RTI INTERNATIONAL METALS INC
Form 10-K/A
May 09, 2005

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

FORM 10-K/A
(AMENDMENT NO. 1)

(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: 001-31463

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)

330-544-7700
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of exchange on which registered
COMMON STOCK, PAR VALUE $0.01 PER SHARE	NEW YORK STOCK EXCHANGE

Securities registered pursuant to Section 12(b) 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 [ ]

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 THE REPORT.

EXPLANATORY NOTE

RTI International Metals, Inc. (the "Company" or "RTI") is filing this Amendment No. 1 (the "Amendment") 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 (the "Original Filing"), to (i) amend and restate Item 9A to include, among other things, Management's Report on Internal Control Over Financial Reporting and (ii) amend and restate Item 8 to include the report (the "Auditors' Report") of the Company's independent registered public accounting firm relating to the Company's financial statements and management's report on internal control over financial reporting. This Amendment 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. While Item 8 is being reproduced in its entirety, the financial statements contained therein have not been modified and are consistent with those filed in the Original Filing.

Except for the amendments discussed above, this Amendment does not modify or update other disclosures in or exhibits to the Original Filing. With the exception of the matters disclosed in Items 9A and the Auditors' Report, this Amendment continues to speak as of the date of the Original Filing and the Company has not updated the disclosure contained therein to reflect events that have occurred since the date of the Original Filing. This Amendment should be read in connection with any current reports filed during such time period.

PART II

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.

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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.

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.

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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.

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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) 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, (ii) leases by depreciating leasehold improvements over a period of time greater than the lease term, (iii) business combinations by incorrectly determining the appropriate value of stock used in acquisitions, and (iv) foreign currency translation by incorrectly translating the financial statements of a foreign subsidiary. This control deficiency resulted in audit adjustments to the Company's 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.

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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 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.

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 report dated April 14, 2005, we stated that the Company had not reported on its assessment of the effectiveness of internal control over financial reporting and, accordingly, the scope of our work was not sufficient to enable us to express, and we did not express, an opinion on the effectiveness of the Company's internal control over financial reporting. The Company has now reported on its assessment of the effectiveness of internal control over financial reporting and we have completed our audit thereof. Accordingly, our present report insofar as it relates to the Company's internal control over financial reporting as of December 31, 2004, as presented herein, is different from our previous report.

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.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Pittsburgh, Pennsylvania
May 6, 2005

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.

RTI INTERNATIONAL METALS, INC.

CONSOLIDATED BALANCE SHEET

(DOLLARS IN THOUSANDS)

	DECEMBER 31, 2004	DECEMBER 31, 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	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (loss) income	$ (2,957)	$ 4,714	$15,125
Net loss from discontinued operations	137	14	50
Loss on disposal of discontinued operations	692	--	--
Net (loss) income from continuing operations	(2,128)	4,728	15,175
Adjustment for non-cash items included in net income:			
Depreciation and amortization	12,461	12,036	12,221
Deferred income taxes	2,565	(4,184)	6,297
Stock-based compensation and other	1,216	1,736	2,487
Gain from sale of common stock	--	--	(2,105)
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	9,744
Inventories	19,868	(3,746)	3,920
Accounts payable	(938)	(728)	(2,591)
Income taxes payable	(9,623)	4,759	(29)
Billings in excess of costs and estimated earnings	(2,794)	5,114	(3,745)
Other current liabilities	4,098	(373)	(3,030)
Other assets and liabilities	2,173	(116)	2,139
Cash provided by continuing operating activities	16,413	25,181	40,483
Cash provided by discontinued operating activities	2,933	5,140	776
Cash provided by operating activities	19,346	30,321	41,259
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)	(7,603)
Cash used in investing activities	(29,401)	(3,965)	(7,603)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from exercise of employee stock options	5,359	1,534	129

Purchase of common stock held in treasury................	(288)	(586)	(420)
Deferred charges related to credit facility..............	(285)	--	(735)
Cash provided by (used in) financing activities........	4,786	948	(1,026)
(Decrease)increase in cash and cash equivalents.............	(5,269)	27,304	32,630
Cash and cash equivalents at beginning of period............	67,970	40,666	8,036
Cash and cash equivalents at end of period..................	$ 62,701	$67,970	$40,666
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid for interest (net of amounts capitalized).........	$ 426	$ 443	$ 373
Cash paid for income taxes..................................	$ 6,086	$ 3,165	$ 5,812
NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Issuance of common stock for restricted stock awards........	$ 1,301	$ 955	$ 478
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.

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.

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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.

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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) (UNAUDITED)		
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

	2004	2003	2002
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.

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

The following unaudited pro forma information for RTI is provided to include the 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 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	$2,982	$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

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

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.

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

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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.

	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.

(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

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

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 now 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, reported and filed on Form 10-K on April 14, 2005, were prepared in accordance with generally accepted accounting principles. Accordingly, management believes that the Company's financial statements as presented in Item 8 of the Form 10-K filed on April 14 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 now completed that review and reports its conclusions as follows:

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING.

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 for: (i) 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, (ii) leases by depreciating leasehold improvements over a period of time greater than the lease term, (iii) business combinations by incorrectly determining the appropriate value of stock used in acquisitions, and (iv) foreign currency translation by incorrectly translating the financial statements of a foreign subsidiary. This control deficiency resulted in audit adjustments to the Company's 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 resulted 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 lines 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 in this Annual Report on Form 10K/A 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'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, 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.

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- 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

        o 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.

- 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.

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 schedule set forth following the signatures to this Form 10-K/A; and

3) The following Exhibits:

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

Index to Exhibits

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
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 Item307 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.

Dated: May 9, 2005 By: /s/ Lawrence W. Jacobs

Lawrence W. Jacobs
Vice President, Chief Financial
Officer & Treasurer

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; and	
JOHN H. ODLE, Director	
By: /s/ Timothy G. Rupert Timothy G. Rupert Attorney-in-fact	May 9, 2005
/s/ Timothy G. Rupert Timothy G. Rupert President, Chief Executive Officer and Director	May 9, 2005

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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	BA AT OF

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................................	$ --	$ --	$ --	$ --	$