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RTI INTERNATIONAL METALS INC
Form 10-K
March 12, 2003

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-K

(MARK ONE)

- Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 [fee required] for the fiscal year ended December 31, 2002 or
- Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 [no fee required] for the transition period from to

COMMISSION FILE NUMBER 001-14437

RTI INTERNATIONAL METALS, INC.
(Exact name of registrant as specified in its charter)

OHIO
(State of Incorporation)

52-2115953
(I.R.S. Employer Identification No.)

1000 WARREN AVENUE, NILES, OHIO
(Address of principal executive offices)

44446
(Zip code)

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

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

TITLE OF EACH CLASS -----	NAME OF EACH EXCHANGE ON WHICH REGISTERED -----
Common Stock, Par Value \$0.01 Per Share	New York Stock Exchange

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes 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.

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Aggregate market value of the voting stock held by non-affiliates of the registrant as of March 1, 2003: \$106,764,779. 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 1, 2003: 20,829,665

DOCUMENTS INCORPORATED BY REFERENCE:

Selected Portions of the 2002 Proxy Statement-Part III of this Report.

RTI INTERNATIONAL METALS, INC. AND CONSOLIDATED SUBSIDIARIES

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

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PART I

ITEM 1. BUSINESS

THE COMPANY

RTI International Metals, Inc. is a leading U.S. producer of titanium mill products and fabricated metal parts for the global market. The Company conducts business in two segments: the Titanium Group and the Fabrication and Distribution Group. The Titanium Group melts and produces a complete range of titanium mill products, which are further processed by its customers for use in a variety of aerospace and industrial applications. The Fabrication and Distribution Group is comprised of companies that process and distribute titanium and other specialty metals. Its products, many of which are engineered parts and assemblies, serve aerospace, oil and gas, power generation, and chemical process industries, as well as a number of other industrial and consumer markets.

On September 30, 1998, the shareholders of the Company's now wholly-owned subsidiary RMI Titanium Company ("RMI"), approved a proposal to reorganize into a holding company structure (the "1998 Reorganization"). Pursuant to this reorganization, the Company became the parent company of RMI, and shares of RMI Common Stock were automatically exchanged on a one-for-one (1:1) basis for shares of RTI. Shares of RTI began trading on the New York Stock Exchange on October 1, 1998.

The Company is a successor to entities that have been operating in the titanium industry since 1951. In 1990, USX Corporation ("USX") and Quantum Chemical Corporation ("Quantum") transferred their entire ownership interest in RMI's immediate predecessor, RMI Company, an Ohio general partnership, to the Company in exchange for shares of the Company's common stock (the "1990 Reorganization"). Quantum sold its shares of common stock to the public while USX retained ownership of its shares.

In November, 1996, USX completed a public offering of its 6 3/4% notes (the "Notes") which were exchangeable in February, 2000, for 5,483,600 shares of RTI common stock owned by USX. On February 1, 2000, the trustee under the note indenture delivered 5,483,600 shares of RTI common stock to the note holders in exchange for the Notes terminating USX's ownership interest in RTI.

On July 3, 1997, the Company acquired 90% of the common stock of Galt Alloys, Inc. ("Galt"), a manufacturer of ferro titanium and a producer and worldwide distributor of specialty alloys to ferrous and nonferrous customers. Subsequent to the 90% acquisition of Galt, new facilities were constructed at Galt that provide low cost feedstock to the Company's Niles, Ohio facility. Galt conducts business as part of the Titanium Group.

On October 1, 1998, RTI acquired all of the capital stock of New Century Metals, Inc. ("NCM") of Solon, Ohio. NCM was a manufacturer and distributor of high temperature and corrosion resistant alloys including titanium, stainless steel and nickel, in long bar form, for use in the aerospace, chemical processing, oil exploration and production, and power generation industries. In addition to manufacturing facilities acquired as part of the NCM capital stock acquisition, the Company built and installed a 5,000 ton press in leased space

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in Houston, Texas. This project, which operates as part of the Company's Fabrication unit, was completed in the fall of 2001. NCM operated four distribution centers which now operate as part of the Distribution unit of the Fabrication and Distribution Group.

Also on October 1, 1998, RTI acquired the assets of Weld-Tech Engineering, L.P. ("Weld-Tech"). Weld-Tech, based in Houston, Texas operates as part of the Energy unit of the Fabrication and Distribution Group. Weld-Tech provides engineered and fabricated products, systems and services for the oil and gas industry, including weld design, fabrication and repair, as well as materials engineering and testing services.

On December 14, 2000, the Company purchased the remaining 60% of the outstanding shares of Reamet, S.A. ("Reamet"). Since 1992, the Company had owned 40% of the outstanding shares of Reamet. Reamet, located in Villette, France, is a premier distributor of titanium products to the French market, serving aerospace, military and industrial customers. Reamet's largest customer is Airbus, with which it has a contract to supply titanium, principally in the form of cut plate. Reamet, a wholly owned subsidiary of RTI France, S.A.S., now operates as part of the Fabrication and Distribution Group.

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INDUSTRY OVERVIEW

Titanium is one of the newest specialty metals. Its physical characteristics include high strength-to-weight ratio, high temperature performance and superior corrosion and erosion resistance. The first major commercial application of titanium occurred in the early 1950's when it was used in components in aircraft gas turbine engines. Subsequent applications were developed to use the material in other aerospace component parts and in airframe construction. Historically, a majority of the U.S. titanium industry's output has been used in aerospace applications. However, significant quantities of the industry's output are currently used in nonaerospace applications, such as the global chemical processing industry, oil and gas exploration and production, geothermal energy production, consumer products and armor plate for military applications.

The terrorists attacks of September 11, 2001 and their effect on the general economy have had a significant influence on overall business conditions. If a Middle East war occurs, commercial air travel is expected to be affected, adding to further airline losses, and reduced aircraft production.

COMMERCIAL AEROSPACE AND DEFENSE

Aerospace demand originates from two sectors: commercial and defense programs. Demand from these segments comprises about 50% of the global demand for titanium products, and 65% or more of the U.S. demand. The greatest impact of the events of September 11 has been on commercial aerospace markets, which provide approximately 30% of RTI's revenues. Airline operators experienced a dramatic drop in travel immediately following September 11, which resulted in significant losses within their industry causing a reduced demand for new aircraft. The primary builders of large commercial aircraft, Boeing and Airbus, adjusted their build rates in 2002 and 2003 downward to reflect the change in demand. According to the Airline Monitor, the drop in commercial aircraft production in 2002 from 2001 was reported to be 27% for Boeing and 7% for Airbus, or a total combined reduction of approximately 19%. For 2003 Boeing is projecting a further drop in production of approximately 25%, and Airbus less than 5% for a combined reduction of approximately 15%. All build schedules are subject to change, and are highly dependent on airline passenger travel and airline profitability. Therefore, the exact magnitude of the downturn on

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commercial aerospace remains somewhat uncertain for 2003 and beyond.

Longer term, the commercial aerospace sector is expected to continue to be a very significant consumer of titanium products due to the expected long-term growth of worldwide traffic and the need to repair and replace aging commercial fleets over the next 20 years.

Defense markets represent approximately 30% of RTI's revenues. The major programs that require extensive use of titanium in the jet engine and airframe structure are fighter aircraft such as the F-15, F/A-18, F-22, and Joint Strike Fighter (F-35) and Eurofighter, and in military transports like the C-17. The importance of the military demand is expected to grow in 2003 and beyond due to increased defense budgets and increased hardware purchases by the U.S. Government and European nations, partially brought about by the events of September 11. It is estimated that global military demand for titanium will increase, and become as much as 20% of the total titanium market, but it is not expected to completely offset the drop in the commercial aerospace sector. RTI supplies products to all the programs mentioned above.

Historically, the cyclical nature of the aerospace and defense industries has been the principal cause of the fluctuations in performance of companies engaged in the titanium industry. Over the past 20 years, U.S. titanium mill products shipments registered cyclical peaks of 65 million pounds in 1997 to a low of 32 million pounds in 1983. The U.S. titanium industry's reported shipments were approximately 48 million pounds in 1999 and 52 million pounds in 2000 and 2001. The estimate for 2002 is approximately 36 million pounds, although published figures have not been issued at the time of printing.

Lead times of titanium mill products, combined with those for fabricated components, can aggregate from 6 months to 18 months, with an average of 12 months overall. Therefore, shipments of mill products in 2002 for the aerospace markets are more a function of demand from aerospace production in 2003. Mill product shipments for aerospace markets in 2003 will more directly reflect aircraft production rates for 2004.

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INDUSTRIAL AND CONSUMER

RTI manufactures and distributes high temperature and corrosion resistant alloys such as titanium, stainless steel and nickel based alloys to the chemical processing, oil and gas, power generation, and consumer markets for sports and recreation industries. The Company also provides engineered and fabricated parts and provides services to the oil and gas industry, including weld design, fabrication repair, as well as materials engineering and testing services. It is estimated that the global demand for non-aerospace markets industry-wide is approximately 50% of the total mill product market.

Industrial and Consumer markets provided approximately 40% of RTI's revenue in 2002. In 2002 RTI expanded its non-aerospace business in two major markets: mining and energy. In the mining market RTI was selected to provide the titanium, with its unique corrosion resistance, for a major nickel-cobalt facility developed by Inco, Ltd., in New Caledonia named Goro. Follow-on business may materialize from this application but is not expected over the next year or two. In the energy market, the demand for oil and gas increased deepwater exploration and production in 2002, and resulted in much higher demand for the Company's products produced and marketed through RTI Energy Systems, Inc. located in Houston, Texas. This demand is expected to grow over the next several years.

PRODUCTS AND MARKETS

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The Company's products are produced and marketed by two operating segments: (1) the Titanium Group; and (2) the Fabrication and Distribution Group.

The Titanium Group's products consist primarily of titanium mill products and specialty alloys for use in the ferrous and nonferrous metals industries. Titanium mill products consist of basic mill shapes such as ingot, slab, bloom, billet, bar, sheet, plate, strip and welded tube. These products are sold to a customer base consisting primarily of manufacturing and fabrication companies in the aerospace and nonaerospace markets such as prime aircraft manufacturers and subcontractors including metal fabricators, forge shops, machine shops and metal distribution companies. Titanium mill products are semi-finished goods and most often represent the raw or starting material for these customers, who then form, fabricate, machine or further process them into finished or semi-finished parts. A significant amount of titanium mill products are sold to the Company's Fabrication and Distribution Group (over 30% in 2002) where value-added services are performed for ultimate shipment to the public customer. This Group also manufactures titanium powders and sells specialty alloys used by the ferrous and nonferrous metal industries.

The Fabrication and Distribution Group consists primarily of businesses engaged in the fabrication and distribution of titanium and other specialty metals such as stainless steel and nickel-based alloys in both the United States and Europe. Fabricated products include pipe, engineered tubular products, hot-formed and superplastically formed parts, cut shapes, and various specialized cut-to-size programs. The Fabrication unit extrudes numerous shapes and sizes of specialty metals for use in aerospace and nonaerospace applications. The Energy unit fabricates components such as connectors, subsea manifolds and riser systems which are used in offshore oil and gas production. The Energy unit also designs and markets offshore riser systems, stress joints and drill pipe. The Distribution unit operates a number of domestic metal distribution facilities, which stock and deliver cut-to-size titanium products, as well as other specialty metals. The RTI Europe business unit operates distribution facilities in Europe which stock and deliver cut-to-size titanium products and other specialty metals.

The amount of sales and the percentage of the Company's consolidated sales represented by each Group during each of the years beginning in 2000 were as follows (dollars in millions):

	2002		2001		2000	
	\$	%	\$	%	\$	%
Titanium Group (1).....	\$110.4	41%	\$126.9	44%	\$124.2	50%
Fabrication and Distribution Group.....	143.2	53	144.9	51	108.4	43
Other (2).....	17.3	6	14.1	5	16.8	7
Total.....	\$270.9	100%	\$285.9	100%	\$249.4	100%

Operating profit and the percentage of consolidated operating profit contributed by each Group during each of the years beginning in 2000 were as follows (dollars in millions):

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	2002		2001		2000	
	\$	%	\$	%	\$	%
Titanium Group.....	\$ 9.0	59%	\$4.0	41%	\$5.6	84%
Fabrication and Distribution Group.....	5.1	33	4.7	48	--	--
Other (2).....	1.2	8	1.1	11	1.1	16
Total.....	\$15.3	100%	\$9.8	100%	\$6.7	100%

The amount of the Company's consolidated assets identified with each Group for each of the years ended December 31 were as follows (dollars in millions):

	2002	2001	2000
Titanium Group.....	\$217.7	\$218.0	\$228.4
Fabrication and Distribution Group.....	146.2	157.2	149.5
General Corporate (3).....	32.3	12.6	8.4
Total.....	\$396.2	\$387.8	\$386.3

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- (1) Excludes approximately \$55 million, \$48 million and \$46 million of intercompany sales to Fabrication and Distribution in 2002, 2001 and 2000, respectively. The Company's longer term strategy includes continued marketing efforts to increase the utility to the end customer by delivering products more suitable to end uses by eliminating the customer's need to provide additional processing steps to the metal.
 - (2) Includes United States Department of Energy ("DOE") remediation and restoration contract.
 - (3) Consists primarily of unallocated cash, short-term investments and deferred tax assets.

TITANIUM GROUP

The Titanium Group produces a full range of titanium mill products which are used in both the aerospace and nonaerospace markets.

Commercial Aerospace. Approximately 43% of the Group's 2002 mill product sales were commercial aerospace-related compared with approximately 55% in 2001 and 59% in 2000. The Group's products are certified and approved for use by all major domestic and most international manufacturers of commercial aircraft and jet engines. Products such as sheet, plate, strip, bar, billet and ingot, are fabricated into parts and are utilized in aircraft structural sections such as landing gear parts, fasteners, tail sections, wing support and carry-through structures and various engine components including rotor blades, vanes, discs, rings and engine cases.

According to The Airline Monitor, at December 31, 2002, the leading

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manufacturers of commercial aircraft, Boeing and Airbus, reported an aggregate of 2,649 aircraft under firm order which represents a 9.2% decrease when compared to the backlog at December 31, 2001 of 2,919 aircraft.

While the total backlog has declined, it remains at a level in excess of 2,600 units which at today's production rate equates to over 4 years of production for Boeing and Airbus. There can be no assurance that it will remain at this level, but a significant production backlog is expected to be in place over the next few years. The long term outlook for this segment over the next 20 years is that approximately 20,000 large jets and 4,300 regional jets for new and replacement aircraft will be required to support the demand of increased passenger travel.

Defense. Approximately 31% of the Group's 2002 mill product sales were defense related, compared with approximately 25% in 2001 and 2000. The Company's products are certified and approved for use by all major and most international manufacturers of military aircraft and jet engines. The various mill products are fabricated into parts and are utilized in aircraft structural sections, wing skins, fasteners, wing carry-through structures and various engine components including rotor blades, vanes, discs, rings and engine cases, and armor for military vehicles. Product from this segment is utilized in programs such as the C-17 military transport, fighter aircraft

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such as the F-18, F-15, F-16, F-22, and the Joint Strike Fighter (F-35). Internationally it is used on the European fighters such as the Tornado, Mirage, Eurofighter, and the A-400 transport.

Industrial and Consumer. Principal mill products for these markets include commercially pure (unalloyed) strip, welded tube and plate used for chemical processing and pulp and paper equipment. The Group is also a supplier of commercially pure titanium plate and strip, which offers superior corrosion resistance and ductility for critical forming and metal expansion required in applications such as heat exchangers and anodes for the chlorine industry. Industrial and consumer markets accounted for 26% of the Group's mill product sales in 2002, 20% in 2001 and 16% in 2000.

Other. The Company has a long-term agreement with the DOE covering the remediation and restoration of certain of the Company's closed facilities in Ashtabula, Ohio, for which the DOE is responsible as a result of work performed there by the Company for the U.S. Government. The Company is serving as the prime contractor during the remediation and restoration period. Year-to-year revenues and the time of completion of the project will depend on DOE funding. In 2002, the Company recognized \$17.3 million in revenues under this program compared to \$14.1 million in 2001 and \$16.8 million in 2000. As the prime contractor, the Company provides management services necessary to complete assessment, clean-up and remediation activities.

FABRICATION AND DISTRIBUTION GROUP

Fabricated products include value added activity, seamless and welded pipe, engineered tubular products and extrusions for oil and gas exploration and production and geothermal energy production industries. Fabricated products also include hot-formed and superplastically formed parts and cut shapes and extrusions for aerospace (commercial and defense) applications.

The Company owns and operates a number of distribution facilities, both foreign and domestic. These centers stock titanium as well as other nonferrous and ferrous metals to fill customer needs for smaller quantity, quick delivery orders. These centers also provide cutting and light fabrication services. In

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addition, four locations, St. Louis, Los Angeles, Birmingham, England, and Paris, France, operate significant stocking and cut-to-size programs designed to meet the needs of commercial aerospace, defense, and industrial and consumer product customers for multi-year requirements.

The Fabrication and Distribution Group was the largest customer for RTI's Titanium Group's mill products in 2002, utilizing over 30% of its shipments. This number is expected to grow to over 50% in the near future.

In an effort to expand the fabrication and distribution business, the Company made two strategic acquisitions during the fourth quarter of 1998. On October 1, RTI acquired NCM of Solon, Ohio. NCM manufactured and distributed high temperature and corrosion resistant alloys such as titanium, stainless steel and nickel to the aerospace, chemical processing, oil exploration and production, and power generation industries. In addition to the manufacturing facilities acquired as part of the NCM capital stock acquisition, the Company built and installed a 5,000 ton press in leased space in Houston, Texas in late 2001.

Additionally, in order to enhance and further expand its already significant efforts to develop new markets for titanium in the oil and gas exploration and production and geothermal energy production industries, RTI acquired the assets of Weld-Tech of Houston, Texas on October 1, 1998. RTI Energy Systems (Weld-Tech), operating as part of the Energy unit of the Fabrication and Distribution Group, provides engineering and fabrication services to the oil and gas industry, including weld design, fabrication and repair, as well as materials engineering and testing services. RTI increased its investment in RTI Energy Systems with the addition of a machining center. This addition expanded capabilities and provided additional fabrication services to its expanding customer base in titanium and other specialty metals, as well as various steels. RTI Energy Systems specializes in the design, engineering and marketing of offshore riser systems, connectors, stress joints and drill pipe made of titanium and other metals.

The Company continues to work closely with a number of oil companies and engineering concerns to develop other titanium projects and applications in the oil and gas and geothermal energy production industries. Customer funded programs and continued research is an ongoing activity to support new growth expected in this market in years to come.

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EXPORTS

The majority of the Company's exports consist of titanium mill products and extrusions used in aerospace markets. Other exports include slab, commercially pure strip, plate and welded tubing used in nonaerospace markets. The Company's export sales were 17% of sales in 2002, 20% in 2001 and 23% in 2000. Such sales were made primarily to the European market, where the Company is a leader in supplying flat-rolled titanium alloy mill products. Most of the Company's export sales are denominated in U.S. dollars, which minimizes exposure to foreign currency fluctuations.

The Company supplies flat-rolled titanium alloy mill products to the European market, through RTI Europe, the Company's network of European distribution companies, which secures contracts to furnish mill products to the major European aerospace manufacturers. In order to enhance its presence in the European market, in 1992 the Company acquired a 40% ownership interest in its French distributor, Reamet. In 2000, RTI purchased the remaining 60% of Reamet. In addition, the Company expanded its operations in the United Kingdom to include a distribution and service center facility in Birmingham, England. RMI,

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through its French subsidiary, Reamet, was chosen by Airbus as a major supplier of the titanium flat rolled products through 2004.

BACKLOG

The Company's order backlog for all market segments decreased to \$100.0 million as of December 31, 2002, from \$142.6 million at December 31, 2001, principally due to a dropoff in titanium mill products as a result of decreased demand from commercial aerospace markets.

RAW MATERIALS

The principal raw materials used in the production of titanium mill products are titanium sponge, a porous metallic material; titanium scrap; and alloying agents. RTI acquires its raw materials from a number of domestic and foreign suppliers, under long-term contracts and other negotiated transactions. Requirements for sponge and scrap vary depending upon the volume and mix of final products. The addition of the Company's cold hearth melting facility permits the Company to consume significantly more scrap in its primary melting facility, thus reducing the need for purchased titanium sponge. Based on the current levels of customer demand, current production schedules, and the level of inventory on hand, the Company estimates its purchases of sponge and scrap will decrease during 2003.

The Company has entered into two long-term sponge supply agreements. One of the agreements is with a Japanese supplier and permits the Company to purchase up to four million pounds of sponge per year through 2005, either at market price or the price in effect under the contract plus changes in certain of the supplier's costs. In addition, this contract permits the Company to purchase up to an additional four million pounds of sponge at negotiated prices. The other agreement is with a supplier from Kazakhstan and permits the Company to purchase up to eight million pounds of sponge annually through 2006.

In addition, the Company makes spot purchases of raw materials from other sources. The Company believes it has adequate sources of supply for titanium sponge, scrap, alloying agents and other raw materials.

Companies in the Fabrication and Distribution group obtain the majority of their titanium mill product requirements from the Titanium Group. These transactions are priced at amounts approximating arm's length prices. Metallic requirements are generally sourced from the best available producer at competitive market prices.

COMPETITION AND OTHER MARKET FACTORS

The titanium metals industry is highly competitive on a worldwide basis. Titanium competes with other materials of construction, including certain stainless steel, nickel-based high temperature, and corrosion resistant alloys, and composites. A metal manufacturing company with rolling and finishing facilities could participate in the mill product segment of the industry. It would either have to acquire intermediate product from an existing source, or further integrate to include vacuum melting and forging operations to provide the starting stock for further rolling. In addition, many end use applications, especially in aerospace, require rigorous testing and approvals prior to purchase, which would require a significant investment of time and capital, coupled with extensive technical expertise.

The aerospace consumers of titanium products tend to be highly concentrated. The Boeing Company and Airbus, through direct purchase and their

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families of subcontractors, consume most of the aerospace products. Shipments of aerospace products represented approximately 60% of RMI's mill product shipments in 2002, half of which were used in defense applications. Producers of titanium mill products are located primarily in the U.S., Japan, Russia, Europe and China.

Imports of titanium mill products from countries that receive the normal trade relations ("NTR") tariff rate are subject to a 15% tariff. The tariff rate applicable to imports from countries that do not receive NTR treatment is 45%. However, under the Trade Act of 1974, as amended, certain countries may be designated for tariff preferences under the Generalized System of Preferences program ("GSP"). The U.S. Trade Representative ("USTR") administers the GSP program and makes recommendations to the President through an interagency committee that conducts annual reviews of petitions by interested parties, and by self initiated actions, to add or remove GSP eligibility for individual products or countries. Effective October 18, 1993, the USTR extended the benefits of GSP treatment to Russia. Consequently, certain wrought titanium products from Russia, including sheet and plate, were granted duty free access into the U.S. markets, up to a Competitive Needs Limit ("CNL"), which effectively restricts the volume of imports of these products. Unwrought products from Russia, such as sponge and ingot, were not granted GSP status.

In the fall of 1997, VSMPO, the integrated Russian titanium manufacturer, petitioned the USTR for a waiver of the CNL on the wrought products, and also filed a petition seeking to have unwrought products granted GSP status. The CNL was actually exceeded by this producer in 1997, 1998, 1999, 2000, and 2001, but not for 2002. In July of 1998, the USTR granted the waiver of the CNL on the wrought products, allowing unlimited imports of Russian mill products into the domestic market. The petition on the unwrought products remains in a "pending" status, however due to the outdated information in the petition, it is highly doubtful the petition will be acted upon.

On December 3, 2002, Titanium Metals Corporation ("Timet") and RTI filed a joint petition before the USTR seeking removal of GSP status for the Russian wrought products and/or a reinstatement of the CNL. Allegheny Technologies Incorporated is actively supporting this petition. In addition, a sponge manufacturer from the Commonwealth of Independent States also filed a petition on December 2, 2002, seeking GSP status of unwrought titanium products from Kazakhstan. RTI supports the granting of this petition. Both of these petitions are filed and awaiting review by the GSP committee. The Company believes that the increase in duty-free imports of titanium mill products from Russia has increased competition in the domestic titanium industry, and without the benefit of similar treatment for needed imported sponge, has negatively impacted the domestic producers.

The United States Government is required by the Berry Amendment Specialty Metals Clause of 1973 to require the use of domestically melted titanium in the production of military aircraft. Several waivers of this requirement were recently granted. If substantive waivers of this type were to continue to be granted, or the requirements of the Berry Amendment were to be modified, it could have a negative effect on future military business, and would allow foreign titanium to be used on military aircraft. RTI believes waivers under the law are improper and could be harmful to national defense and, along with other domestic companies, is challenging the granting of future waivers, as well as any legislative attempt to weaken the Berry Amendment.

Competition in the Fabrication and Distribution Group is primarily on the basis of price, quality, timely delivery and customer service. RTI Energy Systems competes with a number of other fabricators, some of which are significantly larger, in the offshore oil and gas exploration and production industry. The Company believes the businesses in the Fabrication and Distribution group are well positioned to remain competitive and grow in size

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due to the range of goods and services offered and the increasing synergy with the Titanium Group for product and technical support.

MARKETING AND DISTRIBUTION

RTI markets its titanium mill products and related products and services worldwide. The majority of the Company's sales are made through its own sales force and lesser amounts through independent distributors. RTI's domestic sales force has offices in Niles, Ohio; Houston, Texas; Brea, California; Washington, Missouri; and Salt Lake City, Utah. Technical marketing personnel are available to service these offices and to assist in new product applications and development. In addition, the Company's Customer Technical Service and Research and

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Development departments, both located in Niles, Ohio, provide extensive customer support. Sales of products and services provided by companies in the Fabrication and Distribution Group are made by personnel at each plant location as well as a group level sales force. Fabrication and Distribution Group locations include: Hartford, Connecticut; Indianapolis, Indiana; Los Angeles, California; Houston, Texas; Sullivan and Washington, Missouri; Birmingham, England; Villetette, France; Dusseldorf, Germany; and Milan, Italy.

RESEARCH, TECHNICAL AND PRODUCT DEVELOPMENT

The Company conducts research, technical and product development activities for the Titanium Group, as well as for other RTI subsidiaries, at its facilities in Niles, Ohio. The principal goals of the Company's research program are advancing technical expertise in the production of titanium mill and fabricated products and providing technical support in the development of new markets and products. Research, technical and product development costs totaled \$1.4 million in 2002, \$1.7 million in 2001 and \$1.3 million in 2000.

PATENTS AND TRADEMARKS

The Company possesses a substantial body of technical know-how and trade secrets and owns a number of U.S. patents applicable primarily to product formulations and uses. The Company considers its know-how, trade secrets and patents important to conduct its business, although no individual item is considered to be material to the Company's current business.

EMPLOYEES

As of December 31, 2002, the Company and its subsidiaries employed 1,202 persons, 438 of whom were classified as administrative and sales personnel. 852 of the total number of employees were in the Titanium Group, while 350 were employed in the Fabrication and Distribution Group.

The United Steelworkers of America represents 385 of the hourly clerical and technical employees at RMI's plant in Niles, Ohio and 15 hourly employees at Earthline Technologies in Ashtabula, Ohio. No other Company employees are represented by a union.

In 1999 the Company and the United Steel Workers of America, after a strike, agreed to a forty-two month contract which expires in October, 2003. The contract for the hourly employees at the facilities in Ashtabula expires in January, 2006.

EXECUTIVE OFFICERS OF THE REGISTRANT

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Listed below are the executive officers of the Company, together with their ages and titles as of December 31, 2002.

NAME ----	AGE ---	TITLE -----
Timothy G. Rupert.....	56	President and Chief Executive Officer
John H. Odle.....	60	Executive Vice President
Lawrence W. Jacobs.....	47	Vice President, Chief Financial Officer, and Treasurer
Dawne S. Hickton.....	45	Vice President and General Counsel
Gordon L. Berkstresser.....	55	Vice President and Controller

Mr. Rupert was elected President and Chief Executive Officer in July 1999 and had served as Executive Vice President and Chief Financial Officer since June of 1996 and Vice President and Chief Financial Officer since September 1991. He is also a Director of the Company.

Mr. Odle was elected Executive Vice President in June 1996. He previously was Senior Vice President-Commercial of RMI and its predecessor since 1989 and served as Vice President-Commercial from 1978 until 1989. Prior to that, Mr. Odle served as General Manager-Sales. He is also a Director of the Company.

Mr. Jacobs was elected Vice President, Chief Financial Officer, and Treasurer in July 1999, having served as Vice President and Treasurer since March 1998. Mr. Jacobs had been Senior Vice President of PNC Bank, N.A. in Pittsburgh, Pennsylvania, where he was the segment executive for the bank's metal industry clients.

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Mrs. Hickton was elected Vice President and General Counsel in June 1997. Mrs. Hickton had been an Assistant Professor of Law at The University of Pittsburgh School of Law and was associated with the Pittsburgh law firm of Burns, White and Hickton.

Mr. Berkstresser was elected Vice President and Controller in October 1999. Mr. Berkstresser joined RTI in February 1999 as Group Controller of the Fabrication and Distribution Group. Prior to that, he was Senior Vice President Finance and Administration of ERI Services Inc., a wholly owned subsidiary of Equitable Resources Inc. Formerly, he worked for Aristech Chemical Corporation, Pittsburgh, Pennsylvania. Mr. Berkstresser is a Certified Public Accountant.

AVAILABLE INFORMATION

Our Internet address is www.rti-intl.com. We make available, free of charge through our website, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(a) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after such documents are electronically filed with or furnished to, the SEC.

ITEM 2. PROPERTIES

MANUFACTURING FACILITIES

The Company has approximately 1.2 million square feet of manufacturing facilities, exclusive of distribution centers and office space. The Company's

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principal manufacturing plants, the principal products produced at such plants and their aggregate capacities, are set forth below.

MANUFACTURING FACILITIES

LOCATION -----	PRODUCTS -----	ANNUAL RAI CAPACITY -----
TITANIUM GROUP		
Niles, OH	Ingot (million pounds).....	36.0
Niles, OH	Mill products (million pounds).....	22.0
Hermitage, PA	Tube (million pounds).....	0.8
Salt Lake City, UT	Powders (million pounds).....	1.5
Canton, OH	Ferro titanium and specialty alloys (million pounds).....	16.0
FABRICATION AND DISTRIBUTION GROUP		
Washington, MO	Hot-formed and superplastically formed components (thousand press hours).....	50.0
Sullivan, MO	Cut parts (thousand man hours).....	23.0
Houston, TX	Extruded products (million pounds).....	1.8
Houston, TX	Machining & fabrication oil and gas products (thousand man hours).....	246.0
Birmingham, England	Cut parts and components (thousand man hours).....	21.0
Villette, France	Cut parts and components (thousand man hours).....	9.0
Los Angeles, CA	Metal warehousing and distribution.....	N/A
Hartford, CT	Metal warehousing and distribution.....	N/A
Houston, TX	Metal warehousing and distribution.....	N/A

The Company leases the facilities in Sullivan, Missouri; Houston, Texas; Los Angeles, California; Hartford, Connecticut; Birmingham, England and certain buildings and property at Washington, Missouri and Canton, Ohio. All other facilities are owned. The plants have been constructed at various times over a long period, many of the buildings have been remodeled or expanded and additional buildings have been constructed from time to time.

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CONVERSION SERVICES

The Company utilizes third-party converters to melt and/or finish approximately 35% of its mill products. The use of these converters raises the Company's effective processing capacity. Certain mill products, such as hot band and cold rolled strip and oversized plate, are produced entirely by such converters using semi-finished titanium mill products supplied by the Company. However, the Company is responsible for inspecting and delivering these products to customers. The Company maintains long-term relationships with many of these conversion companies. The Company believes that, if necessary, it could provide these products by utilization of other methods and sources of conversion.

ITEM 3. LEGAL PROCEEDINGS

From time to time, the Company is involved in litigation relating to claims arising out of its operations in the normal course of business. 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

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million, which includes grounding liability. There are currently no material pending or threatened claims against the Company, other than the environmental matters discussed below.

ENVIRONMENTAL

The Company is subject to federal, state and local laws and regulations concerning environmental matters. During 2002, 2001, and 2000, the Company spent approximately \$1.1 million, \$1.6 million and \$1.2 million, respectively, for environmental remediation, compliance, and related services. The Company estimates environmental-related expenditures, including capital items and compliance costs, will total approximately \$1.5 million annually for 2003 and 2004.

In connection with the 1990 Reorganization, the Company assumed all responsibility for environmental matters relating to RMI Company and its immediate predecessor, Reactive Metals, Inc., which commenced business on April 1, 1964, and agreed to indemnify Quantum and USX against any liability relating to such environmental matters. Quantum initially acquired the Company's now closed Ashtabula facilities in 1950, which it owned until 1964, when they were acquired by Reactive Metals, Inc.

Active Investigative or Cleanup Sites. The Company is involved in investigative or cleanup projects at certain waste disposal sites, including those discussed below.

Fields Brook Superfund Site. The Company is involved in a superfund site known as Fields Brook in Ashtabula, Ohio. Cleanup was completed in 2002. The Company estimates its share of the remaining Operation, Maintenance and Monitoring work to cost \$0.3 million. The Company has accrued an amount for this matter. See Note 15 to the consolidated financial statements.

Resource Conservation and Recovery Act ("RCRA") Proceedings-Ashtabula Sodium Plant. In July 2002, Ohio EPA issued to the Company an RCRA permit renewal requiring repair of the closed landfill cap. Work plans prepared by the Company are under review by Ohio EPA. The estimated cost of the work is \$0.1 million. It is possible that the EPA will require additional work. The Company has accrued an amount for this matter. See Note 15 to the consolidated financial statements.

Ashtabula River. The Ashtabula River and Harbor has been designated one of 43 Areas of Concern on the Great Lakes by the International Joint Commission. Fields Brook empties into the Ashtabula River, which in turn flows into Lake Erie. The State of Ohio has appropriated \$7 million in state funds to the Ashtabula River dredging project to assist in securing federal funds needed to conduct the dredging.

The Company believes it is most appropriate to use public funds to cleanup a site with regional environmental and economic development implications such as the Ashtabula River and Harbor. The Ashtabula River Partnership ("ARP"), a voluntary group of public and private entities including, among others, the Company, the EPA, the Ohio EPA, and the U.S. Army Corps of Engineers was formed to bring about the remediation of the river. The ARP is working both to design a cost-effective remedy and to secure public funding. Phase 1, the Comprehensive Management Plan, is complete and Phase 2, the Detailed Design, is underway. To

fund Phase 3, the Remedial Action, and to resolve Natural Resource Damages, the Company has estimated the private contribution to the project could approximate \$15 million, of which roughly 10% is allocated to the Company (before

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contributions from third parties). It is possible that the EPA could determine that the Ashtabula River and Harbor should be designated as an extension of the Fields Brook Superfund site, or, alternatively, as a separate Superfund site. The Company has accrued an amount for this matter based on its best estimate of its share of the currently proposed remediation plan. See Note 15 to the consolidated financial statements.

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, 2002 and 2001, the amount accrued for future environmental-related costs was \$1.7 million. Of the total amount accrued at December 31, 2002, \$0.3 million is expected to be paid out during 2003 and is included in the Other accrued liabilities line of the balance sheet. The remaining \$1.4 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 \$3.3 to \$7.3 million in the aggregate. The amount accrued is net of expected contributions from third parties (which does not include any amounts from insurers) in a range of approximately \$0.6 to \$2.1 million which the Company believes are probable. 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.

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

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

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PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

COMMON STOCK DATA:

Principal market for common stock: New York Stock Exchange

Holders of record of common stock at January 31, 2003: 867

RANGE OF COMMON STOCK PRICES AND DIVIDENDS FOR 2002

QUARTER	HIGH	LOW
-----	-----	-----
First.....	\$12.65	\$ 9.00
Second.....	14.00	9.85
Third.....	12.66	8.51

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Fourth.....	11.98	9.50
Year.....	\$14.00	\$ 8.51

RANGE OF COMMON STOCK PRICES AND DIVIDENDS FOR 2001

QUARTER -----	HIGH -----	LOW -----
First.....	\$17.75	\$11.87
Second.....	16.20	12.05
Third.....	15.27	5.60
Fourth.....	10.95	7.60
Year.....	\$17.75	\$ 5.60

The Company has not paid dividends on its Common Stock since the second quarter of 1991. The declaration of dividends is at the discretion of the Board of Directors of the Company. The declaration and payment of future dividends and the amount thereof will be dependent upon the Company's results of operations, financial condition, cash requirements for its business, future prospects and other factors deemed relevant by the Board of Directors.

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ITEM 6. SELECTED FINANCIAL DATA

	YEARS ENDED DECEMBER 31,				
	2002	2001	2000	1999	1998

	(DOLLARS IN THOUSANDS EXCEPT FOR PER SHARE DATA)				
INCOME STATEMENT DATA:					
Sales.....	\$270,890	\$285,900	\$249,382	\$243,309	\$337,476
Operating income.....	15,334	9,781	6,741	4,769	67,996
Income before income taxes.....	24,395 (1)	20,112 (2)	11,409 (3)	3,527	70,101
Net income.....	15,125	12,078	6,731	2,223	68,143 (4)
NET INCOME PER COMMON SHARE:					
Basic.....	\$ 0.73	\$ 0.58	\$ 0.32	\$ 0.11	\$ 3.31
Diluted.....	\$ 0.72	\$ 0.57	\$ 0.32	\$ 0.11	\$ 3.29

	AS OF DECEMBER 31,				
	2002	2001	2000	1999	1998

	(DOLLARS IN THOUSANDS)				
BALANCE SHEET DATA:					
Working capital.....	\$216,216	\$201,257	\$208,388	\$209,174	\$196,225
Total assets.....	396,220	387,751	386,279	400,243	396,020
Long-term debt.....	--	--	19,800	36,200	20,080
Total shareholders' equity.....	311,173	306,975	301,859	295,604	292,765

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- (1) Includes the effect of an approximately \$7 million gain from the settlement of a contractual claim and a \$2.1 million gain resulting from the sale of common stock received by the Company in connection with the demutualization of one of its insurance carriers.
 - (2) Includes the effect of an approximately \$6 million gain from the settlement of a contractual claim and a \$5.2 million gain related to a stock distribution to the Company in connection with the demutualization of one of its insurance carriers in which it was a participant.
 - (3) Includes the effect of an approximately \$6 million gain from the settlement of a contractual claim.
 - (4) Includes a \$22.8 million income tax benefit relating to NOL utilization and the reduction in the deferred tax valuation allowance.

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

The following discussion should be read in connection with the information contained in the Consolidated Financial Statements and Notes to Consolidated Financial Statements. The following information contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, and are subject to the safe harbor created by that Act. Such forward-looking statements may be identified by their use of words like "expects," "anticipates," "intends," "projects," or other words of similar meaning. Forward-looking statements are based on expectations and assumptions regarding future events. In addition to factors discussed throughout this report, the following factors and risks should also be considered, including, without limitation, statements regarding the future availability and prices of raw materials, competition in the titanium industry, demand for the Company's products, the historic cyclical nature of the titanium and aerospace industries, increased defense spending, the success of new market development, long-term supply agreements, the ultimate determination of pending trade petitions, global economic conditions, the Company's order backlog and the conversion of that backlog into revenue, labor relations, the long-term impact of the events of September 11, and the continuing war on terrorism, and other statements contained herein that are not historical facts. Because such forward-looking statements involve risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. These and other risk factors are set forth below in the "Outlook" section, as well as in the Company's other filings with the

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Securities and Exchange Commission ("SEC") over the last 12 months, copies of which are available from the SEC or may be obtained upon request from the Company.

OVERVIEW

Historically, a majority of the U.S. titanium industry's output has been used in aerospace applications. The cyclical nature of the aerospace industry has been the principal cause of the fluctuations in performance of companies engaged in the titanium industry. Over the past 20 years, titanium mill product shipments registered a cyclical peak of 65 million pounds in 1997 and a low of

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32 million pounds in 1983.

In the 1995-1997 period, most major commercial airlines reported stronger operating profits and, during this same period, aircraft manufacturers increased build rates. From a peak in 1997, demand was reduced in 1998 and again in 1999 primarily due to excess inventory within the supply network. In 2000, demand was modestly improved compared to 1999 and improved again in 2001 as supply and demand reached an equilibrium. Build rates were forecast to continue to improve throughout 2001, however, because of the terrorist events of September 11, 2001, and airline financial difficulties leading up to the events, the outlook changed suddenly and dramatically. As a result, demand and production changed downward for 2002 and 2003, as highlighted in the Outlook section. The latest figures on the airline industry according to The Airline Monitor, at December 31, 2002, indicate that the leading manufacturers of commercial aircraft, The Boeing Company and Airbus, reported an aggregate of 2,649 aircraft under firm order, which represents a 9.2% decrease when compared to the backlog at December 31, 2001 of 2,919 aircraft. While the total backlog has declined, it remains at a level in excess of 2,600 units which at today's production rate equates to over 4 years of production for Boeing and Airbus. There can be no assurance that it will remain at this level, but a significant production backlog is expected to be in place over the next few years. The long term outlook for this segment over the next 20 years is that approximately 20,000 large jets, and 4,300 regional jets for new and replacement aircraft will be required to support the demand of increased passenger travel, effectively doubling the current fleet of commercial aircraft.

Demand from defense markets has been expanding in recent years. Defense budgets are increasing, particularly in the U.S., where acquisition includes numerous aircraft and ground support systems that utilize titanium and other specialty metals. The major programs that require extensive use of titanium in the jet engine and airframe structure are fighter aircraft such as the F-15, F/A-18, F-22, and JSF(F-35), and in military transports like the C-17. In Europe, the Eurofighter, a joint country and joint services aircraft, has also been launched. Military ground and naval equipment programs using titanium are also underway, with more being considered, in the U.S. and Europe. Military demand is expected to continue its growth in 2003 and beyond. However, this growth is not expected to completely offset the drop in the commercial aerospace sector in the near term.

The Company estimates that total U.S. industry shipments of titanium mill products in 2002 decreased to approximately 36 million pounds, from 52 million pounds in 2001.

In recent years, the Company has devoted significant resources to developing new markets for titanium in the oil and gas and geothermal energy production industries. In addition to designing and fabricating the world's first all titanium high pressure drilling riser in 1995, the Company has also produced significant quantities of seamless titanium pipe for use in geothermal energy applications. The Company also supplied titanium stress joints for use in production riser systems located in the Gulf of Mexico and in Indonesia. The Company conducts its operations for oil and gas and geothermal energy from its Houston, Texas facility under the name RTI Energy Systems, Inc. RTI Energy Systems also engineers, designs and markets offshore riser systems, stress joints, drill pipe and components.

On December 14, 2000, the Company purchased the remaining 60% of the outstanding shares of Reamet. Since 1992, the Company had owned 40% of the outstanding shares of Reamet. Reamet, located in Villette, France, is a premier distributor of titanium products to the French market, serving aerospace, military and industrial customers. Reamet's largest customer is Airbus with which it has a contract to supply titanium, principally in the form of cut plate. Reamet now operates as part of the Fabrication and Distribution Group.

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RTI's strategy is to build on its leading position in the worldwide titanium industry while maintaining a strong financial condition and stringent quality, safety and environmental standards. RTI is emphasizing higher

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margin products in its traditional markets, while continuing to develop new markets and products that add value to traditional products by extruding, fabricating, and distributing them to end users.

RESULTS OF OPERATIONS

YEAR ENDED DECEMBER 31, 2002 COMPARED TO YEAR ENDED DECEMBER 31, 2001

Net Sales

Net sales decreased 5.3% to \$270.9 million for the year ended December 31, 2002 compared to net sales of \$285.9 million in 2001. Sales for the Company's Titanium Group amounted to \$127.7 million for the year ended December 31, 2002 compared to \$141.0 million in 2001. Shipments of titanium mill products were 10.0 million pounds in the year ended December 31, 2002, compared to 11.6 million pounds in 2001, a 13.8% decrease. Mill product shipments in the year ended December 31, 2002 were lower than those in 2001 as commercial aerospace demand for forged mill products declined. Average realized prices on mill products for the year ended December 31, 2002 increased 7.4% to \$14.36 per pound from \$13.37 per pound in 2001. The increase in average realized prices for mill products resulted primarily from a decreased mix of lower value-added forged mill products when compared to 2001. Sales for the Company's Fabrication and Distribution Group amounted to \$143.2 million in the year ended December 31, 2002, compared to \$144.9 million in 2001, a decrease of \$1.7 million, or 1.2%. This decrease primarily reflects reduced demand in distribution sales in the United States and Europe, partially offset by an increase in energy market sales. In the case of the Company's distribution businesses, sales decreased approximately \$14.0 million while the Company's Energy business reflected a \$13.1 million increase.

Gross Profit

Gross profit amounted to \$49.0 million, or 18.1% of sales for the year ended December 31, 2002 compared to a gross profit of \$43.4 million or 15.2% of sales in 2001. This increase in gross margin of \$5.6, or 12.9%, is primarily due to the Titanium Group cost reduction efforts, increased sales in energy markets, and the discontinuance of goodwill amortization in 2002 due to the adoption of Statement of Financial Accounting Standards No. 142 ("SFAS No. 142"), "Goodwill and Intangible Assets," partially offset by reduced volume in domestic and European distribution sales.

Selling, General and Administrative Expenses

Selling, general and administrative expenses amounted to \$32.3 million or 11.9% of sales for the year ended December 31, 2002, compared to \$32.0 million or 11.2% of sales in 2001. The increase in selling, general and administrative expenses was \$0.3 million, or 0.9%.

Research, Technical and Product Development Expenses

Research, technical and product development expenses amounted to \$1.4 million in 2002 compared to \$1.7 million in 2001. This decrease of \$0.3 million, or 17.6%, primarily reflects a reduction in amounts spent on research and development for the energy market products.

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Operating Income

Operating income for the year ended December 31, 2002 amounted to \$15.3 million, or 5.7% of sales compared to \$9.8 million, or 3.4% of sales, in 2001. This increase of \$5.5 million, or 56.1%, consists of an increase in operating income from the Titanium Group of \$5.1 million primarily due to cost reduction efforts. The Fabrication and Distribution Group generated an increase in operating income of \$0.5 million due to energy market sales and the discontinuance of goodwill amortization in 2002 due to the adoption of SFAS No. 142, partially offset by a decrease in demand in domestic and European distribution sales.

Other Income

Other income for the year ended December 31, 2002 amounted to \$9.7 million, compared to \$11.0 million in the same period of 2001. The decrease reflects the fact that the Company recognized a gain of \$2.1 million on the

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sale of shares in 2002, that were received by the Company in 2001 as a result of the demutualization of one of its insurance carriers in which it was a participant, compared to \$5.2 million on the initial receipt of those shares in 2001. This decrease was partially offset by an increase in the amount received from Boeing of \$0.8 million in settlement of contractually specified damages for failing to meet minimum order volumes when compared to a similar payment received in 2001 (refer to Outlook -- Commercial Aerospace Markets for more information on the Boeing contractual settlement).

Interest Expense

Interest expense for the years ended December 31, 2002 and December 31, 2001, which primarily reflected the amortization of certain fees associated with the Company's credit agreement and capitalized leases, amounted to \$0.7 million. At December 31, 2002, the Company had no debt.

Income Taxes

In the year ended December 31, 2002, the Company recorded an income tax expense of \$9.3 million compared to a \$7.8 million expense recorded in 2001. The effective tax rates for the year ended December 31, 2002 and 2001 were approximately 38% and 39%, respectively. The effective tax rate of 38% for the year ended December 31, 2002 was greater than the federal statutory rate of 35% primarily due to state income taxes. The effective tax rate of 39% for the year ended December 31, 2001 was greater than the federal statutory rate of 35% primarily due to state income taxes and non-deductible goodwill amortization.

Cumulative Effect of Change in Accounting Principle

The cumulative loss effect of a change in accounting principle for the year ended December 31, 2001 of \$0.2 million, net of \$0.1 million in income taxes, results from the Company's adoption of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". The gross charge of \$0.3 million represents the recognition of the net liability for the fair value of a foreign currency forward purchase contract upon adoption.

Net Income

Net income for the year ended December 31, 2002 amounted to \$15.1 million or 5.6% of sales, compared to \$12.1 million or 4.2% of sales in the comparable

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2001 period. This change consists of an increase in operating income from the Titanium Group of \$5.1 million primarily due to continuing cost reduction efforts. This increase was also due to an increase in operating income in the Fabrication and Distribution Group of \$0.5 million due to an increase in energy market sales and the discontinuance of goodwill amortization in 2002 due to the adoption of SFAS No. 142, partially offset by a decrease in demand in domestic and European distribution sales. This increase also reflects an increase in the amount received from Boeing of \$0.5 million, net of tax, in settlement of contractually specified damages for failing to meet minimum order volumes when compared to similar amounts received in 2001. These increases are partially offset by a decrease in gains recognized of \$1.9 million, net of tax, on the sale of shares received by the Company in 2001 as a result of the demutualization of one of its insurance carriers in which it was a participant, when compared to similar amounts in 2001.

YEAR ENDED DECEMBER 31, 2001 COMPARED TO YEAR ENDED DECEMBER 31, 2000

Net Sales

Net sales increased 14.6% to \$285.9 million for the year ended December 31, 2001 compared to net sales of \$249.4 million in 2000. Sales for the Company's Titanium Group amounted to \$141.0 million for the year ended December 31, 2001 compared to \$141.0 million in 2000. Shipments of titanium mill products were 11.6 million pounds in the year ended December 31, 2001, compared to 9.4 million pounds in 2000, a 23.4% increase. Mill product shipments in the year ended December 31, 2001 were higher than those in 2000 as aerospace demand for forged mill products improved. Average realized prices on mill products for the year ended December 31, 2001 decreased 15.0% to \$13.37 per pound from \$15.73 per pound in 2000. The decrease in average realized prices for mill products resulted primarily from an increased mix of lower value-added forged mill products when compared to 2000. Sales for the Company's Fabrication and Distribution Group amounted to \$144.9 million in the year ended December 31, 2001, compared to \$108.4 million in 2000, an increase of \$36.5 million, or 33.7%.

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This increase reflects the acquisition of Reamet, improvements in energy market sales, and continued improvements in distribution sales in the United States and Europe. Partially offsetting was a reduction in sales of fabricated products due to the delayed startup of the new extrusion facility in Houston.

Gross Profit

Gross profit amounted to \$43.4 million, or 15.2% of sales for the year ended December 31, 2001 compared to a gross profit of \$36.0 million or 14.4% of sales in 2000. This increase in gross margin of \$7.4, or 20.6%, is primarily due to the acquisition of Reamet, increased sales in energy markets, and improvements in demand for distribution products, partially offset by the impact of a reduction in sales of fabricated products due to the delayed implementation of the new extrusion facility in Houston.

Selling, General and Administrative Expenses

Selling, general and administrative expenses amounted to \$32.0 million or 11.2% of sales for the year ended December 31, 2001, compared to \$28.0 million or 11.2% of sales in 2000. The increase in selling, general and administrative expenses of \$4.0 million, or 14.3%, reflects the impact of the Reamet acquisition, higher than anticipated startup and relocation costs associated with the installation of a new extrusion press in Houston, as well as increased expenses in the distribution businesses as a result of increased sales volume.

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Research, Technical and Product Development Expenses

Research, technical and product development expenses amounted to \$1.7 million in 2001 compared to \$1.3 million in 2000. This increase of \$0.4 million, or 30.8%, primarily reflects amounts spent on research and development on products for the energy market.

Operating Income

Operating income for the year ended December 31, 2001 amounted to \$9.8 million, or 3.4% of sales compared to \$6.7 million, or 2.7% of sales, in 2000. This increase of \$3.1 million, or 46.3%, consists of a decrease in operating income from the Titanium Group of \$1.6 million primarily due to a decrease in realized prices as a result of an increased mix of lower value-added forged mill products. This decrease was more than offset by an increase in operating income in the Fabrication and Distribution Group of \$4.7 million due to the acquisition of Reamet and improved distribution and energy market sales, offset by higher than expected startup costs and a reduction in revenues due to the delayed implementation of the new extrusion facility in Houston.

Other Income

Other income for the year ended December 31, 2001 amounted to \$11.0 million, compared to \$6.5 million in 2000. This increase primarily reflects a gain of \$5.2 million from a stock distribution to the Company as a result of the demutualization of one of its insurance carriers in which it was a participant, partially offset by the absence of a gain on sale of a portion of the Company's now closed Ashtabula, Ohio facilities which was recorded in 2000.

Interest Expense

Interest expense for the year ended December 31, 2001 amounted to \$0.7 million compared to \$1.9 million in 2000. The decrease is primarily the result of reduced borrowing levels. At December 31, 2001, the Company had no debt. Interest expense in 2001 primarily reflected the amortization of certain fees associated with the Company's credit agreement and capitalized leases.

Income Taxes

In the year ended December 31, 2001, the Company recorded an income tax expense of \$7.8 million compared to a \$4.7 million expense recorded in 2000. The effective tax rates for the year ended December 31 of 2001 and 2000 were approximately 39% and 41%, respectively. The effective tax rates of 39% and 41% were

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greater than the federal statutory rate of 35% primarily due to state income taxes and non-deductible goodwill amortization.

Cumulative Effect of Change in Accounting Principle

The cumulative loss effect of a change in accounting principle for the year ended December 31, 2001 of \$0.2 million, net of \$0.1 million in income taxes, results from the Company's adoption of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". The gross charge of \$0.3 million represents the recognition of the net liability for the fair value of a foreign currency forward purchase contract upon adoption.

Net Income

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Net income for the year ended December 31, 2001 amounted to \$12.1 million or 4.2% of sales, compared to \$6.7 million or 2.7% of sales in the comparable 2000 period. This increase reflects the acquisition of Reamet, improved distribution and energy market sales, a reduction in interest expense, and the gain resulting from a distribution of stock to the Company from one of its insurance carriers. This was partially offset by higher than expected startup costs and a reduction in operating margin due to the delayed implementation of the new extrusion facility in Houston.

OUTLOOK

The terrorist attacks of September 11, 2001, and their effect on the general economy, will continue to have a significant influence on business conditions for several years.

Commercial Aerospace Markets

The largest impact has been on commercial aerospace markets, which provided approximately 30% of RTI's sales in 2002. Airline operators experienced a dramatic drop in travel immediately following September 11, which has resulted in significant losses within their industry causing a reduced demand for new aircraft. The primary builders of large commercial aircraft, Boeing and Airbus, adjusted their build rates beginning in 2002 downward 20% to reflect the expected change in demand. The exact magnitude of the downturn on commercial aerospace remains uncertain for 2003, and it could be further exacerbated if a war in the Middle East impacts commercial travel.

Titanium mill products that are ordered by the prime aircraft producers and their subcontractors are generally ordered in advance of final aircraft production by 6 to 18 months. This is due to the time it takes to produce a final assembly or part that is ready for installation in an airframe or jet engine. Discussions are currently being held with RTI's customers concerning their requirements for the commercial aircraft business over the next twelve months. It is expected that shipments from RTI to this segment will be reduced somewhat in 2003.

The effect of the reduction in commercial aircraft demand on RTI will be mitigated somewhat by the long-term agreement RMI entered into with Boeing on January 28, 1998. Under this agreement, RMI supplies Boeing and its family of commercial suppliers with up to 4.5 million pounds of titanium products annually. The agreement, which began in 1999, has an initial term of five years and, is subject to review by the parties prior to expiration in 2004. Under the accord, Boeing receives firm prices in exchange for RMI receiving a minimum volume commitment of 3.25 million pounds per year. If volumes fall short of the minimum commitment, the contract contains provisions for financial compensation. In accordance with the agreement, and as a result of volume shortfalls in 1999, 2000, and 2001, Boeing settled claims of approximately \$6 million in both 2000 and 2001 and \$7 million in 2002. The claim for 2002 will be settled during the 1st quarter 2003, and is expected to be approximately \$8 million. Given the state of the commercial aircraft industry, it is not expected that Boeing will meet the minimum in 2003, the final year of the contract, and accordingly, a similar payment will be called for in early 2004. Beginning in 2004, business between the companies not covered by other contracts will be conducted on a non-committed basis, that is, no volume commitment by Boeing and no commitment of capacity or price by RMI.

RTI, through its French subsidiary Reamet, entered into an agreement with the European Aeronautic Defense and Space Company ("EADS") in April 2002 to

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supply value-added titanium products and parts to the EADS group of companies, including Airbus. The contract is in place through 2004, subject to extension.

Defense Markets

The importance of military markets to RTI, approximately 30% of revenues, is expected to rise in 2003 and beyond due to increased defense budgets, and increased hardware purchases by the U.S. Government, partially brought about by the events of September 11, 2001. It is estimated that overall titanium consumption will be increased within this segment in 2003 globally, but it is not expected to completely offset the decrease in the market caused by the drop in the commercial aerospace sector. RTI believes it is well positioned to provide mill products and fabrications to this segment if increased consumption is required to support defense needs. RTI supplies titanium and other materials to most military aerospace programs, including the F-22, C-17, F/A-18, F-15, JSF (F-35) and in Europe, the Mirage, and Eurofighter.

The Company was chosen by BAE Systems RO Defence UK to supply the titanium components for the new XM-777 lightweight 155 mm Howitzer. Delivery is expected to begin in 2003 and continue through 2010. Initial deliveries will be to the U.S. Marine Corps, followed by deliveries to the U.S. Army and the Italian and British armed forces. It is anticipated that over 800 guns may be produced. Sales under this contract could potentially exceed \$100 million.

Lockheed Martin, a major customer of the Company, was awarded the largest military contract ever on October 26, 2001, for the military's \$200 billion Joint Strike Fighter program. The aircraft, which will be used by all branches of the military, is expected to consume 25,000 to 30,000 pounds of titanium per airplane. Timing and order patterns, which are likely to extend well into the future for this program, have not been quantified, but may be as many as 3,000 to 6,000 planes over the next 30 to 40 years. The Company has been notified that it has been selected as the supplier of titanium sheet and plate for the design and development phase over the next five years.

Industrial and Consumer Markets

The remaining 40% of RTI's sales are generated in various industrial and consumer markets, where business conditions are expected to be mixed over the next year or two.

Revenues from Oil and Gas markets achieved new highs for RTI in 2002, and forecasts for 2003 indicate continued strong demand, due to the increase in deep water projects predicted over the next several years. Despite the weak economy, the Company believes that oil and gas exploration will continue at an accelerated pace for the next several years.

In April 2002, RTI Energy Systems, Inc. was selected by Unocal to provide production riser equipment in connection with their West Seno project off the coast of Indonesia. RTI is providing the high-fatigue riser engineering design, in addition to the manufacture of components using a combination of titanium and steel. This project continues into 2003 and is expected to lead to other opportunities in Indonesia over the next several years. The initial contract exceeds \$12 million.

On July 16, 2002, RTI was selected to provide titanium alloy for a \$1.4 billion nickel-cobalt mining facility being developed by INCO, Ltd. at Goro in the French Overseas Territory of New Caledonia. RTI was selected for its expertise in the design and production of a highly corrosion resistant, ruthenium-enhanced titanium alloy (ASTM-Grade 28) which it originally developed for the oil & gas industry. This contract was completed on schedule in 2002.

If the general economy declines, demand from industrial market customers,

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such as chemical processing companies, may decrease.

Backlog

The Company's order backlog for all market segments decreased to \$100.0 million as of December 31, 2002, from \$142.6 million at December 31, 2001, principally due to a drop off in titanium mill products.

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LIQUIDITY AND CAPITAL RESOURCES

Net cash flows from operating activities totaled \$41.3 million in 2002 compared to \$35.1 million in 2001. The change in net cash flows from operating activities for the year ended December 31, 2002, compared to 2001, primarily reflects an increase in net income and a decrease in accounts receivable, offset by a decrease in other current liabilities. In 2002 and 2001, \$6.2 million and \$8.8 million, respectively, was generated through a reduction in working capital and other balance sheet line items. The Company's working capital ratio was 9.4 to 1 at December 31, 2002.

During 2002 and 2001, the Company's cash flow requirements for capital expenditures were funded with cash provided by operations. The Company anticipates that it will be able to fund its capital expenditure requirements for 2003 with funds generated by operations.

At December 31, 2002, the Company had a borrowing capacity equal to \$100 million, the amount of the facility, or a borrowing base equal to the sum of 85% of qualifying accounts receivable and 60% of qualifying inventory whichever is less.

On September 9, 1999, RTI filed a universal shelf registration with the Securities and Exchange Commission. This registration permits RTI to issue up to \$100 million of debt and/or equity securities at an unspecified future date. The proceeds of any such issuance could be utilized to finance acquisitions, capital investments or other general purposes; however, RTI has not issued any securities to date and has no immediate plans to do so.

While there is no guarantee that the Company will be able to generate sufficient cash flow from operations to fund its operations and capital expenditures in 2003, the Company believes it can maintain adequate liquidity through a combination of cash reserves and available borrowing capacity. Also, as RTI currently has no debt, and based on the expected strength of 2003 cash flows, the Company does not believe there is any material near-term risks relating to fluctuations in interest rates.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Following is a summary of the Company's contractual obligations and other commercial commitments as of December 31, 2002:

	CONTRACTUAL OBLIGATIONS						
	2003	2004	2005	2006	2007	THEREAFTER	TOTAL
Operating leases.....	\$2,419	\$1,821	\$1,396	\$1,234	\$1,132	\$1,381	\$ 9,383
Capital leases.....	294	195	146	33	24	--	692

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Total contractual obligations.....	\$2,713	\$2,016	\$1,542	\$1,267	\$1,156	\$1,381	\$10,075
	=====	=====	=====	=====	=====	=====	=====

OTHER COMMERCIAL COMMITMENTS

	2003	2004	2005	2006	2007	THEREAFTER	TOTAL
	-----	-----	-----	-----	-----	-----	-----
Standby letters of credit.....	\$6,270	\$--	\$586	\$--	\$--	\$--	\$6,856
	-----	---	-----	---	---	---	-----
Total other commercial commitments.....	\$6,270	\$--	\$586	\$--	\$--	\$--	\$6,856
	=====	===	=====	===	===	===	=====

The Company's other commercial commitments at December 31, 2002 represent standby letters of credit primarily related to commercial performance guarantees.

CAPITAL EXPENDITURES

Gross capital expenditures for the year ended December 31, 2002 amounted to \$7.6 million including \$1.5 million for completion of the Company's new 5,000-ton extrusion press in Houston. Capital spending in 2001 totaled \$12.2 million, including \$4.5 million for the Houston extrusion press.

Capital spending for 2003 is budgeted at approximately \$10.0 million.

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CREDIT AGREEMENT

At December 31, 2002, the Company maintained a credit agreement entered into on April 26, 2002, which provides a \$100 million three-year unsecured revolving credit facility. This agreement replaced the previously existing \$100 million five-year unsecured revolving credit facility entered into September 30, 1998. 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.

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, 2002, there was \$6.9 million of standby letters of credit outstanding under the facility, the Company was in compliance with all covenants, and had a borrowing capacity equal to \$74.1 million.

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. While the costs of compliance for these matters

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have not had a material adverse impact on the Company in the past, it is impossible to predict accurately the ultimate effect these changing laws and regulations may have on the Company in the future.

At December 31, 2002 and 2001, the amount accrued for future environmental-related costs was \$1.7 million. Of the total amount accrued at December 31, 2002, \$0.3 million is expected to be paid out during 2003 and is included in the Other accrued liabilities line of the balance sheet. The remaining \$1.4 million is recorded in Other non current liabilities. Based on available information, RMI believes its share of potential environmental-related costs, before expected contributions from third parties, is in a range from \$3.3 million to \$7.3 million, in the aggregate. The amount accrued is net of expected contributions from third parties (other than insurers) of approximately \$0.6 to \$2.1 million, which the Company believes are probable. 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 projects.

The ultimate resolution of these environmental matters 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.

NEW ACCOUNTING STANDARDS

In August 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 143 ("SFAS No. 143"), "Accounting for Asset Retirement Obligations." SFAS No. 143 prescribes the accounting for retirement obligations associated with tangible long-lived assets, including: (1) the timing of liability recognition; (2) initial measurement of the liability; (3) allocation of the cost of the obligation to expense; (4) measurement and recognition of subsequent changes to the liability; and (5) financial statement disclosures. SFAS No. 143 requires that an asset retirement cost be capitalized as part of the cost of the related long-lived asset and subsequently allocated to expense using a systematic and rational method. The standard is required to be adopted in fiscal years beginning after June 15, 2002. At adoption, any transition adjustment required will be reported as a cumulative effect of a change in accounting principle. Management has not yet completed its evaluation of the impact of the adoption of this standard, but does not expect it to be material to the financial statements.

In June 2002, the FASB issued Statement of Financial Accounting Standards No. 146 ("SFAS No. 146"), "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs

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to Exit an Activity (including Certain Costs Incurred in a Restructuring)." Under EITF Issue 94-3, a liability for an exit activity was recognized at the date of an entity's commitment to an exit plan. SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. SFAS No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002. SFAS No. 146 will impact the timing of the recognition of costs associated with future exit or disposal activities but is not expected to have a material impact on the Company.

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In January 2003, the FASB issued Statement of Financial Accounting Standards No. 148 ("SFAS No. 148"), "Accounting for Stock-Based Compensation-Transition and Disclosure." SFAS No. 148 amends current disclosure requirements and requires prominent disclosures on both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. This statement is effective for financial reports containing financial statements for interim periods beginning after December 15, 2002. See Notes 2 and 16 for the disclosures required by this standard at December 31, 2002.

In November 2002, the FASB issued FASB Interpretation No. 45 ("FIN 45"), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN 45 requires that upon issuance of a guarantee, the guarantor must recognize a liability for the fair value of the obligation it assumes under that guarantee. FIN 45 also requires additional disclosures by a guarantor in its interim and annual financial statements about the obligations associated with guarantees issued. The disclosure requirements are effective for financial statements of interim or annual periods ending after December 15, 2002. The recognition and measurement provisions are effective on a prospective basis to guarantees issued or modified after December 31, 2002. The adoption of this interpretation is not expected to have a material impact on the Company.

In January 2003, the FASB issued FASB Interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities." FIN 46 provides guidance on the identification of entities for which control is achieved through means other than through voting rights, variable interest entities, and how to determine when and which business enterprises should consolidate variable interest entities. This interpretation applied immediately to variable interest entities created after January 31, 2003. It applies in the first fiscal year or interim period beginning after June 15, 2003, to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. The adoption of this interpretation will not have a material impact on the Company.

ACQUISITIONS

On October 1, 1998, RTI acquired all of the capital stock of NCM for \$35 million and the payment by RTI of certain bank debt amounting to \$8.9 million. The \$35 million purchase price consisted of \$16 million in cash, a \$16 million note, payable January 4, 1999, bearing interest at 5.81% per annum, and \$3 million of the Company's common stock valued at \$19.2875 per share. NCM is a manufacturer and distributor of high temperature and corrosion resistant alloys such as titanium, stainless steel and nickel, in long bar form, to the aerospace, chemical processing, oil and gas exploration and production, and power generation industries. In addition to the manufacturing facilities, NCM operated four distribution centers in the United States and one in England.

Also on October 1, 1998, RTI acquired all of the assets of Weld-Tech, for \$11.3 million in cash and the payment of a \$1.4 million note owed by Weld-Tech to a corporation, the shareholders of which were also partners of Weld-Tech. Weld-Tech, based in Houston, Texas, now operates under the name RTI Energy Systems. Weld-Tech provides engineering and fabrication services for the oil and gas industry, including weld design, fabrication and repair, as well as materials engineering and testing services.

On December 14, 2000, RTI acquired the remaining outstanding shares of Reamet of Villette, France for \$4.3 million. Net of cash acquired, the Company's additional investment equaled \$1.3 million. Reamet is a premier distributor of titanium products to the French market, serving aerospace, military and industrial customers. Reamet's largest customer is Airbus, with which it has a contract to supply titanium, principally in the form of cut plate.

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

CRITICAL ACCOUNTING POLICIES

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

Of the accounting policies described in Note 2 and others not expressly stated but adopted by management as the most appropriate and accurate under the current facts and circumstances, the effect upon the Company of the policy of goodwill and asset valuation, deferred taxes, pensions, other postretirement benefits and environmental liabilities would be most critical if management estimates were incorrect.

In the case of goodwill and property plant and equipment, 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 property plant and equipment may be required.

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

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

The discount rate is used to determine the present value of future payments. In general, the Company's liability increases as the discount rate decreases and vice versa. The Company reduced its discount rate in 2002 to 6.5% from 7.0% in 2001 to incorporate recent lower interest rates.

Decreases in the level of plan assets have a direct impact on the amount of periodic pension expense the Company records. During 2002, the value of the Company's plan assets declined due to a general decline in interest rates and

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equity values. Incorporating recent market and economic conditions, we decreased the Company's expected long-term rate of return on plan assets to 8.5% in 2002 from 9.0% in 2001. The rate of return for 2002 is a key assumption in estimating the Company's pension expense for 2003.

At December 31, 2002, the estimated accumulated benefit obligation related to plan assets exceeded the value of those plan assets. This was primarily due to the previously mentioned discount rate change and decrease in the level of plan assets. As a result the Company increased its minimum pension liability and recorded a charge to equity of \$10.3 million net of deferred taxes. We also expect that pension expense in 2003 will increase by approximately \$1.5 million. The Company currently does not have any minimum funding obligations under ERISA but continually evaluates whether the best use of its cash may include a contribution to the pension plans. If the Company chooses to make a contribution prior to the 2003 funding deadline, the increase in pension expense will likely decrease.

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

ITEM 7(a). QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business, the Company is exposed to market risk and price fluctuations related to the purchases of certain materials and supplies used in its manufacturing operations. The Company obtains competitive prices for materials and supplies when available. The majority of the Company's raw material purchases for titanium sponge are made under long-term contracts with negotiated prices.

The Company's long-term credit arrangement is based on rates that float with LIBOR based rates or bank prime rates and the carrying value approximates fair value. At December 31, 2002, the Company had no outstanding obligations under this credit arrangement.

The Company is subject to foreign currency exchange exposure for purchases of materials, equipment and services, including wages, which are denominated in currencies other than the U.S. dollar, as well as non-dollar denominated sales. From time to time the Company may use forward exchange contracts to manage these risks, although they are generally considered to be minimal. The majority of the Company's sales are made in U.S. dollars, which minimizes exposure to foreign currency fluctuation.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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FINANCIAL STATEMENTS:

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FINANCIAL STATEMENT SCHEDULES:

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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 MANAGEMENT

RTI International Metals, Inc. has prepared and is responsible for the consolidated financial statements and other financial information included in this Annual Report. The consolidated financial statements have been prepared in conformity with generally accepted accounting principles and necessarily include some amounts based on the best judgments and estimates of management. Financial information displayed in other sections of this Annual Report is consistent with that in the consolidated financial statements.

The Company maintains a comprehensive formalized system of internal accounting controls. Management believes that the internal accounting controls provide reasonable assurance that transactions are executed and recorded in accordance with Company policy and procedures and that the accounting records may be relied on as a basis for preparation of the consolidated financial statements and other financial information. In addition, as part of their audit of the consolidated financial statements, the Company's independent accountants, who are elected by the shareholders, review and test the internal accounting controls selectively to establish a basis of reliance thereon in determining the nature, extent and timing of audit tests to be applied.

The Audit Committee of the Board of Directors, composed entirely of directors who are not employees of the Company, meets regularly with the independent accountants, management and internal auditors to discuss the adequacy of internal accounting controls and the quality of financial reporting. Both the independent accountants and internal auditors have full and free access to the Audit Committee.

/s/ T. G. Rupert
T. G. Rupert
President and
Chief Executive Officer

/s/ Lawrence W. Jacobs
Lawrence W. Jacobs
Vice President,
Chief Financial Officer and Treasurer

REPORT OF INDEPENDENT ACCOUNTANTS

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TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF RTI INTERNATIONAL METALS, INC.

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, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 17 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets." Accordingly, the Company changed its method of accounting for goodwill in 2002.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Pittsburgh, Pennsylvania
January 24, 2003

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RTI INTERNATIONAL METALS, INC.

CONSOLIDATED STATEMENT OF INCOME

(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

	YEARS ENDED DECEMBER 31,		
	2002	2001	2000
Sales (Note 2).....	\$ 270,890	\$ 285,900	\$ 249,382
Operating costs:			
Cost of sales.....	221,868	242,476	213,432
Selling, general and administrative expenses.....	32,333	31,971	27,935
Research, technical and product development expenses.....	1,355	1,672	1,274
Total operating costs.....	255,556	276,119	242,641
Operating income.....	15,334	9,781	6,741
Other income--net.....	9,747	11,000	6,540
Interest expense.....	(686)	(669)	(1,872)
Income before income taxes.....	24,395	20,112	11,409
Provision for income taxes.....	9,270	7,843	4,678

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	-----	-----	-----
Income before cumulative effect of change in accounting principle.....	15,125	12,269	6,731
Cumulative effect of change in accounting principle (Note 2).....	--	(191)	--
Net income.....	\$ 15,125	\$ 12,078	\$ 6,731
Earnings per common share (Note 4)			
Income before cumulative effect of change in accounting principle:			
Basic.....	\$ 0.73	\$ 0.58	\$ 0.32
Diluted.....	\$ 0.72	\$ 0.57	\$ 0.32
Net income:			
Basic.....	\$ 0.73	\$ 0.58	\$ 0.32
Diluted.....	\$ 0.72	\$ 0.57	\$ 0.32
Weighted average shares used to compute earnings per share:			
Basic.....	20,772,994	20,848,056	20,848,783
Diluted.....	20,924,143	21,032,736	21,024,991

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

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RTI INTERNATIONAL METALS, INC.

CONSOLIDATED BALANCE SHEET

(DOLLARS IN THOUSANDS)

	DECEMBER 31,	
	2002	2001
	-----	-----
ASSETS		
ASSETS:		
Cash and cash equivalents.....	\$ 40,666	\$ 8,036
Receivables, less allowance for doubtful accounts of \$1,205 and \$1,219 (Note 5).....	38,830	50,572
Inventories, net (Note 6).....	154,159	158,561
Current deferred income tax asset (Note 8).....	2,356	7,418
Other current assets (Note 10).....	5,934	13,136
Total current assets.....	241,945	237,723
Property, plant and equipment, net (Note 7).....	92,554	98,375
Goodwill.....	34,133	34,133
Noncurrent deferred income tax asset (Note 8).....	4,271	--
Other noncurrent assets (Note 10).....	23,317	17,520

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Total assets.....	\$396,220	\$387,751
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Accounts payable.....	\$ 14,711	\$ 17,799
Accrued wages and other employee costs.....	6,983	7,494
Billings in excess of costs and estimated earnings (Note 12).....	2,388	6,133
Income taxes payable.....	--	29
Other accrued liabilities (Note 15).....	1,647	5,011
	-----	-----
Total current liabilities.....	25,729	36,466
Long-term debt (Note 9).....	--	--
Accrued postretirement benefit cost (Note 10).....	19,873	19,940
Deferred income tax liability (Note 8).....	--	1,296
Accrued pension cost (Note 10).....	33,021	17,787
Other noncurrent liabilities (Note 15).....	6,424	5,287
	-----	-----
Total liabilities.....	85,047	80,776
	-----	-----
Commitments and Contingencies (Note 15)		
SHAREHOLDERS' EQUITY:		
Common stock, \$0.01 par value; 50,000,000 shares authorized; 21,120,833 and 21,035,454 shares issued; and 20,775,983 and 20,730,604 shares outstanding.....	211	210
Additional paid-in capital.....	242,373	241,579
Deferred compensation.....	(1,982)	(2,278)
Treasury stock, at cost; 344,850 and 304,850 shares.....	(3,032)	(2,612)
Accumulated other comprehensive income (loss).....	(19,015)	(7,417)
Retained earnings.....	92,618	77,493
	-----	-----
Total shareholders' equity.....	311,173	306,975
	-----	-----
Total liabilities and shareholders' equity.....	\$396,220	\$387,751
	=====	=====

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

RTI INTERNATIONAL METALS, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(DOLLARS IN THOUSANDS)

	YEARS ENDED DECEMBER 31,		
	2002	2001	2000
	-----	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income.....	\$15,125	\$ 12,078	\$ 6,731
Adjustment for non-cash items included in net income:			
Depreciation and amortization (Note 17).....	12,306	13,585	11,941

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Deferred income taxes.....	5,740	3,796	2,447
Stock-based compensation and other.....	2,543	2,049	1,030
Gain on receipt of common stock (Note 2).....	--	(5,177)	--
Gain from sale of common stock (Note 2).....	(2,105)	--	--
Changes in assets and liabilities (net of effects of businesses acquired):			
Receivables.....	10,973	(4,975)	12,375
Inventories.....	4,653	6,649	14,418
Accounts payable.....	(3,088)	(400)	(6,369)
Other current liabilities.....	(7,348)	7,509	(12,567)
Other assets and liabilities.....	2,460	(40)	2,271
	-----	-----	-----
Cash provided by operating activities.....	41,259	35,074	32,277
	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investments in subsidiaries, net of cash acquired.....	--	--	(1,325)
Capital expenditures.....	(7,603)	(12,167)	(11,594)
	-----	-----	-----
Cash used in investing activities.....	(7,603)	(12,167)	(12,919)
	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from exercise of employee stock options.....	129	321	158
Net borrowings (repayments) under revolving credit agreements.....	--	(19,800)	(16,400)
Purchase of common stock held in treasury.....	(420)	(1,766)	(406)
Deferred charges related to credit facility.....	(735)	--	--
	-----	-----	-----
Cash used in financing activities.....	(1,026)	(21,245)	(16,648)
	-----	-----	-----
Increase in cash and cash equivalents.....	32,630	1,662	2,710
Cash and cash equivalents at beginning of period.....	8,036	6,374	3,664
	-----	-----	-----
Cash and cash equivalents at end of period.....	\$40,666	\$ 8,036	\$ 6,374
	=====	=====	=====
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid for interest (net of amounts capitalized).....	\$ 373	\$ 877	\$ 2,108
	=====	=====	=====
Cash paid for income taxes.....	\$ 5,812	\$ 4,288	\$ 2,143
	=====	=====	=====
NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Issuance of common stock for restricted stock awards.....	\$ 478	\$ 544	\$ 391
	=====	=====	=====
Capital lease obligations incurred.....	\$ --	\$ 388	\$ --
	=====	=====	=====

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

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RTI INTERNATIONAL METALS, INC.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(DOLLARS IN THOUSANDS, EXCEPT SHARE AMOUNTS)

SHARES	COMMON	ADDT'L. PAID-IN	DEFERRED	TREASURY COMMON	RETAI
--------	--------	--------------------	----------	--------------------	-------

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	OUTSTANDING	STOCK	CAPITAL	COMPENSATION	STOCK	EARNINGS
	-----	-----	-----	-----	-----	-----
Balance at December 31, 1999.....	20,798,299	\$208	\$239,812	\$ (2,660)	\$ (440)	\$58,6
Shares issued for directors' compensation.....	12,110	--	166	--	--	
Shares issued for restricted stock award plans.....	53,500	--	391	(391)	--	
Compensation expense recognized.....	--	--	--	864	--	
Treasury common stock purchased at cost.....	(32,450)	--	--	--	(406)	
Exercise of employee stock options including tax benefit.....	20,503	--	158	--	--	
Net income.....	--	--	--	--	--	6,7
Adjustment to excess minimum pension liability.....	--	--	--	--	--	
Comprehensive income.....	-----	----	-----	-----	-----	-----
Balance at December 31, 2000.....	20,851,962	\$208	\$240,527	\$ (2,187)	\$ (846)	\$65,4
Shares issued for directors' compensation.....	14,619	--	187	(187)	--	
Shares issued for restricted stock award plans.....	34,500	--	544	(544)	--	
Compensation expense recognized.....	--	--	--	640	--	
Treasury common stock purchased at cost.....	(210,100)	--	--	--	(1,766)	
Exercise of employee stock options including tax benefit.....	39,623	2	321	--	--	
Net income.....	--	--	--	--	--	12,0
Adjustment to excess minimum pension liability.....	--	--	--	--	--	
Unrealized gains on investments held for sale...	--	--	--	--	--	
Comprehensive income.....	-----	----	-----	-----	-----	-----
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.....	--	--	--	--	--	
Unrealized gains on investments held for sale...	--	--	--	--	--	
Comprehensive income.....	-----	----	-----	-----	-----	-----
Balance at December 31,						

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2002.....	20,775,983	\$211	\$242,373	\$(1,982)	\$(3,032)	\$92,6
	=====	=====	=====	=====	=====	=====

COMPREHENSIVE
INCOME

Balance at December 31, 1999.....	
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.....	\$ 6,731
Adjustment to excess minimum pension liability.....	(1,258)

Comprehensive income.....	\$ 5,473
	=====

Balance at December 31, 2000.....	
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.....	\$12,078
Adjustment to excess minimum pension liability.....	(7,419)
Unrealized gains on investments held for sale...	1,260

Comprehensive income.....	\$ 5,919
	=====

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.....	

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Net income.....	\$15,125
Adjustment to excess minimum pension liability.....	(10,338)
Unrealized gains on investments held for sale...	(1,260)

Comprehensive income.....	\$ 3,527
	=====
Balance at December 31, 2002.....	

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 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.

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.

NOTE 2-- SUMMARY OF SIGNIFICANT ACCOUNTING 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.

Employees

The Company employed 1,202 people at December 31, 2002 of which 400 were covered by a collective bargaining agreement. One agreement, comprising 385 of the 400 covered employees, will expire in October 2003. The Company employed 1,170 people at December 31, 2001.

Inventories:

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Inventories are valued at cost as determined by the last-in, first-out (LIFO) method for approximately 60% 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.

Property, plant and equipment:

In general, depreciation and amortization 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 other income and expense.

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

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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.

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 ready for its intended purpose.

Goodwill:

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

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exceed 25 years. Under SFAS No. 142, goodwill amortization ceased and the carrying amount of goodwill will be tested at least annually for impairment.

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 at the time when it is probable and can be reasonably estimated. The Company's estimated liability is reduced to reflect the anticipated participation of other potentially responsible parties in those instances where it is probable that such parties are legally responsible and financially capable of paying their respective shares of the relevant costs. 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 commercial products are recognized upon passage of title and risk of ownership to the customer, which in most cases coincides with shipment. Revenues from long-term, fixed-price contracts are recognized on the percentage-of-completion method, measured based on the achievement of certain milestones in the production and fabrication process. Such milestones have been weighted based on the critical nature of the operation performed, which management believes is the best available measure of progress on these contracts. Revenues related to cost-plus-fee contracts are recognized on the basis of costs incurred during the period plus the fee earned.

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.

Contract costs and estimated earnings on uncompleted contracts, net of progress billings, are included in the consolidated balance sheet under "Inventories."

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

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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 ERISA 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 which operates as part of the Fabrication and Distribution Group, participate in a defined benefit plan.

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

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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") which can be carried forward to offset future taxable income, as well as tax credits which can be 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.

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 in the respective category of revenue or cost.

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. Prior to the adoption of Statement of Financial Accounting Standards No. 133 ("SFAS No. 133"), "Accounting for Derivative Instruments and Hedging Activities" in January of 2001, gains or losses arising on the derivative instrument were deferred when changes in the value of the derivative effectively reduced the underlying exposure. If a derivative instrument failed to meet the criteria as an effective hedge, gains and losses were recognized currently in income.

SFAS No. 133 requires all derivatives to be recognized as either assets or liabilities on the balance sheet and be measured at fair value. Changes in such fair value will be recognized in income immediately if the derivatives are

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designated for purposes other than hedging or are deemed not to be effective hedges. The Company adopted

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SFAS No. 133 on January 1, 2001. A net charge of \$0.2 million is reflected as a cumulative effect of adoption of SFAS No. 133 in the Company's results of operations for 2001.

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, 2002 would have been as follows:

	2002	2001	2000
	-----	-----	-----
Net income			
As reported.....	\$15,125	\$12,078	\$6,731
Pro forma.....	14,539	11,381	5,870
Basic earnings per share			
As reported.....	\$ 0.73	\$ 0.58	\$ 0.32
Pro forma.....	\$ 0.70	\$ 0.55	\$ 0.28
Diluted earnings per share			
As reported.....	\$ 0.72	\$ 0.57	\$ 0.32
Pro forma.....	\$ 0.69	\$ 0.54	\$ 0.28

Included in the Company's income for the years 2002, 2001 and 2000 is stock-based compensation expense amounting to \$962, \$640, and \$864 respectively.

Cash equivalents:

The Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Other income -- net:

During 2001, the Company received a common stock distribution in connection with the demutualization of one of its insurance carriers. The fair market value of the common stock on the date of distribution of \$5.2 million was recorded in other income. At December 31, 2001 an unrealized gain of \$1.3 million, net of tax, was recorded in other comprehensive income and the total carrying value was reflected in other current assets. The common stock was sold on January 17, 2002 and the Company recorded other income of \$2.1 million inclusive of the \$1.3 million, net of tax, unrealized gain reflected at December 31, 2001.

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New accounting standards:

In August 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 143 ("SFAS No. 143"), "Accounting for Asset Retirement Obligations." SFAS No. 143 prescribes the accounting for retirement obligations associated with tangible long-lived assets, including: (1) the timing of liability recognition; (2) initial measurement of the liability; (3) allocation of the cost of the obligation to expense; (4) measurement and recognition of subsequent changes to the liability; and (5) financial statement disclosures. SFAS No. 143 requires that an asset retirement cost be capitalized as part of the cost of the related long-lived asset and subsequently allocated to expense using a systematic and rational method. The standard is required to be adopted in fiscal years beginning after June 15, 2002. At adoption, any transition adjustment required will be reported as a cumulative effect of a change in accounting principle. Management has not yet completed its evaluation of the impact of the adoption of this standard, but does not expect it to be material to the financial statements.

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In June 2002, the FASB issued Statement of Financial Accounting Standards No. 146 ("SFAS No. 146"), "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." Under EITF Issue 94-3, a liability for an exit activity was recognized at the date of an entity's commitment to an exit plan. SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. SFAS No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002. SFAS No. 146 will impact the timing of the recognition of costs associated with an exit or disposal activity but is not expected to have a material impact on the Company.

In January 2003, the FASB issued Statement of Financial Accounting Standards No. 148 ("SFAS No. 148"), "Accounting for Stock-Based Compensation-Transition and Disclosure." SFAS 148 amends current disclosure requirements and requires prominent disclosures on both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. This statement is effective for financial reports containing financial statements for interim periods beginning after December 15, 2002. See Notes 2 and 16 for the disclosures required by this standard at December 31, 2002.

In November 2002, the FASB issued FASB Interpretation No. 45 ("FIN 45"), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN 45 requires that upon issuance of a guarantee, the guarantor must recognize a liability for the fair value of the obligation it assumes under that guarantee. FIN 45 also requires additional disclosures by a guarantor in its interim and annual financial statements about the obligations associated with guarantees issued. The disclosure requirements are effective for financial statements of interim or annual periods ending after December 15, 2002. The recognition and measurement provisions are effective on a prospective basis to guarantees issued or modified after December 31, 2002. The adoption of this interpretation is not expected to have a material impact on the Company.

In January 2003, the FASB issued FASB Interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities." FIN 46 provides guidance on the identification of entities for which control is achieved through means other

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than through voting rights, variable interest entities, and how to determine when and which business enterprises should consolidate variable interest entities. This interpretation applies immediately to variable interest entities created after January 31, 2003. It applies in the first fiscal year or interim period beginning after June 15, 2003, to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. The adoption of this interpretation will not have an impact on the Company.

NOTE 3-- ACQUISITIONS:

Reamet

Pursuant to a Stock Purchase Agreement dated December 14, 2000, RTI acquired the remaining 70,000 shares of Reamet of Villette, France for cash of \$4.0 million. This acquisition was accounted for using the purchase method of accounting.

Reamet is a premier distributor of titanium products to the French market. Reamet was previously accounted for under the cost basis of accounting, despite the Company's 40% interest due to the practical inability of RTI to exercise significant influence.

The accompanying financial statements include the results of operations of Reamet from the date of acquisition on December 14, 2000. The purchase price of \$4.9 million, consisting of cash paid of \$4.0 million, acquisition costs of \$0.3 million, and the Company's original cost of the minority interest it held in Reamet prior to the acquisition of \$0.6 million, was allocated to the assets acquired and liabilities assumed.

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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, 2002, 2001, and 2000, follows (in thousands except number of shares and per share amounts):

	NET INCOME	SHARES	EARNINGS PER SHARE
	-----	-----	-----
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
	=====	=====	=====
For the year ended December 31, 2001			
Basic EPS.....	\$12,078	20,848,056	\$0.58
Effect of potential common stock:			
Stock options.....	--	184,680	(0.01)
	-----	-----	-----
Diluted EPS.....	\$12,078	21,032,736	\$0.57
	=====	=====	=====
For the year ended December 31, 2000			
Basic EPS.....	\$ 6,731	20,848,783	\$0.32

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Effect of potential common stock:

Stock options.....	--	176,208	--
Diluted EPS.....	\$ 6,731	21,024,991	\$0.32

914,066, 735,978, and 780,600 shares of common stock issuable upon exercise of employee stock options have been excluded from the calculation of diluted earnings per share in 2002, 2001 and 2000, 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,	
	2002	2001
Trade and commercial customers.....	\$38,483	\$50,581
Retainage on long-term contract (1).....	150	--
U.S. Government--Department of Energy.....	1,402	1,210
	40,035	51,791
Less--Allowance for doubtful accounts.....	(1,205)	(1,219)
	\$38,830	\$50,572

(1) Collectible within one year.

NOTE 6--INVENTORIES:

	DECEMBER 31,	
	2002	2001
Raw materials and supplies.....	\$ 39,370	\$ 30,304
Work-in-process and finished goods.....	131,516	142,041
Adjustment to LIFO values.....	(16,727)	(13,784)
	\$154,159	\$158,561

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The Company uses a LIFO valuation method for approximately 60% of its inventories. The remaining inventories are valued using a combination of FIFO and weighted average cost methods.

NOTE 7-- PROPERTY, PLANT AND EQUIPMENT:

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

	DECEMBER 31,	
	2002	2001
Land.....	\$ 1,162	\$ 1,162
Buildings and improvements.....	43,679	43,803
Machinery and equipment.....	147,878	142,578
Computer hardware and software, furniture and fixtures, and other.....	44,222	44,272
Construction in progress.....	624	2,410
	237,565	234,225
Less--Accumulated depreciation.....	(145,011)	(135,850)
	\$ 92,554	\$ 98,375

NOTE 8--INCOME TAXES:

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

	DECEMBER 31, 2002			DECEMBER 31, 2001			DECEMBER	
	CURRENT	DEFERRED	TOTAL	CURRENT	DEFERRED	TOTAL	CURRENT	DEFERRED
Federal.....	\$2,952	\$5,593	\$8,545	\$3,053	\$3,190	\$6,243	\$1,390	\$2,952
State.....	300	306	606	294	449	743	184	300
Foreign.....	278	(159)	119	700	157	857	(19)	278
Total.....	\$3,530	\$5,740	\$9,270	\$4,047	\$3,796	\$7,843	\$1,555	\$3,530

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

	DECEMBER 31,		
	2002	2001	2000
Statutory rate of 35% applied to income before income taxes.....	\$8,539	\$7,037	\$3,993
State income taxes, net of federal benefit.....	394	483	450
Adjustments of prior year's tax.....	280	374	(82)
Effects of foreign operations.....	(11)	(415)	(148)
Nondeductible expenses.....	68	364	465

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Total provision.....	\$9,270	\$7,843	\$4,678
	=====	=====	=====

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Deferred tax assets and liabilities resulted from the following:

	DECEMBER 31,	
	2002	2001
	-----	-----
Deferred tax assets		
Inventories.....	\$ 4,855	\$ 4,925
Postretirement benefit costs.....	7,588	7,615
Employment costs.....	2,433	2,382
Tax credits.....	--	1,807
Environmental related costs.....	638	638
Pension costs.....	2,365	72
Other.....	1,175	1,052
	-----	-----
Total deferred tax assets.....	19,054	18,491
Deferred tax liabilities		
Property, plant and equipment.....	(12,281)	(10,236)
Anthem disposition.....	--	(1,977)
Intangible assets.....	(146)	(156)
	-----	-----
Total deferred tax liabilities.....	(12,427)	(12,369)
	-----	-----
Net deferred tax asset.....	\$ 6,627	\$ 6,122
	=====	=====

NOTE 9-- LONG-TERM DEBT:

At December 31, 2002, the Company maintained a credit agreement entered into on April 26, 2002, which provides a \$100 million three-year unsecured revolving credit facility. This agreement replaced the previously existing \$100 million five-year unsecured revolving credit facility entered into September 30, 1998. 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.

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, 2002, there was \$6.9 million of standby letters of credit outstanding under the facility, the Company was in compliance with all covenants, and had a borrowing capacity equal to \$74.1 million.

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NOTE 10-- 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, 2002 and 2001, and a statement of the funded status as of December 31, 2002 and 2001.

	PENSION BENEFIT PLANS		OTHER POSTRETIREMENT BENEFIT PLANS	
	2002	2001	2002	2001
CHANGE IN BENEFIT OBLIGATION:				
Benefit obligation January 1.....	\$ 95,545	\$ 91,278	\$ 19,965	\$ 19,228
Service cost.....	2,028	1,890	262	251
Interest cost.....	6,450	6,380	1,344	1,340
Actuarial loss.....	6,320	2,771	5,923	904
Benefits paid.....	(7,069)	(6,774)	(2,317)	(1,758)
	-----	-----	-----	-----
Benefit obligation December 31.....	\$103,274	\$ 95,545	\$ 25,177	\$ 19,965
	=====	=====	=====	=====
CHANGE IN PLAN ASSETS:				
Fair value of plan assets January 1.....	\$ 85,178	\$ 90,533		
Actual return on plan assets.....	(2,308)	1,352		
Employer contributions.....	7,302	67		
Benefits paid.....	(7,069)	(6,774)		
	-----	-----		
Fair value of plan assets December 31.....	\$ 83,103	\$ 85,178		
	=====	=====		

As of December 31, 2002, approximately 53% of the plans' assets are invested in equity securities, 23% in government debt instruments, and the balance in cash equivalents or debt securities. 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, 2002 by \$20.2 million.

	PENSION BENEFIT PLANS		OTHER POSTRETIREMENT BENEFIT PLANS	
	2002	2001	2002	2001
FUNDED STATUS:				
Funded status December 31.....	\$(20,171)	\$(10,367)	\$(25,177)	\$(19,965)
Unrecognized (gain) loss.....	35,594	18,500	3,729	(1,725)
Unrecognized prior service cost.....	3,722	4,388	1,575	1,750
	-----	-----	-----	-----
Net amount recognized.....	\$ 19,145	\$ 12,521	\$(19,873)	\$(19,940)
	=====	=====	=====	=====

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

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	PENSION BENEFIT PLANS		OTHER POSTRETIREMENT BENEFIT PLANS	
	2002	2001	2002	2001
Prepaid benefit cost.....	\$ 19,145	\$ 12,521	\$ --	\$ --
Intangible asset.....	3,767	4,438	--	--
Accrued benefit liability.....	--	--	(19,873)	(19,940)
Additional minimum liability.....	(33,021)	(17,787)	--	--
Accumulated other comprehensive income.....	29,254	13,349	--	--
	<u>\$ 19,145</u>	<u>\$ 12,521</u>	<u>\$ (19,873)</u>	<u>\$ (19,940)</u>
	=====	=====	=====	=====

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

	PENSION BENEFIT PLANS			OTHER POSTRETIREMENT BENEFIT PLANS		
	2002	2001	2000	2002	2001	2000
Service cost.....	\$ 2,028	\$ 1,890	\$ 1,757	\$ 262	\$ 251	\$ 223
Interest cost.....	6,450	6,380	6,329	1,344	1,340	1,396
Expected return on assets.....	(8,629)	(7,908)	(7,640)	--	--	--
Prior service cost amortization.....	666	791	791	175	175	193
Amortization of actuarial loss.....	163	100	2	--	--	--
Amortization of transition obligation.....	--	--	256	--	--	--
Net periodic benefit cost.....	<u>\$ 678</u>	<u>\$ 1,253</u>	<u>\$ 1,495</u>	<u>\$ 1,781</u>	<u>\$ 1,766</u>	<u>\$ 1,812</u>
	=====	=====	=====	=====	=====	=====

Assumptions used in the determination of the benefit obligations include the following:

	2002	2001
Discount rate.....	6.5%	7.0%
Rate of increase in compensation.....	4.0%	4.8%
Expected return on plan assets.....	8.5%	9.0%

For those employees not covered by a defined benefit pension plan described above, the Company sponsors a 401(k) plan whereby the Company may provide a match of contributions. The Company matching contributions for the years ended December 31, 2002, 2001 and 2000 were approximately \$398,000, \$263,000 and \$252,000, respectively.

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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, 2002, 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 Company acquired stock under the demutualization of one of its insurance carriers in 2001. The Company subsequently sold all of the stock for \$7.2 million and immediately contributed the amount to its four defined benefit pension plans in January of 2002.

NOTE 11-- 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 \$2.9 million in 2002, \$2.7 million in 2001 and \$3.7 million in 2000.

The Company's future minimum commitments under operating and capital leases for years after 2002 are as follows (in thousands):

	OPERATING	CAPITAL
2003.....	\$2,419	\$ 294
2004.....	1,821	195
2005.....	1,396	146
2006.....	1,234	33
2007.....	1,132	24
Thereafter.....	1,381	--
	-----	-----
Total lease payments.....	\$9,383	692
	=====	
Less interest portion.....		(68)

Amount recognized as capital lease obligations.....		\$ 624
		=====

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NOTE 12-- BILLINGS IN EXCESS OF COSTS AND ESTIMATED EARNINGS:

The Company reported a liability for Billings in excess of costs and estimated earnings of \$2.4 million as of December 31, 2002 and \$6.1 million as of December 31, 2001. Those amounts primarily represent payments, received in advance from energy market customers on long-term orders, which the Company has not recognized as revenues. The decrease reflects the Company fulfilling obligations and recognizing revenue relating to advance payments.

NOTE 13-- TRANSACTIONS WITH RELATED PARTIES:

Mr. Richard Burkhart, an officer of the Company prior to his resignation in February, 2000, received, as a 50% owner of XXI, LLC, the benefit of rent paid for a building in Solon, Ohio amounting to \$199,445 in 2000. For the years 2001

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and 2002, Mr. Burkhart was not considered a related party.

NOTE 14-- 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, sheet, strip and welded tube. 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 Fabrication and 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 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.

Other Operations is comprised of certain small businesses and operations dissimilar to either the Titanium Group or the Fabrication and Distribution Group, and primarily consists of the Company's Environmental Services Division located in Ashtabula, Ohio. While the Environmental Services Division is structurally a part of the Titanium Group, the aggregation rules of generally accepted accounting principles do not permit combination with that group for this footnote disclosure.

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.

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Segment information for the three years ended December 31, 2002 is as follows:

	2002	2001	2000
	-----	-----	-----
NET SALES:			
Titanium			
Trade.....	\$110,427	\$126,889	\$124,149
Intersegment.....	55,075	48,389	45,806
	-----	-----	-----
	165,502	175,278	169,955
Fabrication and distribution			
Trade.....	143,213	144,916	108,423
Intersegment.....	307	1,605	318
	-----	-----	-----
	143,520	146,521	108,741

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Other operations.....	17,250	14,095	16,810
Eliminations.....	(55,382)	(49,994)	(46,124)
	-----	-----	-----
Total net sales.....	\$270,890	\$285,900	\$249,382
	=====	=====	=====

OPERATING INCOME (LOSS):

Titanium.....	\$ 9,032	\$ 4,045	\$ 5,608
Fabrication and distribution.....	5,133	4,685	(17)
Other operations.....	1,169	1,051	1,150
	-----	-----	-----
Total.....	\$ 15,334	\$ 9,781	\$ 6,741
	=====	=====	=====

Allocated corporate items included in segment operating income (1):

Titanium.....	\$ (5,157)	\$ (5,757)	\$ (4,051)
Fabrication and distribution.....	(4,882)	(2,886)	(2,238)
	-----	-----	-----
	\$ (10,039)	\$ (8,643)	\$ (6,289)
	=====	=====	=====

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

ASSETS:

Titanium.....	\$216,160	\$216,179	\$227,883
Fabrication and distribution.....	146,220	157,162	149,536
Other operations.....	1,573	1,787	462
General corporate assets.....	32,267	12,623	8,398
	-----	-----	-----
Total consolidated assets.....	\$396,220	\$387,751	\$386,279
	=====	=====	=====

CAPITAL EXPENDITURES:

Titanium.....	\$ 4,475	\$ 6,008	\$ 5,564
Fabrication and distribution.....	3,128	6,159	5,958
Other operations.....	--	--	72
	-----	-----	-----
Total capital spending.....	\$ 7,603	\$ 12,167	\$ 11,594
	=====	=====	=====

DEPRECIATION AND AMORTIZATION:

Titanium.....	\$ 9,860	\$ 9,917	\$ 8,962
Fabrication and distribution.....	2,433	3,651	2,957
Other operations.....	13	17	22
	-----	-----	-----
Total depreciation and amortization.....	\$ 12,306	\$ 13,585	\$ 11,941
	=====	=====	=====

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	2002	2001	2000
	-----	-----	-----
CARRYING VALUE OF GOODWILL:			
Titanium.....	\$ --	\$ --	\$ --
Fabrication and distribution.....	34,133	34,133	35,736
Other operations.....	--	--	--
	-----	-----	-----
Total carrying value of goodwill.....	\$ 34,133	\$ 34,133	\$ 35,736
	=====	=====	=====

The Company adopted SFAS No. 142 resulting in the non-amortization of goodwill effective for the period beginning January 1, 2001.

	2002	2001	2000
	-----	-----	-----
REVENUE BY MARKET INFORMATION:			
Titanium			
Aerospace.....	\$105,822	\$125,595	\$123,594
Nonaerospace.....	59,680	49,683	46,361
	-----	-----	-----
Total.....	\$165,502	\$175,278	\$169,955
Fabrication and distribution			
Aerospace.....	\$ 99,005	\$ 92,907	\$ 76,386
Nonaerospace.....	44,515	53,614	32,355
	-----	-----	-----
Total.....	\$143,520	\$146,521	\$108,741
Other operations			
Nonaerospace.....	\$ 17,250	\$ 14,095	\$ 16,810
Eliminations			
Aerospace.....	(49,723)	(45,771)	(41,486)
Nonaerospace.....	(5,659)	(4,223)	(4,638)
	-----	-----	-----
Total net sales.....	\$270,890	\$285,900	\$249,382
	=====	=====	=====

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

	2002	2001	2000
	-----	-----	-----
Geographic location of trade sales:			
United States.....	\$224,759	\$229,345	\$192,058
England.....	12,322	17,223	14,624
France.....	13,972	14,873	17,833
Rest of world.....	19,837	24,459	24,867
	-----	-----	-----
Total.....	\$270,890	\$285,900	\$249,382
	=====	=====	=====
Gross property, plant and equipment:			
United States.....	\$235,310	\$231,955	\$225,243
England.....	2,037	2,058	1,976

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France.....	218	212	182
	-----	-----	-----
Total.....	\$237,565	\$234,225	\$227,401
	=====	=====	=====

In 2002, no single customer accounted for more than 10% of consolidated revenues. In the years ended December 31, 2002, 2001 and 2000, export sales were \$46.1 million, \$56.6 million, and \$57.3 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

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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, 2002, no single customer accounted for as much as 10% of consolidated sales, although Boeing Company, Airbus Industrie 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 15-- 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. 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. While the costs of compliance for these matters have not had a material adverse impact on the Company in the past, it is impossible to predict accurately the ultimate effect these changing laws and regulations may have on the Company in the future. The Company continues to evaluate its obligations for environmental related costs on a quarterly basis and makes adjustments in accordance with provisions of Statement of Position No. 96-1, "Environmental Remediation Liabilities".

The Company is involved in investigative or cleanup projects under federal or state environmental laws at a number of waste disposal sites, including the Fields Brook Superfund Site and the Ashtabula 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. These provisions are in addition

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to amounts which have previously been accrued for the Company's share of environmental study costs.

At December 31, 2002 and 2001, the amount accrued for future environmental-related costs was \$1.7 million. Of the total amount accrued at December 31, 2002, \$0.3 million is expected to be paid out during 2003 and is included in the Other accrued liabilities line of the balance sheet. The remaining \$1.4 million is recorded in Other non current liabilities. This amount is included in other non-current liabilities. Based on available information, RMI believes its share of potential environmental-related costs, before expected contributions from third parties, is in a range from \$3.3 million to \$7.3 million, in the aggregate. The amount accrued is net of expected contributions from third parties (other than insurers) of approximately \$0.6 to \$2.1 million, which the Company believes are probable. 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 projects.

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 years beginning in 1999. They failed to do so for 1999, 2000, 2001, and 2002, ordering 0.9 million pounds, 1.1 million pounds, 0.9 million pounds, and 0.5 million pounds, respectively.

The Company made claim against Boeing in accordance with the provisions of the long-term contract for each of the years in which the minimum was not achieved. Revenue under the provisions of Statement of

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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.

As a result of the application of SFAS No. 5 as to gain contingencies, the Company recorded revenue in 2000 of approximately \$6 million, in 2001 of approximately \$6 million, and in 2002 of approximately \$7 million, for each of the preceding years claims upon receipt of the cash. The Company expects to recognize revenue of approximately \$8 million when Boeing satisfies the claim for 2002.

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.

NOTE 16-- STOCK OPTION AND RESTRICTED STOCK AWARD PLANS:

1995 STOCK PLAN

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The 1995 Stock Plan, which was approved by a vote of the Company's shareholders at the 1995 Annual Meeting of Shareholders, replaced both the 1989 Stock Option Incentive Plan and the 1989 Employee Restricted Stock Award Plan. The Plan permits the grant of any or all of the following types of awards in any combination: a) stock options; b) stock appreciation rights; and c) restricted stock. The plan does not permit the granting of options with exercise prices that are less than the market value on the date the options are granted. 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 2002, 238,000 option shares were granted at an exercise price of \$9.575. In 2001, 160,500 option shares were granted at an exercise price of \$15.781. In 2000, 179,000 option shares were granted at an exercise price of \$7.313. 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. 235,450 of the option shares granted in 2002 were outstanding at December 31, 2002.

During 2002, 2001 and 2000, 68,912 shares, 49,119 shares and 65,610 shares, respectively, of restricted stock were granted under the 1995 Stock Plan. 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, 2000 through 2002:

	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
	-----	-----
Balance January 1, 2000.....	1,141,969	\$15.23
Granted.....	179,000	\$ 7.31
Exercised.....	(20,503)	\$ 7.81
Forfeited or Expired.....	(19,891)	\$13.32

Balance December 31, 2000.....	1,280,575	\$14.27
Granted.....	160,500	\$15.78
Exercised.....	(39,623)	\$ 8.11
Forfeited or Expired.....	(1,332)	\$20.19

Balance December 31, 2001.....	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
	=====	

At December 31, 2002 the weighted average exercise price and weighted average remaining contractual life for all outstanding options are reflected in the following tables:

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OPTIONS OUTSTANDING

RANGE OF EXERCISE PRICE	NUMBER	WEIGHTED-AVERAGE REMAINING LIFE	WEIGHTED-AVERAGE EXERCISE PRICE
\$4.06.....	75,800	1.8	\$ 4.06
\$7.31 - \$9.59.....	583,865	7.6	\$ 8.90
\$12.44 - \$15.78.....	505,836	6.7	\$13.94
\$20.19 - \$25.56.....	452,102	4.0	\$22.16

	1,617,603	6.1	\$13.95
	=====		

OPTIONS EXERCISABLE

RANGE OF EXERCISE PRICE	NUMBER	WEIGHTED-AVERAGE REMAINING LIFE	WEIGHTED-AVERAGE EXERCISE PRICE
\$4.06.....	75,800	1.8	\$ 4.06
\$7.31 - \$9.59.....	290,181	6.6	\$ 8.68
\$12.44 - \$15.78.....	399,836	6.3	\$13.45
\$20.19 - \$25.56.....	452,102	4.0	\$22.16

	1,217,919	5.2	\$14.96
	=====		

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

	2002	2001	2000
	-----	-----	-----
Expected life (years).....	5	5	5
Risk-free interest rate.....	3.0%	5.0%	5.0%
Expected volatility.....	40.0%	40.0%	57.5%
Dividend yield.....	0%	0%	0%
Expected weighted average fair value of options granted during the year.....	\$3.78	\$6.75	\$3.98

NOTE 17-- GOODWILL AND OTHER INTANGIBLE ASSETS

SFAS No. 142 supersedes Accounting Principles Board Opinion No. 17 ("APB 17"), "Intangible Assets". SFAS No. 142 primarily addresses the accounting for goodwill and intangible assets subsequent to their

acquisition (i.e., the post-acquisition accounting). The most significant changes made by SFAS No. 142 are: (1) goodwill and indefinite-lived intangible

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assets will no longer be amortized; (2) goodwill must be tested for impairment at least annually at the reporting unit level; (3) intangible assets deemed to have an indefinite life will be tested for impairment at least annually; and (4) the amortization period of intangible assets with finite lives will no longer be limited to forty years.

The Company adopted SFAS No. 142 in the first quarter of fiscal 2002 and discontinued the amortization of goodwill. The following table sets forth the effect of discontinuing of goodwill amortization as required by SFAS No. 142:

	TWELVE MONTHS ENDED DECEMBER 31		
	2002	2001	2000
Income before income taxes, as reported.....	\$24,395	\$20,112	\$11,409
Add back: Goodwill amortization.....	--	1,647	1,630
Income before income taxes, as adjusted.....	\$24,395	\$21,759	\$13,039
Net income, as reported.....	\$15,125	\$12,078	\$ 6,731
Add back: Goodwill amortization.....	--	1,005	962
Net income, as adjusted.....	\$15,125	\$13,083	\$ 7,693
Basic earnings per share, as reported.....	\$ 0.73	\$ 0.58	\$ 0.32
Add back: Goodwill amortization.....	--	0.05	0.05
Basic earnings per share, as adjusted.....	\$ 0.73	\$ 0.63	\$ 0.37
Diluted earnings per share, as reported.....	\$ 0.72	\$ 0.57	\$ 0.32
Add back: Goodwill amortization.....	--	0.05	0.05
Diluted earnings per share, as adjusted.....	\$ 0.72	\$ 0.62	\$ 0.37

The new standard also requires a periodic assessment of the carrying value of goodwill for impairment. If the carrying value of a reporting unit exceeds its implied fair value, an impairment loss must be recognized. Based on the results of this assessment at December 31, 2002, the Company determined that all of the reporting units implied fair values exceeded the carrying value of the respective units and no adjustment of goodwill was required. All of the units with recorded goodwill are reported in the Company's Fabrication and Distribution business segment.

NOTE 18-- SELECTED QUARTERLY FINANCIAL INFORMATION (UNAUDITED):

The following table sets forth selected quarterly financial data for 2002 and 2001.

	1ST QUARTER (1)	2ND QUARTER	3RD QUARTER	4TH QUARTER
2002				
Sales.....	\$65,678	\$72,943	\$68,105	\$64,164
Gross profit.....	13,796	14,490	12,160	8,576

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Operating income.....	4,376	5,671	4,606	681
Net income.....	8,031	3,464	3,005	625
Net income per share:				
Basic.....	\$ 0.39	\$ 0.17	\$ 0.14	\$ 0.03
Diluted.....	\$ 0.38	\$ 0.17	\$ 0.14	\$ 0.03

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2001	1ST QUARTER (1)	2ND QUARTER	3RD QUARTER	4TH QUARTER (2)
----	-----	-----	-----	-----
Sales.....	\$66,239	\$74,868	\$76,047	\$68,746
Gross profit.....	9,511	10,188	11,980	11,745
Operating income.....	800	1,310	3,852	3,819
Net income.....	3,867	629	2,287	5,295
Net income per share:				
Basic.....	\$ 0.19	\$ 0.03	\$ 0.11	\$ 0.26
Diluted.....	\$ 0.18	\$ 0.03	\$ 0.11	\$ 0.25

(1) Net income was favorably affected by the financial settlements from Boeing of \$4.4 million and \$3.9 million, net of tax, in 2002 and 2001, respectively. These were related to Boeing's failure to meet minimum order requirements under terms of a long-term agreement between RTI and Boeing.

(2) Net income was favorably affected by the receipt of a Common Stock distribution in connection with the demutualization of one of the Company's insurance carriers. The effect on net income amounted to \$1.3 million in 2002 and \$3.2 million in 2001 net of taxes.

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

None.

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PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

In addition to the information set forth under the caption "Executive Officers of the Registrant" in Part I, Item 1 of this report, information concerning the directors of the Company is incorporated by reference to "Election of Directors" in the 2002 Proxy Statement, to be filed at a later date.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this item is incorporated by reference to "The Board of Directors--Compensation of Directors" and "Executive Compensation" in the 2002 Proxy Statement, to be filed at a later date.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

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Information required by this item is incorporated by reference to "Other Information--Security Ownership" in the 2002 Proxy Statement, to be filed at a later date.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information required by this item is incorporated by reference to "Certain Relationships and Related Transactions" in the 2002 Proxy Statement, to be filed at a later date.

PART IV

ITEM 14. CONTROLS AND PROCEDURES

Within the 90 days prior to the filing date of this report, the Company carried out an evaluation under the supervision and with the participation of the Company's officers and management including the Company's chief executive officer and chief financial officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-14 under the Securities Act of 1934. Based upon that evaluation, the chief executive officer and chief financial officer concluded that the Company's disclosure controls and procedures are effective in alerting them on a timely basis to material information relating to the Company that is required to be included in the Company's periodic SEC filings.

Subsequent to the date the Company carried out its evaluation, there have been no significant changes in the Company's internal controls or in other factors that could significantly affect these internal controls.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) (1) AND (2) FINANCIAL STATEMENTS

See "Financial Statements."

(3) See Index to Exhibits.

(b) REPORT ON FORM 8-K FILED IN THE FOURTH QUARTER OF 2002

None.

(c) EXHIBITS

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

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SIGNATURES

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

RTI INTERNATIONAL METALS, INC.

By /s/ LAWRENCE W. JACOBS

Lawrence W. Jacobs

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Vice President,
Chief Financial Officer & Treasurer

Dated: March 12, 2003

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;	
RONALD L. GALLATIN, Director;	
CHARLES C. GEDEON, Director;	
ROBERT M. HERNANDEZ, Director;	
EDITH E. HOLIDAY, Director;	
JOHN H. ODLE, Director;	
WESLEY W. VON SCHACK, Director	
/s/ TIMOTHY G. RUPERT -----	March 12, 2003
T. G. Rupert Attorney-in-Fact	
/s/ TIMOTHY G. RUPERT -----	March 12, 2003
T. G. Rupert Director and President and Chief Executive Officer (Principal Executive Officer)	

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INDEX TO EXHIBITS

EXHIBIT NO. -----	DESCRIPTION -----	SEQUENTIAL PAGE NUMBER -----
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	

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- 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
- 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
- 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, and amended as of January 28, 2000, incorporated by reference to Exhibit 10.5 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000
- 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

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EXHIBIT NO. -----	DESCRIPTION -----	SEQUENTIAL PAGE NUMBER -----
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	
21	Subsidiaries of the Company	
23.1	Consent of PricewaterhouseCoopers LLP	
24	Powers of Attorney	
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)	
99.3	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	
99.4	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	

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REPORT OF INDEPENDENT ACCOUNTANTS

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

Our audits of the consolidated financial statements referred to in our report dated January 24, 2003, appearing in this Annual Report on Form 10-K of RTI International Metals, Inc. also included an audit of the financial statement schedule listed in Item 15(a)(2) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in connection with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Pittsburgh, Pennsylvania
January 24, 2003

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RTI INTERNATIONAL METALS, INC.

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS

(IN THOUSANDS)

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DESCRIPTION	BALANCE AT BEGINNING OF YEAR	(CHARGED) CREDITED TO COSTS AND EXPENSES	WRITEOFFS AGAINST ALLOWANCE	OTHER	BA AT OF
-----	-----	-----	-----	-----	-----
Year ended December 31, 2002:					
Allowance for doubtful accounts.....	\$ (1,219)	\$ (769)	\$783	\$ --	\$ (
	=====	=====	=====	=====	=====
Valuation allowance for deferred income taxes.....	\$ --	\$ --	\$ --	\$ --	\$
	=====	=====	=====	=====	=====
Year ended December 31, 2001:					
Allowance for doubtful accounts.....	\$ (926)	\$ (820)	\$527	\$ --	\$ (
	=====	=====	=====	=====	=====
Valuation allowance for deferred income taxes.....	\$ --	\$ --	\$ --	\$ --	\$
	=====	=====	=====	=====	=====
Year ended December 31, 2000:					
Allowance for doubtful accounts.....	\$ (1,454)	\$ 197	\$331	--	\$
	=====	=====	=====	=====	=====
Valuation allowance for deferred income taxes.....	\$ (312)	\$ --	\$312	\$ --	\$
	=====	=====	=====	=====	=====

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