plant and equipment and the related depreciation expense that would result in a material misstatement to annual or interim financial statements that would not be prevented or detected. Accordingly, management determined that this control deficiency constitutes a material weakness.

4) As of December 31, 2004, the Company did not maintain an effective control environment based on criteria established in "Internal Control--Integrated Framework" issued by the COSO. The financial reporting organizational structure was not adequate to support the size, complexity, operating activities or locations of the Company. Deficiencies, such as an insufficient complement of personnel with an appropriate level of accounting knowledge, experience and training in the application of generally accepted accounting principles have resulted in adjustments to the consolidated financial statements as discussed in item 1 above. Item 1, together with the material weaknesses described in items 2 and 3 above, indicate that the Company did not maintain an effective control environment. These control deficiencies could result in a misstatement of accounts and disclosures that would result in a material misstatement to annual or interim financial statements that would not be prevented or detected. Accordingly, management determined that this control deficiency constitutes a material weakness.

Because of the material weaknesses described above, management has concluded that the Company did not maintain effective internal control over financial reporting as of December 31, 2004, based upon the criteria established in "Internal Control--Integrated Framework" issued by COSO.

We have excluded Claro Precision, Inc. from our assessment of internal control over financial reporting as of December 31, 2004 because it was acquired by the Company through a purchase business combination in October 2004. Claro Precision Inc. is a wholly-owned subsidiary whose total assets and total revenues represent approximately 9% and approximately 2%, respectively, of the related consolidated financial statement amounts as of and for the year-ended December 31, 2004. Our conclusion regarding the effectiveness of our internal control over financial reporting as of December 31, 2004 does not include the internal control over financial reporting of Claro Precision, Inc.

Management had previously concluded that the Company did not maintain effective internal control over financial reporting as of December 31, 2004, because of the material weaknesses described above. In connection with the restatement of the Company's consolidated financial statements discussed in Note 22 to the consolidated financial statements, our management has determined that the restatement was an additional effect of the material weakness described in 1b above. Accordingly, this restatement does not affect the previous conclusion stated in our report on internal control over financial reporting.

Management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2004 has been audited by the Company's independent registered public accounting firm, as stated in their report which appears herein.

MANAGEMENT'S REMEDIATION INITIATIVES

The Company is implementing enhancements and changes to its internal control over financial reporting to provide reasonable assurance that errors and control deficiencies in its accounting will not recur. These remediation initiatives, some of which have already commenced, and others that are intended to be implemented during the course of 2005, represent the Company's plans to remediate the material weaknesses identified above,

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with some of the remediation plans impacting only one material weakness, while other remediation plans will remedy several of the material weaknesses after their implementation.

Period-ending financial reporting process, identified as material weaknesses 1(a) through (g) above:

The Company's planned remediation measures are intended to address material weaknesses in internal controls related to the period-end financial reporting process that have the potential of preventing the accurate preparation and review of the Company's consolidated financial statements in future financial periods. The Company's planned remediation measures include the following:

- The Company plans to implement new and enhanced procedures to ensure that non-routine transactions are identified and reviewed during the period-end financial reporting process to ensure proper accounting treatment.

- The Company plans to enhance its period-end closing procedures by implementing critical reviews of account reconciliations, controls over

spreadsheets and standardized checklists to ensure such procedures are consistently and effectively applied throughout the organization. In addition, the Company has enhanced supervisory reviews over journal entries, including non-standard journal entries.

- Spreadsheet Controls:

  - Management plans to implement the appropriate end user computing controls and to ensure that spreadsheets used in the period-end financial reporting process are appropriately controlled.

- Period End Consolidation Process

  - The Company plans on implementing an automated consolidation system. In the interim, the Company is increasing its supervisory review of the consolidation process.

- Segregation of Duties:

  - Management plans to implement the following remediation activities:

    - Reduced the number of business information system ("SAP") users with unrestricted access

    - Implemented a plan to utilize an automated review of all SAP user accesses

    - Expand the use of automated controls to monitor and detect inappropriate access and transaction execution within the information system

    - Review the organizational structure to implement compensating or redundant controls by supervisory personnel in those situations where segregation of duties are not adequately established due to limited resources

- Tax Accounting:

- The Company plans to implement the following remediation activities:

  - Create and staff the position of tax accounting manager in the accounting and finance organization to provide oversight over the income tax accounting performed by the organization and strengthen the income tax accounting function within the accounting and finance organization

  - Implement definitive standards and procedures for the detailed review and approval of documentation and reconciliations supporting all tax accounts and related journal entries by subject matter experts

  - Enhance internal audit procedures performed over the accounting for income taxes

- External Financial Statement Preparation and Reporting Process

- The Company's planned remediation measures are intended to address material weaknesses related to the external financial statement preparation and reporting process. The Company plans to implement the following remediation measures:

  - Enhance the communication and distribution of its accounting policies and procedures

  - Develop a process to more effectively accumulate and analyze information required for financial statement disclosures

- Personnel

  - The Company plans to ensure that the Company will have sufficient personnel with knowledge, experience and training in the application of generally accepted accounting principles commensurate with the Company's financial reporting requirements by performing the following:

    - The Company's chief financial officer, with assistance from senior financial staff, will review and adapt the overall organizational design and reporting structure of the finance organization within the

Company to ensure the appropriately skilled and adequate staffing to support the Company's financial reporting responsibilities

- Retain and to continue to retain the services of outside consultants, other than the Company's independent registered public accounting firm, with relevant accounting experience, skills and knowledge to work under the supervision and direction of the Company's management and to supplement the Company's existing accounting personnel

THIRD PARTY SERVICE PROVIDERS, IDENTIFIED AS MATERIAL WEAKNESS 2 ABOVE:

To address the material weakness related to management's inability to evaluate controls over financial reporting at the two third party service organizations, the Company will use its best efforts to pursue one of the following three courses of action; (a) obtain appropriate Type 2 SAS 70 service auditor's reports from the service organizations; (b) perform an evaluation of the relevant internal control over financial reporting at the service organizations; or (c) replace the service organizations with other third-party service organizations that are able to provide Type 2 SAS 70 service auditor's reports. In the interim, the Company conducted an operation and claims review as appropriate.

ACCOUNTING FOR PROPERTY, PLANT, AND EQUIPMENT, IDENTIFIED AS MATERIAL WEAKNESS 3 ABOVE:

To address the material weakness related to the controls over management's fixed asset accounting, the Company plans to implement its SAP Asset Accounting module during the second quarter of 2005. During the continued use of the existing system, the Company plans to implement effective general IT controls over the system and continue substantive testing of Property, Plant, Equipment and related account transactions and balances.

CONTROL ENVIRONMENT, IDENTIFIED AS MATERIAL WEAKNESS 4 ABOVE:

To address material weaknesses related to the control environment, the Company's actual and planned remediation measures include the following;

- The Company will begin a process to determine the appropriate balance between utilizing third party internal audit outsourcing resources and those resources which should be internally developed and hired. The Company has already begun to create, and will continue to sufficiently staff, its own internal audit department to assist in enhancing the existing internal controls and to provide effective internal control over its financial reporting.

- The Company's chief financial officer, with assistance from senior financial staff, will review and adapt the overall organizational design and reporting structure of the finance organization within the Company to ensure the appropriately skilled and adequate staffing to support the Company's financial reporting responsibilities.

- Centralize the internal controls affecting payroll processing for the Titanium Group.

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- Ensure that the Company will have sufficient personnel with knowledge, experience and training in the application of generally accepted accounting principles commensurate with the Company's financial reporting requirements

- Retain and to continue to retain the services of outside consultants, other than the Company's independent registered public accounting firm, with relevant accounting experience, skills and knowledge, to work under the supervision and direction of the Company's management, and to supplement the Company's existing accounting personnel.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

The discussion above under "Management's Remediation Initiatives" describes the material planned changes to the Company's internal control over financial reporting subsequent to the year-ended December 31, 2004.

There were no changes in internal control over financial reporting during the fourth quarter in 2004 that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following documents are filed as a part of this report:

1. The financial statements contained in Item 8 hereof;

2. The financial statement schedules contained in Item 8 hereof; and

3. The following Exhibits:

EXHIBITS

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

EXHIBIT NO.	DESCRIPTION
2.0*	Amended and Restated Reorganization Agreement, incorporated by reference to Exhibit 2.1 to the Company's Registration Statement on Form S-1 No. 33-30667 Amendment No. 1
2.1*	Stock Purchase Agreement, dated as of October 1, 1998, by and among RTI International Metals, Inc., New Century Metals, Inc., Richard R. Burkhart and Joseph H. Rice, incorporated by reference to Exhibit 2.1 and 2.2 to the Company's Current Report on Form 8-K dated October 15, 1998
2.2*	Asset Purchase Agreement, dated October 1, 1998, by and among Weld-Tech Engineering Services, L.P. and Weld-Tech Engineering, L.P., incorporated by reference to Exhibit 2.1 and 2.2 to the Company's Current Report on Form 8-K dated October 15, 1998
2.3*	Claro purchase agreement, incorporated by reference to Exhibit 2.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended 9/30/04.
3.1*	Amended and Restated Articles of Incorporation of the Company, effective April 29, 1999, incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1999
3.2*	Amended Code of Regulations of the Company, incorporated by reference to Exhibit 3.3 to the Company's Registration Statement on Form S-4 No. 333-61935
3.3*	RTI International Metals, Inc., Code of Ethical Business Conduct, incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 2003.
4.1*	Credit Agreement between RTI International Metals, Inc. and PNC Bank, National Association, as agent; U.S. Bank, National City Bank of Pennsylvania and Lasalle Bank, National Association as co-agents, dated as of April 12, 2002, incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2002
10.1*	RMI Company Annual Incentive Compensation Plan, incorporated by reference to Exhibit 10.3 to the Company's Registration Statement on Form S-1 No. 33-30667 Amendment No. 2
10.2*	RMI Titanium Company 1989 Stock Option Incentive Plan, incorporated by reference to exhibit 10.4 to the Company's Registration Statement on Form S-1 No. 33-30667 Amendment No. 2
10.3*	RTI International Metals, Inc. Supplemental Pension Plan effective August 1, 1987, amended January 28, 2000 and further amended January 30, 2004, incorporated by reference

	to Exhibit 10.12 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003
10.4*	RTI International Metals, Inc. Excess Benefits Plan effective July 18, 1991, as amended January 28, 2000, incorporated by reference to Exhibit 10.6 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000
10.5*	RTI International Metals, Inc., 1995 Stock Plan incorporated by reference to Exhibit 10.11 to the Company's Annual Report on Form 10-K for the year ended December 31, 1995
10.6*	Employment agreement, dated August 1, 1999, between the Company and John H. Odle, incorporated by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999
10.7*	Employment agreement, dated August 1, 1999, between the Company and T. G. Rupert, incorporated by reference to Exhibit 10.11 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999
10.8*	Employment agreement, dated August 1, 1999 between the Company and Dawne S. Hickton, incorporated by reference to Exhibit 10.12 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999
10.9*	Employment agreement, dated August 1, 1999 between the Company and Lawrence W. Jacobs, incorporated by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999

EXHIBIT NO.	DESCRIPTION
10.10*	Employment agreement, dated November 1, 1999, between the Company and Gordon L. Berkstresser, incorporated by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999
10.11*	Letter Agreement, dated December 3, 2003, between the Company and T.G. Rupert, with respect to retirement benefits, incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 2003.
10.12*	RTI International Metals, Inc., 2004 Stock Plan effective January 28, 2005, incorporated by reference to Exhibit 10.13 to the Company's Registration Statement on Form S-8 No. 333-122357 dated January 28, 2005
10.13*	Form of Non-Qualified Stock Option Grant under the RTI International Metals, Inc. 2004 Stock Plan
10.14*	Form of Restricted Stock Grant under the RTI International Metals, Inc. 2004 Stock Plan
10.15*	RTI International Metals, Inc., Board of Directors Compensation Program
21.1*	Subsidiaries of the Company
23.1+	Consent of Independent Registered Public Accounting Firm
24.1*	Powers of Attorney
31.1+	Certification of Chief Executive Officer required by Item 307 of Regulation S-K as promulgated by the Securities and

	Exchange Commission and pursuant to Section 302 of Sarbanes-Oxley Act of 2002
31.2+	Certification of Chief Financial Officer required by Item 307 of Regulation S-K as promulgated by the Securities and Exchange Commission and pursuant to Section 302 of Sarbanes-Oxley Act of 2002
32.1+	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2+	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.1*	Financial Statements of The RMI Employee Savings and Investment Plan for the year ended December 31, 2002 (to be filed by amendment)
99.2*	Financial Statements of The RMI Bargaining Unit Employee Savings and Investment Plan for the year ended December 31, 2002 (to be filed by amendment)

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* Previously filed.

+ Filed herewith.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

RTI INTERNATIONAL METALS, INC.

By /s/ WILLIAM T. HULL

William T. Hull
Vice President &
Chief Accounting Officer

Dated: December 15, 2005

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE AND TITLE	DATE

CRAIG R. ANDERSSON, Director;

NEIL A. ARMSTRONG, Director;

DANIEL I. BOOKER, Director;

DONALD P. FUSILLI, Director,

RONALD L. GALLATIN, Director;

CHARLES C. GEDEON, Director;

ROBERT M. HERNANDEZ, Director;

EDITH E. HOLIDAY, Director;

JOHN H. ODLE, Director;

/s/ TIMOTHY RUPERT T. G. Rupert Attorney-in-Fact	December 15, 2005
/s/ TIMOTHY G. RUPERT T. G. Rupert President, Chief Executive Officer and Director	December 15, 2005

RTI INTERNATIONAL METALS, INC.

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS

(IN THOUSANDS)

DESCRIPTION	BALANCE AT BEGINNING OF YEAR	(CHARGED) CREDITED TO COSTS AND EXPENSES	WRITEOFFS AGAINST ALLOWANCE	OTHER
Year ended December 31, 2004:				
Allowance for doubtful accounts...............	$(1,378)	$(518)	$419	$ (8)

Valuation allowance for deferred income taxes	$ --	$ 577	$ --	$ --
Allowance for U.S. Customs on Duty Drawback	$ (381)	$ 162	$ --	$ --
Year ended December 31, 2003:				
Allowance for doubtful accounts	$(1,205)	$(601)	$428	$ --
Valuation allowance for deferred income taxes	$ --	$ --	$ --	$ --
Allowance for U.S. Customs on Duty Drawback	$ --	$(381)	$ --	$ --
Year ended December 31, 2002:				
Allowance for doubtful accounts	$(1,219)	$(769)	$783	$ --
Valuation allowance for deferred income taxes	$ --	$ --	$ --	$ --
Allowance for U.S. Customs on Duty Drawback	$ --	$ --	$ --	$ --