RTI INTERNATIONAL METALS INC
Form 10-K
March 18, 2014

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

# FORM 10-K

(Mark One)

þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
**For the fiscal year ended December 31, 2013**

or

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number **001-14437**

# RTI INTERNATIONAL METALS, INC.

(Exact name of registrant as specified in its charter)

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

Registrant s telephone number, including area code:

**(412) 893-0026**

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

| **Title of each class** | **Name of each exchange on which registered** |
|---|---|
| Common Stock, par value $0.01 per share | New York Stock Exchange |

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

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

**Yes** ¨ **No** þ

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** þ

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** þ **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** þ **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. þ

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

Large accelerated filer þ 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** þ

The aggregate market value of the voting stock held by non-affiliates of the registrant was $832.7 million as of June 30, 2013. The closing price of the Company s common stock ( Common Stock ) on June 28, 2013, as reported on the New York Stock Exchange, was $27.71.

The number of shares of Common Stock outstanding at February 28, 2014 was 30,660,052.

**Documents Incorporated by Reference:**

Selected Portions of the Proxy Statement for the 2014 Annual Meeting of Shareholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

**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., its predecessors and consolidated subsidiaries, taken as a whole, unless the context indicates otherwise.

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**EXPLANATORY NOTE**

**Restatement of Consolidated Financial Results**

This Annual Report on Form 10-K for the fiscal year ended December 31, 2013 ( Annual Report ) includes the restatement of our Consolidated Financial Statements and the related disclosures for the previously reported years ended December 31, 2012 and 2011, and for the interim periods in 2013 and 2012, resulting from the Company s determination that a valuation allowance against its Canadian deferred tax asset should have been recorded as of December 31, 2010. The Company determined that it should have given greater weight to its Canadian subsidiary s history of cumulative losses relative to its expectations of future taxable income. As a result of recording the valuation allowance, the Company has corrected the deferred tax assets at each balance sheet date and its provision for income taxes in each affected period. As a result, in this Annual Report, the Company has restated its Consolidated Balance Sheet as of December 31, 2012 and the related Consolidated Statements of Operations, Shareholders Equity, and Cash Flows for the years ended December 31, 2012 and December 31, 2011 and interim periods in fiscal year 2012 and March 31, June 30, and September 30, 2013. In addition, the following items of this Annual Report include restated financial data: (i) Part II, Item 6 Selected Financial Data; (ii) Part II, Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations; and (iii) Part II, Item 8 Financial Statements and Supplementary Data. We also have disclosure regarding the impact of the restatement on the adequacy of the Company s internal control over financial reporting and disclosure controls and procedures for the relevant restatement periods in Part II, Item 9A. Controls and Procedures.

We have not amended our previously-filed Annual Reports on Form 10-K or Quarterly Reports on Form 10-Q for any fiscal year or interim period affected by the restatement discussed above. Instead, the financial information that has been previously filed or otherwise reported for these periods is superseded by the information in this 2013 Annual Report, and the financial information contained in such previously-filed reports should no longer be relied upon.

**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 October 1, 2013, the Company purchased all of the outstanding common stock of RTI Extrusions Europe, Limited (formerly the extrusions business of Osborn Metals Limited) ( RTI Extrusions Europe ) for consideration of approximately $16.2 million in cash and the assumption of approximately $4.2 million in liabilities. RTI Extrusions Europe manufactures extruded, hot-or-cold stretched steel and titanium parts for a number of markets including the aerospace and oil and gas markets, and is complementary to the Company s existing titanium extrusion operation in Houston, Texas.

On January 22, 2014, the Company announced the acquisition of Directed Manufacturing, Inc. ( RTI Directed Manufacturing ), for $23.0 million in cash. RTI Directed Manufacturing is a leader in additive manufacturing of titanium, specialty metal and plastic components for both commercial production and engineering development applications in 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 parts and components.

In April 2013, the Company completed the sale of its subsidiary, Pierce Spafford Metals Company, Inc. ( RTI Pierce Spafford ) for approximately $12.4 million of cash, of which $10.5 million has been received as of December 31, 2013, with the remainder due in late 2014. In addition, during December 2013 the Company entered into a letter of intent to sell the assets of its other non-titanium service center, Bow Steel Corporation ( RTI Connecticut ), which was subsequently completed in February, 2014. 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, ability to withstand extreme temperatures and maintain performance characteristics, and superior corrosion and erosion resistance. 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 higher cost of production as compared to other metals. 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. Traditionally, a majority of the U.S. titanium industry s output has been used in aerospace applications. The cyclical nature of the aerospace and defense industries have been the principal cause of the fluctuations in the 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 the oil and gas exploration and production industry, medical products, geothermal energy production, chemical processing, consumer products, and non-aerospace military applications such as heavy artillery and armoring.

The U.S. titanium industry s reported shipments were approximately 87 million pounds and 100 million pounds in 2012 and 2011, respectively, and are estimated to be approximately 98 million pounds in 2013. Shipments during 2013 increased as compared to 2012, due to continued high 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 increase in 2014 due to the ongoing aircraft build-rate increases expected from both Boeing and Airbus, as well as the continued ramp up of the Boeing 787 program and the expected beginning of deliveries for the Airbus s A350XWB program.

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.

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:

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Commercial Aerospace | 55% | 55% | 58% |
| Defense | 22% | 23% | 28% |
| Energy, Medical, and Other | 23% | 22% | 14% |

***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 increased production of larger aircraft with higher titanium content than previous models. More recently and into the future, growth in the commercial aerospace market is expected to be driven by the need for more fuel efficient aircraft due to higher energy costs, as well as an expected replacement cycle of older aircraft. In response to these changing dynamics, Boeing is producing the new 787 Dreamliner family of aircraft. Airbus is producing the A350XWB, which completed its first test flight in 2013, to compete with Boeing s 787 model, and Airbus continues to produce the largest commercial aircraft, the A380. The A350XWB is currently expected to go into service in late 2014. 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 10,639 aircraft on order at the end of 2013, a 17% increase from the prior year. This increase was primarily driven by strong orders for the single aisle A320neo and 737 MAX aircraft, as well as continued strength in orders for Boeing s 787 Dreamliner family of 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:

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Deliveries | 1,274 | 1,189 | 1,011 |

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

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| Forecasted deliveries | 1,550 | 1,490 | 1,410 |

***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 21st 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 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. Under the contract, the Company is currently supplying approximately two million pounds annually. 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 expected to consume in excess of two million pounds in 2014.

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 to the energy and medical device sectors by our Engineered Products and Services ( EP&S ) Segment, and sales of ferro titanium to the specialty steel industry from our Titanium Segment.

In the energy sector, demand for the Company s products for oil and natural gas extraction, including deepwater drilling exploration and production, increased in 2013. Demand for these products has grown due 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. 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 developing nations, 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**

Effective January 1, 2013, we conduct business in two segments: the Titanium Segment and the EP&S Segment. This structure reflects our transformation into an integrated supplier of advanced titanium products across the entire supply chain, and better aligns our resources to support our long-term growth strategy.

***Titanium Segment***

The Titanium Segment melts, forges, processes, produces, stocks, distributes, finishes, cuts-to-size and facilitates just-in-time delivery services of a complete range of titanium mill products which are further processed by its customers for use in a variety of commercial aerospace, defense, and industrial and consumer applications. With operations in Niles and Canton, Ohio; Martinsville, Virginia; Norwalk, California; Windsor, Connecticut; 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, and 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 2013, approximately 21% 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 19% in 2012 and 18% in 2011. The increase in sales to the EP&S Segment in 2013 resulted from the Company s efforts to source more of the 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 located in Minneapolis, Minnesota; Houston and Austin, 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.

***Integrated Strategy***

The Company believes that by providing its customers with a full-range of 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 billet for use by the EP&S Segment s extrusion facilities to manufacture structured components, including the Boeing Pi Box seat track 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:

| | 2013 | | 2012 | | 2011 | |
|---|---|---|---|---|---|---|
| *(dollars in millions)* | **$** | **%** | **$** | **%** | **$** | **%** |
| Titanium Segment | $ 346.6 | 44.2% | $ 352.9 | 50.4% | $ 324.9 | 66.5% |
| Engineered Products and Services Segment | 436.7 | 55.8% | 347.1 | 49.6% | 163.5 | 33.5% |
| Total consolidated net sales | $ 783.3 | 100.0% | $ 700.0 | 100.0% | $ 488.4 | 100.0% |

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

| | 2013 | | 2012 | | 2011 | |
|---|---|---|---|---|---|---|
| *(dollars in millions)* | **$** | **%** | **$** | **%** | **$** | **%** |
| Titanium Segment | $ 59.0 | 95.2% | $ 39.0 | 82.3% | $ 36.1 | 154.3% |
| Engineered Products and Services Segment | 3.0 | 4.8% | 8.4 | 17.7% | (12.7) | (54.3)% |
| Total consolidated operating income (loss) | $ 62.0 | 100.0% | $ 47.4 | 100.0% | $ 23.4 | 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)* | 2013 | 2012 (as restated) | 2011 (as restated) |
|---|---|---|---|
| Titanium Segment | $ 604.1 | $ 566.4 | $ 492.2 |
| Engineered Products and Services Segment | 585.8 | 544.9 | 272.5 |
| Assets of Discontinued Operations | 5.3 | 25.2 | 26.5 |
| General Corporate (1) | 310.3 | 83.6 | 309.4 |
| Total consolidated assets | $ 1,505.5 | $ 1,220.1 | $ 1,100.6 |

(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)* | 2013 | 2012 (as restated) | 2011 (as restated) |
|---|---|---|---|
| United States | $ 438.2 | $ 465.3 | $ 278.5 |
| Canada | 69.4 | 67.7 | 71.3 |
| England | 57.9 | 37.7 | 37.1 |
| France | 1.4 | 0.8 | 0.5 |
| Total consolidated long-lived assets | $ 566.9 | $ 571.5 | $ 387.4 |

**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:

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Export sales | 30% | 36% | 37% |

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 13 to the Consolidated Financial Statements included in this Annual Report.

**Backlog**

The Company s order backlog for all markets was approximately $516 million as of December 31, 2013, as compared to $543 million at December 31, 2012. Of the backlog at December 31, 2013, approximately $483 million is likely to be realized in 2014. 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 and other

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negotiated transactions. 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 exacting 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 reducing its need for purchased titanium sponge.

The Company currently has 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 annually negotiated 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 2021. 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, 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 family of specialty subcontractors account for a majority of aerospace products manufactured for large commercial aerospace and defense applications.

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 Verkhnaya 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 competes with 2H Offshore, Oil States International, Inc. (NYSE: OIS), Ameriforge Group, Inc., and Sheffield Offshore Services.

In the medical device sector, the Company 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 continually 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 14 to the Consolidated Financial Statements included in this Annual Report.

**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 and Austin, Texas; Norwalk, California; Sullivan and Washington, Missouri; Windsor, Connecticut; Bradford, Tamworth, and Welwyn Garden City, England; Jiangsu, China; and Laval, Canada. 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 and Niles, Ohio, 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:

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| *(dollars in millions)* | | | |
| Research, technical and product development expenses | $ 3.9 | $ 4.2 | $ 3.4 |

**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 seven 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 2013 and, assuming payment of all required maintenance fees, expire between 2020 and 2030.

**Employees**

At December 31, 2013, the Company and its subsidiaries had 2,437 employees, 913 of whom were classified as administrative and sales personnel. Of the total number of employees, 809 employees were in the Titanium Segment, 1,544 in the EP&S Segment, and 84 at RTI s corporate headquarters.

The United Steelworkers of America ( USW ) represents approximately 345 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. The Company s facility in Washington, Missouri has 176 hourly employees who are represented by the International Association of Machinists and Aerospace Workers ( IAMAW ). The current labor contract with the IAMAW expires on February 19, 2015. No other Company employees are currently represented by a union.

**Executive Officers of the Registrant**

Listed below are the executive officers of the Company, together with their ages and titles as of December 31, 2013.

| Name | Age | Title |
|---|---|---|
| Dawne S. Hickton | 56 | Vice Chair, President and Chief Executive Officer |
| James L. McCarley | 50 | Executive Vice President Operations |
| Patricia A. O Connell | 51 | Executive Vice President Commercial |
| William T. Hull | 56 | Senior Vice President and Chief Financial Officer |
| William F. Strome | 58 | Senior Vice President Finance and Administration |
| Chad Whalen | 39 | 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.

Ms. O Connell was appointed Executive Vice President Commercial in January 2013. Prior to joining RTI, Ms. O Connell was President of Rolls-Royce s North America Customer Business where she was responsible for leading and developing the new Customer Business organization in the United States. Ms. O Connell has held senior leadership positions at GE Aviation as VP of Customer Management, Business and General Aviation and President Civil Aviation Systems, as well as key leadership roles at Rockwell Collins. Ms. O Connell has over 20 years of experience in sales, new business development, operations, material and supply, international business, strategy and customer relations including 17 years in the aviation industry.

Mr. Hull was appointed Senior Vice President and Chief Financial Officer in April 2007. He had served as Vice President and Chief Accounting Officer since August 2005. Prior to joining the Company, Mr. Hull served as Corporate Controller of Stoneridge, Inc., a 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 2000. Mr. Hull is a Certified Public Accountant.

Mr. Strome was appointed Senior Vice President Finance and Administration in October 2009. He had served as Senior Vice President of Strategic Planning and Finance since November 2007. Mr. Strome will be retiring from the Company effective April 15, 2014. Prior to joining the Company, Mr. Strome served as a Principal focusing on environmental development projects at Laurel Mountain Partners, L.L.C. Prior to joining Laurel in 2006, Mr. Strome served as Senior Managing Director and Group Head, Diversified Industrials at the investment banking firm Friedman, Billings, Ramsey & Co., Inc. From 1981 to 2001, Mr. Strome was employed by PNC Financial Services Group, Inc. in various legal capacities and most recently managed PNC s corporate finance advisory activities and its mergers and acquisitions services.

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. We make available, free of charge through our website, our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(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). 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.

**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.***

Like other companies, we are susceptible to the effects of the prolonged economic downturn and slow recovery characterized by high unemployment and decreased consumer and business spending. Macroeconomic conditions in the United States and abroad may affect our performance and that of our customers and suppliers. Continued uncertainty about global economic conditions pose a risk, as customers may postpone or reduce spending in response to restraints on credit. Further, our ability to access the traditional bank and capital markets may be negatively impacted, which could adversely impact our ability to react to changing economic and business conditions. 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. Changes in policy resulting from the current political environment, fluctuations in global currencies, and continued worldwide political instability 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 77% of our current annual revenue is derived from the commercial aerospace and defense industries. Of this amount, Boeing, through multiple contracts with various Company subsidiaries covering varying periods, accounted for approximately 21% of our consolidated net sales in 2013. Although business with our largest customers is typically split into several 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 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 consolidation and other factors. 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, rising or volatile fuel costs, pandemics or other outbreaks of infectious diseases, aggressive competition, global economic slowdown, and other factors. Further, the new aerospace and defense platforms which 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. Future reductions in defense spending could result from the current or future economic or political environment, such as recent sequestration of the defense budget, which 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.

A significant amount of 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.***

We have entered into several long-term contracts in recent years 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 A350XWB and the A400M military transport. In order to meet the delivery requirements under each of these contracts, we have invested in significant capital expansion projects. We have also 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 cancelled, such events could result in a material adverse impact on our business, prospects, results of operations, revenues, cash flows, and financial condition.

***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 various acquisitions that we believe will be beneficial to the Company and our 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 have determined that certain material weaknesses, as described in Part II Item 9A, Controls and Procedures, of this Annual Report existed as of December 31, 2013. Accordingly, we have 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, has developed and presented a plan for the completion of remediation measures to address these weaknesses. Although we believe we are taking appropriate actions to remediate the control deficiencies we have 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, or any difficulties we encounter in implementation, 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.

***Our failure to timely comply with our reporting obligations under the Exchange Act may have an adverse effect on our ability to raise capital.***

As a result of our failure to timely comply with our reporting obligations under the Exchange Act in 2013, we are currently subject to restrictions regarding the registration of our securities, including our common stock, under federal securities laws. Although we have regained compliance with our reporting obligations under the Exchange Act, for a certain period of time in calendar year 2014 we will be unable to use a shorter and less costly registration statement on Form S-3. This restriction increases our costs to access capital markets, which may adversely affect our business.

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

As of December 31, 2013, we had goodwill of $117.6 million and other intangible assets of $53.8 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 definite-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 condition.

***We are dependent on various third-party services that are 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.

***If we are unable to protect our data and process control systems against data corruption, cyber-based attacks, or network security breaches, we could experience disruption to our operations, the compromise or corruption of confidential information, and/or damage to our reputation, relationship with customers, or physical assets, all of which could negatively impact our financial results.***

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 inabilities 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, and composites.

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. 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, 2013, we had net property, plant, and equipment of $372.3 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.

***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 and their use in medical devices, 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 condition and reputation.

***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 ) were passed and signed into law in March, 2010. Among other things, the Acts impose an individual mandate for obtaining health insurance coverage; require plans to be sold on a guaranteed issue basis, which eliminates pre-existing condition exclusions; prohibit annual and lifetime maximum limits on certain essential benefits; restricts the extent to which policies can be rescinded, and imposes new and significant taxes on health insurers and health care benefits. Provisions of the Acts become effective at various dates between their enactment in 2010 and the year 2020. The Department of Health and Human Services, the Department of Labor and the Treasury Department have issued and are continuing to issue the necessary enabling regulations and guidance with respect to the Acts, and the National Association of Insurance Commissioners continue to develop model regulations and best practices in connection with the Acts. Due to the breadth and complexity of the Acts, the fact that the implementing regulations and interpretive guidance are still being developed, and the phased-in nature of the Acts implementation, it is difficult to predict the overall impact of the Acts on our business. 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.

***Our business could be harmed by strikes or work stoppages.***

Approximately 345 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. Approximately 176 hourly employees at our RTI Advanced Forming facility in Washington, Missouri are represented by the IAMAW. Our current labor agreement with this union expires February 19, 2015.

We cannot be certain that we will be able to negotiate new bargaining agreements upon expiration of the existing agreements on the same or more favorable terms as the current agreements, 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 agreements with the labor unions, our business, financial condition, 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. 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.

***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 operating results and financial condition 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 benefitting 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 condition, 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.

***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, 2013, our Common Stock has fluctuated from a high of $36.09 per share to a low of $26.05 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.

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

Our business has not generated significant cash flow from operations in recent years. 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 continue to 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.

**Item 1B. Unresolved Staff Comments.**

The Company received written comments from the SEC in July 2013 relating to its Annual Report on Form 10-K for the fiscal year ended December 31, 2012. One comment from the July 2013 comment letter currently remains unresolved, which relates to the Company s treatment of its Canadian net deferred tax asset at its Canadian subsidiary, as discussed throughout this Annual Report. Following discussion with the Staff of the SEC regarding the comment, the Company reconsidered its position and determined that a valuation allowance against the Company s Canadian deferred tax asset should have been recorded as of December 31, 2010. The Company determined that it should have given greater weight to its Canadian subsidiary s history of cumulative losses relative to its expectations of future taxable income. As a result of recording the valuation allowance, the Company has corrected the deferred tax assets at each balance sheet date and its provision for income taxes in each affected period, as reflected in this Annual Report. The Company believes that this outstanding comment will be considered resolved by the SEC upon filing of this Annual Report.

**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 |
| Windsor, CT | Leased | Metal warehousing and distribution | N/A |
| **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 man 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 |
| Houston, 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 man hours) | 203.0 |
| New Brighton, MN | Owned | Machining/assembly of aerospace and defense parts (thousand man 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.

**Item 3. Legal Proceedings.**

From time to time, the Company is involved in litigation relating to claims arising out of its operations in the normal course of business. There are currently no material pending or threatened claims against the Company.

**Item 4. Mine Safety Disclosure.**

Not applicable.

**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**

| | 2013 | | 2012 | |
|---|---|---|---|---|
| **Quarter** | **High** | **Low** | **High** | **Low** |
| First | $ 32.43 | $ 27.40 | $ 27.60 | $ 21.62 |
| Second | $ 31.80 | $ 26.05 | $ 26.96 | $ 20.29 |
| Third | $ 33.06 | $ 27.53 | $ 26.00 | $ 21.12 |
| Fourth | $ 36.09 | $ 30.88 | $ 27.82 | $ 22.17 |

Principal market for Common Stock: New York Stock Exchange

Holders of record of Common Stock at February 28, 2014: 567

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

The following table sets forth repurchases of our Common Stock during the three months ended December 31, 2013.

| | **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, 2013 | | $ | | $ 2,973 |
| November 1 30, 2013 | | | | 2,973 |
| December 1 31, 2013 | | | | 2,973 |
| Total | | $ | | |

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

(2) Amounts in this column reflect amounts remaining under the Company s $15 million share repurchase program.

**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, | | | | |
|---|---|---|---|---|---|
| | 2013 | 2012 (As Restated) (1)(2) | 2011 (As Restated) (1) | 2010 (As Restated) (1) | 2009 |
| Income Statement Data: | | | | | |
| Net sales | $ 783,273 | $ 699,987 | $ 488,352 | $ 398,163 | $ 385,439 |
| Operating income (loss) | 62,015 | 47,417 | 23,382 | 14,423 | (85,843) |
| Income (loss) before income taxes | 22,796 | 29,138 | 7,793 | 12,182 | (94,621) |
| Net income (loss) from continuing operations | 15,657 | 13,453 | (2,308) | (18,122) | (66,419) |
| Basic earnings (loss) per share continuing operations | $ 0.51 | $ 0.44 | $ (0.08) | $ (0.61) | $ (2.63) |
| Diluted earnings (loss) per share continuing operations | $ 0.51 | $ 0.44 | $ (0.08) | $ (0.61) | $ (2.63) |

| | December 31, | | | | |
|---|---|---|---|---|---|
| | 2013 | 2012 (As Restated) | 2011 (As Restated) | 2010 (As Restated) | 2009 |
| Balance Sheet Data: | | | | | |
| Working capital | $ 791,143 | $ 472,084 | $ 586,965 | $ 638,519 | $ 389,495 |
| Total assets | 1,505,545 | 1,220,092 | 1,100,996 | | |