

RTI INTERNATIONAL METALS INC

Form 10-K

February 26, 2015

UNITED STATES

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

For the fiscal year ended December 31, 2014

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-14437

RTI INTERNATIONAL METALS, INC.

(Exact name of registrant as specified in its charter)

Ohio

(State of Incorporation)

52-2115953

(I.R.S. Employer Identification No.)

Westpointe Corporate Center One, 5<sup>th</sup> Floor

1550 Coraopolis Heights Road

Pittsburgh, Pennsylvania

(Address of principal executive offices)

Registrant's telephone number, including area code:

(412) 893-0026

15108-2973

(Zip code)

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

Title of each class

Common Stock, par value \$0.01 per share

Name of each exchange on which registered

New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes  No

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

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark 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.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

The aggregate market value of the voting stock held by non-affiliates of the registrant was \$798.0 million as of June 30, 2014. The closing price of the Company's common stock ("Common Stock") on June 30, 2014, as reported on the New York Stock Exchange, was \$26.59.

The number of shares of Common Stock outstanding at January 31, 2015 was 30,762,208.

Documents Incorporated by Reference:

Selected Portions of the Proxy Statement for the 2015 Annual Meeting of Shareholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

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## RTI INTERNATIONAL METALS, INC. AND CONSOLIDATED SUBSIDIARIES

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

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PART I

Item 1. Business

The Company

The Company is a leading producer and global supplier of titanium mill products, and a manufacturer of fabricated titanium and specialty metal components for the international aerospace, defense, energy, medical device, and other consumer and industrial markets. It is a successor to entities that have been operating in the titanium industry since 1951. The Company first became publicly traded on the New York Stock Exchange in 1990 under the name RMI Titanium Co. and the symbol "RTI", and was reorganized into a holding company structure in 1998 under the name RTI International Metals, Inc.

On January 22, 2014, the Company purchased all of the outstanding common stock of Directed Manufacturing, Inc. (now known as "RTI Directed Manufacturing"), for total consideration of \$22.8 million, including \$22.5 million in cash, and the assumption of \$0.3 million in liabilities. RTI Directed Manufacturing additively manufactures plastic and specialty metal components using 3-D printing technology for a variety of markets, including the commercial aerospace, medical, and oil and gas markets. The acquisition provides potential solutions for the Company's customers who seek near-net shape titanium and other specialty metal parts and components.

On June 3, 2014, the Company purchased all of the outstanding common stock of Dynamet Technology, Inc. (now known as "RTI Advanced Powder Materials") for total consideration of \$19.0 million, including \$15.6 million in cash, \$1.6 million in contingent consideration, and the assumption of \$1.8 million in liabilities. RTI Advanced Powder Materials is an industry innovator in titanium powder metallurgy and a supplier of near-net shape titanium and titanium alloy preforms and components to commercial aerospace, defense, biomedical, and industrial customers. Subsequent to its acquisition, RTI Advanced Powder Materials was merged with and into RMI Titanium Company, which is part of the Titanium Segment.

In February 2014, the Company completed its efforts to dispose of its non-core service centers Pierce Spafford Metals Company, Inc. ("RTI Pierce Spafford") and Bow Steel Corporation ("RTI Connecticut"). The results of RTI Pierce Spafford and RTI Connecticut have been presented as results from discontinued operations on the Company's Consolidated Statements of Operations and the related assets and liabilities have been presented separately on the Company's Consolidated Balance Sheets as assets and liabilities of discontinued operations. The Company's Consolidated Financial Statements and the Notes thereto have been conformed to exclude amounts attributable to the aforementioned discontinued operations.

Industry Overview

Titanium's physical characteristics include a high strength-to-weight ratio, the ability to withstand extreme temperatures while maintaining its performance characteristics, and superior resistance to corrosion and erosion. Relative to other metals, it is particularly effective in extremely harsh conditions. Given these properties, the scope of potential uses for titanium would be much broader than its current uses but for its relatively higher cost of production as compared to other metals.

Traditionally, a majority of the U.S. titanium industry's output has been used in aerospace applications. 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 components and in airframe construction. Historically, the cyclical nature of the aerospace and defense industries have been the principal cause of the fluctuations in demand for titanium-related products. In more recent years, increasing quantities of the industry's output have been used in non-aerospace applications, such as oil and gas exploration and production, medical products, geothermal energy production, chemical processing, consumer products, and non-aerospace military applications such as heavy artillery and armoring.

According to the U.S. Geological Survey's Titanium Survey, the U.S. titanium industry's reported mill product shipments were approximately 76 million pounds and 87 million pounds in 2013 and 2012, respectively, and are estimated to be approximately 76 million pounds in 2014. Shipments continue to be driven by demand related to commercial aircraft build rates. Notwithstanding the current uncertainty in the defense industry related to the future of various defense programs, including the Lockheed Martin F-35 Joint Strike Fighter ("JSF"), demand for titanium is currently expected to grow in 2015 due to the ongoing aircraft build-rate increases expected from both Boeing and

Airbus, as well as the ramp up of the Airbus A350 XWB program, which made its first delivery in late 2014. Changes in titanium demand from the commercial aerospace industry typically precede increases or decreases in aircraft production. In the Company's experience, aircraft manufacturers and their subcontractors generally order titanium mill products six to eighteen months in advance of final aircraft production. This long lead time is due to the time it takes to produce a final assembly or part that is ready for installation into an airframe or jet engine.

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The following is a summary of the Company's proportional sales to each of the three primary markets it serves and a discussion of events occurring within those markets:

	2014	2013	2012	
Commercial Aerospace	63	% 55	% 55	%
Defense	17	% 22	% 23	%
Energy, Medical, and Other	20	% 23	% 22	%

**Commercial Aerospace**

Historically, growth in the commercial aerospace market was the result of increased world-wide air travel, which drove not only increased aircraft production but also the production of larger aircraft with higher titanium content than previous models. More recently, growth in the commercial aerospace market is being driven by the need for more fuel efficient aircraft due to higher energy costs, more stringent emissions regulations, and an expected replacement cycle of older aircraft. These trends are expected to continue in the future. In response to these changing dynamics, Boeing is producing the new 787 Dreamliner family of aircraft, which is nearing full-rate production, and Airbus is producing both the A350 XWB, which achieved its first delivery in late 2014, and the A380, the largest commercial aircraft currently in production. All three of these aircraft use substantially more titanium per aircraft than any other current commercial aircraft. As production of these aircraft increases, titanium demand is expected to grow to levels significantly above previous peak levels.

Collectively, Airbus and Boeing reported a record aggregate backlog of 12,175 aircraft on order at the end of 2014, a 14% increase from the prior year. This increase was primarily driven by strong orders for the single aisle A320neo and 737 MAX aircraft. This order backlog represents approximately nine years of production, at current build rates, for both Airbus and Boeing. According to Aerospace Market News, reported deliveries of large commercial aircraft by Airbus and Boeing totaled:

	2014	2013	2012
Deliveries	1,352	1,274	1,189

Further, The Airline Monitor currently forecasts deliveries of large commercial jets for Airbus and Boeing of approximately:

	2017	2016	2015
Forecasted deliveries	1,530	1,470	1,430

**Defense**

Military aircraft make extensive use of titanium and other specialty metals in their airframe structures and jet engines. These aircraft include U.S. fighters such as the F-22, F-18, F-15, and JSF, and European fighters such as the Mirage, Rafale, and Eurofighter-Typhoon. Military troop transports such as the A400M also use significant quantities of these metals.

The JSF is set to become the fighter for the 21<sup>st</sup> century with production currently expected to exceed 3,000 aircraft over the life of the program. In 2007, the Company was awarded a long-term contract extension from Lockheed Martin to supply up to eight million pounds annually of aero-structure titanium mill product to support full-rate production of the JSF through 2020. The products supplied by the Company include titanium sheet, plate, billet, and ingot. While the JSF program has been the subject of budget discussions in recent years due to continuing defense budget pressures and the sequestration of the defense budget, the program is currently expected to consume in excess of two million pounds in 2015.

In addition to aerospace defense requirements, there are numerous titanium applications on ground vehicles and artillery, driven by its armoring (greater strength) and mobility (lighter weight) enhancements.

**Energy, Medical, & Other**

Sales to the energy, medical device, and other consumer and industrial markets consist primarily of shipments by our Engineered Products and Services ("EP&S") Segment, as well as sales of ferro titanium to the specialty steel industry from our Titanium Segment.



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In the energy sector, demand for the Company's products for oil and natural gas extraction, including deepwater drilling exploration and production, declined in 2014. Historically, demand for these products has been attributable to increased deepwater oil and gas development from deepwater and difficult-to-reach locations around the globe. As the complexity of oil and gas exploration and production increases, the expected scope of potential uses for titanium-based structures and components is expected to increase, as well. To date, the Company has not experienced any impact in demand for its products and services due to the recent, significant decline in oil prices. Similar to the commercial aerospace market, titanium's usage in the energy sector would be higher but for its relatively high production costs.

In the medical device sector, the Company collaboratively engineers innovative, precision-machined solutions with its customers in the minimally invasive surgical device and implantable device markets. The market for medical devices is focused primarily on North America, Western Europe, and Japan. Demand for these products is expected to increase as populations age and the healthcare industry's focus on cost containment continues.

Growth in various areas around the globe, such as China, India, and regions such as the Middle East, has stimulated increased demand from the chemical process industry for heat exchangers, tubing for power plant construction, and specialty metals for desalinization plants. While the Company does not currently participate in these markets due to the nature of its product line, increased demand for these products has resulted in increased titanium demand overall.

### Products and Segments

The Company conducts business in two segments: the Titanium Segment and the EP&S Segment.

#### Titanium Segment

The Titanium Segment melts, processes, produces, forges, stocks, distributes, finishes, cuts-to-size, and facilitates just-in-time delivery services of a complete range of titanium mill products, which are further processed by its customers for use in a variety of commercial aerospace, defense, and industrial and consumer applications. With operations in Niles and Canton, Ohio; Martinsville, Virginia; Norwalk, California; Burlington, Massachusetts; Tamworth, England; and Rosny-Sur-Seine, France, the Titanium Segment manufactures and distributes mill products that are fabricated into parts and utilized in aircraft structural sections such as landing gear, fasteners, tail sections, wing support, and carry-through structures, as well as various engine components including rotor blades, vanes and discs, rings, and engine casings. Its titanium furnaces (as well as other processing equipment) and products are certified and approved for use by all major domestic and most international manufacturers of commercial and military airframes and jet engines. Attaining such certifications is often time consuming and expensive, and can serve as a barrier to entry into the titanium mill product market. The Titanium Segment also focuses on the research and development of evolving technologies relating to raw materials, melting, and other production processes, and the application of titanium in new markets.

The Titanium Segment's mill products are sold to a customer base consisting primarily of manufacturing and fabrication companies in the supply chain for the commercial aerospace, defense, energy, medical device, and other consumer and industrial markets. Customers include prime aircraft manufacturers and their family of subcontractors including fabricators, forge shops, extruders, castings producers, fastener manufacturers, machine shops, and metal distribution companies. Titanium mill products are semi-finished goods and usually represent the raw or starting material for these customers who then form, fabricate, machine, or further process the products into semi-finished and finished parts. In 2014, approximately 20% of the Titanium Segment's products were sold to the Company's EP&S Segment, where value-added services are performed on such parts prior to their ultimate shipment to the customer, compared to 21% in 2013 and 19% in 2012. Sales to the EP&S Segment resulted from the Company's continued efforts to source titanium used in its fabricated components from its mill.

#### Engineered Products and Services Segment

The EP&S Segment is comprised of companies with significant hard and soft-metal expertise that form, extrude, fabricate, machine, additively manufacture, micro-machine, and assemble titanium, aluminum, and other specialty metal parts and components. Its products, many of which are complex engineered parts and assemblies, serve the commercial aerospace, defense, medical device, oil and gas, power generation, and chemical process industries, as well as a number of other industrial and consumer markets. With operations in Minneapolis, Minnesota; Houston, Austin, and Spring, Texas; Sullivan and Washington, Missouri; Laval, Canada; and Welwyn Garden City and



Bradford, England, the EP&S Segment provides value-added products and services such as engineered tubulars and extrusions, fabricated and machined components and sub-assemblies, and components for the production of minimally invasive and implantable medical devices, as well as engineered systems for deepwater oil and gas exploration and production infrastructure.

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## Integrated Strategy

The Company believes that by providing its customers with a full-range of titanium and other specialty metal products and technologies, from mill products to assembled and kitted titanium components, it provides significant value to its customers.

When titanium products and fabrications are involved in a project, the Titanium Segment and the EP&S Segment coordinate their varied capabilities to provide the best materials solution for the Company's customers. Examples of such coordinated activities include:

- The use of Titanium Segment-sourced cut titanium sheet by the EP&S Segment's forming facilities to manufacture hot and superplastically formed parts for various commercial aerospace and defense programs; and

- The use of Titanium Segment-sourced titanium billet for use by the EP&S Segment's extrusion facilities to manufacture structured components, including the Boeing Pi Box seat track system for the commercial aerospace market.

The Company's consolidated net sales represented by each Segment for each of the past three years are summarized in the following table:

	2014		2013		2012			
(dollars in millions)	\$	%	\$	%	\$	%		
Titanium Segment	\$360.6	45.4	\$346.6	44.2	\$352.9	50.4		%
Engineered Products and Services Segment	433.0	54.6	436.7	55.8	347.1	49.6		%
Total consolidated net sales	\$793.6	100.0	\$783.3	100.0	\$700.0	100.0		%

Operating income contributed by each Segment for each of the past three years is summarized in the following table:

	2014		2013		2012			
(dollars in millions)	\$	%	\$	%	\$	%		
Titanium Segment	\$53.0	75.4	\$59.0	95.2	\$39.0	82.3		%
Engineered Products and Services Segment	17.3	24.6	3.0	4.8	8.4	17.7		%
Total consolidated operating income	\$70.3	100.0	\$62.0	100.0	\$47.4	100.0		%

The Company's total consolidated assets identified with each Segment as of December 31 of each of the past three years are summarized in the following table:

(dollars in millions)	2014	2013	2012
Titanium Segment	\$685.3	\$604.1	\$566.4
Engineered Products and Services Segment	614.3	585.8	544.9
Assets of Discontinued Operations	—	5.3	25.2
General Corporate (1)	266.1	310.3	83.6
Total consolidated assets	\$1,565.7	\$1,505.5	\$1,220.1

(1) Consists primarily of unallocated cash and short-term investments.

The Company's long-lived assets by geographic area as of December 31 of each of the past three years are summarized in the following table:

(dollars in millions)	2014	2013	2012
United States	\$467.0	\$447.1	\$465.3
Canada	69.3	69.4	67.7
England	49.5	49.0	37.7
France	1.4	1.4	0.8
Total consolidated long-lived assets	\$587.2	\$566.9	\$571.5

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## Exports

The Company's exports consist primarily of titanium mill products, extrusions, and machined extrusions used in the aerospace markets. The Company's export sales as a percentage of total net sales for each of the past three years were as follows:

	2014	2013	2012	
Export sales	29	% 30	% 36	%

Such sales are made primarily to Europe, 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. For further information about geographic areas, see Note 12 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

## Backlog

The Company's order backlog for all markets was approximately \$574 million as of December 31, 2014, as compared to \$516 million at December 31, 2013. Of the backlog at December 31, 2014, approximately \$549 million is likely to be realized in 2015. The Company defines backlog as firm business scheduled for release into the production process for a specific delivery date. The Company has numerous contracts that extend multiple years, including the Airbus, JSF, and Boeing 787 long-term supply agreements, which are not included in backlog until a specific release into production or a firm delivery date has been established.

## Raw Materials

The principal raw materials used in the production of titanium mill products are titanium sponge (a porous metallic material, so called due to its appearance), titanium scrap, and various alloying agents. The Company sources its raw materials from a number of domestic and foreign suppliers under long-term contracts, other negotiated transactions, and opportunistically on the spot market as needed. Currently, all of the Company's titanium sponge requirements are sourced from foreign suppliers. Requirements for titanium sponge, scrap, alloys, and other metallics vary depending upon the exact specification of the end market application. The Company's cold-hearth and electron beam melting process provides it with the flexibility to consume a wider range of metallics, thereby affording it the ability to melt the most cost-advantageous raw material blends.

The Company currently has long-term supply agreements in place for certain critical raw materials. These supply agreements are with suppliers located in, or for products produced in, Japan and the United States, and allow the Company to purchase certain quantities of raw materials at either semi-annually negotiated prices, indexed prices, or in some cases, fixed prices that may be subject to certain underlying input cost adjustments. Purchases made under these contracts are denominated in U.S. Dollars; however, in some cases, the contract provisions include potential price adjustments to the extent that the Yen to U.S. Dollar exchange rate falls outside of a specified range. These contracts expire at various periods through 2020. The Company acquires the balance of its raw materials opportunistically on the spot market as needed. The Company currently believes it has adequate sources of supply for titanium sponge, titanium scrap, alloying agents, and other raw materials to meet its short and medium-term needs. Business units in the EP&S Segment obtain the majority of their titanium mill product requirements from the Titanium Segment. Other metallic requirements are generally sourced from the best available supplier at competitive market prices.

## Competition and Other Market Factors

The titanium metals industry is a highly-competitive and cyclical global business. Titanium competes with other materials, including certain stainless steel, other nickel-based high-temperature and corrosion resistant alloys, newer aluminum alloys, and composites. A metal manufacturing company with rolling and finishing facilities could participate in the mill product segment of the industry, although it would either need 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 the aerospace industry, require rigorous testing, approvals, and customer certification prior to purchase, which requires a manufacturer to expend significant time and capital and possess extensive technical expertise, given the complexity of the specifications often required by customers.

Consumers of titanium products in the aerospace industry tend to be very large and highly concentrated. Boeing, Airbus, Lockheed Martin, Bombardier, and Embraer manufacture airframes. General Electric, Pratt & Whitney, Rolls Royce, MTU, and Snecma build jet engines. Direct purchases from these companies and their families of subcontractors account for a majority of aerospace products manufactured for large commercial aerospace and defense applications.

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Producers of titanium mill products are primarily located in the U.S., Japan, Russia, Europe, and China. The Company participates directly in the titanium mill product business primarily through its Titanium Segment. The Company's principal competitors in the aerospace titanium mill product market are Allegheny Technologies Incorporated (NYSE: ATI) and Precision Castparts Corporation (NYSE: PCP), both based in the United States, and Verkhnyaya Salda Metallurgical Production Organization (RU: VSMO), based in Russia. The Company competes with these companies primarily on the basis of price, quality of products, technical support, and the availability of products to meet customers' delivery schedules.

The EP&S Segment competes with other companies primarily on the basis of price, quality, timely delivery, and customer service. The Company's principal competitors in the aerospace titanium fabricated component market are GKN Aerospace PLC (LSE: GKN), Triumph Group Inc. (NYSE: TGI), LMI Aerospace (NASDAQ: LMIA), PCP, and Ducommun Inc. (NYSE: DCO). In the energy sector, the Company primarily competes with 2H Offshore, Oil States International, Inc. (NYSE: OIS), Ameriforge Group, Inc., and Sheffield Offshore Services. In the medical device sector, the Company primarily competes with Norwood Medical, Accellent, and Mountainside Medical. The Company believes that the business units in its EP&S Segment are well-positioned to continue to compete and grow due to the range of goods and services offered, their demonstrated expertise, and the increasing synergy with the Titanium Segment for product and technical support.

### Trade and Legislative Factors

Imports of titanium mill products from countries that are subject to the normal trade relations ("NTR") tariff rate are subject to a 15% tariff, whereas the countries not subject to the NTR tariff rate are subject to a 45% tariff.

Additionally, a 15% tariff exists on unwrought titanium products entering the U.S., including titanium sponge.

Currently, the Company imports titanium sponge from Japan, which is subject to this 15% tariff. Competitors of the Company that do not import titanium sponge are not subject to the additional 15% tariff in the cost of their products. In the past, the Company has sought relief from this tariff through the Offices of the U.S. Trade Representative but has been unsuccessful in having the tariff removed. The Company believes that the U.S. trade laws as currently applied to the domestic titanium industry create a competitive disadvantage to the Company.

U.S. Customs and Border Protection ("U.S. Customs") administers a duty drawback program whereby duty paid on imported items can be recovered. In the event materials on which duty has been paid are used in the manufacture of products in the United States and such manufactured products are then exported, duties previously paid may be refunded as drawbacks, provided that various requirements are met. The Company participates in the U.S. Customs' duty drawback program.

The United States Government is required by 10 U.S.C. §2533b, "Requirement to buy strategic materials critical to national security from American sources" (the "Specialty Metals Clause"), to use domestically-melted titanium for certain military applications. The law was comprehensively revised in the 2007 Defense Authorization Act, and further revised per the National Defense Authorization Act for Fiscal Year 2008 ("2008 Act"). The 2008 Act reflects a compromise on domestic source requirements for specialty metals.

As currently implemented, the Specialty Metals Clause applies to commercial off-the-shelf-items such as: specialty metals mill products like titanium bar, billet, slab, and sheet; forgings and castings of specialty metals (unless incorporated into a commercial off-the-shelf item or subassembly); and fasteners (unless incorporated into commercial off-the-shelf end items or subassemblies). The 2008 Act provides for a de minimis exception whereby defense agencies may accept an item containing up to 2% noncompliant metal, based on the total weight of all of the specialty metals in an item and revised the rules for granting compliance waivers when compliant materials are not available.

The Company believes that the compromises contained in the 2008 Act provided a fair and workable solution bridging the biggest concerns on both sides of the debate. The Company, together with the specialty metals industry as a whole, continues to monitor the application and enforcement of the 2008 Act to affirm that the Specialty Metals Clause continues to ensure a reliable, domestic source for products critical to national security.

### Environmental Liabilities

The Company is subject to various environmental laws and regulations as well as certain health and safety laws and regulations that are subject to frequent modifications and revisions. While historically the cost of compliance for these matters has not had a material adverse impact on the Company, it is not possible to accurately predict the ultimate

effect changing environmental health and safety laws and regulations may have on the Company in the future. The Company evaluates its obligations for environmental-related costs on a quarterly basis and makes adjustments as necessary. For further information on the Company's environmental liabilities, see Note 13 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

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## Marketing and Distribution

The Company markets its titanium mill and related products and services worldwide. The majority of the Company's sales are made through its own sales force. The Company's sales force has offices in Pittsburgh, Pennsylvania; Niles, Ohio; Minneapolis, Minnesota; Houston, Austin, and Spring, Texas; Norwalk, California; Sullivan and Washington, Missouri; Burlington, Massachusetts; Bradford, Tamworth, and Welwyn Garden City, England; Laval, Canada; Rosny-Sur-Seine, France; Jiangsu, China; and Tokyo, Japan. Technical marketing personnel are available to service these offices. Customer support for new product applications and development is provided by the Company's customer technical service personnel at each business unit, as well as at the corporate-level through the Company's Technical Business Development and Research and Development organizations located in Pittsburgh, Pennsylvania; Niles, Ohio; and Burlington, Massachusetts, respectively.

## Research, Technical, and Product Development

The Company conducts research, technical, and product development activities including not only new product development, but also new or improved technical and manufacturing processes.

The principal goals of the Company's research programs are advancing technical expertise in the production of titanium mill and fabricated products, and developing innovative solutions to customer needs through new and improved mill and value-added products. The Company's research, technical, and product development expenses for each of the past three years were as follows:

	2014	2013	2012
(dollars in millions)			
Research, technical and product development expenses	\$4.6	\$3.9	\$4.2

## Patents and Trademarks

The Company possesses a substantial body of technical know-how and trade secrets. The Company considers its expertise, trade secrets, and patent portfolio to be important to the conduct of its business, although no individual item is currently considered to be material to either the Company's business as a whole or to an individual reporting segment. The Company's Titanium Segment holds nine patents covering various manufacturing processes, most of which have not yet been commercialized, and the Company's EP&S Segment holds eight patents related to its energy business. All of the Company's patents have been issued between 2000 and 2014 and, assuming payment of all required maintenance fees, expire between 2020 and 2033.

## Employees

At December 31, 2014, the Company and its subsidiaries had 2,575 employees, 915 of whom were classified as administrative and sales personnel. Of the total number of employees, 732 employees were in the Titanium Segment, 1,664 in the EP&S Segment, and 179 at RTI's corporate headquarters.

The United Steelworkers of America ("USW") represents approximately 357 of the hourly, clerical, and technical employees at the Company's plant in Niles, Ohio. In 2012, the Company and the USW extended its current union contract through June 30, 2018. On October 24, 2014, the employees at the Company's facility in Washington, Missouri voted to decertify the local union that was represented by the International Association of Machinists and Aerospace Workers.

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## Executive Officers of the Registrant

Listed below are the executive officers of the Company, together with their ages and titles as of December 31, 2014.

Name	Age	Title
Dawne S. Hickton	57	Vice Chair, President and Chief Executive Officer
James L. McCarley	51	Executive Vice President - Operations
William T. Hull	57	Senior Vice President and Chief Risk Officer
Michael G. McAuley	51	Senior Vice President, Chief Financial Officer and Treasurer
Chad Whalen	40	General Counsel and Senior Vice President - Government Relations

## Biographies

Ms. Hickton was appointed Vice Chair, President and Chief Executive Officer in October 2009. She had served as Vice Chair and Chief Executive Officer since April 2007, Senior Vice President and Chief Administrative Officer since July 2005, Corporate Secretary since April 2004, and Vice President and General Counsel since June 1997. Prior to joining the Company, Ms. Hickton had been an Assistant Professor of Law at the University of Pittsburgh School of Law, and was employed at U.S. Steel Corporation from 1983 through 1994.

Mr. McCarley was appointed Executive Vice President—Operations in May 2010. He had served as the Chief Executive Officer of General Vortex Energy, Inc., a private developer of engine and combustion technologies, from September 2009 to May 2010. From 1987 to 2009, Mr. McCarley served in a variety of management positions at Wyman Gordon, a division of Precision Castparts Corporation, a global manufacturer of complex metal components, most recently as Division President of Wyman Gordon—West from 2008 to 2009 and Vice President & General Manager from 2006 to 2008.

Mr. Hull was appointed Senior Vice President and Chief Risk Officer in July 2014. He had served as Senior Vice President and Chief Financial Officer since April 2007 and Vice President and Chief Accounting Officer since August 2005. Prior to joining the Company, Mr. Hull served as Corporate Controller of Stoneridge, Inc., a NYSE listed global designer and manufacturer of highly engineered electrical and electronic components, modules and systems for the commercial vehicle, automotive, agricultural and off-highway vehicle markets, where he was employed since 1986. Mr. Hull is a Certified Public Accountant.

Mr. McAuley was appointed Senior Vice President, Chief Financial Officer and Treasurer in July 2014. Prior to joining RTI, Mr. McAuley served as the Chief Financial Officer of ECI Development, Ltd., a private real estate developer, since January 2013. Prior to this, Mr. McAuley served as the Vice President and Treasurer of Goodrich Corporation (acquired by United Technologies Corporation in July 2012), a manufacturer of aerospace and defense components, from December 2007 until July 2012, and Vice President and Segment Controller for its Actuation and Landing Systems Segment from January 2004 to December 2007. Prior to his employment by Goodrich Corporation, Mr. McAuley served in various financial management positions with Air Products and Chemicals, a NYSE listed manufacturer of industrial gases and chemicals, where he was employed since 1987.

Mr. Whalen was appointed General Counsel & Senior Vice President—Government Relations in April 2013. He served as Vice President, General Counsel and Secretary from February 2007 to April 2013. Mr. Whalen practiced corporate law at the law firm of Buchanan Ingersoll & Rooney PC from 1999 until joining the Company. He is an active member of The Society of Corporate Secretaries and Government Professionals and the Business Law Section of the American Bar Association.

## Available Information

Our Internet address is [www.rtiintl.com](http://www.rtiintl.com). We make available, free of charge through our website, our Annual Reports 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(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as soon as reasonably practicable after such documents are electronically filed with or furnished to the Securities and Exchange Commission (the “SEC”). All filings are available at the SEC’s Public Reference Room at 100 F Street, NE, Washington, DC 20549. Information on the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. In addition, all filings are available via the SEC’s website ([www.sec.gov](http://www.sec.gov)). We also make available on our website our corporate governance documents, including the Company’s Code of Ethical Business Conduct, governance guidelines, and the charters for various board committees.





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Item 1A. Risk Factors.

Our business is subject to various risks and uncertainties. Any of these individual risks described below, or any number of these risks occurring simultaneously, could have a material effect on our Consolidated Financial Statements, business, or results of operations. You should carefully consider these factors, as well as the other information contained in this document, when evaluating your investment in our securities.

We are subject to risks associated with global economic and political uncertainties.

The global economy is being impacted by a number of economic and political factors, including global currency fluctuation, persistent high unemployment in parts of Europe, the volatility in energy prices, the economic slowdown in China, and the Russia-Ukraine crisis. Although the condition of the U.S. economy has improved, the U.S. continues to face near term challenges such as excessive federal and state government debt and regulatory uncertainty. Global macroeconomic conditions and the rate of economic recovery have stabilized to an extent. However, continued effects of the global economic downturn and the rate of recovery may have an adverse effect on our business, results of operations, cash flows and financial position, and on the general economic activity in many of the industries and markets in which we and our customers operate. We remain subject to various domestic and international risks and uncertainties, including changing social conditions and uncertainties relating to the current and future political climate. The recent dramatic decline in the price of oil has the potential to impact several of our end-markets. Changes in policy resulting from the current political environment, fluctuations in global currencies, and continued political volatility in certain regions of the world could have an adverse impact on the financial condition and the level of business activity of the defense industry or other market segments in which we participate. This may reduce our customers' demand for our products and/or depress pricing of those products, resulting in a material adverse impact on our business, prospects, results of operations, revenues, and cash flows.

A substantial amount of our revenue is derived from the commercial aerospace and defense industries and a limited number of customers.

Approximately 80% of our current annual revenue is derived from the commercial aerospace and defense industries. Of this amount, Boeing, through multiple contracts with a number of our subsidiaries, accounted for approximately 25% of our consolidated net sales in 2014. Although business with our largest customers is typically split into multiple contracts, the loss of all of the business from any of our primary customers (whether by cancellation of existing contracts or the failure to award us new business) could have a material adverse effect on our business, results of operations, cash flows, and financial position. Within the commercial aerospace and defense industries are a relatively small number of consumers of titanium products that typically have strong purchasing power as a result of the consolidation. Those industries have historically been highly cyclical, resulting in the potential for sudden and dramatic changes in expected production and spending that, as a partner in the supply chain, can negatively impact our operational plans and, ultimately, the demand for our products and services.

In addition, many of our customers are dependent on the commercial airline industry, which is subject to significant economic and political challenges due to threats or acts of terrorism, volatile fuel costs, pandemics or other outbreaks of infectious diseases, aggressive competition, global economic uncertainty, and other factors. Further, the new aerospace and defense platforms that use our products may be subject to production delays which affect the timing of the delivery of our products for such platforms. Any one or combination of these factors could occur suddenly and result in a reduction or cancellation in orders of new airplanes and parts which could have an adverse impact on our business. Neither we nor our customers may be able to project or plan in a timely manner for the impact of these events.

Continued U.S. budget deficits could result in continued defense spending cuts and/or reductions in defense programs, including the JSF program, which could adversely impact us.

Some of our customers are particularly sensitive to the level of government spending on defense-related products. Government programs are dependent upon the continued availability of appropriations, which are approved on an annual basis. In August 2011, Congress enacted the Budget Control Act of 2011 (BCA), which resulted in substantial, automatic reductions in both defense and discretionary spending. The automatic across-the-board budget cuts, or sequestration, are incremental to spending reductions already included in the defense funding over a ten-year period.

Future reductions in defense spending resulting from the BCA or otherwise from the current or future economic or political environment could result in reductions in demand for defense-related titanium products. Further, changes to existing defense procurement laws and regulations, such as the domestic preference for specialty metals, could adversely affect our results of operations.

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A significant amount of our forecasted revenue is associated with the JSF program. Continued U.S. Federal budget deficits could result in significant pressure to reduce the annual defense budget, potentially including cancellations of, reductions in, or delays of major defense programs such as the JSF program. Delays in the ramp up of the JSF program, or a reduction in the total number of aircraft produced, could have a material adverse impact on our results of operations, financial position, and cash flows.

A significant amount of our future revenue is based on long-term contracts for new aircraft programs, which are subject to potential delays or cancellation.

We are a party to several long-term contracts to produce titanium mill products and complex engineered assemblies for several new aircraft programs, including the Boeing 787 Dreamliner, the JSF, and the Airbus family of aircraft, including the A380, the A350 XWB and the A400M military transport, as well as the next generation jet engine that support these aircraft. In order to meet the delivery requirements under each of these contracts, we have invested in significant capital expansion projects. We have experienced significant delays with respect to the ramp-up of certain of these long-term programs due to production problems or other concerns experienced by our customers. In the event any such delays were to reoccur, or if any of these programs were to be canceled, such events could result in a material adverse impact on our business, prospects, results of operations, revenues, cash flows, and financial position. Integrating acquisitions may be more difficult, costly or time-consuming than expected, which may adversely affect our results and affect adversely the value of our stock following such acquisitions.

We have completed several acquisitions that we believe will be beneficial to the Company and its shareholders. The success of these acquisitions will depend, in part, on our ability to realize the anticipated benefits from integrating the businesses acquired. To realize these anticipated benefits, we must successfully integrate the businesses in an efficient and effective manner. If we are unable to achieve these objectives within the anticipated time frames, or at all, the anticipated benefits and cost savings of the acquisitions may not be realized fully, or at all, or may take longer to realize than expected, and as a result our results of operations, financial position, and cash flow may be adversely affected.

Specifically, issues that must be addressed in integrating the acquired companies into our operations in order to realize the anticipated benefits of the acquisitions include, among others:

• integrating and optimizing the utilization of the properties and equipment of RTI and acquired businesses;

• integrating the sales and information technology systems of RTI and the acquired businesses;

and

• conforming standards, controls, procedures and policies, business cultures and compensation structures between the companies.

If our internal controls are not effective, investors could lose confidence in our financial reporting.

Section 404 of the Sarbanes-Oxley Act of 2002 requires us to conduct a comprehensive evaluation of our internal control over financial reporting. To comply with this statute, we are required to document and test our internal control over financial reporting, our management is required to assess and issue a report concerning our internal control over financial reporting, and our independent registered public accounting firm is required to attest to and report on our assessment of the effectiveness of internal control over financial reporting. We determined that certain material weaknesses existed as of December 31, 2013. Accordingly, as of that time we concluded that our internal control over financial reporting and disclosure controls and procedures were not effective as of December 31, 2013.

Management, with oversight from the Audit Committee of the Board of Directors, developed, approved and carried out a plan for the completion of remediation measures to address these weaknesses. Refer to “Item 9A. Controls and Procedures” within Part II of this Annual Report for further details of the remediation efforts. Although we believe we took appropriate actions to remediate the control deficiencies we previously identified, we cannot assure you that we will not discover other material weaknesses in the future. Any failure to maintain or implement required new or improved controls could cause us to fail to meet our periodic reporting obligations or result in material misstatements in our Consolidated Financial Statements, and substantial costs and resources may be required to rectify these or other internal control deficiencies. If we cannot produce reliable financial reports, investors could lose confidence in our reported financial information, the market price of our common stock could decline significantly, and our business, financial condition, and reputation could be harmed.



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The carrying value of goodwill and other intangible assets may not be recoverable.

As of December 31, 2014, we had goodwill of \$145.5 million and other intangible assets of \$57.1 million. Goodwill and other intangible assets are recorded at fair value on the date of acquisition. In accordance with applicable accounting guidance, we review goodwill and other indefinite-lived intangible assets at least annually for impairment, and long-lived intangible assets when facts and circumstances warrant an impairment review. Impairment may result from, among other things, deterioration in performance, adverse market conditions, adverse changes in applicable laws or regulations, and a variety of other factors. The amount of any impairment would be charged immediately through our Consolidated Statement of Operations. Any future goodwill or other intangible asset impairment could have a material adverse effect on our results of operations and financial position.

We are dependent on various third-party services for the manufacture of certain of our products, which may be subject to price and availability fluctuations.

We often rely on other companies to provide outside material processing services that may be critical to the manufacture of our products. We depend on these third parties to meet our contractual obligations to our customers and to conduct our operations. Our ability to meet our obligations to our customers may be adversely affected if these third parties do not provide the agreed-upon services in compliance with customer requirements and in a timely and cost-effective manner. Further, purchase prices and availability of these services are subject to volatility. At any given time, we may be unable to obtain these critical services on a timely basis, at acceptable prices, or on other acceptable terms, if at all. Further, if an outside processor is unable to produce to required specifications, our additional cost to cure may negatively impact our margins. Such third parties may be less likely than us to be able to quickly recover from natural disasters or other events beyond their control, and may be subject to additional risks such as financial problems that limit their ability to conduct their operations. Many factors outside of their or our control, including without limitation, raw material shortages, inadequate manufacturing capacity, labor disputes, transportation disruptions or weather conditions, could adversely affect their ability to return our products to us at favorable margins and in a timely manner.

We are subject to the risks of data corruption, cyber-based attacks, or network security breaches.

We have in place a number of systems, processes, and practices designed to protect against intentional or unintentional misappropriation or corruption of our systems and information or disruption of our operations due to a cyber incident. Despite our security efforts, our information technology and infrastructure could be subject to attacks by hackers, computer viruses or physical or electronic breaches resulting from employee error, malfeasance or other disruptions, which could create system disruptions, shutdowns, or unauthorized disclosure of confidential information. If we are unable to prevent such security or privacy breaches, our operations could be disrupted or we may suffer loss of reputation, financial loss, legal claims or proceedings, property damage, and other regulatory penalties because of lost or misappropriated information. Furthermore, our customers are increasingly imposing more stringent contractual obligations on us relating to our information security protections and protocols. If we are unable to maintain protections and processes at a level commensurate with that required by our large customers, it could negatively affect our relationships with those customers and harm our business.

Demand for our products and services may be adversely affected by decreased demand for our customers' products and services.

Our business is substantially derived from titanium mill products and fabricated metal parts, which are primarily used by our customers as components in the manufacture of their products. Our ability to meet our financial expectations could be directly impacted by our customers' inability to meet their own financial expectations. A significant downturn in demand for our customers' products and services could occur for reasons beyond their control such as unforeseen spending constraints, competitive pressures, rising prices, the inability to contain costs, and other domestic as well as global economic, environmental or political factors. Any resulting slowdown in demand by, or complete loss of business from, these customers as a result of decreased demand for their products could have a material impact on our results of operations and financial position, including, but not limited to, impairment of goodwill and long-lived assets, which could be material.

We are subject to competitive pressures.

The titanium metals industry is highly-competitive on a worldwide basis. Our competitors are located primarily in the U.S., Japan, Russia, Europe, and China. Our Russian competitor, in particular, has significantly greater capacity than us and others in our industry. Additionally, our industry has been experiencing a period of consolidation, which further enhances competitive pressures. Not only do we face competition for a limited number of customers with other producers of titanium products, but we also must compete with producers of other generally less expensive materials of construction including stainless steel, nickel-based high temperature and corrosion resistant alloys, newer aluminum alloys, and composites.

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Our competitors could experience more favorable operating conditions than us, including lower raw materials costs, more favorable labor agreements, or other factors which could provide them with competitive cost advantages in their ability to provide goods and services. Changes in costs or other factors related to the production and supply of titanium mill products, compared to costs or other factors related to the production and supply of other types of materials of construction, may negatively impact our business and the industry as a whole. New competitive forces unknown to us today could also emerge which could have an adverse impact on our financial performance. Our foreign competitors in particular may have the ability to offer goods and services to our customers at more favorable prices due to advantageous economic, environmental, political, or other factors.

In addition, the titanium industry is constantly evolving and there is significant competition to develop improved processes and uses for titanium. New technologies or substitute products could change the competitive landscape, economics, or render obsolete the Company's current production assets, technology position, or product capabilities. If the Company fails to develop new processes, uses, or markets for titanium, it could result in the loss of market share and key customers.

We may experience a lack of supply of raw materials at costs that provide us with acceptable margin levels.

The raw materials required for the production of titanium mill products (primarily titanium sponge and scrap) are acquired from a number of domestic and foreign suppliers. Although we have long-term contracts in place for the procurement of certain amounts of raw material, and we believe we have adequate sources of supply to meet our short and medium-term needs, we cannot guarantee that our suppliers will fulfill their contractual obligations, and they may be adversely impacted by events within or outside of their control that may adversely affect our business operations.

We cannot guarantee that we will be able to obtain adequate amounts of raw materials from other suppliers in the event that our primary suppliers are unable to meet our needs. We may experience an increase in prices for raw materials which could have a negative impact on our profit margins if we are unable to adequately increase product pricing, and we may not be able to project the impact that an increase in costs may cause in a timely manner. We may be contractually obligated to supply products to our customers at price levels that do not achieve our expected margins due to unanticipated increases in the costs of raw materials. We may experience dramatic increases in demand and we cannot guarantee that we will be able to obtain adequate levels of raw materials at prices that are within acceptable cost parameters in order to fulfill that demand.

We are subject to changes in product pricing.

The titanium industry is highly cyclical. Consequently, excess supply and competition may periodically result in fluctuations in the prices at which we are able to sell certain products. Price reductions may have a negative impact on our operating results. In addition, our ability to implement price increases is dependent on market conditions, which are often beyond our control. Given the long manufacturing lead times for certain products, the realization of financial benefits from increased prices may be delayed.

We may experience a shortage in the supply of energy or an increase in energy costs to operate our plants.

Because our operations are reliant on energy sources from outside suppliers, we may experience significant increases in electricity and natural gas prices, unavailability of electrical power, natural gas, or other resources due to natural disasters, interruptions in energy supplies due to equipment failure or other causes or the inability to extend expiring energy supply contracts on favorable economic terms, any of which could have a material adverse impact on our results of operations. We own twenty-six natural gas wells which provide some, but not all, of the non-electrical energy required by our Niles, Ohio operations.

We may not be able to recover the carrying value of our long-lived assets, which could require us to record asset impairment charges.

As of December 31, 2014, we had net property, plant, and equipment of \$369.3 million. We operate in a highly-competitive and highly-cyclical industry. In addition, we have invested heavily in new machinery and facilities in order to win new long-term supply agreements related to next-generation aircraft such as the Boeing 787, the Airbus family of commercial aircraft, and the JSF program. If we were unable to realize the benefits under these agreements, for whatever reason, we could be required to record material asset and asset-related impairment charges in future periods which could adversely affect our results of operations and financial position.





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Many of our products are used in critical aircraft components and medical devices and must be manufactured to stringent quality standards.

Given the critical nature of many of the end uses for our products, including specifically their use in critical rotating parts of gas turbine engines, a quality issue could have a material adverse impact on our reputation in the marketplace. While we maintain product liability insurance, including aircraft grounding liability of \$500 million, should a quality or warranty claim exceed this coverage, or should our coverage be denied, such liability could have a material adverse impact on our results of operations, cash flows, financial position, and reputation.

In addition, the sale of products by our customers in the medical device sector that incorporate components engineered by us also exposes us to potential product liability claims. Product liability claims with respect to components engineered by us or the end-products of our customers into which they are incorporated, whether or not such problems relate to the products and services we have provided and regardless of their ultimate outcome, could require us to pay significant damages or to spend significant time and money in litigation or responding to investigations or requests for information. Expenditures on litigation or damages, to the extent not covered by insurance, and declines in revenue could adversely affect the performance of our Medical Device Fabrication reporting unit. Also, if, as a result of claims our reputation is harmed, we could lose customers, which would also negatively affect our business.

Healthcare legislation has and may continue to impact our business.

The Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively the "Acts"), signed into law in 2010, has increased our annual employee healthcare cost obligations and is expected to continue to increase our annual employee healthcare cost obligations going forward. We cannot predict the effect that this legislation, or any future state or federal healthcare legislation or regulation, will ultimately have on our business. However, depending on how and when the provisions of the Acts are implemented, our results of operations, financial position and cash flows could be materially adversely affected.

Additionally, the 2.3% excise tax on sales of medical devices implemented under the Acts may put increased cost pressure on customers of ours in the medical device industry, and may result in a reduction of orders from our EP&S Segment or pressure on us to reduce prices for our products, to offset the tax, which would result in reduced revenues from sales to the medical device sector.

Our business could be harmed by strikes or work stoppages.

Approximately 357 hourly, clerical and technical employees at our Niles, Ohio facility are represented by the USW. Our current labor agreement with this union expires June 30, 2018.

We cannot be certain that we will be able to negotiate a new bargaining agreement upon expiration of the existing agreement on the same or more favorable terms as the current agreement, or at all, without production interruptions caused by a labor stoppage. If a strike or work stoppage were to occur in connection with the negotiation of a new collective bargaining agreement, or as a result of a dispute under our current collective bargaining agreement with the labor union, our business, financial position, cash flows, and results of operations could be materially adversely affected.

Our business is subject to the risks of international operations.

We operate subsidiaries and conduct business with suppliers and customers in foreign countries that expose us to various risks associated with international business activities including potentially volatile economic and labor conditions, political instability, expropriation, and changes in taxes, tariffs, and other regulatory costs. We are also exposed to, and could be adversely affected by, fluctuations in the exchange rate of the U.S. dollar against other foreign currencies, particularly the Canadian dollar, the euro, and the British pound sterling. Although we are operating primarily in countries with relatively stable economic and political climates, there can be no assurance that our business will not be adversely affected by risks inherent to international operations. Furthermore, our international operations subject us to numerous U.S. and foreign laws and regulations. Failure by our employees or consultants to comply with these laws and regulations could result in certain liabilities, which could have a material adverse effect on our financial results.

Our success depends largely on our ability to attract and retain key personnel.

Much of our future success depends on the continued service and availability of skilled personnel, including members of our executive team, management, materials engineers and other technical specialists, and staff positions. The loss of key personnel could adversely affect our ability to perform until suitable replacements are found. There can be no assurance that we will be able to continue to successfully attract and retain key personnel.

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The demand for our products and services may be affected by factors outside of our control.

War, terrorism, natural disasters, and public health issues including pandemics, whether in the U.S. or abroad, have caused and could cause damage or disruption to international commerce by creating economic and political uncertainties that may have a negative impact on the global economy as a whole. Our business operations, as well as our suppliers' and customers' business operations, are subject to interruption by those factors as well as other events beyond our control such as governmental regulations, fire, power shortages, and others. Although it is impossible to predict the occurrences or consequences of any such events, they could result in a decrease in demand for our products, make it difficult or impossible for us to deliver products to our customers or to receive materials from our suppliers, and create delays and inefficiencies in our supply chain. Our results of operations, cash flows, and financial position may be adversely affected by these events.

We are required to comply with changing laws and regulations and new laws and regulations, including those related to environmental, health, safety and securities, which may adversely affect our business and subject the Company to substantial costs and liabilities.

The Company is subject to numerous federal, state, local and international laws and regulations. Some of these laws and regulations are unclear, become effective over long periods of time, or require implementation of regulations by agencies.

We own and/or operate a number of manufacturing and other facilities. Our operations and properties are subject to various laws and regulations relating to the protection of the environment and health and safety matters, including those governing the discharge of pollutants into the air and water, the management and disposal of hazardous substances and wastes, and the cleanup of contaminated sites. Some environmental laws can impose liability for all of the costs of a contaminated site without regard to fault or the legality of the original conduct. We could incur substantial costs, including fines, penalties, civil and criminal sanctions, investigation and cleanup costs, natural resource damages and third-party claims for property damage or personal injury, as a result of violations of or liabilities under environmental laws and regulations or the environmental permits required for our operations. Many of our properties have a history of industrial operations, including the use and storage of hazardous materials, and we are involved in remedial actions relating to some of our current and former properties and, along with other responsible parties, third-party sites. We have established reserves for such matters where appropriate. The ultimate costs of cleanup, and our share of such costs, however, are difficult to accurately predict and could exceed current reserves. We also could incur significant additional costs at these or other sites if additional contamination is discovered, additional cleanup obligations are imposed and/or the failure of other responsible parties to participate or honor their financial responsibilities. In addition, while the cost of complying with environmental laws and regulations has not had a material adverse impact on our operations in the past, such laws and regulations are subject to frequent modifications and revisions, and more stringent compliance requirements, or more stringent interpretation or enforcement of existing requirements, may be imposed in the future on us or the industries in which we operate. As a result, we could incur significant additional costs complying with environmental laws and regulations in the future. In addition, we are required to comply with various securities laws and regulations, including, but not limited to the Sarbanes-Oxley Act of 2002 and the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). The Dodd-Frank Act, among other provisions, contains provisions to improve transparency and accountability concerning the supply of certain minerals originating from the Democratic Republic of Congo and adjoining countries that are believed to be benefiting armed groups ("Conflict Minerals"). While the Dodd-Frank Act does not prohibit companies from using Conflict Minerals, the SEC mandates due diligence, disclosure and reporting requirements for companies which manufacture products that include components containing such conflict minerals. Our efforts to comply with the Dodd-Frank Act and other evolving laws, regulations and standards are likely to result in increased costs and expenses.

Complying with all of these various laws and regulations is complex and cumbersome. Any modifications in these laws and regulations applicable to us, the enactment of new laws and regulations, or any failure to comply with, or enhanced enforcement activity of, such laws and regulations, could have a material adverse effect on our business, financial position, results of operations, and cash flows.

Our working capital requirements may negatively affect our liquidity and capital resources.

Our working capital requirements can vary significantly, depending in part on the timing of our delivery obligations under various customer contracts and the payment terms with our customers and suppliers. If our working capital needs exceed our cash flows from operations, we would look to our cash balances and availability for borrowings under our existing credit facility to satisfy those needs, as well as potential sources of additional capital, which may not be available on satisfactory terms and in adequate amounts, if at all.

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We may not generate sufficient cash flow from our business to service our debt obligations.

Our ability to make scheduled payments of the principal of, or to refinance, our current indebtedness, depends on our ability to generate cash flow from operations in the future. Our ability to generate cash flows from our operations is subject to economic, financial, competitive and other factors, some of which are beyond our control. Our business may not generate cash flow from operations in the future sufficient to service our debt and make necessary capital expenditures or accretive acquisitions. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt, or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at the time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our existing debt obligations.

The price of our Common Stock has fluctuated and may continue to fluctuate, which may affect the price at which one could sell the shares of our Common Stock, and the sale of substantial amounts of our Common Stock could adversely affect the price of our Common Stock.

The market price and trading volume of our Common Stock have been and may continue to be subject to significant fluctuations due not only to general stock market conditions, but also to a change in sentiment in the market regarding our industry operations, business prospects or liquidity. During the period for the 12 months ended December 31, 2014, our Common Stock has fluctuated from a high of \$34.21 per share to a low of \$21.67 per share. In addition to the risk factors discussed in this Annual Report, the price and volume volatility of our Common Stock may be affected by operating results that vary from expectations of management, analysts or investors, developments in or regulatory changes affecting our business or industry generally, announcements of strategic developments, acquisitions and other material events by us, our customers or our competitors, and changes in global financial and economic markets and general market conditions.

Any volatility of or a significant decrease in the market price of our Common Stock could also negatively affect our ability to make acquisitions using Common Stock. Further, if we were to be the object of securities class action litigation as a result of volatility in our Common Stock price or for other reasons, it could result in substantial costs and diversion of our management's attention and resources, which could negatively affect our financial results. In addition, in recent years, the global equity markets have experienced substantial price and volume fluctuations. This volatility has had a significant impact on the market price of securities issued by many companies. The price of our Common Stock could fluctuate based upon factors that have little or nothing to do with our Company, and these fluctuations could materially reduce our stock price.

Item 1B. Unresolved Staff Comments.

None.

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## Item 2. Properties.

## Manufacturing Facilities

The Company has approximately 2.3 million square feet of manufacturing facilities, exclusive of distribution facilities and office space. Set forth below are the Company's principal manufacturing plants, the principal products produced at each location, and each plant's aggregate capacities.

## Facilities

Location	Owned / Leased	Products Produced	Annual Rated Capacity
Titanium Segment			
Niles, OH	Owned	Ingot (million pounds)	49.0
Niles, OH	Owned	Mill products (million pounds)	22.0
Canton, OH	Leased	Ferro titanium and specialty alloys (million pounds)	16.0
Martinsville, VA	Owned	Titanium forging (million pounds)	10.5
Tamworth, England	Leased	Cut parts and components (thousand man hours)	45.0
Rosny-Sur-Seine, France	Leased	Cut parts and components (thousand man hours)	16.0
Norwalk, CA	Leased	Metal warehousing and distribution	N/A
Burlington, MA	Leased	Cold pressed titanium components (thousand man hours)	8.0
EP&S Segment			
Washington, MO	Owned	Hot and superplastically formed parts (thousand press hours)	50.0
Welwyn Garden City, England	Leased	Hot and superplastically formed parts (thousand press hours)	60.0
Sullivan, MO	Leased	Cut parts and components (thousand man hours)	23.0
Houston, TX	Leased	Extruded, hot stretch formed products (million pounds)	4.2
Bradford, England	Owned	Extruded, hot and cold-stretch formed products (million pounds)	2.7
Spring, TX	Owned	Machining/fabricating oil/gas products (thousand man hours)	200.0
Laval, Canada	Owned	Machining/assembly of aerospace parts (thousand man hours)	400.0
Austin, TX	Leased	Additively manufactured parts (thousand man hours)	20.0
Big Lake, MN	Owned	Machining/assembly of aerospace and defense parts (thousand machine hours)	203.0
New Brighton, MN	Owned	Machining/assembly of aerospace and defense parts (thousand machine hours)	192.0
Coon Rapids, MN	Owned	Machining/assembly of medical device components (thousand machine hours)	212.0
Big Lake, MN	Owned	Machining/assembly of medical device components (thousand machine hours)	436.0

In addition to the leased facilities noted above, the Company leases certain buildings and property at the Washington, Missouri and Canton, Ohio operations, as well as our corporate headquarters in Pittsburgh, Pennsylvania. 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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Item 3. Legal Proceedings.

In May 2014, the Enforcement division of the SEC notified the Company that it was conducting a non-public, fact-finding investigation of the Company and made a request for production of documents and information. The request focused on the restatements of the Company's financial statements. The Company is cooperating fully with the SEC in this matter. The Company cannot predict the length or scope of the investigation, what action, if any, might be taken in the future by the SEC as a result of the matters that are subject of the investigation or what impact, if any, the investigation might have on the Company's results of operations.

In addition, the Company is involved from time to time in various routine legal proceedings arising out of the Company's operations in the normal course of business. The Company does not believe that any of these legal proceedings will have a material adverse effect on the Company's consolidated financial condition, results of operations or cash flows.

Item 4. Mine Safety Disclosure.

Not applicable.



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## PART II

## Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

## Range of High and Low Stock Prices of Common Stock

Quarter	2014		2013	
	High	Low	High	Low
First	\$34.21	\$25.87	\$32.43	\$27.40
Second	\$28.67	\$23.99	\$31.80	\$26.05
Third	\$29.39	\$24.21	\$33.06	\$27.53
Fourth	\$26.18	\$21.67	\$36.09	\$30.88

Principal market for Common Stock: New York Stock Exchange

Holders of record of Common Stock at January 31, 2015: 551

The Company has not historically paid dividends on its Common Stock and does not currently anticipate paying any cash dividends in the foreseeable future.

For information on the Company's equity compensation plan information, refer to Part III, Item 12 of this Annual Report on Form 10-K.

The following table sets forth repurchases of our Common Stock during the three months ended December 31, 2014.

	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in thousands) (2)
October 1 - 31, 2014	—	\$—	—	\$2,973
November 1 - 30, 2014	—	—	—	2,973
December 1 - 31, 2014	—	—	—	2,973
Total	—	\$—	—	

Reflects shares that were repurchased under a program that allows employees to surrender shares to the Company (1) to pay tax liabilities associated with the vesting of restricted stock awards and the payout of performance share awards under the Company's 2014 Stock and Incentive Plan and 2004 Stock Plan, as amended.

Amounts in this column reflect amounts remaining available for purchase under the Company's \$15 million share (2) repurchase program, authorized by the Company's Board of Directors on April 30, 1999. There is no expiration date for this program.

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## Item 6. Selected Financial Data.

The following table sets forth selected historical financial data and should be read in conjunction with the Consolidated Financial Statements and related Notes to the Consolidated Financial Statements.

The selected historical data was derived from our Consolidated Financial Statements (in thousands, except per share data):

	Years Ended December 31,				
	2014	2013	2012 (3)	2011	2010
<b>Income Statement Data:</b>					
Net sales	\$793,579	\$783,273	\$699,987	\$488,352	\$398,163
Operating income	70,327	62,015	47,417	23,382	14,423
Income before income taxes	41,738	22,796	29,138	7,793	12,182
Net income (loss) from continuing operations	31,701	15,657	13,453	(2,308)	(18,122)
Basic earnings (loss) per share—continuing operations	\$1.03	\$0.51	\$0.44	\$(0.08)	\$(0.61)
Diluted earnings (loss) per share—continuing operations	\$1.03	\$0.51	\$0.44	\$(0.08)	\$(0.61)
	December 31,				
	2014 (1)	2013 (2)	2012 (3)	2011	2010
<b>Balance Sheet Data:</b>					
Working capital	\$698,578	\$791,143	\$472,084	\$586,965	\$638,519
Total assets	1,565,694	1,505,545	1,220,092	1,100,996	1,089,606
Long-term debt	456,657	430,300	198,337	186,981	178,107
Total shareholders' equity	795,480	773,974	708,239	694,640	696,529

(1) In 2014, the outstanding principal amount of 3.000% Convertible Senior Notes due 2015 (the "2015 Notes") was reclassified to current portion of long-term debt. The 2015 Notes are due in December 2015.

(2) The Company issued the \$402.5 million aggregate principal amount of 1.625% Convertible Senior Notes due 2019 (the "2019 Notes"), and repurchased approximately \$115.6 million of the then outstanding \$230 million aggregate principal amount 2015 Notes in April 2013.

(3) In 2012, the Company acquired RTI Remmele Engineering, Inc. and RTI Remmele Medical, Inc.

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Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.  
Forward-Looking Statements

The following discussion should be read in connection with the information contained in the Consolidated Financial Statements and the Notes to the Consolidated Financial Statements included in this Annual Report. The following information contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, and is subject to the safe harbor created by that Act. Such forward-looking statements may be identified by their use of words like “expects,” “anticipates,” “believes,” “intends,” “estimates,” “projects,” other words of similar meaning, other statements contained herein that are not historical facts. Forward-looking statements are based on expectations and assumptions regarding future events. In addition to factors discussed throughout this Annual Report, the following factors and risks should also be considered, including, without limitation:

- global economic and political uncertainties,
- a substantial portion of our revenue is concentrated within the commercial aerospace and defense industries and there are a limited number of potential customers within those industries,
- changes in defense spending and cancellation or changes in defense programs or initiatives, including the JSF program,
- long-term supply agreements and the impact if customers under a long-term supply agreement fail to fulfill their requirements under existing contracts or successfully manage their future development and production schedule,
- our ability to successfully integrate newly acquired businesses,
- if our internal controls are not effective, investors could lose confidence in our financial reporting,
- our ability to recover the carrying value of goodwill and other intangible assets,
- our dependence on third-party products and services that are subject to price and availability fluctuations,
- our ability to protect our data and systems against corruption and cyber-security threats and attacks,
- demand for products and the products of our customers,
- competition in the titanium industry,
- the future availability and price of raw materials,
- the historic cyclicity of the titanium and commercial aerospace industries,
- energy shortages or cost increases and volatility in the price of oil,
- the recoverability of carrying value of our long-lived assets,
- the use of our products in critical aircraft components, medical devices, and deep-water, offshore drilling operations,
- the impact of healthcare legislation on our business,
- labor matters,
- risks related to international operations,
- our ability to attract and retain key personnel,
- impact of outside forces on demand for our products and services,
- potential costs for violations of applicable environmental, health, safety, and securities laws,
- our working capital requirements,
- our ability to generate sufficient cash flow to satisfy our debt obligations, and
- the fluctuation of the price of our Common Stock.

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 in this filing, as well as in other filings filed with or furnished to the SEC, copies of which are available from the SEC or may be obtained upon request from the Company. Except as may be required by applicable law, we undertake no duty to update our forward-looking information.

Overview

We are a leading producer and global supplier of titanium mill products, and a supplier of fabricated titanium and specialty metal components, for the international aerospace, defense, energy, medical device and other markets. We conduct business in two segments: the Titanium Segment and the EP&S Segment. This structure reflects our position as an integrated supplier of advanced titanium products across the entire supply chain, and allows us to

optimally align our resources to support our long-term growth strategy.

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The Titanium Segment melts, processes, produces, forges, stocks, distributes, finishes, cuts-to-size and facilitates just-in-time delivery services of a complete range of titanium mill products, which are further processed by its customers for use in a variety of commercial aerospace, defense, and industrial and consumer applications. The Titanium Segment produces and distributes primary mill products including, but not limited to, bloom, billet, sheet, and plate; produces ferro titanium alloys for its steelmaking customers; and focuses on the research and development of evolving technologies relating to raw materials, melting, and other production processes, as well as the application of titanium in new markets.

The EP&S Segment is comprised of companies with significant hard and soft-metal expertise that form, extrude, fabricate, additively manufacture, machine, micro-machine, and assemble titanium, aluminum, and other specialty metal parts and components. Its products, many of which are complex engineered parts and assemblies, serve the commercial aerospace, defense, medical device, oil and gas, power generation, and chemical process industries, as well as a number of other industrial and consumer markets.

The EP&S Segment accesses the Titanium Segment as its primary source of titanium mill products. For the years ended December 31, 2014, 2013, and 2012, approximately 20%, 21%, and 19%, respectively, of the Titanium Segment's sales were to the EP&S Segment.

### Trends and Uncertainties

The commercial aerospace industry, which represents our largest market, continues to strengthen as the ramp in production activity stays on track to support the growing, record commercial aerospace backlog. We continue to win additional commercial aerospace business through the broad range of capabilities that we offer within our EP&S Segment. We also continue to increase the use of internally produced titanium in these commercial aerospace applications, which we anticipate will drive margin benefits at an enterprise level. In addition to the offerings of our EP&S Segment, we have experienced increased demand for offerings from our Titanium Segment in the jet engine market, including an agreement negotiated in 2014 to supply titanium aluminide to Snecma for use in the next generation of turbine engines. As we expand our product offerings and manufacturing capabilities, we have experienced, and may continue to experience, increased costs related to the development of these offerings and capabilities, which could have near-term negative impacts on our operations. While the Russia-Ukraine crisis has provided us opportunities, and further economic sanctions could provide us additional opportunity, this crisis and uncertainty in the Middle East, a weakening European economy, and the strengthening of the U.S. dollar, could cause our customers to maintain a cautious outlook in the near-term.

U.S. defense spending continues to be a source of uncertainty, and while our defense market sales decreased in 2014, we continue to see support for key programs such as the JSF, as well as a radar modernization program, which we believe provides opportunities for growth for our defense market sales going forward.

The price of oil, which has the potential to impact several end-markets to which we sell, dropped significantly during 2014. We currently believe that this drop will not trigger order cancellations or have a significant dampening effect on the commercial aerospace cycle or record backlog of large commercial aircraft, which is largely composed of aircraft designed with fuel efficiency and increasingly stringent emission standards in mind. We also currently expect little near-term impact on our energy market customers, which represented approximately 6% of our net sales in 2014. Our customers in this market are large oil and gas producers who take a long-term view in their development and exploration work. To date, we have not experienced any significant cancellations or delays of our ongoing projects; however, an extended period of depressed oil prices could present a risk to deep water project capital spending, which could have negative impacts on our business.

### Executive Summary

In 2014, we generated record sales of \$793.6 million, with our EP&S Segment contributing more than half of those sales. We generated operating income of \$70.3 million, a 13% improvement over 2013, and cash flow from operations of \$53.9 million, more than four times the cash flow generated from operations in 2013. This performance continues to demonstrate our emergence as an integrated supplier of advanced titanium products.

During the year, we completed the acquisitions of RTI Directed Manufacturing and RTI Advanced Powder Materials, both of which enhance our expertise in the areas of powdered metals and plastics and our ability to produce near-net shaped parts and components using these materials.

Our re-emergence into the aircraft engine market continued in 2014 with our agreement to supply titanium aluminide alloy material to Snecma for production of low-pressure turbine blades in the CFM International Leading Edge Aviation Propulsion (LEAP) engine, for which mass production is currently slated to begin in 2016.

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We continue to demonstrate our vertically-integrated supply chain capabilities with our agreement with Boeing to perform sub-assembly activities to prepare RTI-manufactured center fuselage seat track system components for final airplane installation as well as manufacture additional parts required in the sub-assembly.

## Results of Operations

For the Year Ended December 31, 2014 Compared to the Year Ended December 31, 2013

Net Sales. Net sales for our reportable segments, excluding intersegment sales, for the years ended December 31, 2014 and 2013 are summarized in the following table:

(Dollars in millions)	Years Ended December 31,		\$ Increase/ (Decrease)	% Increase/ (Decrease)	
	2014	2013			
Titanium Segment	\$360.6	\$346.6	\$14.0	4.0	%
EP&S Segment	433.0	436.7	(3.7)	(0.8)	)%
Total consolidated net sales	\$793.6	\$783.3	\$10.3	1.3	%

The increase in the Titanium Segment's net sales for the year was the result of a 34% increase in shipments of prime mill products to our trade customers to 10.0 million pounds, offset by a 24% decrease in average realized selling prices to \$14.03 per pound for the year ended December 31, 2014, from \$18.41 per pound for the year ended December 31, 2013, the result of a lower-priced product mix. Both the increase in mill volume and the lower pricing for the year were driven by the near-term geopolitical de-risking strategies of our customer base. Activity at our service centers, largely driven by commercial aerospace, increased the Titanium Segment's net sales by a further \$11.2 million and higher ferro-alloy demand from our specialty steel customers increased the Titanium Segment's net sales by \$3.3 million.

The decrease in EP&S Segment sales was primarily attributable to decreased energy market sales of \$36.1 million and decreased sales to our defense market customers of \$5.6 million. These decreases were almost entirely offset by a \$33.1 million increase in sales to our commercial aerospace customers, which was driven by higher sales on the Boeing 787 program and incremental sales of \$15.5 million resulting from the acquisition of RTI Extrusions Europe in October 2013. The acquisition of RTI Directed Manufacturing in January 2014 and increased sales to industrial customers further offset the sales decrease by \$2.7 million, and \$2.1 million, respectively.

Gross Profit. Gross profit for our reportable segments for the years ended December 31, 2014 and 2013 is summarized in the following table:

(Dollars in millions)	Years Ended December 31,				\$ Increase/ (Decrease)	% Increase/ (Decrease)	
	2014		2013				
	\$	% of Sales	\$	% of Sales			
Titanium Segment	\$90.0	25.0	% \$98.3	28.4	% \$(8.3)	(8.4)	)%
EP&S Segment	76.4	17.6	% 75.9	17.4	% 0.5	0.7	%
Total consolidated gross profit	\$166.4	21.0	% \$174.2	22.2	% \$(7.8)	(4.5)	)%

Excluding the reduction of duty drawback recoveries due to the backlog of claims that were collected in 2013, which decreased gross profit \$9.2 million, the Titanium Segment's gross profit increased \$0.9 million. The increase in the Titanium Segment's gross profit was primarily attributable to increased shipments to trade customers, which increased gross profit \$17.3 million, partially offset by a lower-priced product mix, which decreased gross profit \$16.8 million. Furthermore, 2013 included a \$1.6 million expense related to a voluntary early retirement program. Offsetting these increases were decreased margins on conversion sales of \$0.8 million and the \$0.4 million impact of 2013 recoveries related to a fire in 2012.

The increase in EP&S Segment gross profit was primarily due to higher sales to our commercial aerospace market customers which increased gross profit \$7.4 million, driven mainly by increased Boeing 787 volumes, along with the impact of the acquisitions of RTI Extrusions Europe in October 2013 and RTI Directed Manufacturing in January 2014, which together contributed an additional \$3.5 million. These increases were partially offset by \$5.2 million of lower duty drawback recoveries during the year ended December 31, 2014 as compared to the year ended December 31, 2013, primarily due to the backlog of claims that were collected in 2013, and decreases in gross profit related to our defense and industrial market customers totaling \$5.2 million.





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Selling, General, and Administrative Expenses. Selling, general, and administrative expenses (“SG&A”) for our reportable segments for the years ended December 31, 2014 and 2013 are summarized in the following table:

(Dollars in millions)	Years Ended December 31,				\$ Increase/ (Decrease)	% Increase/ (Decrease)
	2014	2013				
	\$	% of Sales	\$	% of Sales		
Titanium Segment	\$32.6	9.0	\$35.4	10.2	\$(2.8)	(7.9)%
EP&S Segment	58.9	13.6	57.5	13.2	1.4	2.4%
Total consolidated SG&A	\$91.5	11.5	\$92.9	11.9	\$(1.4)	(1.5)%

The \$1.4 million decrease in SG&A is primarily related to a decrease in cash incentive compensation of \$3.7 million, partially offset by the acquisitions of RTI Extrusions Europe in October 2013 and RTI Directed Manufacturing in January 2014, which increased SG&A \$1.8 million, and increased severance costs of \$0.5 million incurred during the year.

Research, Technical, and Product Development Expenses. Research, technical, and product development expenses for the Company were \$4.6 million and \$3.9 million for the years ended December 31, 2014 and 2013, respectively. This spending reflects our investment in advancing titanium materials, mill products and processes, and fabrication and finishing processes. Focused attention is given to developing innovative solutions to customer needs and to furthering advanced manufacturing capabilities.

Goodwill and Other Intangible Asset Impairment. There were no impairments of goodwill or other intangible assets in 2014. During the year-ended December 31, 2013, our Medical Device Fabrication reporting unit, a component of the EP&S Segment, recognized a goodwill impairment of \$14.0 million, and a \$1.4 million impairment of our Remmele trade name was also recognized during that period.

Operating Income. Operating income for our reportable segments for the years ended December 31, 2014 and 2013 is summarized in the following table:

(Dollars in millions)	Years Ended December 31,				\$ Increase/ (Decrease)	% Increase/ (Decrease)
	2014	2013				
	\$	% of Sales	\$	% of Sales		
Titanium Segment	\$53.0	14.7	\$59.0	17.0	\$(6.0)	(10.2)%
EP&S Segment	17.3	4.0	3.0	0.7	14.3	476.7%
Total consolidated operating income	\$70.3	8.9	\$62.0	7.9	\$8.3	13.4%

The Titanium Segment’s operating income decreased primarily as a result of the duty drawback recoveries that were reduced by \$9.2 million, partially offset by decreases in SG&A of \$2.8 million, and increased shipments during the year.

EP&S Segment operating income increased primarily due to the goodwill and intangible asset impairment of \$15.4 million in 2013. Excluding the impact of the impairment, EP&S segment operating income decreased \$1.1 million in 2014, primarily as a result of reduced duty drawback recoveries and sales volumes and increased new product development activity, as well as increased SG&A in 2014. These decreases were partially offset by higher Boeing 787 shipments, and the full year impact of the RTI Extrusions Europe acquisition, which occurred in October 2013.

Other Income. Other income for the years ended December 31, 2014 and 2013 was \$2.2 million and \$0.9 million, respectively. Other income consisted primarily of foreign exchange gains and losses from our international operations.

Interest Income and Interest Expense. Interest income for the years ended December 31, 2014 and 2013 was \$0.3 million and \$0.2 million, respectively. The increase was principally related to higher average cash and investment balances compared to the prior year. Interest expense was \$31.1 million and \$40.4 million for the years ended December 31, 2014 and 2013, respectively.

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Our interest expense for the years ended December 31, 2014 and 2013 was attributable to the following:

(Dollars in millions)	Years Ended December 31,	
	2014	2013
1.625% Convertible Senior Notes due 2019	\$19.0	\$13.0
3.000% Convertible Senior Notes due 2015	9.2	10.9
Debt extinguishment charge	—	13.7
Other	2.9	2.8
Total interest expense	\$31.1	\$40.4

Provision for Income Tax. We recognized income tax expense of \$10.0 million, or 24.0% of pretax income from continuing operations, in 2014 compared to \$7.1 million, or 31.3% of pretax income, in 2013 for federal, state, and foreign income taxes. Our effective income tax rate decreased 7.3 percentage points from 2013, principally due to the effect of the reversal of the valuation allowance on the Company's Canadian net deferred tax asset during the year and the tax effect of the goodwill impairment in 2013, partially offset by a reduction in deferred tax liabilities due to changes in state laws, and the effects of foreign operations.

The reconciliation of our 2013 effective income tax rate to our 2014 effective income tax rate is as follows:

2013 effective income tax rate		31.3	%
Changes in effective income tax rate:			
Effects of foreign operations	5.3	%	
Change in valuation allowance	(12.2)	)%	
State taxes	18.0	%	
Goodwill impairment	(17.3)	)%	
Other	(1.1)	)%	(7.3) %
2014 effective income tax rate		24.0	%

Refer to Note 6 of our accompanying Consolidated Financial Statements for a reconciliation between our effective tax rate and the statutory tax rate.

For the Year Ended December 31, 2013 Compared to the Year Ended December 31, 2012

Net Sales. Net sales for our reportable segments, excluding intersegment sales, for the years ended December 31, 2013 and 2012 are summarized in the following table:

(Dollars in millions)	Years Ended December 31,		\$ Increase/ (Decrease)	% Increase/ (Decrease)	
	2013	2012			
Titanium Segment	\$346.6	\$352.9	\$(6.3)	(1.8)	)%
EP&S Segment	436.7	347.1	89.6	25.8	%
Total consolidated net sales	\$783.3	\$700.0	\$83.3	11.9	%

The decrease in the Titanium Segment's net sales was the result of lower defense market sales of \$5.3 million, as well as decreased sales to specialty metal markets of \$0.4 million. These decreases were partially offset by higher conversion and aerospace sales of \$1.7 million and \$0.8 million, respectively. Shipments of prime mill product to trade customers decreased to 7.5 million pounds for the year ended December 31, 2013 from 7.9 million pounds for the year ended December 31, 2012, which resulted in a sales decrease of \$7.4 million. This decrease was offset by a 5.6% increase in average realized selling prices to \$18.41 per pound from \$17.43 per pound.

The increase in the EP&S Segment's sales was primarily attributable to the ramp up of activity related to the Boeing 787, which increased sales by \$45.3 million, while sales to our other commercial aerospace customers increased \$1.0 million. Our acquisition of RTI Extrusions Europe contributed \$4.9 million to the increase, while the full year contribution of Remmele Engineering, Inc. ("Remmele"), acquired in February 2012, increased sales \$17.0 million. Sales into the energy sector increased \$20.5 million due to strong demand early in the year.

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Gross Profit. Gross profit for our reportable segments for the years ended December 31, 2013 and 2012 is summarized in the following table:

(Dollars in millions)	Years Ended December 31,				\$ Increase	% Increase
	2013	% of Sales	2012	% of Sales		
Titanium Segment	\$98.3	28.4	\$77.9	22.1	\$20.4	26.2
EP&S Segment	75.9	17.4	60.3	17.4	15.6	25.9
Total consolidated gross profit	\$174.2	22.2	\$138.2	19.7	\$36.0	26.0

The increase in the Titanium Segment's gross profit was primarily attributable to a 5% decrease in mill product costs per pound to \$13.29 per pound from \$13.99 per pound in 2012, primarily driven by lower scrap prices, which increased gross profit \$11.0 million, and a \$10.3 million increase in duty drawback recoveries. A favorable margin product mix at our titanium service centers and contributions from higher conversion sales increased gross profit by \$0.7 million and \$0.6 million, respectively. These items were partially offset by softening demand and pricing in the specialty metals market which negatively impacted gross profit \$2.5 million, and a \$1.6 million charge related to the voluntary early retirement program enacted during the year. Gross profit for the year ended December 31, 2012 was negatively impacted \$0.8 million due to a transformer fire at our Canton melting facility.

The increase in the EP&S Segment's gross profit was primarily due to higher Boeing 787 volumes, which increased gross profit \$12.2 million, and higher duty drawback recoveries of \$6.8 million. These increases were partially offset by a \$7.7 million decrease in other aerospace and defense programs. Incremental gross profit resulting from higher energy market sales was \$2.2 million, while the October 1, 2013 acquisition of RTI Extrusions Europe and the February 2012 acquisition of Remmele contributed \$0.6 million and \$1.0 million, respectively.

Selling, General, and Administrative Expenses. SG&A for our reportable segments for the years ended December 31, 2013 and 2012 are summarized in the following table:

(Dollars in millions)	Years Ended December 31,				\$ Increase/ (Decrease)	% Increase/ (Decrease)
	2013	% of Sales	2012	% of Sales		
Titanium Segment	\$35.4	10.2	\$36.7	10.4	\$(1.3)	(3.5)
EP&S Segment	57.5	13.2	49.9	14.4	7.6	15.2
Total consolidated SG&A	\$92.9	11.9	\$86.6	12.4	\$6.3	7.3

The \$6.3 million increase in SG&A expenses was primarily related to increases in professional fees related to the sale of RTI Pierce Spafford and increased fees related to our efforts to remediate material weaknesses in internal controls, as well as salary increases across the organization. The acquisition of RTI Extrusions Europe added \$0.5 million of SG&A expenses.

Research, Technical, and Product Development Expenses. Research, technical, and product development expenses for the Company were \$3.9 million and \$4.2 million for the years ended December 31, 2013 and 2012, respectively.

This spending, primarily related to our Titanium Segment, reflected the Company's continued efforts to make productivity and quality improvements to current manufacturing processes, as well as new product development.

Goodwill and Other Intangible Asset Impairment. The Company's Medical Device Fabrication reporting unit, a component of the EP&S Segment, recognized a goodwill impairment of \$14.0 million during the year ended December 31, 2013. This impairment was driven by operational issues as well as uncertainty in the medical device market as a result of the Healthcare Acts, including a 2.3% excise tax on medical devices, and increased regulations on medical device manufacturers from the U.S. Food and Drug Administration (the "FDA"). Related to this impairment, we recognized a \$1.4 million impairment of our Remmele trade name during the year ended December 31, 2013. There were no impairments of goodwill or other intangible assets in 2012.

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Operating Income. Operating income for our reportable segments for the years ended December 31, 2013 and 2012 is summarized in the following table:

(Dollars in millions)	Years Ended December 31,				\$ Increase/ (Decrease)	% Increase/ (Decrease)
	2013	% of Sales	2012	% of Sales		
Titanium Segment	\$59.0	17.0	% \$39.0	11.1	% \$20.0	51.3
EP&S Segment	3.0	0.7	% 8.4	2.4	% (5.4	) (64.3
Total consolidated operating income	\$62.0	7.9	% \$47.4	6.8	% \$14.6	30.8

The Titanium Segment's operating income increased primarily as a result of the decrease in average production cost per pound which increased gross profit \$11.0 million, increased duty drawback recoveries of \$10.3 million, and decreased SG&A of \$1.2 million, partially offset by decreases of \$2.5 million related to lower pricing and lower sales of specialty metals during the year.

Excluding the impact of the \$15.4 million impairment of goodwill and other intangible assets discussed above, the EP&S Segment's operating income increased \$10.0 million in 2013 as compared to 2012. This increase was driven by the ramp up of the Boeing 787 Pi Box program, which increased operating income by \$12.2 million, higher energy market sales, which increased operating income by \$2.2 million, and higher duty drawback receipts totaling \$6.8 million. Offsetting these increases were lower sales on non-787 commercial aerospace and defense sales, and increased SG&A expense of \$7.6 million.

Other Income (Expense). Other income (expense) for the year ended December 31, 2013 and 2012 was \$0.9 million and \$(0.5) million, respectively. Other income (expense) consisted primarily of foreign exchange gains and losses from our international operations.

Interest Income and Interest Expense. Interest income for the years ended December 31, 2013 and 2012 was \$0.2 million and \$0.1 million, respectively. The increase was principally related to higher average cash and investment balances, compared to the prior year. Interest expense was \$40.4 million and \$17.9 million for the years ended December 31, 2013 and 2012, respectively.

Our interest expense for the years ended December 31, 2013 and 2012 was attributable to the following:

(Dollars in millions)	Years Ended December 31,	
	2013	2012
1.625% Convertible Senior Notes due 2019	\$13.0	\$—
3.000% Convertible Senior Notes due 2015	10.9	16.6
Debt extinguishment charge	13.7	—
Other	2.8	1.3
	\$40.4	\$17.9

Provision for Income Tax. We recognized income tax expense of \$7.1 million, or 31.3% of pretax income from continuing operations, in 2013 compared to \$15.7 million, or 53.8% of pretax income, in 2012 for federal, state, and foreign income taxes. Our effective income tax rate decreased 22.5 percentage points from 2012, principally due to a reduction of certain deferred tax liabilities due to changes in state laws and the effects of foreign operations, partially offset by the impairment to goodwill.

The reconciliation of our 2012 effective income tax rate to our 2013 effective income tax rate is as follows:

2012 effective income tax rate		53.8	%
Changes in effective income tax rate:			
Effects of foreign operations	(19.1	)%	
State taxes	(17.2	)%	
Goodwill impairment	17.3	%	
Adjustments to prior years' income taxes	(4.3	)%	
Other	0.8	%	(22.5
2013 effective income tax rate		31.3	%

Refer to Note 6 of our accompanying Consolidated Financial Statements for a reconciliation between our effective tax rate and the statutory tax rate.

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### Liquidity and Capital Resources

On January 22, 2014, we purchased all of the outstanding common stock of RTI Directed Manufacturing for total consideration of approximately \$22.8 million, including \$22.5 million in cash, of which \$21.7 million had been paid, and the assumption of \$0.3 million in liabilities. On June 3, 2014, we purchased all of the outstanding common stock of RTI Advanced Powder Materials for total consideration of approximately \$19.0 million, including \$15.6 million in cash, \$1.6 million in contingent consideration, and the assumption of \$1.8 million in liabilities. These purchases were financed through cash on hand.

We have two outstanding series of Convertible Senior Notes, the 2015 Notes and 2019 Notes, of which \$114.4 million and \$402.5 million aggregate principal amount are currently outstanding, respectively. The 2015 Notes mature in December 2015.

Our Second Amended and Restated Credit Agreement (the "Credit Agreement") provides a revolving credit facility of \$150 million and expires on May 23, 2017. Borrowings under the Credit Agreement bear interest, at our option, at a rate equal to the London Interbank Offered Rate (the "LIBOR Rate") plus an applicable margin or the base rate plus an applicable margin. Both the applicable margin and a facility fee vary based upon our consolidated net debt to consolidated EBITDA ratio, as defined in the Credit Agreement. We had no borrowings outstanding under the Credit Agreement during the years ended December 31, 2014 or 2013.

Provided we continue to meet our financial covenants under the Credit Agreement, we expect that our cash and cash equivalents of \$182.1 million, our short-term investments of \$148.4 million, and our undrawn credit facility, combined with internally generated funds, will provide us sufficient liquidity to meet our current projected operating needs for the next twelve months.

The financial covenants and ratios under our Credit Agreement are described below:

Our leverage ratio (the ratio of Net Debt to Consolidated EBITDA, as defined in the Credit Agreement) was 2.25 to 1 at December 31, 2014. If this ratio were to exceed 3.50 to 1, we would be in default under our Credit Agreement and our ability to borrow under our Credit Agreement would be impaired.

Our interest coverage ratio (the ratio of Consolidated EBITDA to Net Interest, as defined in the Credit Agreement) was 11.66 to 1 at December 31, 2014. If this ratio were to fall below 2.0 to 1, we would be in default under our Credit Agreement and our ability to borrow under the Credit Agreement would be impaired.

Consolidated EBITDA, as defined in the Credit Agreement, allows for adjustments related to unusual gains and losses, certain noncash items, and certain non-recurring charges. As of December 31, 2014, we were in compliance with our financial covenants under the Credit Agreement.

Cash provided by operating activities. Cash provided by operating activities for the years ended December 31, 2014 and 2013 was \$53.9 million and \$12.2 million, respectively. The increase in cash provided by operating activities is primarily due to improved operational performance in 2014 and activity in accounts payable accounts, offset by activity in inventory and accounts receivable accounts.

Cash provided by operating activities for the years ended December 31, 2013 and 2012 was \$12.2 million and \$8.1 million, respectively. The increase in cash provided by operating activities is primarily due to improved operational performance in 2013 excluding the non-cash goodwill and other intangible asset impairments totaling \$15.4 million, offset by activity in working capital accounts, primarily inventory and accounts payable.

Cash used in investing activities. Cash used in investing activities for the years ended December 31, 2014 and 2013 was \$211.0 million and \$37.7 million, respectively. Cash used in investing activities was primarily for net purchases of short-term investments totaling \$148.4 million, the acquisitions of RTI Directed Manufacturing and RTI Advanced Powder Materials for \$21.7 million and \$15.6 million, respectively, and capital expenditures totaling \$30.5 million. These outflows were partially offset by the receipt of \$3.3 million and \$1.9 million related to the sales of RTI Connecticut and RTI Pierce Spafford, respectively.

Cash used in investing activities for the years ended December 31, 2013 and 2012 was \$37.7 million and \$67.6 million, respectively. Cash used in investing activities was primarily for capital expenditures, totaling \$32.4 million during the year, and the purchase of RTI Extrusions Europe for approximately \$16.2 million in cash, partially offset by \$10.5 million of cash received from the sale of RTI Pierce Spafford. The decrease in investing outflows was mainly due to a decrease of \$29.2 million in capital expenditures in 2013.



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Cash provided by (used in) financing activities. Cash provided by (used in) financing activities for the years ended December 31, 2014 and 2013 was \$(1.1) million and \$272.1 million, respectively. The decrease in cash provided by financing activities was due primarily to the 2013 issuance of the \$402.5 million 2019 Notes, offset by \$12.4 million in costs related to the issuance of the 2019 Notes and the 2013 repurchase of \$115.6 million aggregate par value of the 2015 Notes, for approximately \$119.9 million through individually negotiated private transactions. Cash inflows related to employee stock activity decreased \$1.8 million from 2013 to 2014.

Cash provided by (used in) financing activities for the years ended December 31, 2013 and 2012 was \$272.1 million and \$(1.4) million, respectively. The increase in cash provided by financing activities was due primarily to the issuance of the \$402.5 million 2019 Notes, offset by \$12.4 million in costs related to the issuance of the 2019 Notes and the repurchase of \$115.6 million aggregate par value of 2015 Notes, for approximately \$119.9 million through individually negotiated private transactions. Debt-related outflows in 2012 consisted of a \$0.8 million payment of debt issuance costs related to the refinancing of the Credit Agreement. Cash inflows related to employee stock activity increased \$2.2 million from 2012 to 2013.

Cash balances at foreign subsidiaries. At December 31, 2014, we held cash and cash equivalents of approximately \$64.7 million at our foreign subsidiaries, primarily in Canada, France, and the United Kingdom. Management believes that these balances represent the funds necessary for each subsidiary's ongoing operations and at this time has no intention, nor a foreseeable need, to repatriate these cash balances. Repatriation of these cash balances could result in additional U.S. Federal tax obligations.

Backlog. Our order backlog for all markets was approximately \$574 million as of December 31, 2014, compared to \$516 million at December 31, 2013. Of the backlog at December 31, 2014, approximately \$549 million is likely to be realized during 2014. We define backlog, which is a measure not defined by generally accepted accounting principles in the U.S. ("GAAP"), as firm business scheduled for release into our production process for a specific delivery date. We have numerous contracts that extend over multiple years, including the Airbus, JSF and Boeing 787 long-term supply agreements, which are not included in backlog until a specific release into production or a firm delivery date has been established.



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## Contractual Obligations, Commitments and Other Post-Retirement Benefits

Following is a summary of the Company's contractual obligations, commercial commitments, and other post-retirement benefit obligations as of December 31, 2014 (in millions):

	Contractual Obligations						Total
	2015	2016	2017	2018	2019	Thereafter	
Notes (1)	\$124.1	\$6.5	\$6.5	\$6.5	\$409.0	\$—	\$552.6
Operating leases (2)	7.1	6.5	4.7	4.2	3.0	1.5	27.0
Capital leases (2)	3.5	3.1	2.9	2.3	2.5	3.8	18.1
Total contractual obligations	\$134.7	\$16.1	\$14.1	\$13.0	\$414.5	\$5.3	\$597.7
	Commercial Commitments						Total
	Amount of Commitment Expiration per Period						
	2015	2016	2017	2018	2019	Thereafter	Total
Long-term supply agreements (3)(4)(5)	\$75.2	\$85.8	\$85.9	\$91.4	\$92.2	\$90.9	\$521.4
Purchase obligations (6)	113.6	1.4	0.1	—	—	—	115.1
Standby letters of credit (7)	2.7	—	—	—	—	—	2.7
Total commercial commitments	\$191.5	\$87.2	\$86.0	\$91.4	\$92.2	\$90.9	\$639.2
	Pension and Post-Retirement Benefits						Total
	2015	2016	2017	2018	2019	Thereafter	
Other post-retirement benefits (8)(9)	\$3.1	\$3.2	\$2.9	\$3.1	\$3.3	\$32.7	\$48.3
	Tax Obligations						Total
	2015	2016	2017	2018	2019	Thereafter	
Uncertain tax positions (10)	\$—	\$—	\$—	\$—	\$—	\$10.5	\$10.5

Commitments for the 2015 Notes and 2019 Notes (collectively, the "Notes") include principal and interest payable (1) through the Notes' maturity. See Note 14 to the Consolidated Financial Statements included in this Annual Report on Form 10-K.

(2) See Note 9 to the Consolidated Financial Statements included in this Annual Report on Form 10-K.

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

In January 2014, the Company entered into Amended and Restated Titanium Sponge Supply Agreements for the long-term supply of titanium sponge, the primary raw material for our Titanium Segment, with a Japanese supplier. These agreements, which replaced existing agreements, run through 2020 and provide the Company with supply of (4) up to 22.5 million pounds of titanium sponge annually. Future obligations were determined using minimum purchase volume requirements, based on current prices, as prices are negotiated semi-annually or are fixed but may be subject to certain underlying input cost adjustments and potential price adjustments based on the yen to U.S. dollar exchange rate. Purchases under the contract are denominated in U.S. dollars.

(5) In December 2009, the Company entered into a new contract with a different Japanese supplier for the long-term supply of titanium sponge for delivery between 2012 and 2020. The contract provides the Company with the supply of up to 11.2 million pounds of titanium sponge annually. The price of the titanium sponge is fixed, but may be subject to certain underlying input cost adjustments and potential price adjustments based on the yen to U.S. dollar exchange rate. Future obligations were determined using minimum purchase volume requirements,

based on current price, anticipated formula pricing, and minimum volumes. Purchases under the contract are denominated in U.S. dollars.

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

(7) Amounts represent standby letters of credit primarily related to commercial performance and insurance guarantees. The Company does not fund its other post-retirement employee benefits obligation but instead pays amounts when billed. However, these estimates are based on current benefit plan coverage and are not contractual commitments

(8) inasmuch as the Company retains the right to modify, reduce, or terminate any such coverage in the future.

Amounts shown in the years 2015 through 2019 are based on actuarial estimates of expected future cash payments, and exclude the impacts of benefits associated with the Medicare Part D Act of 2003.

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(9) Commitments for pension plans are not presented due to the uncertain nature of the amounts and timing of future contributions.

(10) These amounts are included in the "Thereafter" column as it cannot be reasonably estimated when these amounts may be settled.

Other non-current liabilities on the Consolidated Balance Sheet is primarily composed of liabilities for workers' compensation, environmental remediation, asset retirement obligations, and long-term tax reserves. These amounts are not included within the preceding table due to the uncertain nature regarding the timing of the settlement of these obligations.

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements that have had or are reasonably likely to have a current or future material effect on our financial condition, results of operations, liquidity, capital expenditures, or capital resources.

New Accounting Standards

In January 2015, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2015-01, "Income Statement - Extraordinary and Unusual Items." This ASU eliminates from U.S. GAAP the concept of extraordinary items. This ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted provided the guidance is applied from the beginning of the fiscal year of adoption. We do not expect that the adoption of the ASU will have a material impact on our Consolidated Financial Statements.

In November 2014, the FASB issued ASU 2014-17, "Pushdown Accounting." This ASU provides an acquired entity with the option to apply pushdown accounting in its separate financial statements upon the occurrence of an event in which an acquirer obtains control of the acquired entity. The election to apply pushdown accounting can be made either in the period in which the change of control occurred, or in a subsequent period. This ASU is effective as of November 18, 2014. The adoption of this ASU did not have a material impact on our Consolidated Financial Statements.

In August 2014, the FASB issued ASU 2014-15, "Presentation of Financial Statements—Going Concern—Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern." The amendment requires management to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and provide related footnote disclosures. The guidance is effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early adoption is permitted. We do not expect that the adoption of the ASU will have a material impact on our Consolidated Financial Statements.

In June 2014, the FASB issued ASU 2014-12, "Compensation—Stock Compensation—Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period." The amendment requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period. Early application is permitted. We do not expect that the adoption of the ASU will have a material impact on our Consolidated Financial Statements.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers." This ASU prescribes that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period, and can be adopted by the Company using either a full retrospective or modified retrospective approach. Early application is not permitted. We are currently evaluating the impact of the adoption of this ASU on our Consolidated Financial Statements.

In April 2014, the FASB issued ASU 2014-08, "Presentation of Financial Statements and Property, Plant, and Equipment—Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity." This ASU amends the requirements for reporting discontinued operations to include only disposals of a component or groups of components of an entity if the disposal represents a strategic shift that has or will have a major effect on the entity's operations and financial results. The amendment requires additional disclosure regarding disposals that meet the

criteria for discontinued operations in the ASU, and is effective for all disposals within annual and interim periods beginning on or after December 15, 2014. Early adoption is permitted for disposals that have not been reported in financial statements previously issued. We do not expect that the adoption of the ASU will have a material impact on our Consolidated Financial Statements.

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In July 2013, the FASB issued ASU 2013-11, "Income Taxes—Presentation of an Unrecognized Tax Benefit when a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists." This ASU prescribes the Balance Sheet presentation for unrecognized tax benefits in the presence of a net operating loss carryforward, tax loss or tax credit carryforward. The amendments in the ASU do not require any new recurring disclosures, and are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The adoption of this guidance during 2014 did not have a material impact on our Consolidated Financial Statements.

In March 2013, the FASB issued ASU 2013-05, "Foreign Currency Matters—Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity." This ASU clarifies the applicable guidance for the release of the cumulative translation adjustment under current U.S. GAAP. The amendments in this ASU are effective prospectively for annual and interim reporting periods beginning after December 15, 2013. The adoption of this guidance during 2014 did not have a material impact on our Consolidated Financial Statements.

In February 2013, the FASB issued ASU 2013-04, "Liabilities—Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation is Fixed at the Reporting Date." This ASU provides guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of the ASU is fixed at the reporting date. The amendments in this ASU are effective prospectively for annual and interim reporting periods beginning after December 15, 2013. The adoption of this guidance during 2014 did not have a material impact on our Consolidated Financial Statements.

### Critical Accounting Policies

Our Consolidated Financial Statements are prepared in accordance with U.S. GAAP. These principles require management to make estimates and assumptions that have a material impact on the amounts recorded for assets and liabilities and resulting revenue and expenses. Management estimates are based on historical evidence and other available information, which in management's opinion provide the most reasonable and likely result under the current facts and circumstances. Under different facts and circumstances expected results may differ materially from the facts and circumstances applied by management.

Of the accounting policies described in Note 3 of the Consolidated Financial Statements included in this Annual Report, and others not expressly stated but adopted by management as the most appropriate and reasonable under the current facts and circumstances, the effect upon the Company of the policy of carrying values of accounts receivable, inventories, property, plant, and equipment, intangible assets, goodwill, pensions, post-retirement benefits, worker's compensation, environmental liabilities, and income taxes would be most critical if management estimates were incorrect. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

Revenue Recognition. Product and service revenues are recognized when persuasive evidence of an arrangement exists, product delivery has occurred or services have been rendered, pricing is fixed or determinable, and collection is reasonably assured. Service revenues are recognized as services are rendered.

Revenue under long-term construction-type contracts are recorded using the percentage-of-completion method measured on the cost-to-cost basis and the units-of-delivery basis for long-term production-type contracts. Prior to 2014, revenues and costs under contracts measured on the cost-to-cost method were recorded using the zero profit method under the FASB's Accounting Standards Codification ("ASC") 605-35 until the period when the Company believed it was able to estimate the total contract revenues and costs, at which point the cumulative contract gross profit earned to date was recorded. This generally occurred when the primary deliverable under the contract was delivered. During 2014, the Company implemented a rigorous process for estimating total contract costs and revenues for all outstanding and future projects accounted for under the ASC 605-35. As a result, for the majority of the Company's contracts accounted for under ASC 605-35, the Company now recognizes costs, revenues, and related gross profit as it completes work on these projects, rather than using the zero profit method. For certain of its contracts, the full scope of work may be ill-defined at the time progress towards completion begins. For these contracts, the Company utilizes the zero profit method until such time as the full scope of the contract is defined and

estimates of total costs and revenues can be determined

Provisions for anticipated losses on long-term contracts are recorded in full when such losses become evident. Such losses were not material at December 31, 2014, 2013, or 2012.

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Revenues from contracts with multiple element arrangements are recognized as each element is earned based on the relative fair value of each element, provided the delivered elements have value to customers on a stand-alone basis. Amounts allocated to each element are based on its objectively determined fair value, such as the sales price for the product or service when it is sold separately.

Value added taxes collected on sales are excluded from revenue and recorded as a liability on the Consolidated Balance Sheet until remitted to the taxing authority.

**Inventories.** Inventories are valued at cost as determined by the last-in, first-out (“LIFO”), first-in, first-out (“FIFO”), and weighted-average cost methods. Inventory costs generally include materials, labor, and manufacturing overhead (including depreciation). When market conditions indicate an excess of carrying cost over market value, a lower-of-cost-or-market provision is recorded. At both December 31, 2014 and 2013, approximately 55% of our inventory was valued utilizing the LIFO costing methodology. The remaining inventories are valued at cost determined by a combination of the FIFO and weighted-average cost methods.

**Goodwill and Intangible Assets.** The carrying value of goodwill at December 31, 2014 and 2013 was \$145.5 million and \$117.6 million, respectively. Goodwill and intangible assets were originally valued at fair value at the date of acquisition.

We evaluate the recoverability of goodwill at the reporting unit level at least annually as of October 1 and whenever events or circumstances indicate the carrying value may not be recoverable.

The carrying value of goodwill at our four reporting units as of our October 1, 2014 annual impairment test is as follows:

(in millions)	Goodwill
Titanium reporting unit	\$24.0
Fabrication reporting unit	76.7
Medical Device Fabrication reporting unit	44.8
Energy Fabrication reporting unit	—
Total Goodwill	\$145.5

In Step One of the evaluation, the fair value of each reporting unit was determined using the weighted average of a discounted cash flow analysis based on historical and projected financial information (i.e., an income approach) and a market valuation approach. The discounted cash flow analysis provides a fair value estimate based upon each reporting unit’s long-term operating and cash flow performance. This approach also considers the impact of cyclical downturns that occur in the titanium and aerospace industries. The market valuation approach applies market multiples such as EBITDA and revenue multiples developed from a set of peer group companies to each reporting unit to determine its fair value. Based on these analyses, we determined that the fair value of the Titanium reporting unit, the Fabrication reporting unit, and the Medical Device Fabrication reporting unit each exceeded their respective carrying values.

In order to validate the reasonableness of the estimated fair values of the reporting units as of the valuation date, we reconciled the aggregate fair value of all of the reporting units to our market capitalization, including a reasonable control premium.

We recorded a \$14.0 million impairment to the carrying value of the Medical Device Fabrication reporting unit in 2013, and the carrying value of the Energy Fabrication reporting unit’s goodwill was fully impaired in 2009. Excluding the immaterial impairments of goodwill related to the disposition of our non-titanium service centers, there have been no other goodwill impairments to date at our other reporting units. See Note 3 of our Consolidated Financial Statements for further details of our annual impairment analysis.

Management evaluates the recovery of indefinite-lived intangible assets, at least annually, by comparing the fair value of the indefinite lived intangible asset under a discounted cash flow model to its carrying value. There were no impairments of indefinite-lived intangible assets during the year-ended December 31, 2014.

**Long-Lived Assets.** Management evaluates the recoverability of property, plant, and equipment whenever events or changes in circumstances indicate the carrying amount of any such asset may not be fully recoverable. Changes in circumstances may include technological changes, changes in our business model, capital structure, economic conditions, or operating performance. If applicable, our evaluation would be based upon, among other items, our

assumptions about the estimated undiscounted cash flows these assets are expected to generate. When the sum of the undiscounted cash flows is less than the carrying value, we will recognize an impairment loss. Management applies its best judgment when performing these evaluations to determine the timing of the testing, the undiscounted cash flows associated with the assets, and the fair value of the asset.



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**Income Taxes.** The likelihood of realization of deferred tax assets is reviewed by management on a quarterly basis, giving consideration to all current facts and circumstances. Based upon this review, management records the appropriate valuation allowance to reduce the value of the deferred tax assets to the amount more likely than not to be realized. Should management determine in a future period that an additional valuation allowance is required because of unfavorable changes in the facts and circumstances, or that the current valuation allowance is no longer required due to favorable changes in the facts and circumstances, there would be a corresponding charge or credit to income tax expense.

Our Canadian subsidiary generated taxable losses totaling \$134.4 million from 2005 through 2014, resulting in a Canadian net deferred tax asset of \$27.6 million as of December 31, 2014. We have recorded a full valuation allowance against our Canadian net deferred tax asset as of December 31, 2010, and for each subsequent period thereafter. The realization of our Canadian deferred tax assets is dependent upon our ability to generate future taxable income at our Canadian subsidiary. We concluded that the objective and verifiable negative evidence of our Canadian subsidiary's cumulative losses over a number of years outweighed the more subjective positive evidence of anticipated future income under our long-term contract. We will continue to review whether a valuation allowance against our Canadian net deferred tax asset is required. If we determine that the realization of some or all of our Canadian net deferred tax assets are more likely than not, we will reduce some or all of our valuation allowance.

Tax benefits related to uncertain tax provisions taken or expected to be taken on a tax return are recorded when such benefits meet a more-likely-than-not threshold. Otherwise, these tax benefits are recorded when a tax position has been effectively settled, which means that either the appropriate taxing authority has completed their examination even though the statute of limitations remains open or the statute of limitations has expired. Interest and penalties related to uncertain tax positions are recognized as part of the provision for income taxes and are accrued beginning in the period that such interest and penalties would be applicable under relevant tax law until such time that the related tax benefits are recognized.

**Employee Benefit Plans.** Included in our accounting for defined benefit pension plans are assumptions on discount rates, the expected return on assets, and the rate of future compensation changes. Discount rates are also utilized in our accounting for our post-retirement medical plan. We consider current market conditions, including changes in interest rates and plan asset investment returns, as well as longer-term factors in determining these assumptions. Actuarial assumptions may differ materially from actual results due to changing market and economic conditions or higher or lower withdrawal rates. These differences may result in a significant impact to the amount of net pension expense or income recorded in the future.

A discount rate is used to determine the present value of future payments. In general, our liability increases as the discount rate decreases and decreases as the discount rate increases. The discount rate was determined by taking into consideration an above-mean yield curve model in order to select a discount rate that best matches the expected payment streams of the future payments. The model is developed using bonds with a Moody's or Standard & Poor's rating of "Aa" or better based on the bonds available as of the measurement date. The appropriate discount rate is then selected based on the resulting yield from this portfolio. The discount rates used to determine our future benefit obligations were as follows at December 31, 2014 and 2013:

	2014	2013	
Qualified pension plans	4.0	% 4.8	%
Non-qualified pension plans	3.1	% 3.7	%
Post-retirement medical plan	4.0	% 4.8	%

The discount rate is a significant factor in determining the amounts reported. A change of one-quarter of a percentage point in the discount rates used at December 31, 2014 would have the following effect on the defined benefit plans:

	-.25%	+ .25%	
Effect on total projected benefit obligation ("PBO") (in millions)	\$5.6	\$(5.3)	)
Effect on subsequent years periodic pension expense (in millions)	\$0.3	\$(0.3)	)

A one quarter percent change in the discount rate used at December 31, 2014 would have the following effect on the postretirement medical plan:

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	<i>-.25%</i>	<i>+.25%</i>	
Effect on accumulated postretirement benefit obligation (in millions)	\$1.6	\$(1.5	)
Effect on total net periodic benefit cost (in millions)	\$0.1	\$(0.1	)

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We developed the expected return on plan assets by considering various factors which include targeted asset allocation percentages, historical returns, and expected future returns. We assumed an expected rate of return of 7.5% in both 2014 and 2013. A change of one-quarter of a percentage point in the expected rate of return would have the following effect on the defined benefit plans:

	-.25%	+.25%
Effect on subsequent years periodic pension expense (in millions)	\$0.4	\$(0.4)

A change of one percentage point in the health cost trend rate of 6.68% used at December 31, 2014 would have the following effect on the postretirement medical plan:

	-1.00%	+1.00%
Effect on total service cost and interest cost components (in millions)	\$(0.2)	) \$0.2
Effect on accumulated postretirement benefit obligation (in millions)	\$(2.2)	) \$2.5

The fair value of the Company's defined benefit pension plan assets as of December 31, 2014 and 2013 were as follows:

Investment category (in millions)	2014	2013
U.S. government securities	\$22.2	\$25.0
Corporate bonds	45.1	40.6
Equities	91.8	88.9
Short-term investment funds	1.7	1.5
Real estate funds	4.7	3.8
Timberlands	2.0	1.9
Other	—	1.0
Total	\$167.5	\$162.7

Of the total plan assets, approximately \$11.5 million and \$9.7 million were measured using significant unobservable inputs (Level 3) at December 31, 2014 and 2013, respectively, and are comprised of investments in private equities, real estate funds, and timberlands. The fair value of private equity funds and real estate funds are determined by the fair value of the underlying investments in the funds plus working capital, adjusted for liabilities, currency translation and estimated performance incentives. Various methods of determining the fair value of the underlying assets in each fund are used which may include, but are not limited to, expected cash flows, multiples of earnings, discounted cash flow models, direct capitalization analyses, third-party appraisals and other market-based information. Valuations are reviewed utilizing available market data to determine whether or not any fair value adjustments are necessary. The value of the timberlands investment is based upon the appraised value of the timberlands plus net working capital. It is based upon inventory obtained pursuant to a review of this inventory at the time of acquisition, updated periodically based upon a cash projection model for a 50-year period using real prices and a real discount rate based upon current market activity.

The Company's target asset allocation as of December 31, 2014 by asset category was as follows:

	2014	
Investment Category:		
Equity securities	55	%
Debt securities and other short-term investments	43	%
Cash	2	%
Total	100	%

Our investment policy for the defined benefit pension plans includes various guidelines and procedures designed to ensure assets are invested in a manner necessary to meet expected future benefits earned by participants. The investment guidelines consider a broad range of economic conditions. Central to the policy are target allocation ranges (shown above) by major asset categories. The objectives of the target allocations are to maintain investment portfolios that diversify risk through prudent asset allocation parameters, achieve asset returns that meet or exceed the plans' actuarial assumptions, and achieve asset returns that are competitive with like institutions employing similar investment strategies. Within these broad investment categories, our investment policy places certain restrictions on

the types and amounts of plan investments. For example, no individual stock may account for more than 5% of total equities, no single corporate bond issuer rated below AA may equal more than 10% of the total bond portfolio, non-investment grade bonds may not exceed 10% of the total bond portfolio, and private equity and real estate investments may not exceed 8% of total plan assets.

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We periodically review the investment policy along with our designated third-party fiduciary. The policy is established and administered in a manner so as to comply at all times with applicable government regulations.

The following pension and post-retirement benefit payments, which reflect expected future service, as appropriate, are currently expected to be paid (in millions) :

	Pension Benefit Plans	Post-Retirement Benefit Plan (including Plan D subsidy)	Post-Retirement Benefit Plan (not including Plan D subsidy)
2015	\$10.5	\$3.0	\$3.1
2016	10.8	3.1	3.2
2017	10.9	2.8	3.0
2018	11.4	3.0	3.1
2019	11.5	3.1	3.3
2020 to 2024	61.4	19.1	20.1

During the years ended December 31, 2014 and 2013, we made cash contributions, net of settlement charges, totaling \$1.1 million and \$4.3 million, respectively, to our Company-sponsored pension plans. No additional contributions are expected to be required for the Company to maintain its desired funding status in 2015.

#### Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

##### Commodity Price Risk

We are exposed to market risk arising from changes in commodity prices as a result of our long-term purchase and supply agreements with certain suppliers and customers. These agreements, which offer various fixed or formula-determined pricing arrangements, effectively obligate us to bear the risk of (i) increased raw material and other costs to us that cannot be passed on to our customers through increased product prices or (ii) decreasing raw material costs to our suppliers that are not passed on to us in the form of lower raw material prices.

##### Interest Rate Risk

Our outstanding borrowings at December 31, 2014 are at fixed annual interest rates of 1.625% and 3.000%; therefore, we are not subject to material cash flow risk arising from the fluctuation of interest rates.

##### Foreign Currency Exchange Risk

We are subject to foreign currency exchange exposure for purchases of raw materials, equipment, and services, including wages, which are denominated in currencies other than the U.S. dollar, as well as non-U.S. dollar denominated sales. However, the significant majority of our sales are made in U.S. dollars, which minimizes our exposure to foreign currency fluctuations. From time to time, we may use forward exchange contracts to manage these transaction risks.

In addition to these transaction risks, we are subject to foreign currency exchange exposure for our non-U.S. dollar denominated assets and liabilities of our foreign subsidiaries whose functional currency is the U.S. dollar. From time to time, we may use forward exchange contracts to manage these translation risks. We had no foreign currency forward exchange contracts outstanding at December 31, 2014.

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Item 8. Financial Statements and Supplementary Data.

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

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, comprehensive income (loss), shareholders' equity and cash flows present fairly, in all material respects, the financial position of RTI International Metals, Inc. and its subsidiaries at December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's report on internal control over financial reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included 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. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

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

As described in Management's report on internal control over financial reporting, management has excluded RTI Directed Manufacturing from its assessment of internal control over financial reporting as of December 31, 2014 because it was acquired by the Company in a purchase business combination during 2014. We have also excluded RTI

Directed Manufacturing from our audit of internal control over financial reporting. RTI Directed Manufacturing is a wholly-owned subsidiary whose total assets and total revenues each represent less than 1% of the related consolidated financial statement amounts as of and for the year ended December 31, 2014.

Pittsburgh, Pennsylvania  
February 26, 2015



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## RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES

## Consolidated Statements of Operations

(In thousands, except share and per share amounts)

	Years Ended December 31,		
	2014	2013	2012
Net sales	\$793,579	\$783,273	\$699,987
Cost and expenses:			
Cost of sales	627,151	609,047	561,785
Selling, general, and administrative expenses	91,488	92,921	86,621
Research, technical, and product development expenses	4,613	3,931	4,164
Goodwill and other intangible asset impairment	—	15,359	—
Operating income	70,327	62,015	47,417
Other income (expense), net	2,156	938	(501)
Interest income	310	223	148
Interest expense	(31,055)	) (40,380	) (17,926)
Income before income taxes	41,738	22,796	29,138
Provision for income taxes	10,037	7,139	15,685
Net income attributable to continuing operations	\$31,701	\$15,657	\$13,453
Net income (loss) attributable to discontinued operations	\$(608)	) \$(1,584	) \$1,487
Net income	\$31,093	\$14,073	\$14,940
Earnings per share attributable to continuing operations:			
Basic	\$1.03	\$0.51	\$0.44
Diluted	\$1.03	\$0.51	\$0.44
Earnings (loss) per share attributable to discontinued operations:			
Basic	\$(0.02)	) \$(0.05	) \$0.05
Diluted	\$(0.02)	) \$(0.05	) \$0.05
Weighted-average shares outstanding:			
Basic	30,493,862	30,303,328	30,127,275
Diluted	30,618,447	30,530,501	30,257,688

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

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## RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES

## Consolidated Statements of Comprehensive Income

(In thousands, except share and per share amounts)

	Years Ended December 31,		
	2014	2013	2012
Net income	\$31,093	\$14,073	\$14,940
Other comprehensive income (loss):			
Foreign currency translation	(9,733	) (6,928	) 1,915
Investment activity, net of tax of \$(23), \$0, and \$4	(41	) —	8
Changes in benefit plan accounts, net of tax of \$(3,285), \$6,919, and \$(4,920)	(5,418	) 11,535	(8,077
Other comprehensive income (loss), net of tax	(15,192	) 4,607	(6,154
Comprehensive income	\$15,901	\$18,680	\$8,786

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

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## RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES

## Consolidated Balance Sheets

(In thousands, except share and per share amounts)

	December 31, 2014	2013	
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 182,059	\$ 343,637	
Short-term investments	148,383	—	
Receivables, less allowance for doubtful accounts of \$694 and \$820	117,745	105,271	
Inventories, net	474,306	430,088	
Costs in excess of billings	5,522	5,377	
Deferred income taxes	30,632	32,032	
Assets of discontinued operations	—	5,274	
Other current assets	19,803	16,947	
Total current assets	978,450	938,626	
Property, plant, and equipment, net	369,287	372,340	
Goodwill	145,518	117,578	
Other intangible assets, net	57,122	53,754	
Other noncurrent assets	15,317	23,247	
Total assets	\$ 1,565,694	\$ 1,505,545	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current liabilities:			
Current portion of long-term debt	\$ 111,645	\$ 1,008	
Accounts payable	105,044	79,039	
Accrued wages and other employee costs	26,874	29,787	
Billings in excess of costs	9,962	—	
Unearned revenues	7,623	15,625	
Liabilities of discontinued operations	—	458	
Other accrued liabilities	18,724	21,566	
Total current liabilities	279,872	147,483	
Long-term debt	345,012	430,300	
Liability for post-retirement benefits	48,295	43,447	
Liability for pension benefits	16,986	13,787	
Deferred income taxes	60,503	74,078	
Unearned revenues	5,476	10,470	
Other noncurrent liabilities	14,070	12,006	
Total liabilities	770,214	731,571	
Commitments and Contingencies (Note 13)			
Shareholders' equity:			
Common stock, \$0.01 par value; 100,000,000 and 50,000,000 shares authorized; 31,585,696 and 31,399,661 shares issued; 30,729,784 and 30,593,251 shares outstanding	316	314	
Additional paid-in capital	538,703	532,249	
Treasury stock, at cost; 855,912 and 806,410 shares	(19,649	) (18,798	)
Accumulated other comprehensive loss	(55,589	) (40,397	)
Retained earnings	331,699	300,606	
Total shareholders' equity	795,480	773,974	
Total liabilities and shareholders' equity	\$ 1,565,694	\$ 1,505,545	

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

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RTI INTERNATIONAL METALS, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(In thousands)

	Years Ended December 31,		
	2014	2013	2012

OPERATING ACTIVITIES: