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 September 30, 2011

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 001-33288

HAYNES INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**06-1185400** (I.R.S. Employer Identification No.)
1020 West Park Avenue, Kokomo, Indiana (Address of principal executive offices)	**46904-9013** (Zip Code)

Registrant's telephone number, including area code **(765) 456-6000**

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 $.001 per share	**NASDAQ Global Market**

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 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 Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) 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, or a non-accelerated filer. (See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act). (Check one):

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

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

As of March 31, 2011, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was $463,125,664 based on the closing sale price as reported on the NASDAQ Global Market. Shares of common stock held by each executive officer and director and by each person who owns 5% or more of the outstanding common stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

12,204,179 shares of Haynes International, Inc. common stock were outstanding as of November 17, 2011.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement to be delivered to stockholders in connection with the Annual Meeting of Stockholders to be held February 27, 2012 have been incorporated by reference into Part III of this report.

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This Form 10-K contains statements that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact, including statements regarding industry prospects and future results of operations or financial position, made in this Form 10-K are forward-looking. In many cases, you can identify forward-looking statements by terminology, such as "may", "should", "expects", "intends", "plans", "anticipates", "believes", "estimates", "predicts", "potential" or "continue" or the negative of such terms and other comparable terminology. The forward-looking information may include, among other information, statements concerning the Company's outlook for fiscal year 2012 and beyond, overall volume and pricing trends, cost reduction strategies and their anticipated results, capital expenditures and dividends. There may also be other statements of expectations, beliefs, future plans and strategies, anticipated events or trends, and similar expressions concerning matters that are not historical facts. Readers are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties. Actual results may differ materially from those in the forward-looking statements as a result of various factors, many of which are beyond the Company's control.

The Company has based these forward-looking statements on its current expectations and projections about future events. Although the Company believes that the assumptions on which the forward-looking statements contained herein are based are reasonable, any of those assumptions could prove to be inaccurate. As a result, the forward-looking statements based upon those assumptions also could be incorrect. Risks and uncertainties may affect the accuracy of forward-looking statements.

The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Part I

Item 1. Business

Overview

Haynes International, Inc. ("Haynes" or "the Company") is one of the world's largest producers of high-performance nickel- and cobalt-based alloys in sheet, coil and plate forms. The Company is focused on developing, manufacturing, marketing and distributing technologically advanced, high-performance alloys, which are sold primarily in the aerospace, chemical processing and land-based gas turbine industries. The Company's products consist of high-temperature resistant alloys, or HTA products, and corrosion-resistant alloys, or CRA products. HTA products are used by manufacturers of equipment that is subjected to extremely high temperatures, such as jet engines for the aerospace market, gas turbine engines used for power generation and waste incineration, and industrial heating equipment. CRA products are used in applications that require resistance to very corrosive media found in chemical processing, power plant emissions control and hazardous waste treatment. Management believes Haynes is one of four principal producers of high-performance alloy products in sheet, coil and plate forms, and sales of these forms, in the aggregate, represented approximately 63% of net product revenues in fiscal 2011. The Company also produces its products as seamless and welded tubulars, and in slab, bar, billet and wire forms.

The Company has manufacturing facilities in Kokomo, Indiana; Arcadia, Louisiana; and Mountain Home, North Carolina. The Kokomo facility specializes in flat products, the Arcadia facility specializes in tubular products, and the Mountain Home facility specializes in wire products. The Company's products are sold primarily through its direct sales organization, which includes 11 service and/or sales centers in the United States, Europe and Asia. All of these centers are company-operated. In fiscal 2011, approximately 78% of the Company's net revenues was generated by its direct sales organization, and the remaining 22% was generated by a network of independent distributors and sales agents who supplement its direct sales efforts primarily in the United States, Europe and Asia, some of whom have been associated with the Company for over 30 years.

Available Information

The address of the Company's website is *www.haynesintl.com*. The Company provides a link to its reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 on its website as soon as reasonably practicable after filing with the U.S. Securities and Exchange Commission. The filings available on the Company's website date back to November 18, 2010. For all filings made prior to that date, the Company's website includes a link to the website of the U.S. Securities and Exchange Commission, where such filings are available. Information contained or referenced on the Company's website is not incorporated by reference and does not form a part of this Form 10-K. For a statement of the Company's profits and losses and total assets, please see the financial statements of the Company included in Item 8 of this Form 10-K.

Significant Events of Fiscal 2011

The information under the caption "Significant Events of Fiscal 2011" in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations contained elsewhere in this Form 10-K is incorporated herein by reference.

Business Strategy

The Company's goal is to grow its business and increase revenues and profitability while continuing to be its customers' provider of choice for high-performance alloys. The Company pursues this goal by taking advantage of its diverse product offerings and service capabilities to penetrate end markets, and lowering costs through strategic investment in manufacturing facilities.

- *Increase revenues by providing value-added processing services.* The Company believes that its network of service and sales centers throughout North America, Europe and Asia distinguishes it from its competitors, many of whom operate only mills. The Company's service and sales centers enable it to develop close customer relationships through direct interaction with customers and to respond to customer orders quickly, while providing value-added services such as laser and water jet processing. These services allow the Company's customers to minimize their processing costs and outsource non-core activities. In addition, the Company's rapid response time and enhanced processing services for products shipped from its service and sales centers often enable the Company to obtain a selling price advantage. As discussed below, the Company is planning to spend approximately $10.0 million over the course of fiscal 2012 and 2013 to enhance and restructure its service center operations.

- *Increase revenue by developing new products and new applications for existing alloys, and expanding into new markets.* The Company believes that it is the industry leader in developing new alloys designed to meet its customers' specialized and demanding requirements. The Company continues to work closely with customers and end users of its products to identify, develop, manufacture and test new high-performance alloys. Since fiscal 2000, the Company's technical programs have yielded seven new proprietary alloys; an accomplishment that the Company believes distinguishes it from its competitors. The Company expects continued emphasis on product innovation to yield similar future results.

  In recent years the Company's revenues have been derived primarily from the aerospace, chemical processing and land-based gas turbine industries. Through development of new alloys and new applications for existing alloys, the Company is looking to develop additional markets which will generate new revenue streams. The Company believes that the oil and gas, solar, flue-gas desulphurization, automotive, heat treatment and nuclear industries all present opportunities for its products.

- *Continue to expand the maintenance, repair and overhaul business.* The Company believes that its maintenance, repair and overhaul, or MRO, business serves a growing market and represents both an expanding and recurring revenue stream. Products used in the Company's end markets require periodic replacement due to the extreme environments in which they are used, which drives demand for recurring MRO work. The Company intends to continue to leverage the capabilities of its service and sales centers to respond quickly to its customers' time-sensitive MRO needs to develop new and retain existing business opportunities.

- *Capitalize on strategic equipment investment.* The Company expects to continue to improve operations through ongoing capital investment in manufacturing facilities and equipment. Ongoing investment in equipment has significantly improved the Company's operations by increasing capacity, reducing unplanned downtime and manufacturing costs, and improving product quality and working capital management. Management believes that the Company's capital investments will enable it to continue to satisfy long-term customer demand for value-added products that meet increasingly precise specifications. For additional discussion of actual capital spending, see "Significant Events of Fiscal 2011, Capital Spending" in Item 7. Management's Discussion and Analysis of Financial Conditions and Results of Operations contained elsewhere in this Form 10-K.

- *Expand product capability through strategic acquisitions and alliances.* The Company will continue to examine opportunities that enable it to offer customers an enhanced and more competitive product line to complement its core flat products. These opportunities may include product line enhancement and market expansion opportunities. The Company will also continue to evaluate strategic relationships with third parties in the industry in order to enhance its competitive position and relationships with customers.

Company History

The Company began operations in 1912 as the Haynes Stellite Works, which was purchased by Union Carbide and Carbon Corporation in 1920. In 1972, the operations were sold to Cabot Corporation. In 1987, Haynes was incorporated as a stand-alone corporation in Delaware, and in 1989 Haynes was sold by Cabot Corporation to Morgan Lewis Githens & Ahn Inc., a private investment firm. The Blackstone Group, a private investment firm, purchased Haynes from Morgan Lewis Githens & Ahn Inc. in 1997. Haynes encountered liquidity difficulties throughout fiscal 2003 and the first half of fiscal 2004. Due to concurrent downcycles in its largest markets, and rising raw material and energy costs, the Company could not generate sufficient cash to both satisfy its debt service obligations and fund operations. On March 29, 2004, Haynes and its U.S. subsidiaries and affiliates as of that date filed voluntary petitions for reorganization relief under Chapter 11 of the U.S. Bankruptcy Code. On August 31, 2004, Haynes emerged from bankruptcy pursuant to a court-approved plan of reorganization.

In November 2005, Haynes acquired certain assets of the Branford Wire Company, including a facility that manufactured both stainless steel wire and high-performance alloy wire. The Company primarily produces high-performance alloy wire, but continues to produce stainless steel wire on a limited basis at the Haynes Wire Company, in Mountain Home, North Carolina.

On March 23, 2007, the Company completed an equity offering, which resulted in the issuance of 1,200,000 shares of its common stock. Simultaneously the Company listed its common stock on The NASDAQ Global Market.

Products

The global specialty alloy market consists of three primary sectors: stainless steel, general purpose nickel alloys and high-performance nickel- and cobalt-based alloys. The Company believes that the high-performance alloy sector represents less than 10% of the total alloy market. The Company competes primarily in the high-performance nickel- and cobalt-based alloy sectors, which includes HTA products and CRA products. In fiscal 2009, 2010 and 2011, HTA products accounted for approximately 74%, 75% and 76% of the Company's net revenues, respectively; and sales of the Company's CRA products accounted for approximately 26%, 25% and 24% of the Company's net revenues, respectively. These percentages are based on data which include revenue associated with sales by the Company to its foreign subsidiaries, but exclude revenue associated with sales by foreign subsidiaries to their customers. Management believes, however, that the effect of including revenue data associated with sales by its foreign subsidiaries would not materially change the percentages presented in this section.

High-temperature Resistant Alloys. HTA products are used primarily in manufacturing components for the hot sections of gas turbine engines. Stringent safety and performance standards in the aerospace industry result in development lead times typically as long as eight to ten years in the introduction of new aerospace-related market applications for HTA products. However, once a particular new alloy is shown to possess the properties required for a specific application in the aerospace market, it tends to remain in use for extended periods. HTA products are also used in gas turbine engines produced for use in applications such as naval and commercial vessels, electric power generation, power sources for offshore drilling platforms, gas pipeline booster stations and emergency standby power stations. The following table sets forth information with respect to the Company's significant high-temperature resistant alloys, applications and features (new HTA development is discussed below under "Patents and Trademarks"):

Alloy and Year Introduced	End Markets and Applications(1)	Features
HAYNES® HR-160® alloy (1990)(2)	Waste incineration/CPI-boiler tube shields	Good resistance to sulfidation at high temperatures
HAYNES® 242® alloy (1990)(2)	Aero-seal rings	High strength, low expansion and good fabricability
HAYNES® HR-120® alloy (1990)(2)	LBGT-cooling shrouds	Good strength-to-cost ratio as compared to competing alloys
HAYNES® 230® alloy (1984)(2)	Aero/LBGT-ducting, combustors	Excellent combination of strength, stability, oxidation resistance and fabricability
HAYNES® 214® alloy (1981)(2)	Aero-honeycomb seals	Excellent combination of oxidation resistance and fabricating among nickel-based alloys
HAYNES® 188 alloy (1968)(2)	Aero-burner cans, after-burner components	High strength, oxidation resistant cobalt-based alloy
HAYNES® 625 alloy (1964)	Aero/CPI-ducting, tanks, vessels, weld overlays	Good fabricability and general corrosion resistance
HAYNES® 617 alloy (1999)	Aero/LBGT—ducting, combustors	Good combination of strength, stability, oxidation resistance and fabricability
HAYNES® 263 alloy (1960)	Aero/LBGT-components for gas turbine hot gas exhaust pan	Good ductility and high strength at temperatures up to 1600°F
HAYNES® 718 alloy (1955)	Aero-ducting, vanes, nozzles	Weldable high strength alloy with good fabricability
HASTELLOY® X alloy (1954)	Aero/LBGT-burner cans, transition ducts	Good high temperature strength at relatively low cost
HAYNES® Ti 3A1-2.5 alloy (1950)	Aero-aircraft hydraulic and fuel systems components	Light weight, high strength titanium-based alloy
HAYNES® 25 alloy (1950)(2)	Aero-gas turbine parts, bearings, and various industrial applications	Excellent strength, good oxidation, resistance to 1800°F
HAYNES® 282® alloy (2004)(3)	Aero /LBGT components	Excellent high temperature strength, weldability, fabricability

(1) "Aero" refers to the aerospace industry; "LBGT" refers to the land-based gas turbine industry; "CPI" refers to the chemical processing industry.

(2) Represents a product which the Company believes has limited or no significant competition.

(3) Patent filing date.

Corrosion-resistant Alloys. CRA products are used in a variety of applications, such as chemical processing, power plant emissions control, hazardous waste treatment, sour gas production and pharmaceutical vessels. Historically, the chemical processing market has represented the largest end-user sector for CRA products. Due to maintenance, safety and environmental considerations, the Company believes this market continues to represent an area of potential long-term growth. Unlike aerospace applications within the HTA product market, the development of new market applications for CRA products generally does not require long lead times. The following table sets forth information with respect to certain of the Company's significant corrosion-resistant alloys, applications and features (new CRA development is discussed below under "Patents and Trademarks"):

Alloy and Year Introduced	End Markets and Applications(1)	Features
HASTELLOY® C-2000® alloy (1995)(2)	CPI-tanks, mixers, piping	Versatile alloy with good resistance to uniform corrosion
HASTELLOY® B-3® alloy (1994)(2)	CPI-acetic acid plants	Better fabrication characteristics compared to other nickel-molybdenum alloys
HASTELLOY® D-205® alloy (1993)(2)	CPI-plate heat exchangers	Corrosion resistance to hot sulfuric acid
ULTIMET® alloy (1990)(2)	CPI-pumps, valves	Wear and corrosion resistant nickel-based alloy
HASTELLOY® C-22® alloy (1985)	CPI/FGD-tanks, mixers, piping	Resistance to localized corrosion and pitting
HASTELLOY® G-30® alloy (1985)(2)	CPI-tanks, mixers, piping	Lower cost alloy with good corrosion resistance in phosphoric acid
HASTELLOY® G-35® alloy (2004)(2)	CPI-tanks, heat exchangers, piping	Improved corrosion resistance to phosphoric acid with excellent resistance to corrosion in highly oxidizing media
HASTELLOY® C-276 alloy (1968)	CPI/FGD/oil and gas tanks, mixers, piping	Broad resistance to many environments
HASTELLOY® C-22HS® alloy (2003)(3)	Oil & Gas/Marine tubular, shafts, fasteners	Combines very high strength with excellent corrosion resistance and toughness

(1) "CPI" refers to the chemical processing industry; "FGD" refers to the flue gas desulphurization industry.

(2) Represents a patented product or a product which the Company believes has limited or no significant competition.

(3) Patent filing date.

Patents and Trademarks

The Company currently maintains a total of approximately 15 U.S. patents and applications and approximately 189 foreign counterpart patents and applications targeted at countries with significant or potential markets for the patented products and continues to develop, manufacture and test high-performance nickel- and cobalt-based alloys. Since fiscal 2000, the Company's technical programs have yielded seven new proprietary alloys, four of which are currently commercially available and three of which are being scaled-up to be brought to market. Of the alloys which are being commercialized, two alloys saw further advancement in the process during fiscal 2011. First, HAYNES® 282® alloy, which management believes will have significant commercial potential for the Company in the long term, is the subject of a patent application filed in fiscal 2004. HAYNES 282 alloy has excellent formability, fabricability and forgeability. The commercial launch of HAYNES 282 alloy occurred in October 2005 and, since that time, there have been a significant number of customer tests and evaluations of this product for the hot sections of gas turbines in the aerospace and land-based gas turbine markets, as well as for automotive and other high-temperature applications. The alloy has also been specified into a major aerospace engine component. The Company will continue to actively promote HAYNES 282 alloy through customer engineering visits and technical presentations and papers.

For the chemical processing industry, HASTELLOY® G-35® alloy has found extensive applications, particularly in wet phosphoric acid production. Management expects demand for this alloy will continue to grow. Commercialization of HASTELLOY® C-22HS® alloy also continued in fiscal 2011. The Company has been providing customers with samples of this alloy and making technical presentations since 2004. Testing and evaluation of the alloy is ongoing with special emphasis on applications for the oil and gas market. Two major orders were received for HASTELLOY C-22HS alloy for oil and gas applications. One of those orders was shipped in fiscal 2011, and the second is scheduled for shipment in fiscal 2012. The Company believes that the alloys (particularly HAYNES 282 alloy) are being commercialized rapidly when compared to historical trends for other proprietary alloys introduced by the Company. In addition to HAYNES 282 alloy, HASTELLOY G-35 alloy and HASTELLOY C-22HS alloy, commercialization is also ongoing for HASTELLOY® HYBRID-BC1® alloy. HASTELLOY HYBRID-BC1 alloy, a CRA product with potential applications in the chemical processing industry, has demonstrated resistance to hydrochloric and sulfuric acid.

In addition to the commercialization of the above alloys, the Company continues to scale-up new alloys not yet ready to begin the commercialization process. U.S. patent applications were filed in fiscal 2006 and 2008 for the HAYNES® NS-163® alloy and HAYNES® HR-224® alloy, respectively. Both of these new materials are believed to have significant, medium to long-term commercial potential. HAYNES NS-163 alloy is a new alloy with extraordinary high-temperature strength in sheet form, which has applications in the aerospace, land-based gas turbine and automotive markets. Data generation and fabrication trials continued through 2011, with test marketing initiated in early 2009. HAYNES HR-224 alloy is an HTA product with superior resistance to oxidation. Scale up of this alloy is continuing and test marketing was initiated in fiscal 2010. A provisional patent application was filed in fiscal 2011 for HAYNES® HR-244™ alloy. This alloy has potential in aerospace and land-based gas turbines. It combines high strength to 1400 degrees Fahrenheit with a low coefficient of thermal expansion. Scale-up of this alloy began in fiscal 2011 and is ongoing.

Patents or other proprietary rights are an important element of the Company’s business. The Company’s strategy is to file patent applications in the U.S. and any other country that represents an important potential commercial market to the Company. In addition, the Company seeks to protect technology which is important to the development of the Company’s business. The Company also relies upon trade secret rights to protect its technologies and its development of new applications and alloys. The Company protects its trade secrets in part through confidentiality and proprietary information agreements with its customers. Trademarks on the names of many of the Company’s alloys have also been applied for or granted in the U.S. and certain foreign countries.

While the Company believes its patents are important to its competitive position, significant barriers to entry continue to exist beyond the expiration of any patent period. These barriers to entry include the unique equipment required to produce this material and the exacting process required to achieve the desired metallurgical properties. These processing requirements include such items as specific annealing temperature, processing speeds and reduction per rolling pass. Management believes that the current alloy development program and these barriers to entry reduce the impact of patent expirations on the Company.

End Markets

The Company estimates that the global specialty alloy market, including stainless steels, general purpose nickel alloys and high-performance nickel- and cobalt-based alloys, represents total production volume of approximately 37.0 billion pounds per annum. Of this total market, the Company competes in the high-performance nickel- and cobalt-based alloy sector, which is estimated to represent approximately 600 million pounds of production per annum, of which approximately 200 million pounds is flat product. The high-performance alloy market demands diverse, specialty alloys suitable for use in precision manufacturing. Given the technologically advanced nature of the products, strict requirements of the end users and higher-growth end markets, the Company believes the high-performance alloy sector provides greater growth potential, higher profit margins and greater opportunities for service, product and price differentiation than stainless steels and general purpose nickel alloys. While stainless steel and general purpose nickel alloy is generally sold in bulk through third-party distributors, the Company’s products are sold in smaller-sized orders which are customized and typically handled on a direct-to-customer basis.

Aerospace. The Company has manufactured HTA products for the aerospace market since the late 1930s, and has developed numerous proprietary alloys for this market. Customers in the aerospace market tend to be the most demanding with respect to meeting specifications within very low tolerances and achieving new product performance standards. Stringent safety standards and continuous efforts to reduce equipment weight require close coordination between the Company and its customers in the selection and development of HTA products. As a result, sales to aerospace customers tend to be made through the Company's direct sales force. Demand for the Company's products in the aerospace market is based on the new and replacement market for jet engines and the maintenance needs of operators of commercial and military aircraft. The hot sections of jet engines are subjected to substantial wear and tear and accordingly require periodic maintenance, repair and overhaul. The Company views the maintenance, repair and overhaul business as an area of continuing long-term growth.

Chemical Processing. The chemical processing market represents a large base of customers with diverse CRA applications driven by demand for key end use markets such as automobiles, housing, health care, agriculture and metals production. CRA products supplied by the Company have been used in the chemical processing market since the early 1930s. Demand for the Company's products in this market is driven by the level of maintenance, repair and expansion requirements of existing chemical processing facilities, as well as the construction of new facilities. The Company believes the extensive worldwide network of Company-owned service and sales centers, as well as its network of independent distributors and sales agents who supplement the Company's direct sales efforts outside of the U.S., provide a competitive advantage in marketing its CRA products in the chemical processing market.

Land-based Gas Turbines. Demand for the Company's products in this market is driven by the construction of cogeneration facilities such as base load for electric utilities or as backup sources to fossil fuel-fired utilities during times of peak demand. Demand for the Company's alloys in the land-based gas turbine markets has also been driven by concerns regarding lowering emissions from generating facilities powered by fossil fuels. Land-based gas turbine generating facilities have gained acceptance as clean, low-cost alternatives to fossil fuel-fired electric generating facilities. Land-based gas turbines are also used in power barges with mobility and as temporary base-load-generating units for countries that have numerous islands and a large coastline. Demand is also generated by mechanical drive units used for oil and gas production and pipeline transportation, as well as microturbines that are used as back up sources of power generation for hospitals and shopping malls. With a service and sales center in China and sales centers in India and Singapore, the Company is well positioned to take advantage of the long-term growth potential in demand for power generation in those areas.

Other Markets. Other markets to which the Company sells its HTA products and CRA products include flue-gas desulphurization (or FGD), oil and gas, waste incineration, industrial heat treating, automotive, instrumentation, biopharmaceuticals, solar and nuclear fuel. The FGD market has been driven by both legislated and self-imposed standards for lowering emissions from fossil fuel-fired electric generating facilities. With the completion of the Company's recent capital projects, the Company anticipates increasing its participation in the FGD market due to the increased production capacity and the improved cost structure which resulted from the completion of the capital projects. The Company also sells its products for use in the oil and gas market, primarily in connection with sour gas production. In addition, incineration of municipal, biological, industrial and hazardous waste products typically produces very corrosive conditions that demand high-performance alloys. The Company continues to look for opportunities to introduce and expand the use of its alloys in emerging technologies such as solar and nuclear fuel applications. Markets capable of providing growth are being driven by increasing performance, reliability and service life requirements for products used in these markets which could provide further applications for the Company's products.

Sales and Marketing and Distribution

The Company sells its products primarily through its direct sales organization, which operates from 14 total locations in the U.S., Europe and Asia, 11 of which are service and/or sales centers. All of the Company's service and/or sales centers are operated either directly by the Company or through its wholly-owned subsidiaries. Approximately 78% of the Company's net revenues in fiscal 2011 were generated by the Company's direct sales organization. The remaining 22% of the Company's fiscal 2011 net revenues was generated by a network of independent distributors and sales agents who supplement the Company's direct sales in the U.S., Europe and Asia, some of whom have been associated with the Company for over 30 years. Going forward, the Company expects its direct sales force to continue to generate approximately 80% of its total net revenues.

Providing technical assistance to customers is an important part of the Company's marketing strategy. The Company provides performance analyses of its products and those of its competitors for its customers. These analyses enable the Company to evaluate the performance of its products and to make recommendations as to the use of those products in appropriate applications, enabling the products to be included as part of the technical specifications used in the production of customers' products. The Company's market development professionals are assisted by its engineering and technology staff in directing the sales force to new opportunities. Management believes the Company's combination of direct sales, technical marketing, engineering and customer support provides an advantage over other manufacturers in the high-performance alloy industry. This activity allows the Company to obtain direct insight into customers' alloy needs and to develop proprietary alloys that provide solutions to customers' problems.

The Company continues to focus on growing its business in foreign markets. In recent years, the Company opened a service and sales center in China and sales centers in Singapore, India and Italy. Sales to China in fiscal 2011 were approximately $40.9 million, compared to $33.4 million in fiscal 2010.

While the Company is making concentrated efforts to expand foreign sales, the majority of its revenue continues to be provided by sales to U.S. customers. The Company's domestic expansion effort includes, but is not limited to, the continued expansion of ancillary product forms, the continued development of new high-performance alloys, the utilization of external conversion resources to expand and improve the quality of mill-produced product, the addition of equipment in U.S. service and sales centers to improve the Company's ability to provide a product closer to the form required by the customer and the continued effort through the technical expertise of the Company to find solutions to customer challenges.

The following table sets forth the approximate percentage of the Company's fiscal 2011 net revenues generated through each of the Company's distribution channels.

	From Domestic Locations	From Foreign Locations	Total
Company mill direct/service and sales centers	61%	17%	78%
Independent distributors/sales agents	21%	1%	22%
Total	82%	18%	100%

The Company's top twenty customers accounted for approximately 35%, 32% and 38% of the Company's net revenues in fiscal 2009, 2010 and 2011, respectively. No customer or group of affiliated customers of the Company accounted for more than 10% of the Company's net revenues in fiscal 2009, 2010 or 2011.

Net revenues and net income (loss) in fiscal 2009, 2010 and 2011 were generated primarily by the Company's U.S. operations. Sales to domestic customers comprised approximately 63%, 61% and 64% of the Company's net revenues in fiscal 2009, 2010 and 2011, respectively. In addition, the majority of the Company's operating costs are incurred in the U.S., as all of its manufacturing facilities are located in the U.S. It is expected that net revenues and net income will continue to be highly dependent on the Company's domestic sales and manufacturing facilities in the U.S.

The Company's foreign and export sales were approximately $179.7 million, $149.9 million, and $198.0 million for fiscal 2009, 2010 and 2011, respectively. Additional information concerning foreign operations and export sales is set forth in Note 13 to the Consolidated Financial Statements included elsewhere in this Form 10-K.

Manufacturing Process

High-performance alloys require a lengthier, more complex production process and are more difficult to manufacture than lower-performance alloys, such as stainless steel. The alloying elements in high-performance alloys must be highly refined during melting, and the manufacturing process must be tightly controlled to produce precise chemical properties. The resulting alloyed material is more difficult to process because, by design, it is more resistant to deformation. Consequently, high-performance alloys require that a greater force be applied when hot or cold working and are less susceptible to reduction or thinning when rolling or forging. This results in more cycles of rolling, annealing and pickling compared to a lower-performance alloy to achieve proper dimensions. Certain alloys may undergo as many as 40 distinct stages of melting, remelting, annealing, forging, rolling and pickling before they achieve the specifications required by a customer. The Company manufactures its high-performance alloys in various forms, including sheet, plate, billet/ingot, tubular, wire and other forms.

The manufacturing process begins with raw materials being combined, melted and refined in a precise manner to produce the chemical composition specified for each high-performance alloy. The argon oxygen decarburization gas controls in the Company's primary melt facility remove carbon and other undesirable elements, thereby allowing more tightly-controlled chemistries, which in turn produce more consistent properties in the high-performance alloys. The argon oxygen decarburization gas control system also allows for statistical process control monitoring in real time to improve product quality. For most high-performance alloys, this molten material is cast into electrodes and additionally refined through electroslag remelting. The resulting ingots are then forged or rolled to an intermediate shape and size depending upon the intended final product form. Intermediate shapes destined for flat products are then sent through a series of hot and cold rolling, annealing and pickling operations before being cut to final size.

The Company has a four-high Steckel rolling mill for use in hot rolling high-performance alloys, created specifically for that purpose. The four-high Steckel rolling mill was installed in 1982 and is one of the most powerful four-high Steckel rolling mills in the world. The mill is capable of generating approximately 12.0 million pounds of separating force and rolling a plate up to 72 inches wide. The mill includes integrated computer controls (with automatic gauge control and programmed rolling schedules), two coiling Steckel furnaces and five heating furnaces. Computer-controlled rolling schedules for each of the hundreds of combinations of product shapes and sizes the Company produces allow the mill to roll numerous widths and gauges to exact specifications without stoppages or changeovers.

The Company also operates a three-high rolling mill and a two-high rolling mill, each of which is capable of custom processing much smaller quantities of material than the four-high Steckel rolling mill. These mills provide the Company with significant flexibility in running smaller batches of varied products in response to customer requirements. The Company believes the flexibility provided by the three-high and two-high mills provides the Company an advantage over its major competitors in obtaining smaller specialty orders.

Historically, the Company has shipped fewer pounds in the first quarter of the fiscal year, primarily because of a reduced number of production and shipment days available due to holidays, vacations, maintenance projects and capital projects. The reduced number of production and ship days correspondingly reduces the level of net income that can be achieved.

Backlog

The Company defines backlog to include firm commitments from customers for delivery of product at established prices. Approximately 30% of the orders in the backlog at any given time include prices that are subject to adjustment based on changes in raw material costs. Historically, approximately 75% of the Company's backlog orders have shipped within six months and approximately 90% have shipped within 12 months. The backlog figures do not reflect that portion of the Company's business conducted at its service and sales centers on a spot or "just-in-time" basis.

Consolidated Backlog at Fiscal Quarter End

	2007	2008	2009	2010	2011
			(in millions)		
1st quarter	$206.9	$247.8	$199.7	$110.4	$167.0
2nd quarter	237.6	254.5	153.0	124.6	241.7
3rd quarter	258.9	252.6	113.4	130.9	288.6
4th quarter	236.3	229.2	106.7	148.0	273.4

Raw Materials

In fiscal 2011, nickel, a major component of many of the Company's products, accounted for approximately 61% of raw material costs, or approximately 32% of total cost of sales. Other raw materials include cobalt, chromium, molybdenum and tungsten. Melt materials consist of virgin raw material, purchased scrap and internally produced scrap.

The average nickel price per pound for cash buyers for the 30-day period ended on September 30, 2009, 2010 and 2011, as reported by the London Metals Exchange, was $7.93, $10.26 and $9.25, respectively. Although the 30-day LME average for September 30, 2011 was lower than the previous year's 30-day average for that same period, the average cost of nickel for the Company was higher in fiscal 2011 versus fiscal 2010. Prices for other raw materials which are significant in the manufacture of the Company's products, such as molybdenum, cobalt and chromium, were also higher in fiscal 2011 than fiscal 2010.

Since most of the Company's products are produced pursuant to specific orders, the Company purchases raw materials against known production schedules. The materials are purchased from several different suppliers through various arrangements including annual contracts and spot purchases, and involve a variety of pricing mechanisms. Because the Company maintains a policy of pricing its products at the time of order placement, the Company attempts to establish selling prices with reference to known costs of materials, thereby reducing the risk associated with changes in the cost of raw materials. However, to the extent that the price of nickel fluctuates rapidly, there may be an unfavorable effect on the Company's gross profit margins. The Company periodically purchases material forward with certain suppliers.

Research and Technical Support

The Company's technology facilities are located at the Kokomo headquarters and consist of 19,000 square feet of offices and laboratories, as well as an additional 90,000 square feet of paved storage area. The Company has six fully equipped technology testing laboratories, including a mechanical test lab, a metallographic lab, an electron microscopy lab, a corrosion lab, a high temperature lab and a welding lab. These facilities also contain a reduced scale, fully equipped melt shop and process lab. As of September 30, 2011, the technology, engineering and technological testing staff consisted of 23 persons, 8 of whom have engineering or science degrees, including 5 with doctoral degrees, with the majority of degrees in the field of metallurgical engineering.

Research and technical support costs primarily relate to efforts to develop new proprietary alloys and new applications for existing alloys. The Company spent approximately $3.1 million, $2.8 million and $3.3 million for research and technical support activities for fiscal 2009, 2010 and 2011, respectively.

During fiscal 2011, research and development projects were focused on new alloy development, new product form development and new alloy concept validation, all relating to products for the aerospace, land-based gas turbine, chemical processing and oil and gas industries. In addition, significant projects were conducted to generate technical data in support of major market application opportunities in areas such as renewable energy, fuel cell systems, biotechnology (including toxic waste incineration and pharmaceutical manufacturing), and power generation.

Competition

The high-performance alloy market is a highly competitive market in which eight to ten major producers participate in various product forms. The Company's primary competitors in flat rolled products include Special Metals Corporation, a subsidiary of Precision Cast Parts, Allegheny Technologies, Inc. and Krupp VDM GmbH, a subsidiary of Thyssen Krupp Stainless. The Company faces strong competition from domestic and foreign manufacturers of both high-performance alloys (similar to those the Company produces) and other competing metals. The Company may face additional competition in the future to the extent new materials are developed, such as plastics or ceramics, that may be substituted for the Company's products. The Company also believes that it will face increased competition from non-U.S. entities in the next five to ten years, especially from competitors located in Eastern Europe and Asia. Additionally, in recent years the Company's domestic business has benefited from a weak U.S. dollar, which makes the goods of foreign competitors more expensive to import into the U.S. In the event that the U.S. dollar strengthens, the Company may face increased competition in the U.S. from foreign competitors.

Starting in the fourth quarter of fiscal 2007 and continuing through fiscal 2010 and, to a lesser degree, in fiscal 2011, the Company experienced strong price competition from competitors who produce both stainless steel and high-performance alloys due primarily to weakness in the stainless market. Historically, the Company experienced similar price competition in the 1990’s and in the early 2000’s, when demand in the stainless market weakened. Increased competition has required the Company to continually price its products competitively, which has contributed to the reduction in the Company’s gross profit margin and net income. Although the economic environment has modestly improved, there continues to be significant uncertainty as to when the stainless market will return to the pre-recession levels. When stainless demand begins to improve, price competition in the high-performance alloy industry should begin to ease. The Company continues to respond to the competition by increasing emphasis on service centers, offering value-added services, improving its cost structure and striving to improve delivery-times and reliability.

Employees

As of September 30, 2011, the Company employed approximately 1,057 full-time employees worldwide. All eligible hourly employees at the Kokomo plant and the Lebanon, Indiana service and sales center (approximately 518 in the aggregate) are covered by a collective bargaining agreement. On July 1, 2010, the Company entered into a new collective bargaining agreement with the United Steelworkers of America, which will expire in June 2013. Management believes that current relations with the union are satisfactory. In September 2010, a majority of the 92 hourly employees at the Company’s Arcadia, Louisiana operations elected to be represented by the United Steelworkers of America, although no collective bargaining agreement is in place at this time and negotiations are ongoing. None of the other employees at the Company’s domestic operations are represented by a labor union.

Environmental Matters

The Company’s facilities and operations are subject to various foreign, federal, state and local laws and regulations relating to the protection of human health and the environment, including those governing the discharge of pollutants into the environment and the storage, handling, use, treatment and disposal of hazardous substances and wastes. In the U.S., such laws include the Occupational Safety and Health Act, the Clean Air Act, the Clean Water Act, the Toxic Substances Control Act and the Resource Conservation and Recovery Act. As environmental laws and regulations continue to evolve, it is likely the Company will be subject to increasingly stringent environmental standards in the future, particularly under air quality and water quality laws and standards related to climate change issues, such as a reporting of greenhouse gas emissions. Violations of these laws and regulations can result in the imposition of substantial penalties and can require facilities improvements. Expenses related to environmental compliance were approximately $2.2 million for fiscal 2011 and are currently expected to be approximately $2.1 million for fiscal 2012. Although there can be no assurance, based upon current information available to the Company, the Company does not currently expect that costs of environmental contingencies, individually or in the aggregate, will have a material adverse effect on the Company’s financial condition, results of operations or liquidity. The Company’s facilities are subject to periodic inspection by various regulatory authorities, who from time to time have issued findings of violations of governing laws, regulations and permits. In the past five years, the Company has paid administrative fines, none of which have had a material effect on the Company’s financial condition, for alleged violations relating to environmental matters, including the handling and storage of hazardous wastes, requirements relating to its Title V Air Permit and violations of record keeping and notification requirements relating to industrial waste water discharge. Capital expenditures of approximately $1.7 million were made for pollution control improvements during fiscal 2011, with additional expenditures of approximately $1.1 million for similar improvements planned for fiscal 2012.

The Company has received permits from the Indiana Department of Environmental Management, or IDEM, to close and to provide post-closure monitoring and care for certain areas at the Kokomo facility previously used for the storage and disposal of wastes, some of which are classified as hazardous under applicable regulations. Closure certification was received in fiscal 1988 for the South Landfill at the Kokomo facility and post-closure monitoring and care are permitted and ongoing there. Closure certification was received in fiscal 1999 for the North Landfill at the Kokomo facility, and post-closure monitoring and care are permitted and ongoing there. In fiscal 2007, IDEM issued a single post-closure permit applicable to both the North and South Landfills, which contains monitoring and post-closure care requirements. In addition, IDEM required that a Resource Conservation and Recovery Act, or RCRA, Facility Investigation, or RFI, be conducted in order to further evaluate one area of concern and one solid waste management unit. The RFI commenced in fiscal 2008 and is ongoing. Based on preliminary results, the Company has determined that additional testing and further source remediation are necessary.

The Company has also received permits from the North Carolina Department of Environment and Natural Resources, or NCDENR, to close and provide post-closure monitoring and care for the hazardous waste lagoon at its Mountain Home, North Carolina facility. The lagoon area has been closed and is currently undergoing post-closure monitoring and care.

The Company is required to monitor groundwater and to continue post-closure maintenance of the former disposal areas at each site. As a result, the Company is aware of elevated levels of certain contaminants in the groundwater and additional corrective action by the Company could be required.

The Company is unable to estimate the costs of any further corrective action at these sites, if required. Accordingly, the Company cannot assure that the costs of any future corrective action at these or any other current or former sites would not have a material effect on the Company's financial condition, results of operations or liquidity. Additionally, it is possible that the Company could be required to undertake other corrective action commitments for any other solid waste management unit or other conditions existing or determined to exist at its facilities. As a condition of the post-closure permits, the Company must provide and maintain assurances to IDEM and NCDENR of the Company's capability to satisfy closure and post-closure groundwater monitoring requirements, including possible future corrective action as necessary. The Company provides these required assurances through a statutory financial assurance test as provided by Indiana and North Carolina law.

The Company may also incur liability for alleged environmental damages associated with the off-site transportation and disposal of hazardous substances. The Company's operations generate hazardous substances, and, while a large percentage of these substances are reclaimed or recycled, the Company also accumulates hazardous substances at each of its facilities for subsequent transportation and disposal off-site by third parties. Generators of hazardous substances which are transported to disposal sites where environmental problems are alleged to exist are subject to claims under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, or CERCLA, and state counterparts. CERCLA imposes strict, joint and several liabilities for investigatory and cleanup costs upon hazardous substance generators, site owners and operators and other potentially responsible parties. The Company has been named as a potentially responsible party at two sites. The Company may have generated hazardous substances disposed of at other sites potentially subject to CERCLA or equivalent state law remedial action. Thus, there can be no assurance that the Company will not be named as a potentially responsible party at other sites in the future or that the costs associated with those sites would not have a material adverse effect on the Company's financial condition, results of operations or liquidity.

Executive Officers of the Company

The following table sets forth certain information concerning the persons who served as executive officers as of September 30, 2011. Except as indicated in the following paragraphs, the principal occupations of these persons have not changed during the past five years.

Name	Age	Position with Haynes International, Inc.
Mark M. Comerford	49	President and Chief Executive Officer; Director
Marcel Martin	61	Vice President—Finance, Treasurer and Chief Financial Officer
Venkat R. Ishwar	59	Vice President –Marketing & Technology
Marlin C. Losch	51	Vice President—Sales & Distribution
Daniel W. Maudlin	45	Controller and Chief Accounting Officer
Jean C. Neel	52	Vice President—Corporate Affairs
Scott R. Pinkham	44	Vice President—Manufacturing—Kokomo
Gregory M. Spalding	55	Vice President—Tube & Wire Products
Janice C. Wilken	39	Vice President—General Counsel & Corporate Secretary
Jeffrey L. Young	54	Vice President & Chief Information Officer

Mr. Comerford was elected President and Chief Executive Officer and a director of the Company in October 2008. Before joining the Company, Mr. Comerford was President of Brush International, Inc. and Brush Engineered Materials Alloys Division, each affiliated of Materion Corporation, formally known as Brush Engineered Material, Inc., a company that manufactures high performance materials, from 2004 to 2008.

Mr. Martin has served as Vice President—Finance, Treasurer and Chief Financial Officer of the Company since July 2004.

Dr. Ishwar has served as Vice President—Marketing & Technology of the Company since January 2010. Dr. Ishwar was Senior Vice President of Forgital USA, a manufacturer of mechanical components, between July 2008 and December 2009. Prior to that, he was Director of Marketing and Business Development at the Company from 2005 to July 2008.

Mr. Losch has served as Vice President—Sales & Distribution of the Company since January 2010. Prior to that, he served as Vice President–North American Sales of the Company beginning in February 2006. Mr. Losch was Midwest Regional Manager of the Company from 2001 to 2006.

Mr. Maudlin has served as Controller and Chief Accounting Officer of the Company since September 2004.

Ms. Neel has served as Vice President—Corporate Affairs of the Company since April 2000.

Mr. Pinkham has served as Vice President—Manufacturing—Kokomo of the Company since March 2008. Prior to that, he served as Vice President—Manufacturing Planning of the Company from 2004 to 2008.

Mr. Spalding has served as Vice President—Tube & Wire Products of the Company since May 2009. Prior to that, he served as Vice President, Haynes Wire & Chief Operating Officer from 2006 to May 2009, and Vice President—North American Sales since he joined the Company in July 1999.

Ms. Wilken has served as Vice President—General Counsel and Corporate Secretary since August 2011. Prior to joining the Company, Ms. Wilken was a partner at Ice Miller LLP since 2005 and an associate with Ice Miller LLP from 1998 to 2004.

Mr. Young has served as Vice President & Chief Information Officer since November 2005.

Item 1A. Risk Factors

Risks Related to Our Business

Our revenues may fluctuate widely based upon changes in demand for our customers' products.

Demand for our products is dependent upon and derived from the level of demand for the machinery, parts and equipment produced by our customers, which are principally manufacturers and fabricators of machinery, parts and equipment for highly specialized applications. Historically, certain of the markets in which we compete have experienced unpredictable, wide demand fluctuations. Because of the comparatively high level of fixed costs associated with our manufacturing processes, significant declines in those markets have had a disproportionately adverse impact on our operating results.

Since we became an independent company in 1987, we have, in several instances, experienced substantial year-to-year declines in net revenues, primarily as a result of decreases in demand in the industries to which our products are sold. In 1992, 1999, 2002, 2003, 2009 and 2010, our net revenues, when compared to the immediately preceding year, declined by approximately 24.9%, 15.4%, 10.3%, 21.2%, 31.1% and 13.0%, respectively. We may experience similar fluctuations in our net revenues in the future. Additionally, demand is likely to continue to be subject to substantial year-to-year fluctuations as a consequence of industry cyclicality, as well as other factors such as global economic uncertainty, and such fluctuations may have a material adverse effect on our financial condition or results of operations.

Profitability in the high-performance alloy industry is highly sensitive to changes in sales volumes.

The high-performance alloy industry is characterized by high capital investment and high fixed costs. The cost of raw materials is the primary variable cost in the manufacture of our high-performance alloys and, in fiscal 2011, represented approximately 53.0% of our total cost of sales. Other manufacturing costs, such as labor, energy, maintenance and supplies, often thought of as variable, have a significant fixed element. Profitability is, therefore, very sensitive to changes in volume, and relatively small changes in volume can result in significant variations in earnings. Our ability to effectively utilize our manufacturing assets depends greatly upon continuing demand in our end-markets, successfully increasing our market share and continued acceptance of our new products into the marketplace. Any failure to effectively utilize our manufacturing assets may negatively impact our gross margin and net income.

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

We are susceptible to macroeconomic downturns in the United States and abroad that may affect the general economic climate and our performance and the demand of our customers. The continuing turmoil in the global economy has had, and may continue to have, an adverse impact on our business and our financial condition. In addition to the impact that the global financial crisis has already had, we may face significant challenges if conditions in the global economy do not improve or worsen.

In addition, we are 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 governmental policies (particularly those that would limit or reduce defense spending) could have an adverse effect on our financial condition and results of operations and may reduce our customers' demand for our products and/or depress pricing of those products used in the defense industry or which have other military applications, resulting in a material adverse impact on our business, prospects, results of operations, revenues and cash flows. Furthermore, any actual armed hostilities, and any future terrorist attacks in the U.S. or abroad, could also have an adverse impact on the U.S. economy, global financial markets and our business. The effects may include, among other things, a decrease in demand in the aerospace industry due to reduced air travel, as well as reduced demand in the other industries we serve. Depending upon the severity, scope and duration of these effects, the impact on our financial position, results of operations and cash flows could be material.

We operate in cyclical markets.

A significant portion of our revenues are derived from the highly cyclical aerospace, power generation and chemical processing markets. Our sales to the aerospace industry constituted 37.5% of our total sales in fiscal 2011. Our land-based gas turbine and chemical processing sales constituted 18.1% and 27.6%, respectively, of our total sales in fiscal 2011.

The commercial aerospace industry is historically driven by demand from commercial airlines for new aircraft. The U.S. and international commercial aviation industries continue to face challenges arising from the global economic climate, competitive pressures and fuel costs. Demand for commercial aircraft is influenced by industry profitability, trends in airline passenger traffic, the state of U.S. and world economies, the ability of aircraft purchasers to obtain required financing and numerous other factors, including the effects of terrorism and health and safety concerns. The military aerospace cycle is highly dependent on U.S. and foreign government funding; however, it is also driven by the effects of terrorism, a changing global political environment, U.S. foreign policy, the retirement of older aircraft and technological improvements to new engines that increase reliability. Accordingly, the timing, duration and severity of cyclical upturns and downturns cannot be forecast with certainty. Downturns or reductions in demand could have a material adverse effect on our business.

The land-based gas turbine market is also cyclical in nature. Demand for power generation products is global and is affected by the state of the U.S. and world economies, the availability of financing to power generation project sponsors and the political environments of numerous countries. The availability of fuels and related prices also have a large impact on demand. Reductions in demand for our products sold into the land-based gas turbine industry may have a material adverse effect on our business.

We also sell products into the chemical processing industry, which is also cyclical in nature. Customer demand for our products in this market may fluctuate widely depending on U.S. and world economic conditions, the availability of financing, and the general economic strength of the end use customers in this market. Cyclical declines or sustained weakness in this market could have a material adverse effect on our business.

Reductions in government expenditures could adversely affect our military aerospace business.

The Budget Control Act of 2011 (the "Budget Act") that was signed into law on August 2, 2011 to reduce federal government expenditures over the next 10 years may result in reduced U.S. government funding of the military aerospace industry. The Budget Act set $900 billion in immediate cuts to discretionary government spending for 2012 through 2021. It also established a bi-partisan congressional Joint Select Committee on Deficit Reduction (the "Super Committee") and charged it with recommending legislation by November 23, 2011, the result of which would reduce net government spending by at least $1.2 trillion over the next 10 years, in addition to the $900 billion in immediate discretionary spending reductions. In the event that the Super Committee fails to recommend legislation, Congress fails to approve that legislation by late December, 2011, or the President fails to sign the legislation into law, an automatic sequestration of discretionary appropriations would be triggered, which would make up any shortfall necessary to achieve the $1.2 trillion target. Under the Budget Act, 50% of any shortfall from the $1.2 trillion target would automatically be applied as a reduction to discretionary appropriations for national defense programs. While we are unable to predict the outcome of the Budget Act deliberations, actions of the Super Committee or the impact of any resulting reductions in defense appropriations, reductions in U.S. defense spending, particularly with respect to the military aerospace industry, could negatively affect our revenues, financial condition and results of operations.

Aerospace demand is primarily dependent on two manufacturers.

A significant portion of our aerospace products are sold to fabricators and are ultimately used in the production of new commercial aircraft. There are only two primary manufacturers of large commercial aircraft in the world, The Boeing Company and Airbus. A significant portion of our aerospace sales are dependent on the number of new aircraft built by these two manufacturers, which is in turn dependent on a number of factors over which we have little or no control. Those factors include demand for new aircraft from around the globe and factors that impact manufacturing capabilities, such as the availability of raw materials and manufactured components, U.S. and world economic conditions, changes in the regulatory environment and labor relations between the aircraft manufacturers and their work forces. A significant interruption or slow down in the number of new aircraft built by the aircraft manufacturers could have a material adverse effect on our business.

Our operations are dependent on production levels at our Kokomo facility.

Our principal assets are located at our primary integrated production facility in Kokomo, Indiana and at our production facilities in Arcadia, Louisiana and in Mountain Home, North Carolina. The Arcadia and Mountain Home plants rely to a significant extent upon feedstock produced at the Kokomo facility. Any production failures, shutdowns or other significant problems at the Kokomo facility could have a material adverse effect on our financial condition and results of operations. We maintain property damage insurance to provide for reconstruction of damaged equipment, as well as business interruption insurance to mitigate losses resulting from any production shutdown caused by an insured loss. Although we believe that our insurance is adequate to cover any such losses, that may not be the case. One or more significant uninsured losses at our Kokomo facility may have a material adverse effect on our financial condition.

In addition, from time to time we schedule planned outages on the equipment at our Kokomo facility for maintenance and upgrades. These projects are subject to a variety of risks and uncertainties, including a variety of market, operational and labor related factors, many of which may be beyond our control. Should a planned shut-down on a significant piece of equipment last substantially longer than originally planned, there could be a material adverse effect on our operating results.

A default under our agreements with Titanium Metals Corporation could require us to make significant payments and could disrupt our operations.

We are party to a Conversion Services Agreement and an Access and Security Agreement with TIMET that provide for the performance of certain titanium conversion services through November 2026. Events of default under the Conversion Services Agreement include (a) a change in control in which the successor does not assume the agreement, (b) a violation by the Company of certain non-compete obligations relating to the manufacture and conversion of titanium and (c) failure to meet agreed-upon delivery and quality requirements. If an event of default under the Conversion Services Agreement occurs, TIMET could require us to repay the unearned portion of the $50.0 million fee paid to us by TIMET when the agreement was signed, plus liquidated damages of $25.0 million. Our obligations to pay these amounts to TIMET are secured by a security interest in our four-high Steckel rolling mill, through which we process a substantial amount of our products. In addition, the Access and Security Agreement with TIMET includes, among other terms, an access right that would allow TIMET to use certain of our operating assets, including the four-high mill, to perform titanium conversion services in the event of our bankruptcy or the acceleration of our indebtedness. Exercise by TIMET of its rights under its security interest following a default and non-payment of the amounts provided in the Conversion Services Agreement or exercise of the access rights under the Access and Security Agreement could cause significant disruption in our Kokomo operations which would have a material adverse effect on our financial condition and results of operations.

During periods of lower demand in other alloy markets, some of our competitors may use their available capacity to produce higher volumes of high-performance alloys, which leads to increased competition in the high-performance alloy market.

We have experienced increased competition since the third quarter of fiscal 2007 from competitors who produce both stainless steel and high-performance alloys. Due to continued under-utilization of capacity in the stainless steel market, we believe these competitors increased their production levels and sales activity in high-performance alloys to keep capacity in their mills as full as possible, while offering very competitive prices and delivery times. If the stainless market does not improve, continued competition from stainless steel producers could negatively impact our average selling price and reduce our gross profit margin.

In addition, as a result of the competition in our markets, we have made significant price concessions to our customers from time to time, and we expect customer pressure for further price concessions to continue. Maintenance of our market share will depend, in part, on our ability to sustain a cost structure that enables us to be cost-competitive. If we are unable to adjust our costs relative to our pricing, our profitability will suffer. Our effectiveness in managing our cost structure will be a key determinant of future profitability and competitiveness.

Rapid fluctuations in the price of nickel may materially adversely affect our operating results.

To the extent that we are unable to adjust to rapid fluctuations in the price of nickel, there may be a negative effect on our gross profit margins. In fiscal 2011, nickel, a major component of many of our products, accounted for approximately 61% of our raw material costs, or approximately 32% of our total costs of sales. We enter into several different types of sales contracts with our customers, some of which allow us to pass on increases in nickel prices to our customers. In other cases, we price our products at the time of order, which allows us to establish prices with reference to known costs of our nickel inventory, but which does not allow us to offset an unexpected rise in the price of nickel. We may not be able to successfully offset rapid increases in the price of nickel or other raw materials in the future. In the event that raw material price increases occur that we are unable to pass on to our customers, our cash flows or results of operations would be materially adversely affected.

Alternatively, as happened in fiscal 2009, our results of operations may also be negatively impacted if both customer demand and nickel prices rapidly fall at the same time. In those circumstances, we may experience higher per pound manufacturing costs due to the recognition of higher nickel costs from inventory which flows through cost of goods sold.

Our business is dependent on a number of raw materials that are subject to volatility in price and availability.

We use a number of raw materials in our products which are found in only a few parts of the world and are available from a limited number of suppliers. The availability and costs of these materials may be influenced by private or government cartels, changes in world politics, labor relations between the materials producers and their work force, unstable governments in exporting nations, inflation and general economic conditions and export quotas imposed by governments in nations with rare earth element supplies. The ability of key material suppliers to meet quality and delivery requirements can also impact our ability to meet commitments to customers. Future shortages or price fluctuations in raw materials could result in decreased sales as well as margins, or otherwise adversely affect our business. The enactment of new or increased import duties on raw materials imported by us could also increase the costs to us of obtaining the raw materials and might adversely affect our business.

Failure to successfully develop, commercialize, market and sell new applications and new products could adversely affect our business.

We believe that our proprietary alloys and metallurgical manufacturing expertise provide us with a competitive advantage over other high-performance alloy producers. Our ability to maintain this competitive advantage depends on our ability to continue to offer products that have equal or better performance characteristics than competing products at competitive prices. Our future growth will depend, in part, on our ability to address the increasingly demanding needs of our customers by enhancing the properties of our existing alloys, by timely developing new applications for our existing products, and by timely developing, commercializing, marketing and selling new products. If we are not successful in these efforts, or if our new products and product enhancements do not adequately meet the requirements of the marketplace and achieve market acceptance, our revenues, cash flows and results of operations could be negatively affected.

We are subject to risks relating to our cybersecurity measures.

We have put 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. These include, for example, the appropriate encryption of information. Despite such efforts, we are subject to breaches of security systems which may result in unauthorized access, misappropriation, corruption or disruption of the information we are trying to protect, in which case we could suffer material harm. Access to our proprietary information regarding new alloy formulations would allow our competitors to use that information in the development of competing products. Current employees have, and former employees may have, access to a significant amount of information regarding our operations which could be disclosed to our competitors or otherwise used to harm us. In addition, our systems could be subject to sabotage by employees or third parties, which could slow or stop production or otherwise adversely affect our operations. Any misappropriation or corruption of our systems and information or disruption of our operations could have a material adverse effect on our business.

An interruption in energy services may cause manufacturing curtailments or shutdowns.

We rely upon third parties for our supply of energy resources consumed in the manufacture of our products. The prices for and availability of electricity, natural gas, oil and other energy resources are subject to volatile market conditions. These market conditions often are affected by political and economic factors beyond our control. Disruptions in the supply of energy resources could temporarily impair our ability to manufacture products for customers. Further, increases in energy costs, or changes in costs relative to energy costs paid by competitors, has and may continue to adversely affect our profitability. To the extent that these uncertainties cause suppliers and customers to be more cost sensitive, increased energy prices may have an adverse effect on our results of operations and financial condition.

We may be adversely affected by environmental, health and safety laws, regulations, costs and other liabilities.

We are subject to various foreign, federal, state and local environmental, health and safety laws and regulations, including those governing the discharge of pollutants into the environment, the storage, handling, use, treatment and disposal of hazardous substances and wastes and the health and safety of our employees. Under these laws and regulations, we may be held liable for all costs arising out of any release of hazardous substances on, under or from any of our current or former properties or any off-site location to which we sent or arranged to be sent wastes for disposal or treatment, and such costs may be material. We could also be held liable for any and all consequences arising out of human exposure to such substances or other hazardous substances that may be attributable to our products or other environmental damage. In addition, some of these laws and regulations require our facilities to operate under permits that are subject to renewal or modification. These laws, regulations and permits can require expensive pollution control equipment or operational changes to limit actual or potential impacts to the environment. Violations of these laws, regulations or permits can also result in the imposition of substantial penalties, permit revocations and/or facility shutdowns.

We have received permits from the environmental regulatory authorities in Indiana and North Carolina to close and to provide post-closure monitoring and care for certain areas of our Kokomo and Mountain Home facilities that were used for the storage and disposal of wastes, some of which are classified as hazardous under applicable regulations. We are required to monitor groundwater and to continue post-closure maintenance of the former disposal areas at each site. As a result, we are aware of elevated levels of certain contaminants in the groundwater and additional corrective action could be required. Additionally, it is possible that we could be required to undertake other corrective action for any other solid waste management unit or other conditions existing or determined to exist at our facilities. We are unable to estimate the costs of any further corrective action, if required. However, the costs of future corrective action at these or any other current or former sites could have a material adverse effect on our financial condition, results of operations or liquidity.

We may also incur liability for alleged environmental damages associated with the off-site transportation and disposal of hazardous substances. Our operations generate hazardous substances, many of which we accumulate at our facilities for subsequent transportation and disposal off-site or recycling by third parties. Generators of hazardous substances which are transported to disposal sites where environmental problems are alleged to exist are subject to liability under CERCLA and state counterparts. In addition, we may have generated hazardous substances disposed of at sites which are subject to CERCLA or equivalent state law remedial action. We have been named as a potentially responsible party at two sites. CERCLA imposes strict, joint and several liabilities for investigatory and cleanup costs upon hazardous substance generators, site owners and operators and other potentially responsible parties regardless of fault. If we are named as a potentially responsible party at other sites in the future, the costs associated with those future sites could have a material adverse effect on our financial condition, results of operations or liquidity.

Environmental laws are complex, change frequently and have tended to become increasingly stringent over time. While we have budgeted for future capital and operating expenditures to comply with environmental laws, changes in any environmental law may increase our costs of compliance and liabilities arising from any past or future releases of, or exposure to, hazardous substances and may materially adversely affect our business, results of operations or financial condition. See “Business—Environmental Matters.”

Our manufacturing processes, and the manufacturing processes of many of our suppliers and customers, are energy intensive and generate carbon dioxide and other “greenhouse gases”, and pending legislation or regulation of greenhouse gases, if enacted or adopted in an onerous form, could have a material adverse impact on our results of operations, financial condition and cash flows.

Political and scientific debates related to the impacts of emissions of greenhouse gases on the global climate are prevalent. Regulation or some form of legislation aimed at reducing greenhouse gas emissions is currently being considered in the United States as well as globally. As a high-performance alloy manufacturer, we will be affected, both directly and indirectly, if proposed climate change legislation, such as use of a “cap and trade” system, is enacted which could have a material adverse impact on our results of operations, financial condition and cash flows.

Our business is affected by federal rules, regulations and orders applicable to government contractors.

A number of our products are manufactured and sold under U.S. government contracts or subcontracts. Consequently, we are directly and indirectly subject to various federal rules, regulations and orders applicable to government contractors. From time to time, we are also subject to government inquiries and investigations of our business practices due to our participation in government programs. These inquiries and investigations are costly and consuming of internal resources. Violations of applicable government rules and regulations could result in civil liability, in cancellation or suspension of existing contracts or in ineligibility for future contracts or subcontracts funded in whole or in part with federal funds, any of which could have a material adverse effect on our business.

We could be required to make additional contributions to our defined benefit pension plans as a result of adverse changes in interest rates and the capital markets.

Our estimates of liabilities and expenses for pension benefits incorporate significant assumptions, including the rate used to discount the future estimated liability, the long-term rate of return on plan assets and several assumptions relating to the employee workforce (salary increases, retirement age and mortality). We currently expect that we will be required to make future minimum contributions to our defined benefit pension plans. A decline in the value of plan investments in the future, an increase in costs or liabilities or unfavorable changes in laws or regulations that govern pension plan funding could materially change the timing and amount of required pension funding. A requirement to fund any deficit created in the future could have a material adverse effect on our operations and financial condition.

If we are unable to recruit, hire and retain skilled and experienced personnel, our ability to effectively manage and expand our business will be harmed.

Our success largely depends on the skills, experience and efforts of our officers and other key employees who may terminate their employment at any time. The loss of any of our senior management team could harm our business. The announcement of the loss of one of our key employees could negatively affect our stock price. Our ability to retain our skilled workforce and our success in attracting and hiring new skilled employees will be a critical factor in determining whether we will be successful in the future. We face challenges in hiring, training, managing and retaining employees in certain areas including metallurgical researchers, equipment technicians, and sales and marketing staff. If we are unable to recruit, hire and retain skilled employees, our new product and alloy development and commercialization could be delayed, and our marketing and sales efforts could be hindered, which would adversely impact our competitiveness and financial results.

The risks inherent in our international operations may adversely impact our revenues, results of operations and financial condition.

We anticipate we will continue to derive a significant portion of our revenues from operations in international markets. As we continue to expand internationally, we will need to hire, train and retain qualified personnel for our direct sales efforts and retain distributors and train their personnel in countries where language, cultural or regulatory impediments may exist. Distributors, regulators or other government agencies may not continue to accept our products, services and business practices. In addition, we purchase raw materials on the international market. The sale and shipment of our products and services across international borders, as well as the purchase of raw materials from international sources, subject us to the trade regulations of various jurisdictions. Compliance with such regulations is costly. Any failure to comply with applicable legal and regulatory obligations could impact us in a variety of ways that include, but are not limited to, significant criminal, civil and administrative penalties, including imprisonment of individuals, fines and penalties, denial of export privileges, seizure of shipments and restrictions on certain business activities. Failure to comply with applicable legal and regulatory obligations could result in the disruption of our shipping, sales and service activities. Our international sales operations expose us and our representatives, agents and distributors to risks inherent in operating in foreign jurisdictions any one or more of which may adversely affect our business and financial results, including:

- our ability to obtain, and the costs associated with obtaining, U.S. export licenses and other required export or import licenses or approvals;
- changes in duties and tariffs, taxes, trade restrictions, license obligations and other non-tariff barriers to trade;
- burdens of complying with the Foreign Corrupt Practices Act and a wide variety of foreign laws and regulations;
- business practices or laws favoring local companies;
- fluctuations in foreign currencies;
- restrictive trade policies of foreign governments;
- longer payment cycles and difficulties collecting receivables through foreign legal systems;
- difficulties in enforcing or defending agreements and intellectual property rights; and
- foreign political or economic conditions.

Any material decrease in our international revenues or inability to expand our international operations as a result of these or other factors would adversely impact our revenues, results of operations and financial condition.

Although a collective bargaining agreement is in place for certain employees, union or labor disputes could still disrupt the manufacturing process.

Our operations rely heavily on our skilled employees. Any labor shortage, disruption or stoppage caused by any deterioration in employee relations or difficulties in the renegotiation of labor contracts could reduce our operating margins and income. Approximately 58% percent of our U.S. employees are affiliated with unions or covered by collective bargaining agreements. In addition, in September 2010, a majority of the 92 hourly employees at our Arcadia, Louisiana operations elected to be represented by a union and negotiations regarding a collective bargaining agreement are ongoing. Failure to negotiate new labor agreements when required could result in a work stoppage at one or more of our facilities. Although we believe that our labor relations have generally been satisfactory, it is possible that we could become subject to additional work rules imposed by agreements with labor unions, or that work stoppages or other labor disturbances could occur in the future, any of which could reduce our operating margins and income and place us at a disadvantage relative to non-union competitors.

Product liability and product warranty risks could adversely affect our operating results.

We produce many critical products for commercial and military aircraft and for land-based gas turbines. Failure of our products could give rise to substantial product liability and other damage claims. We maintain insurance addressing this risk, but there can be no assurance that the insurance coverage will be adequate or will continue to be available on terms acceptable to us.

Additionally, we manufacture our products to strict contractually-established specifications using complex manufacturing processes. If we fail to meet the contractual requirements for a part, we may be subject to warranty costs to repair or replace the product itself and additional costs related to the investigation and inspection of non-complying products. These costs are generally not insured.

Our business subjects us to risk of litigation claims, as a routine matter, and this risk increases the potential for a loss that might not be covered by insurance.

Litigation claims may relate to the conduct of our business, including claims pertaining to product liability, commercial disputes, employment actions, employee benefits, compliance with domestic and federal laws and personal injury. Due to the uncertainties of litigation, we might not prevail on claims made against us in the lawsuits that we currently face and additional claims may be made against us in the future. The outcome of litigation cannot be predicted with certainty, and some of these lawsuits, claims or proceedings may be determined adversely to us. The resolution in any reporting period of one or more of these matters could have a material adverse effect on our financial condition, liquidity or results of operations for that period.

We depend on our IT infrastructure to support the current and future information requirements of our operations.

Management relies on IT infrastructure, including hardware, network, software, people and process, to provide useful information to support assessments and conclusions about operating performance. Our inability to produce relevant or reliable measures of operating performance in an efficient, cost-effective and well-controlled fashion may have significant negative impacts on our future operations.

Risks Related to Shares of Our Common Stock

Our stock price is subject to fluctuations as a result of being traded on a public exchange which may not be related to our performance.

The stock market has been highly volatile. As a result, the market price of our common stock is likely to be similarly volatile, and investors in our common stock may experience a decrease in the value of their stock, including decreases unrelated to our operating performance or prospects. The price of our common stock could be subject to wide fluctuations in response to a number of factors, including those listed elsewhere in this “Risk Factors” section and others such as:

- fluctuations in the market price of nickel, raw materials or energy;
- market conditions in the end markets into which our customers sell their products, principally aerospace, power generation and chemical processing;
- announcements of technological innovations or new products and services by us or our competitors;
- the operating and stock price performance of other companies that investors may deem comparable to us;

- announcements by us of acquisitions, alliances, joint development efforts or corporate partnerships in the high-temperature resistant alloy and corrosion-resistant alloy markets;

- market conditions in the technology, manufacturing or other growth sectors; and

- rumors relating to us or our competitors.

Payment of dividends will depend on our future financial condition and performance.

Although our Board of Directors currently intends to continue the payment of regular quarterly cash dividends on shares of our common stock, the timing and amount of future dividends will depend on the Board’s assessment of our operations, financial condition, projected liabilities, contractual restrictions, restrictions imposed by applicable law and other factors. We cannot guarantee that we will continue to declare dividends at the same or similar rates.

Provisions of our certificate of incorporation and by-laws could discourage potential acquisition proposals and could deter or prevent a change in control.

Some provisions in our certificate of incorporation and by-laws, as well as Delaware statutes, may have the effect of delaying, deferring or preventing a change in control. These provisions, including those regulating the nomination of directors, may make it more difficult for other persons, without the approval of our Board of Directors, to launch takeover attempts that a stockholder might consider to be in his or her best interest. These provisions could limit the price that some investors might be willing to pay in the future for shares of our common stock.

Item 1B. Unresolved Staff Comments

There are no unresolved comments by the staff of the U.S. Securities and Exchange Commission.

Item 2. Properties

Manufacturing Facilities. The Company owns manufacturing facilities in the following locations:

- Kokomo, Indiana—manufactures and sells all product forms, other than tubular and wire goods;

- Arcadia, Louisiana—manufactures and sells welded and seamless tubular goods; and

- Mountain Home, North Carolina—manufactures and sells high-performance alloy wire.

The Kokomo plant, the Company’s primary production facility, is located on approximately 180 acres of industrial property and includes over 1.0 million square feet of building space. There are three sites consisting of (1) a headquarters and research laboratory; (2) primary and secondary melting, annealing furnaces, forge press and several smaller hot mills; and (3) the Company’s four-high Steckel rolling mill and sheet product cold working equipment, including two cold strip mills. All alloys and product forms other than tubular and wire goods are produced in Kokomo.

The Arcadia plant is located on approximately 42 acres of land, and includes 135,000 square feet of buildings on a single site. Arcadia uses feedstock produced in Kokomo to fabricate welded and seamless alloy pipe and tubing and purchases extruded tube hollows to produce seamless titanium tubing. Manufacturing processes at Arcadia require cold pilger mills, weld mills, draw benches, annealing furnaces and pickling facilities.

The Mountain Home plant is located on approximately 29 acres of land, and includes approximately 100,000 square feet of building space. The Mountain Home facility is primarily used to manufacture finished high-performance alloy wire. Warehousing of finished wire product is also done at this facility.

The owned facilities located in the United States are subject to a mortgage which secures the Company’s obligations under its U.S. revolving credit facility with a group of lenders led by Wells Fargo Capital Finance, LLC. For more information see Note 7 to the Consolidated Financial Statements included elsewhere in this Form 10-K.

Service and Sales Centers. The service and sales centers contain equipment capable of precision laser and water jet processing services to cut and shape products to customers' precise specifications. The Company owns service and sales centers in the following locations:

- Openshaw, England—stocks and sells all product forms; and
- Lenzburg, Switzerland—stocks and sells all product forms.

The Openshaw plant, located near Manchester, England, consists of approximately 7 acres of land and over 200,000 square feet of buildings on a single site.

In addition, the Company leases service and sales centers in the following locations:

- La Mirada, California—stocks and sells all product forms;
- Houston, Texas—stocks and sells all product forms;
- Lebanon, Indiana—stocks and sells all product forms;
- Shanghai, China—stocks and sells all product forms; and
- Windsor, Connecticut—stocks and sells all product forms.

Sales Centers. As a part of our ongoing efforts to improve our operations, during fiscal 2011 the Company consolidated inventory within Europe by converting the France service center into a sales center. The Company leases sales centers in the following locations:

- Paris, France—sells all product forms;
- Zurich, Switzerland—sells all product forms;
- Singapore—sells all product forms;
- Milan, Italy—sells all product forms; and
- Chennai, India—sells all product forms.

All owned and leased service and sales centers not described in detail above are single site locations and are less than 100,000 square feet. The Company believes that its existing facilities are suitable for its current business needs. The Company is developing plans to spend approximately $10.0 million over the course of fiscal 2012 and 2013 to restructure, consolidate and enhance capabilities at its service center operations.

Item 3. Legal Proceedings

The Company is subject to extensive federal, state and local laws and regulations. Future developments and increasingly stringent regulations could require us to make additional unforeseen expenditures for these matters. The Company is regularly involved in litigation, both as a plaintiff and as a defendant, relating to its business and operations. Such litigation includes federal and state EEOC administrative actions, litigation of commercial matters and litigation and administrative actions relating to environmental matters. For more information see "Item 1. Business—Environmental Matters." Litigation and administrative actions may result in substantial costs and may divert management's attention and resources, and the level of future expenditures for legal matters cannot be determined with any degree of certainty. Nonetheless, based on the facts presently known, management does not expect expenditures for pending legal proceedings to have a material effect on the Company's financial position, results of operations or liquidity.

The Company is currently, and has in the past, been subject to claims involving personal injuries allegedly relating to its products. For example, the Company is presently involved in two actions involving welding rod-related injuries, which were filed in California state court against numerous manufacturers, including the Company, in May 2006 and February 2007, respectively, alleging that the welding-related products of the defendant manufacturers harmed the users of such products through the inhalation of welding fumes containing manganese. The Company believes that it has defenses to these allegations and that, if the Company were found liable, the cases would not have a material effect on its financial position, results of operations or liquidity. In addition to these cases, the Company has in the past been named a defendant in several other lawsuits, including 53 lawsuits filed in the state of California, alleging that its welding-related products harmed the users of such products through the inhalation of welding fumes containing manganese. The Company has since been voluntarily dismissed from all of these lawsuits on the basis of the release and discharge of claims contained in the confirmation order issued in connection with the Company’s emergence from Chapter 11 reorganization. While the Company contests such lawsuits vigorously, and may have applicable insurance, there are several risks and uncertainties that may affect its liability for claims relating to exposure to welding fumes and manganese. For instance, in recent cases, at least two courts (in cases not involving the Company) have refused to dismiss claims relating to inhalation of welding fumes containing manganese based upon a bankruptcy discharge order. Although the Company believes the facts of these cases are distinguishable from the facts of its cases, it cannot assure you that any or all claims against the Company will be dismissed based upon the confirmation order, particularly claims premised, in part or in full, upon actual or alleged exposure on or after the date of the confirmation order. It is also possible that the Company will be named in additional suits alleging welding-rod injuries. Should such litigation occur, it is possible that the aggregate claims for damages, if the Company is found liable, could have a material adverse effect on its financial condition, results of operations or liquidity.

Part II

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

The Company's common stock is listed on the NASDAQ Global Market ("NASDAQ") and traded under the symbol "HAYN". The following table sets forth, for the periods indicated, the high and low closing prices for the Company's common stock as reported by NASDAQ.

	High	Low	Dividend
Fiscal year ended September 30, 2011:			
September 30, 2011	$67.00	$42.13	$0.20
June 30, 2011	$61.93	$48.75	$0.20
March 31, 2011	$57.82	$40.85	$0.20
December 31, 2010	$42.84	$34.27	$0.20
Fiscal year ended September 30, 2010:			
September 30, 2010	$35.39	$27.58	$0.20
June 30, 2010	$38.88	$26.61	$0.20
March 31, 2010	$36.59	$27.04	$0.20
December 31, 2009	$34.99	$24.75	$0.20

The range of the Company's common stock price on NASDAQ from October 1, 2010 to September 30, 2011 was $34.27 to $67.00. The closing price of the common stock was $43.45 on September 30, 2011.

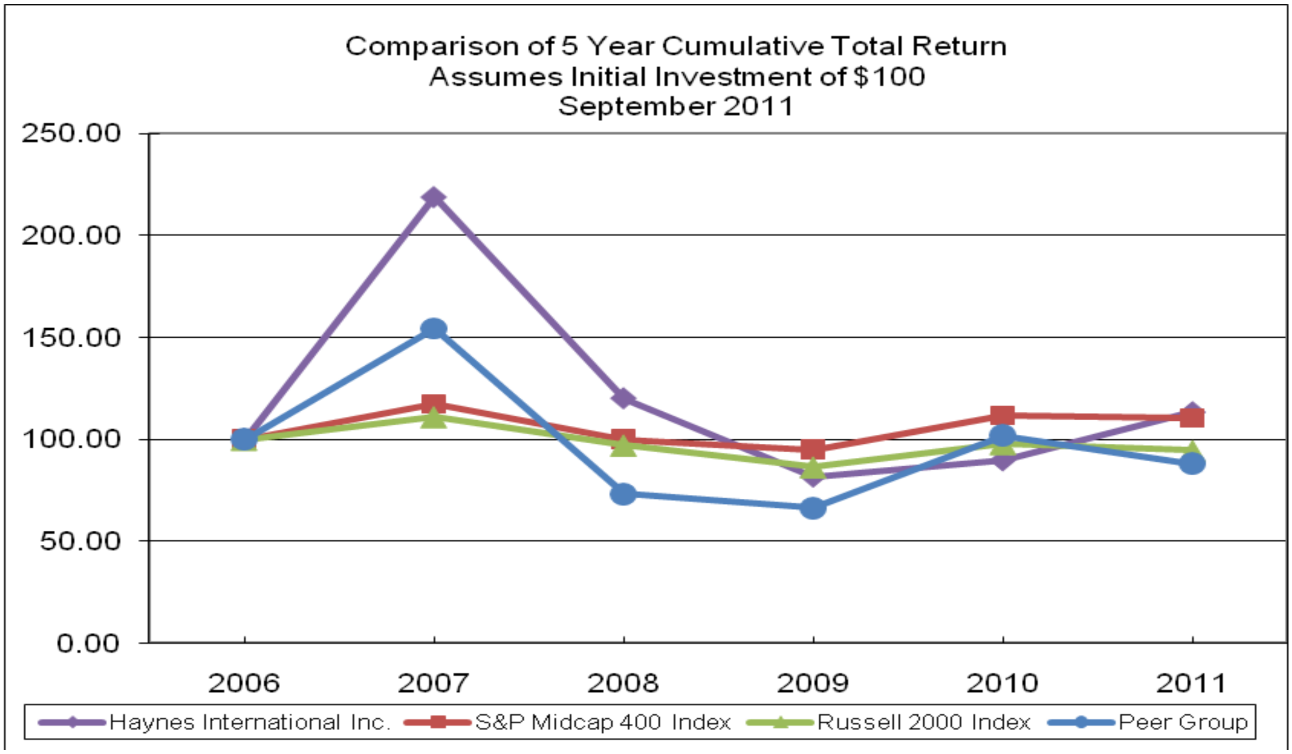
As of November 1, 2011, there were approximately 43 holders of record of the Company's common stock.

Our payment of dividends is permitted under our existing financing agreement, although our U.S. revolving credit facility requires (i) prior notice to the agent, (ii) a fixed charge coverage ratio average for the previous twelve months which must be not less than 1.0 to 1.0, and (iii) that the Company have at least $18.0 million in availability, after payment, on the date the dividend payment is made. While it is our intention to continue to pay quarterly cash dividends for fiscal 2012 and beyond, any decision to pay future cash dividends will be made by our Board of Directors and will depend upon our earnings, financial condition and other factors.

Cumulative Total Stockholder Return

The graph below compares the cumulative total stockholder return on the Company's common stock to the cumulative total return of the Russell 2000 Index, S&P MidCap 400 Index, and Peer Group for each of the last five fiscal years ended September 30. The cumulative total return assumes an investment of $100 on September 30, 2006 and the reinvestment of any dividends during the period. The Russell 2000 is a broad-based index that includes smaller market capitalization stocks. The S&P MidCap 400 Index is the most widely used index for mid-sized companies. Management believes that the S&P MidCap 400 is representative of companies with similar market and economic characteristics to Haynes. Furthermore, we also believe the Russell 2000 Index is representative of the Company's current market capitalization status and this index is also provided on a comparable basis. The companies included in the Peer Group Index are: Allegheny Technologies, Inc., Titanium Metals Corporation, RTI International Metals, Inc., Universal Stainless & Alloy Products, Inc. and Carpenter Technology Corp. Management believes that the companies included in the Peer Group, taken as a whole, provide a meaningful comparison in terms of competition, product offerings and other relevant factors. The total stockholder return for the peer group is weighted according to the respective issuer's stock market capitalization at the beginning of each period.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
Among Haynes, The Russell 2000 Index, The S&P MidCap 400
Index and our Peer Group



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* For fiscal 2006 and up to March 23, 2007, the Company's stock was traded on the "Pink Sheets." As of March 27, 2007, the Company listed its common stock on The NASDAQ Global Market.

	2006	2007	2008	2009	2010	2011
Haynes International, Inc.	100.00	218.90	120.09	81.60	89.55	113.22
Russell 2000	100.00	111.01	97.13	86.37	97.92	94.45
S&P MidCap 400	100.00	117.34	99.87	94.89	111.77	110.34
Peer Group	100.00	154.34	73.05	66.33	101.76	88.09

Item 6. Selected Financial Data

This information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes thereto included elsewhere in this Form 10-K.

Amounts below are in thousands, except backlog, which is in millions, share and per share information and average nickel price.

	Year Ended September 30,				
	2007	2008	2009	2010	2011
Statement of Operations Data:					
Net revenues	$559,836	$637,006	$438,633	$381,543	$542,896
Cost of sales	408,752	492,349	416,150	327,712	449,116
Selling, general and administrative expense	39,441	42,277	36,207	35,470	41,215
Research and technical expense	3,116	3,441	3,120	2,828	3,259
Impairment of goodwill(1)	—	—	43,737	—	—
Operating income (loss)	108,527	98,939	(60,581)	15,533	49,306
Interest expense (income), net	3,939	1,025	509	(59)	(92)
Provision for (benefit from) income taxes	38,468	35,136	(8,768)	6,717	18,270
Net income (loss)	$66,120	$62,778	$(52,322)	$8,875	$31,128
Net income (loss) per share(2):					
Basic	$6.07	$5.27	$(4.36)	$0.74	$2.55
Diluted	$5.89	$5.22	$(4.36)	$0.73	$2.54
Weighted average shares outstanding(2):					
Basic	10,896,067	11,903,289	12,004,498	12,049,779	12,067,555
Diluted	11,230,101	12,026,440	12,004,498	12,159,529	12,149,866

	September 30,				
	2007	2008	2009	2010	2011
Balance Sheet Data:					
Working capital	$299,312	$330,357	$307,091	$300,199	$318,761
Property, plant and equipment, net	97,860	107,302	105,820	107,043	110,678
Total assets	586,969	617,567	544,150	551,543	596,569
Total debt	38,733	14,909	1,592	1,433	1,348
Long-term portion of debt	3,074	1,582	1,482	1,324	1,348
Accrued pension and postretirement benefits(3)	123,587	115,359	181,077	193,560	215,432
Stockholders' equity	316,377	379,543	278,799	265,849	272,853

	2007	2008	2009	2010	2011
Consolidated Backlog at Fiscal Quarter End(4):					
1st quarter	$206.9	$247.8	$199.7	$110.4	$167.0
2nd quarter	237.6	254.5	153.0	124.6	241.7
3rd quarter	258.9	252.6	113.4	130.9	288.6
4th quarter	236.3	229.2	106.7	148.0	273.4

	Year Ended September 30,				
	2007	2008	2009	2010	2011
Average nickel price per pound(5)	$13.40	$8.07	$7.93	$10.26	$9.25

(1) A non-cash goodwill impairment charge of $43.7 million was recorded during the second quarter of fiscal 2009. See Note 2 in the Notes to Consolidated Financial Statements contained elsewhere in this Form 10-K for additional information.

(2) During fiscal 2007, the Company completed an equity offering which resulted in the issuance of 1,200,000 shares of its common stock. In addition, 450,000 stock options were exercised as a part of the offering. The net proceeds of the equity offering were $72,753 and the payment of the exercise price for the stock options resulted in an additional $6,083 in proceeds to the Company.

(3) Significant increases in the pension and postretirement benefits liability occurred in fiscal years 2009, 2010 and 2011 primarily due to reductions in the discount rate used to value the future liability. This has been reflected actuarially as an increase in the Pension and Postretirement Benefits Liability and an increase in the accumulated Other Comprehensive Loss account. The amount of this actuarial loss for the years ended September 30, 2009, 2010 and 2011 was $69,094, $27,148 and $22,495, respectively, which has created a cumulative three year actuarial loss of $118,737. On a prospective basis if interest rates were to rise, this would cause a decrease in the liability and accumulated other comprehensive loss. Prior to fiscal 2009, many actions were taken to reduce this liability such as: i) effective second quarter of fiscal 2007 capping the Company's contributions to the retiree health care costs at $5,000 annually (resulting in a $46,300 liability reduction), ii) effective first quarter of fiscal 2008, freezing the pension benefit accruals for all non-union employees in the U.S. (resulted in a $8,191 liability reduction), iii) closing the pension plans to new entrants for both non-union employees (effective 12/31/2005) and union employees (effective 6/30/2007).

(4) The Company defines backlog to include firm commitments from customers for delivery of product at established prices. Approximately 30% of the orders in the backlog at any given time include prices that are subject to adjustment based on changes in raw material costs. Historically, approximately 75% of the backlog orders have shipped within six months and approximately 90% have shipped within 12 months. The backlog figures do not reflect that portion of the business conducted at service and sales centers on a spot or "just-in-time" basis.

(5) Represents the average price for a cash buyer as reported by the London Metals Exchange for the 30 days ending on the last day of the period presented.

Quarterly Market Information

Set forth below is selected data relating to the Company's backlog, the 30-day average nickel price per pound as reported by the London Metals Exchange, as well as breakdown of net revenues, shipments and average selling prices to the markets served by Haynes for the periods shown. These data should be read in conjunction with the consolidated financial statements and related notes thereto and the remainder of the "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Form 10-K.

	Quarter Ended				Quarter Ended			
	December 31, 2009	March 31, 2010	June 30, 2010	September 30, 2010	December 31, 2010	March 31, 2011	June 30, 2011	September 30, 2011
Backlog								
Dollars (in thousands)	$110,406	$124,571	$130,885	$147,958	$166,990	$241,661	$288,597	$273,375
Pounds (in thousands)	4,915	5,805	5,675	5,997	6,911	9,648	10,356	9,037
Average selling price per pound	$22.46	$21.46	$23.06	$24.67	$24.16	$25.05	$27.87	$30.25
Average nickel price per pound								
London Metals Exchange[1]	$7.75	$10.19	$8.79	$10.26	$10.94	$12.16	$10.14	$9.25

(1) Represents the average price for a cash buyer as reported by the London Metals Exchange for the 30 days ending on the last day of the period presented.

	Quarter Ended				Quarter Ended			
	December 31, 2009	March 31, 2010	June 30, 2010	September 30, 2010	December 31, 2010	March 31, 2011	June 30, 2011	September 30, 2011
Net revenues (in thousands)								
Aerospace	$28,375	$33,495	$36,739	$39,793	$44,537	$48,953	$53,594	$56,477
Chemical processing	20,828	18,333	27,461	21,062	20,591	37,238	46,065	46,079
Land-based gas turbines	14,966	20,028	18,412	20,802	21,541	27,724	21,067	27,892
Other markets	13,080	19,426	15,540	20,021	15,217	21,985	19,248	20,217
Total product revenue	77,249	91,282	98,152	101,678	101,886	135,900	139,974	150,665
Other revenue	3,759	3,337	3,119	2,968	4,465	3,214	3,148	3,644
Net revenues	$81,008	$94,619	$101,271	$104,646	$106,351	$139,114	$143,122	$154,309
Shipments by markets (in thousands of pounds)								
Aerospace	1,221	1,435	1,581	1,739	1,688	2,008	2,152	2,272
Chemical processing	1,155	811	1,372	870	914	1,846	2,185	2,020
Land-based gas turbines	946	1,291	1,106	1,252	1,199	1,664	1,093	1,590
Other markets	605	867	665	906	610	855	738	796
Total shipments	3,927	4,404	4,724	4,767	4,411	6,373	6,168	6,678
Average selling price per pound								
Aerospace	$23.24	$23.34	$23.24	$22.88	$26.38	$24.38	$24.90	$24.86
Chemical processing	18.03	22.61	20.02	24.21	22.53	20.17	21.08	22.81
Land-based gas turbines	15.82	15.51	16.65	16.62	17.97	16.66	19.27	17.54
Other markets	21.62	22.41	23.37	22.10	24.95	25.71	26.08	25.40
Total average selling price (product only; excluding other revenue)	19.67	20.73	20.78	21.33	23.10	21.32	22.69	22.56
Total average selling price (including other revenue)	20.63	21.48	21.44	21.95	24.11	21.83	23.20	23.11

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Please refer to page 1 of this Form 10-K for a cautionary statement regarding forward-looking information.

Overview of Business

The Company is one of the world's largest producers of high-performance nickel- and cobalt-based alloys in sheet, coil and plate forms. The Company is focused on developing, manufacturing, marketing and distributing technologically advanced, high-performance alloys, which are used primarily in the aerospace, chemical processing and land-based gas turbine industries. The global specialty alloy market consists of three primary sectors: stainless steel, general purpose nickel alloys and high-performance nickel- and cobalt-based alloys. The Company competes primarily in the high-performance nickel- and cobalt-based alloy sector, which includes high-temperature resistant alloys, or HTA products, and corrosion-resistant alloys, or CRA products. The Company believes it is one of four principal producers of high-performance alloys in sheet, coil and plate forms. The Company also produces its products as seamless and welded tubulars, and in bar, billet and wire forms.

The Company has manufacturing facilities in Kokomo, Indiana; Arcadia, Louisiana; and Mountain Home, North Carolina. The Kokomo facility specializes in flat products, the Arcadia facility specializes in tubular products and the Mountain Home facility specializes in high-performance wire products. The Company distributes its products primarily through its direct sales organization, which includes 11 service and/or sales centers in the United States, Europe and Asia. All of these centers are company-operated.

Significant Events of Fiscal 2011

Improved Results

Net income for fiscal 2011 was $31.1 million, a substantial improvement over the fiscal 2010 net income of $8.9 million. The Company's improved results from fiscal 2010 to fiscal 2011 were due to a combination of an improving market environment, demonstrated by a 33% increase in pounds shipped between years, an improved product mix and an improved cost structure (including operating efficiencies attributable to equipment upgrades and improved absorption due to higher volumes). In addition, controllable working capital, which includes accounts receivable, inventory, accounts payable and accrued expense, as a percent of sales decreased between fiscal 2010 and fiscal 2011 due to continued emphasis on working capital management.

Over the last three years, alloys invented and commercialized by the Company since the 1980's are making an increasingly larger contribution to revenue and margin. The percentage of total revenue of these alloys has increased from 28% of revenue in fiscal 2009 to 32% of revenue in fiscal 2011. The margin contribution in dollars for these alloys, has increased from 37% of total margin dollars in fiscal 2009 to 44% of total margin dollars in fiscal 2011. The increasing proportion of these alloys has had a positive effect on the Company's profitability. This represents a significant change from past periods of volume increases during which time commodity alloys would increase as a percent of the total revenue. During this period of increasing volume the commodity alloys are declining as a percent of total revenue and typically commodity alloys, because of price competition, have provided a lower contribution to margin.

Capital Spending

At the beginning of fiscal 2010, the Company announced plans to spend approximately $85.0 million over fiscal years 2010 through 2014 on new strategic initiatives, routine capital maintenance projects and restructuring its service centers. Over the five-year period, this amount would include approximately $30.0 million for upgrades to its four-high Steckel rolling mill and supporting equipment, approximately $25.0 million for other equipment purchases and upgrades and approximately $20.0 million for routine capital maintenance projects. In addition, fiscal 2010 and 2011 were forecasted to include $5.0 million each year for service center improvements. However, the majority of that spending has been postponed to fiscal 2012 and 2013. The goals of the service center process remain enhancement of working capital management and restructuring, consolidating and enhancing capabilities to improve the return on assets at those operations. For example, the Company continues to maintain four sales offices in Europe. However, during fiscal 2011, the number of inventory processing locations was reduced from three to two, with processing and shipping of material now taking place at other locations. The effect was to reduce inventory and increase equipment utilization and efficiency of the other European processing centers, which contributed to the reduction in operating costs. In addition, the original spending indicated for the five-year period has been increased to $95.0 million to include $9.1 million to be spent in fiscal 2012 and fiscal 2013 to upgrade the Company's information systems. For additional detail on the system upgrade see the section entitled "Global Information System Upgrade," below.

Capital spending in fiscal 2010 and 2011 was $12.3 million and $14.4 million, respectively. Significant projects in fiscal 2011 included upgrades to the Company's four-high steckel rolling mill including a charging crane, automatic gauge controls and installation of an edger. The target for capital spending in fiscal 2012 is approximately $27.1 million, which includes approximately $5.0 million for additional remelting capacity, $5.0 million for continued four-high Steckel rolling mill upgrades, approximately $10.0 million over the course of fiscal 2012 and 2013 for restructuring of the Company's service centers and spending for the upgrade of the Company's information technology systems of $9.1 million, also split equally between fiscal 2012 and 2013. The Company expects to spend approximately $20.0 million of the forecasted $27.1 million for fiscal 2012 on these items, with the remaining balance of $7.0 million expected to be spent on a number of maintenance capital projects and upgrades.

Capital investments of almost $110.0 million over the last seven years have allowed the Company to increase capacity, reduce unplanned equipment outages, produce higher quality products at reduced costs and improve working capital management. This significant investment was necessitated by low levels of investment in prior years as well as increasing customer demand for volume and quality improvements. Management does not currently anticipate any prolonged equipment outages as a result of upgrades for any of its planned future projects.

Global Information Systems Upgrade

In fiscal 2011, the Board of Directors approved management's plan to upgrade the Company's information technology system. The project is expected to cost approximately $9.1 million and take 24 months to complete. The intended result is that all the Company's locations will be on a centralized information technology system housed at the Kokomo office. The project is expected to eliminate a significant number of separate entity systems currently in use. A few subsystems will be retained and interfaced, including certain manufacturing systems and payroll. The financial and European distribution systems are expected to be completed in one year. This project will include financial consolidation tools that will enable the Company to accelerate the closing process and significantly enhance the financial analysis process for every location. The systems upgrade for the domestic distribution (service centers) and foreign sales offices is expected to be complete by January 1, 2013. The manufacturing operating system is expected to be completed by October 1, 2013. In addition to enhanced analysis capability, the Company expects this system to lead to improvements in capacity planning, cost analysis and reduction, inventory management and customer service.

Extension of U.S. Revolving Credit Facility

On July 14, 2011, the Company entered into a Third Amended and Restated Loan and Security Agreement (the "Amended Credit Agreement"), by and among the Company, Haynes Wire Company ("Haynes Wire" and together with the Company, the "Borrowers"), and certain lenders who are parties to the Amended Credit Agreement. Among other items, the Amended Credit Agreement (a) extends the maturity date of the U.S. revolving credit facility to July 14, 2016, (b) decreases the applicable margin used to determine the interest rate by 100 basis points (from 250 to 150) for LIBOR-based loans and by 150-175 basis points for prime rate loans, (c) increases the advance rates with respect to certain working capital items included in the borrowing base, (d) increases the sublimit for Equipment Purchase Loans, (e) permits an increase in the Maximum Credit from $120.0 million up to an aggregate amount of $170.0 million at the request of the Borrowers, (f) reduces the fee the Company must pay on all issued letters of credit, (g) reduces the commitment fee to 0.25% per annum on the unused amount of the U.S. revolving credit facility total commitment, and (h) modifies the financial metrics required to be met in order to pay dividends and repurchase common stock by decreasing the required Excess Availability from at least $50.0 million to at least 15% of the Maximum Credit and improving the Fixed Charge Coverage Ratio requirement which must be not less than 1.0 to 1.0 for the twelve months ending the month immediately prior to the payment or repurchase date.

Dividends Declared

On November 17, 2011, the Company announced that the Board of Directors declared a regular quarterly cash dividend of $0.22 per outstanding share of the Company's common stock. This quarterly dividend amount of $0.22 per share represents a ten percent increase from previous quarterly per share dividend amounts. The dividend is payable December 15, 2011 to stockholders of record at the close of business on December 1, 2011. The aggregate cash payout based on current shares outstanding will be approximately $2.7 million, or approximately $10.7 million on an annualized basis.

Gross Profit Margin Trend Performance

Gross profit margin and gross profit margin percentage continued the trend of improvement that started in the fourth quarter of fiscal 2009.

	Trend of Gross Profit Margin and Gross Profit Margin Percentage for Fiscal 2010			
	Quarter Ended			
(dollars in thousands)	**December 31, 2009**	**March 31, 2010**	**June 30, 2010**	**September 30, 2010**
Net Revenues	$81,008	$94,619	$101,271	$104,645
Gross Profit Margin	$ 6,845	$10,190	$16,854	$19,942
Gross Profit Margin %	8.5%	10.8%	16.6%	19.1%

	Trend of Gross Profit Margin and Gross Profit Margin Percentage for Fiscal 2011			
	Quarter Ended			
(dollars in thousands)	**December 31, 2010**	**March 31, 2011**	**June 30, 2011**	**September 30, 2011**
Net Revenues	$106,351	$139,114	$143,122	$154,309
Gross Profit Margin	$17,869	$20,593	$25,321	$29,997
Gross Profit Margin %	16.8%	14.8%	17.7%	19.4%

The gross profit margin and gross profit margin percentage have both improved for each quarter of fiscal 2011 compared to the comparable period of fiscal 2010 due to a combination of higher volume and prices, improved product mix, improved cost structure and an improving market environment. Service center transactional business volumes and prices are most representative of this improvement, particularly in the aerospace market, due to the end of inventory destocking by the Company's customers and an increase in the commercial aircraft build rate.

When comparing the trend of gross profit margins and gross profit margin percentages from the third quarter to the fourth quarter of fiscal 2011, the gross profit margin increased by $4.7 million and the gross profit margin percentage increased by 1.7%. These increases are due to the continued improved pricing of transactional business in the fourth quarter resulting from the price increase initiatives started in the second and third quarters of fiscal 2011. These price increases were initiated in order to recover both the rising cost of raw material and non-raw material items. The average product selling price per pound has remained consistent with the third quarter and has increased 5.8% from the second quarter to the fourth quarter of fiscal 2011. The improved pricing also reflects our continued emphasis on service centers, offering value-added services, focusing on delivery lead-times and improving reliability. Also contributing to the additional margin dollars and improved percentages was the higher volumes reflective of the strong backlog.

Due to the excess capacity in the metals industry, the Company continues to experience price competition in the marketplace, especially with the mill-direct project business. However, the Company experienced some success in raising prices in the third and fourth quarters of fiscal 2011 due to the increases to base prices initiated during the second and third quarters. However, due to the current economic uncertainty, which has contributed to the volatility in material prices, the Company has not yet experienced the full benefit of these price initiatives and the ability to raise prices further has significantly diminished for the short term.

Backlog

Backlog dollars were $273.4 million at September 30, 2011, a decrease of approximately 5.3% from $288.6 million at June 30, 2011. This decrease was the result of a decrease in backlog pounds of 12.7% partially offset by an 8.5% increase in the backlog average selling price.

The backlog dollars declined in the fourth quarter due to the combination of the highest shipment quarter of the fiscal year in conjunction with a reduced level of order entry in the fourth quarter as compared to the previous two quarters. This slow down in order entry was the result of the typical summer slowdown due to the reduced activity in Europe, which was exacerbated by the uncertain economic conditions during our fourth fiscal quarter, particularly associated with the European banks and their holdings of sovereign debt. However, the backlog continues to reflect a significant amount of higher value alloys and forms compared to previous quarters which is resulting in the continued increase in backlog average selling price.

Outlook

Background

Net revenues, gross margins, net income and volumes have improved over the last eight fiscal quarters, culminating with fourth quarter fiscal 2011 net income of $11.3 million. The trend of improving performance for the Company over the last two years has been supported by the improving markets and economic conditions. However, the improvement in performance also reflects the efforts over the past seven years to position the Company to be able to participate to a greater extent in the global expansion of the high-performance alloy market. Beginning in fiscal 2004, these efforts have included restructuring the balance sheet by exchanging debt for equity, strengthening the liquidity of the Company with the TIMET transaction, accessing the public markets through the 2007 public stock offering and expanding the Company's working capital facility. In addition, the Company has invested almost $110.0 million over the past seven years in equipment upgrades in order to improve quality, increase reliability, reduce product cost and increase capacity together with making selective acquisitions. These investments have also enabled the Company to expand both its global footprint and its product portfolio, which includes expanding into China with a service center and marketing company, the opening of sales offices in Italy and India and the acquisition of a wire company in North Carolina. This has enabled the Company to expand its product portfolio in support of the sheet and plate business and expand the value-added products in its service centers by offering to customers laser cut part programs versus purchasing full size sheet product. In addition, the Company has continued to develop new alloys and find additional applications for its current alloy portfolio. The aggregate impact of these efforts, plus improving economic conditions and the expanding demand for high-performance alloys, which the Company invents and produces, has made it possible for the Company to deliver improved performance over the past two fiscal years.

First and Second Quarters of Fiscal 2012

As with past first quarter periods, the first quarter performance of fiscal 2012 is expected to be impacted by a reduced number of production and shipment days available due to holidays, vacations, maintenance projects and capital projects. The reduced number of production and ship days correspondingly reduces the level of net income that can be achieved. Management anticipates that pounds shipped in the first quarter of fiscal 2012 will be approximately 10% to 15% lower than the fourth quarter of fiscal 2011. The reduction in volume as compared to the fourth quarter of fiscal 2011, and the corresponding reduction in absorption of fixed costs and gross margin dollars, is expected to unfavorably impact net income in the first quarter of fiscal 2012 by 10% to 20% as compared to the fourth quarter of fiscal 2011. Management also anticipates that net income in the second quarter of fiscal 2012 will improve from the first quarter to equal or possibly slightly exceed the net income of the fourth quarter of fiscal 2011.

Management expects net income for fiscal 2012 to exceed the net income of fiscal 2011. However, due to the continued competitive environment and the current uncertainty of the economic environment, the amount of any improvement from fiscal 2011 to fiscal 2012 is uncertain. See narrative in "Overview of Markets" within this section for comments on specific markets.

Working Capital

Controllable working capital, which includes accounts receivable, inventory, accounts payable and accrued expenses, increased from the fourth quarter of fiscal 2010 to the fourth quarter of fiscal 2011 from $244.6 million to $268.9 million. This $24.3 million or 10.0% increase in controllable working capital supported a 42.3% increase in revenue, year-over-year. The moderate increase in controllable working capital in conjunction with the significant increase in shipments occurred because of improving inventory turns as a result of initiating the pull inventory process and lean manufacturing techniques. As a result of the improving inventory turns, working capital as a percentage of sales continued to improve through the entire year. It is anticipated that these favorable trends will continue during fiscal 2012.

Competition and Pricing

In the fourth quarter of fiscal 2011, the global economic environment experienced a number of unfavorable events which included the slowing of growth in China, an anticipated reduction in the growth rate in the U.S. and significant uncertainty regarding the ability of the European Union to deal with the potential default of sovereign debt in Greece, Italy, Spain and Portugal. This significant global economic uncertainty impacted the Company in the form of reduced order activity which reduced the year-end backlog. In addition, raw material costs fluctuated through the quarter, particularly the cost of nickel, which created downward pressure on product pricing. Management considers these unfavorable events of the fourth quarter short-term disruptions and anticipates long-term growth opportunities for the Company.

Although volumes and pricing continued to improve through the fourth quarter of fiscal 2011, the Company continued to experience price competition in the marketplace, particularly in mill-direct project business. This competition continues to require the Company to aggressively price project business orders, which has unfavorably impacted the Company's gross profit margin and net income. However, it appears that the impact of the price competition lessened in the second half of fiscal 2011, which is reflected in the improved product pricing in the third and fourth quarters of fiscal 2011.

As previously noted, current selling prices continue to be impacted by both the competitive environment and the volatility of raw material prices in the market place, which is expected to continue to put downward pressure on prices. If market conditions improve, pricing competition in the high-performance alloy industry may begin to ease in future quarters. The Company continues to respond to this competition by increasing emphasis on service centers, offering value-added services, improving its cost structure and focusing on delivery-times and reliability, which should support rising average selling prices.

Overview of Markets

The following table includes a breakdown of net revenues, shipments and average selling prices to the markets served by the Company for the periods shown.

	Year Ended September 30,									
	2007		2008		2009		2010		2011	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
Net Revenues (dollars in millions)										
Aerospace	$211.2	37.7%	$247.3	38.8%	$160.0	36.5%	$138.4	36.3%	$203.5	37.5%
Chemical processing	148.0	26.4	166.1	26.1	109.7	25.0	87.7	23.0	150.0	27.6

Land-based gas turbines	103.0	18.4	124.1	19.5	97.7	22.3	74.2	19.4	98.2	18.1
Other markets	86.3	15.4	86.6	13.6	59.4	13.5	68.1	17.8	76.7	14.1
Total product	548.5	97.9	624.1	98.0	426.8	97.3	368.4	96.5	528.4	97.3
Other revenue[1]	11.3	2.1	12.9	2.0	11.8	2.7	13.1	3.5	14.5	2.7
Net revenues	$559.8	100.0%	$637.0	100.0%	$438.6	100.0%	$381.5	100.0%	$542.9	100.0%
U.S.	$343.9	61.4%	$344.1	54.0%	$258.9	59.0%	$231.6	60.7%	$344.9	63.5%
Foreign	$215.9	38.6%	$292.9	46.0%	$179.7	41.0%	$149.9	39.3%	$198.0	36.5%
Shipments by Market (millions of pounds)										
Aerospace	7.7	33.9%	8.9	38.2%	5.9	32.2%	6.0	33.7%	8.1	34.3%
Chemical processing	5.1	22.5	5.4	23.2	4.5	24.5	4.2	23.6	7.0	29.7
Land-based gas turbines	5.1	22.5	6.0	25.8	5.5	29.6	4.6	25.8	5.5	23.3
Other markets	4.8	21.1	3.0	12.8	2.5	13.7	3.0	16.9	3.0	12.7
Total Shipments	22.7	100.0%	23.3	100.0%	18.5	100.0%	17.8	100.0%	23.6	100.0%
Average Selling Price Per Pound										
Aerospace	$27.57		$27.94		$26.90		$23.16		$25.07	
Chemical processing	28.89		30.83		24.20		20.84		21.53	
Land-based gas turbines	20.22		20.82		17.88		16.15		17.71	
Other markets	17.84		28.17		23.39		22.37		25.56	
Total product[2]	24.15		26.81		23.09		20.67		22.36	
Total average selling price	24.65		27.37		23.73		21.41		22.97	

(1) Other revenue consists of toll conversion, royalty income, scrap sales and revenue recognized from the TIMET agreement (see Note 15 in the Notes to the Consolidated Financial Statements).

(2) Total product price per pound excludes “Other Revenue”.

Aerospace sales increased throughout fiscal 2011. The increased sales are due to the end of a destocking process that occurred in this market from fiscal 2008 through the first part of fiscal 2010. Based on the Company’s current backlog and rate of order entry, management anticipates that aerospace sales will continue to improve in fiscal 2012. This belief is further supported by sizable backlogs at Boeing and Airbus, including 2012 production schedules which began to drive sales starting in mid-2011, and continued emphasis on accelerating production of airplane builds. Management anticipates that the maintenance, repair and overhaul business will continue at a steady pace due to required maintenance schedules for engines currently in use.

Sales to the chemical processing industry increased year-over-year, primarily as a result of increased capital spending in fiscal 2011 driven by the significant reduction in capital spending in fiscal 2010 due to postponement of both new and retrofit projects. Pounds shipped to the chemical processing market in fiscal 2011 were steady quarter-to-quarter as a result of improvements in both maintenance business and project business being spread evenly over the fiscal year. Based on our order entry and backlog balance, it is anticipated that sales to the chemical processing industry in fiscal 2012 will likely equal fiscal 2011 and possibly improve slightly in fiscal 2012 compared to fiscal 2011. The improved level of activity is further supported by an increase in forecasted global spending in the chemical processing sector.

Sales to the land-based gas turbine market in fiscal 2011 increased by approximately 32% from the previous year. Based on the Company’s backlog and order entry rate, it is anticipated that volumes sold to the land-based gas turbine market for fiscal 2012 will at least remain equal to 2011 and possibly improve, although the amount of the improvement is uncertain. Subject to global economic conditions, management believes that long-term demand in this market will improve due to higher activity in power generation, oil and gas production and alternative power systems. Land-based gas turbines are favored in electric generating facilities due to low capital cost at installation, flexibility in use of alternative fuels, fewer emissions than the traditional fossil fuel-fired facilities and favorable gas prices provided by availability of unconventional (shale gas) gas supplies.

Sales into the “Other” market category increased year-over-year by 13% due to rising prices and flat volumes between years. The industries in this category focus on upgrading overall quality, improving product performance through increased efficiency, prolonging product life and lowering long-term costs. Companies in these industries are looking to achieve these goals through the use of "Advanced Materials" which supports the increased use of high-performance alloys in an expanding number of applications. In addition to supporting and expanding the traditional businesses of flue-gas desulphurization, automotive, oil and gas and heat treating, the Company expects increased levels of activity in non-traditional markets such as solar, nuclear and silicon feed-stock production applications. Based on our backlog balance and order entry activity, it is anticipated that the Company will experience an improved level of revenue for this category in fiscal 2012.

Results of Operations

Year Ended September 30, 2011 Compared to Year Ended September 30, 2010

($ in thousands)

	Year Ended September 30,				Change	
	2010		2011		Amount	%
Net revenues	$381,543	100.0%	$542,896	100.0%	$161,353	42.3%
Cost of sales	327,712	85.9%	449,116	82.7%	121,404	37.0%
Gross profit	53,831	14.1%	93,780	17.3%	39,949	74.2%
Selling, general and administrative expense	35,470	9.3%	41,215	7.6%	5,745	16.2%
Research and technical expense	2,828	0.7%	3,259	0.6%	431	15.2%
Operating income	15,533	4.1%	49,306	9.1%	33,773	217.4%
Interest income	(209)	0.0%	(248)	0.0%	(39)	(18.7%)
Interest expense	150	0.0%	156	0.0%	6	4.0%
Income before income taxes	15,592	4.1%	49,398	9.1%	33,806	216.8%
Provision for income taxes	6,717	1.8%	18,270	3.4%	11,553	172.0%
Net income	$8,875	2.3%	$31,128	5.7%	$22,253	250.7%
Net income per share:						
Basic	$ 0.74		$ 2.55			
Diluted	$ 0.73		$ 2.54			
Weighted average shares outstanding:						
Basic	12,049,779		12,067,555			
Diluted	12,159,529		12,149,866			

Non-GAAP Measure

This Annual Report on Form 10-K includes the non-GAAP financial measures described below. The non-GAAP financial information should be considered supplemental to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. However, we believe that non-GAAP reporting, giving effect to the adjustments shown in the reconciliation contained in the attached financial statements, provides meaningful information and therefore we use it to supplement our GAAP disclosures. These non-GAAP measures may be different than those used by other companies. We have chosen to provide this supplemental information to investors, analysts and other interested parties to enable them to perform additional analyses of operating results, to illustrate the results of operations giving effect to the non-GAAP adjustments shown in the reconciliations and to provide an additional measure of performance.

In fiscal 2011, the Company recorded a one-time non-cash tax charge to reduce its deferred tax asset due to an enacted state income tax rate reduction. This type of charge has not occurred frequently and is not expected to occur again in the foreseeable future. The Company believes that excluding this charge will provide investors with a basis to compare the Company's core operating results in different periods without this variability.

	Year Ended September 30, 2010	Year Ended September 30, 2011
Reconciliation of non-GAAP net income:		
Net income excluding non-cash tax charge	$ 8,875	$ 31,860
Tax charge to reduce deferred tax asset due to an enacted state income tax rate reduction	–	732
Net income as reported	$ 8,875	$ 31,128
Reconciliation of non-GAAP EPS:		
Diluted earnings per share excluding non-cash tax charge	$ 0.73	$ 2.60
Tax charge to reduce deferred tax asset due to an enacted state income tax rate reduction	–	0.06
Diluted earnings per share as reported	$ 0.73	$ 2.54

The following table includes a breakdown of net revenues, shipments, and average selling prices to the markets served by Haynes for the periods shown.

By market

	Year Ended September 30,		Change	
	2010	2011	Amount	%
Net revenues **(dollars in thousands)**				
Aerospace	$138,402	$203,561	$65,159	47.1%
Chemical processing	87,684	149,973	62,289	71.0%
Land-based gas turbines	74,208	98,224	24,016	32.4%
Other markets	68,067	76,667	8,600	12.6%
Total product revenue	368,361	528,425	160,064	43.5%
Other revenue	13,182	14,471	1,289	9.8%
Net revenues	$381,543	$542,896	$161,353	42.3%
Pounds by market **(in thousands)**				
Aerospace	5,976	8,120	2,144	35.9%
Chemical processing	4,208	6,965	2,757	65.5%
Land-based gas turbines	4,595	5,546	951	20.7%
Other markets	3,043	2,999	(44)	(1.5)%
Total shipments	17,822	23,630	5,808	32.6%
Average selling price per pound				
Aerospace	$23.16	$25.07	$1.91	8.2%
Chemical processing	20.84	21.53	0.69	3.3%
Land-based gas turbines	16.15	17.71	1.56	9.7%
Other markets	22.37	25.56	3.19	14.3%
Total product (excluding other revenue)	20.67	22.36	1.69	8.2%
Total average selling price (including other revenue)	$21.41	$22.97	$1.56	7.3%

Net Revenues. Net revenues were $542.9 million in fiscal 2011, an increase of 42.3% from $381.5 million in fiscal 2010, due to increases in volume and average selling price per pound. Volume was 23.6 million pounds in fiscal 2011, an increase of 32.6% from 17.8 million pounds in fiscal 2010. The total average selling price was $22.97 per pound in fiscal 2011, an increase of 7.3% from $21.41 per pound in fiscal 2010. Average selling price increased due to improved customer demand, improved product mix and rising raw material costs, while volume increased due to improved customer demand. The Company's consolidated backlog was $273.4 million at September 30, 2011, an increase of 84.8% from $148.0 million at September 30, 2010. This increase reflects the combination of a 50.7% increase in backlog pounds and a 22.6% increase in backlog average selling price.

Sales to the aerospace market were $203.6 million in fiscal 2011, an increase of 47.1% from $138.4 million in fiscal 2010, due to a 35.9% increase in volume combined with an 8.2% increase in the average selling price per pound. The increase in the average selling price per pound is due to increased customer demand driven from restocking of the aero engine supply chain and higher raw material costs, while the increase in volume is due to improved customer demand.

Sales to the chemical processing market were $150.0 million in fiscal 2011, an increase of 71.0% from $87.7 million in fiscal 2010, due to a 65.5% increase in volume combined with a 3.3% increase in the average selling price per pound. Volume increased due to increases in project business attributed to an improving economic environment and new application development.

Sales to the land-based gas turbine market were $98.2 million in fiscal 2011, an increase of 32.4% from $74.2 million in fiscal 2010, due to an increase of 9.7% in the average selling price per pound combined with a 20.7% increase in volume. The increase in both volume and average selling price is due to increased original equipment manufacturer activity and rising raw material prices.

Sales to other markets were $76.7 million in fiscal 2011, an increase of 12.6% from $68.1 million in fiscal 2010, due to a 14.3% increase in average selling price per pound partially offset by a 1.5% decrease in volume. The increase in average selling price reflects a change to a mix of higher-value alloy and forms sold into the other market category.

Other Revenue. Other revenue was $14.5 million in fiscal 2011, an increase of 9.8% from $13.2 million in fiscal 2010. The increase is due primarily to higher conversion sales for processing of customer-owned product.

Cost of Sales. Cost of sales was $449.1 million, or 82.7% of net revenues, in fiscal 2011 compared to $327.7 million, or 85.9% of net revenues, in fiscal 2010. Cost of sales in fiscal 2011 increased by $121.4 million as compared to fiscal 2010 due to higher volume, higher raw material costs and increased production staffing to meet increased demand.

Selling, General and Administrative Expense. Selling, general and administrative expense was $41.2 million for fiscal 2011, an increase of $5.7 million, or 16.2%, from $35.5 million in fiscal 2010 due to higher headcount and personnel costs as well as higher business activity resulting in increased administrative and sales and marketing expenses. Selling, general and administrative expenses as a percentage of net revenues decreased to 7.6% for fiscal 2011, compared to 9.3% for fiscal 2010, due to increased revenues.

Research and Technical Expense. Research and technical expense was $3.2 million, or 0.6% of revenue, for fiscal 2011, an increase of $0.4 million from $2.8 million, or 0.7% of net revenues, in fiscal 2010. The increase in cost between periods is due to expenses related to the commercialization of new alloys.

Operating Income. As a result of the above factors, operating income in fiscal 2011 was $49.3 million compared to operating income of $15.5 million in fiscal 2010.

Income Taxes. Income tax expense was $18.3 million in fiscal 2011, an increase of $11.6 million from an expense of $6.7 million in fiscal 2010, due primarily to higher pretax income generated in fiscal 2011. The effective tax rate for fiscal 2011 was 37.0%, compared to 43.1% in fiscal 2010. During the third quarter of fiscal 2011, Indiana enacted a corporate income tax rate decrease from 8.5% to 6.5% to be phased in over a period of four years. Additional income tax expense of $0.7 million was recorded in the quarter reflecting our estimate of the decrease in the deferred tax asset, due to the lower state income tax rate. The prior year effective tax rate of 43.1% was primarily due to the impact of fixed permanent items on lower pretax earnings.

Net Income. As a result of the above factors, net income in fiscal 2011, including the one-time non-cash tax charge of $0.7 million, was $31.1 million, an increase of $22.3 million from net income of $8.9 million in fiscal 2010. Net income excluding the one-time non-cash tax charge was $31.9 million.

Year Ended September 30, 2010 Compared to Year Ended September 30, 2009

($ in thousands)

	Year Ended September 30,				Change	
	2009		2010		Amount	%
Net revenues	$438,633	100.0%	$381,543	100.0%	$(57,090)	(13.0)%
Cost of sales	416,150	94.9%	327,712	85.9%	(88,438)	(21.3)%
Gross profit	22,483	5.1%	53,831	14.1%	31,348	139.4%
Selling, general and administrative expense	36,207	8.3%	35,470	9.3%	(737)	(2.0)%
Research and technical expense	3,120	0.7%	2,828	0.7%	(292)	(9.4)%
Impairment of Goodwill	43,737	10.0%	—	—	(43,737)	(100.0)%
Operating income (loss)	(60,581)	(13.8)%	15,533	4.1%	76,114	125.6%
Interest income	(138)	0.0%	(209)	0.0%	(71)	(51.4)%
Interest expense	647	0.1%	150	0.0%	(497)	(76.8)%
Income (loss) before income taxes	(61,090)	(13.9)%	15,592	4.1%	76,682	125.5%
Provision for (benefit from) income taxes	(8,768)	(2.0)%	6,717	1.8%	15,485	176.6%
Net income (loss)	$(52,322)	(11.9)%	$8,875	2.3%	$61,197	117.0%

The following table includes a breakdown of net revenues, shipments and average selling prices to the markets served by Haynes for the periods shown.

By market

	Year Ended September 30,		Change	
	2009	2010	Amount	%
Net revenues **(dollars in thousands)**				
Aerospace	$160,038	$138,402	$(21,636)	(13.3)%
Chemical processing	109,655	87,684	(21,971)	(20.0)%
Land-based gas turbines	97,701	74,208	(23,493)	(24.0)%
Other markets	59,409	68,067	8,658	14.6%
Total product revenue	426,803	368,361	(58,442)	(13.7)%
Other revenue	11,830	13,182	1,352	11.4%
Net revenues	$438,633	$381,543	$(57,090)	(13.0)%
Pounds by markets **(in thousands)**				
Aerospace	5,949	5,976	27	0.5%
Chemical processing	4,531	4,208	(323)	(7.1)%
Land-based gas turbines	5,464	4,595	(869)	(15.9)%
Other markets	2,540	3,043	503	19.8%
Total shipments	18,484	17,822	(662)	(3.6)%
Average selling price per pound				
Aerospace	$26.90	$23.16	$(3.74)	(13.9)%
Chemical processing	24.20	20.84	(3.36)	(13.9)%
Land-based gas turbines	17.88	16.15	(1.73)	(9.7)%
Other markets	23.39	22.37	(1.02)	(4.4)%
Total product (excluding other revenue)	23.09	20.67	(2.42)	(10.5)%
Total average selling price (including other revenue)	$23.73	$21.41	$(2.32)	(9.8)%

Net Revenues. Net revenues were $381.5 million in fiscal 2010, a decrease of 13.0% from $438.6 million in fiscal 2009. Volume was 17.8 million pounds in fiscal 2010, a decrease of 3.6% from 18.5 million pounds in fiscal 2009. The total average selling price was $21.41 per pound in fiscal 2010, a decrease of 9.8% from $23.73 per pound in fiscal 2009. Increased competition and weakness in customer demand in the first half of fiscal 2010 unfavorably impacted both average selling price and volume in fiscal 2010 in all primary markets. The Company's consolidated backlog was $148.0 million at

September 30, 2010, an increase of 38.7% from $106.7 million at September 30, 2009. The increase in backlog reflects the combination of a 32.0% increase in backlog pounds and a 5.1% increase in backlog average selling price resulting primarily from the improving economic conditions and, to a lesser degree, rising raw material costs.

Sales to the aerospace market were $138.4 million in fiscal 2010, a decrease of 13.5% from $160.0 million in fiscal 2009, due to a 13.9% decrease in the average selling price per pound partially offset by a 0.5% increase in volume. Pricing decreased due to reduced market demand in fiscal 2010 as reflected in the reduction in air traffic and destocking of the aero engine supply chain starting in fiscal 2009 and continuing through the early part of fiscal 2010. Volumes remained flat in fiscal 2010 from 2009, however, the activity in the aerospace market improved in the last half of fiscal 2010 over the first half of fiscal 2010.

Sales to the chemical processing market were $87.7 million in fiscal 2010, a decrease of 20.0% from $109.7 million in fiscal 2009, due to a 13.9% decrease in the average selling price per pound combined with a 7.1% decrease in volume. Volume in this market is project-oriented in nature and the decline in fiscal 2010 was primarily due to the impact of the global economic recession on construction and maintenance activity in the market. Average selling price per pound decreased due to continued price competition.

Sales to the land-based gas turbine market were $74.2 million in fiscal 2010, a decrease of 24.0% from $97.7 million in fiscal 2009, due to a decrease of 9.7% in the average selling price per pound combined with a 15.9% decrease in volume. The decrease in both volume and average selling price is due to reduced manufacturing activity by original equipment manufacturers and increased price competition.

Sales to other markets were $68.1 million in fiscal 2010, an increase of 14.6% from $59.4 million in fiscal 2009, due to a 19.8% increase in volume and a 4.4% decrease in average selling price per pound. The increase in volume reflects the continued effort to sell into new applications, especially solar and nuclear fuel applications. The decline in average selling price reflects the competitive economic environment.

Other Revenue. Other revenue was $13.2 million in fiscal 2010, an increase of 11.4% from $11.8 million in fiscal 2009. The increase is due primarily to a reduction in customer returns.

Cost of Sales. Cost of sales was $327.7 million, or 85.9% of net revenues, in fiscal 2010 compared to $416.2 million, or 94.9% of net revenues, in fiscal 2009. Cost of sales in fiscal 2010 decreased by $88.4 million, or 21.3%, as compared to fiscal 2009 due to lower sales volume, lower raw material costs, workforce reductions and other reduced manufacturing expenses. This decrease was partially offset by reduced absorption of fixed manufacturing costs caused by lower production of sheet product.

Selling, General and Administrative Expense. Selling, general and administrative expense was $35.5 million in fiscal 2010, a decrease of $0.7 million, or 2.0%, from $36.2 million in fiscal 2009 due to lower business activity causing sales expenses to decline and workforce reductions in the second and fourth quarters of fiscal 2009. Selling, general and administrative expense as a percentage of net revenues increased to 9.3% for fiscal 2010 compared to 8.3% for fiscal 2009 due primarily to reduced revenues.

Research and Technical Expense. Research and technical expense was $2.8 million in fiscal 2010, or 0.7% of revenue, a decrease of $0.3 million from $3.1 million, or 0.7% of net revenues, in fiscal 2009 due to the reduction in workforce during the second and fourth quarters of fiscal 2009.

Impairment of Goodwill. An impairment charge of $43.7 million was recorded in the second quarter of fiscal 2009 due to weakening of the U.S. economy and the global credit crisis resulting in a reduction of the Company's market capitalization below its total shareholders' equity value for a sustained period of time. Please see Note 2 in the Notes to Consolidated Financial Statements contained elsewhere in this Form 10-K for additional information.

Operating Income (Loss). As a result of the above factors, operating income in fiscal 2010 was $15.5 million compared to an operating loss of $(60.6) million in fiscal 2009.

Interest Expense. Interest expense was $0.2 million in fiscal 2010, a decrease of $0.4 million from $0.6 million in fiscal 2009. The decrease is attributable to a lower average debt balance during fiscal 2010 (zero revolver at September 30, 2010). Interest expense includes the amortization of debt issuance costs associated with the Company's credit facility which was renewed in fiscal 2009.

Income Taxes. Income tax was an expense of $6.7 million in fiscal 2010, an increase of $15.5 million from a benefit of $(8.8) million in fiscal 2009, due to the company generating pretax income rather than pretax loss. The effective tax rate for fiscal 2010 was 43.1%, compared to 14.4% in fiscal 2009. The change in the effective tax rate is primarily attributable to the non-deductible goodwill impairment charge, which lowered the effective tax rate in fiscal 2009, combined with a change in the state apportionment factor, which lowered the blended state tax rate in fiscal 2010 resulting in an unfavorable reduction of our deferred tax asset.

Net Income (Loss). As a result of the above factors, net income in fiscal 2010 was $8.9 million, an increase of $61.2 million from a net loss of $(52.3) million in fiscal 2009.

Liquidity and Capital Resources

Comparative Cash Flow Analysis

During fiscal 2011, the Company's primary sources of cash were cash on hand and cash from operations, as detailed below. At September 30, 2011, the Company had a zero balance on the revolver and cash and cash equivalents of approximately $60.1 million compared to cash and cash equivalents of approximately $64.0 million at September 30, 2010.

Net cash provided by operating activities was $19.6 million in fiscal 2011, as compared to cash used in operating activities of $19.0 million in fiscal 2010. Net income of $31.1 million in fiscal year 2011 was $22.2 million higher as compared to $8.9 million in fiscal 2010. At September 30, 2011, inventory balances (net of foreign currency adjustments) were approximately $17.9 million higher than at September 30, 2010. This increase in inventory was a result of higher manufacturing volumes in the fourth quarter of fiscal 2011 compared to the fourth quarter of fiscal 2010. Cash used from an increase of accounts receivable was $24.8 million in fiscal 2011, as compared to $15.8 million for fiscal 2010, as a result of higher fourth quarter sales. Pension and postretirement benefits was a use of cash of $6.5 million in fiscal 2011. Cash of $18.0 million was generated from increased accounts payable due to higher purchases of raw materials. Net cash used in investing activities was $14.3 million in fiscal 2011, as a result of capital expenditure spending. Net cash used in financing activities was $9.3 million primarily due to the payment of $9.8 million in dividends to shareholders. As a result of the above, the cash balance decreased to $60.1 million at September 30, 2011 even though sales volumes have grown considerably.

Net cash used in operating activities was $19.0 million in fiscal 2010, as compared to cash provided by operating activities of $120.0 million in fiscal 2009. At September 30, 2010, inventory balances (net of foreign currency adjustments) were approximately $49.5 million higher than at September 30, 2009. This increase in inventory was a result of higher sales in the fourth quarter of fiscal 2010 compared to the fourth quarter of fiscal 2009, initiation of pull inventory and higher raw material costs. Cash used from an increase of accounts receivable was $15.8 million in fiscal 2010, as compared to cash generated of $50.9 million for fiscal 2009, as a result of higher fourth quarter sales. Pension and postretirement benefits was a use of cash of $8.4 million in fiscal 2010. The above factors were partially offset by cash generated from income taxes due to refunds of prior year taxes paid and cash generated from accounts payable due to higher purchases of raw materials. Net cash used in investing activities was $12.2 million in fiscal 2010, as a result of capital expenditure spending. Net cash used in financing activities was $9.9 million primarily due to the payment of $9.7 million in dividends to shareholders. As a result of the above, the cash balance decreased to $64.0 million at September 30, 2010.

Future Sources of Liquidity

The Company's sources of cash for fiscal 2012 are expected to consist primarily of cash generated from operations, cash on hand, and, if needed, borrowings under the U.S. revolving credit facility. The U.S. revolving credit facility provides borrowings in a maximum amount of $120.0 million, subject to a borrowing base formula and certain reserves. At September 30, 2011, the Company had cash of approximately $60.1 million, an outstanding balance of zero on the U.S. revolving credit facility and access to a total of approximately $120.0 million under the U.S. revolving credit facility, subject to borrowing base and certain reserves. Management believes that the resources described above will be sufficient to fund working capital requirements, planned capital expenditures, payments to our pension plan and dividends over the next twelve months.

U.S. Revolving Credit Facility

The Company and Wells Fargo Capital Finance, LLC ("Wells Fargo") successor by merger to Wachovia Capital Finance Corporation (Central) ("Wachovia"), entered into a Third Amended and Restated Loan and Security Agreement (the "Amended Agreement") with certain other lenders thereto with an effective date of July 14, 2011, which amended and restated the revolving credit facility between Haynes and Wachovia dated August 31, 2004 and amended and restated on November 18, 2008. The maximum revolving loan amount under the Amended Agreement is $120.0 million subject to a borrowing base formula and certain reserves. The Amended Agreement permits an increase in the maximum revolving loan amount from $120.0 million up to an aggregate amount of $170.0 million at the request of the borrowers. Borrowings under the U.S. revolving credit facility bear interest at the Company's option at either Wells Fargo's "prime rate", plus up to 0.75% per annum, or the adjusted Eurodollar rate used by the lender, plus up to 2.0% per annum. As of September 30, 2011, the U.S. revolving credit facility had an outstanding balance of zero. In addition, the Company must pay monthly in arrears a commitment fee of 0.25% per annum on the unused amount of the U.S. revolving credit facility total commitment. For letters of credit, the Company must pay 1.5% per annum on the daily outstanding balance of all issued letters of credit, plus customary fees for issuance, amendments and processing. The Company is subject to certain covenants as to fixed charge coverage ratios and other customary covenants, including covenants restricting the incurrence of indebtedness, the granting of liens and the sale of assets. The Company is permitted to pay dividends and repurchase common stock if certain financial metrics are met. As of September 30, 2011, the most recent required measurement date under the Amended Agreement, the Company was in compliance with these covenants. The U.S. revolving credit facility matures on July 14, 2016. Borrowings under the U.S. revolving credit facility are collateralized by a pledge of substantially all of the U.S. assets of the Company, including the equity interests in its U.S. subsidiaries, but excluding the four-high Steckel rolling mill and related assets, which are pledged to Titanium Metals Corporation to secure the performance of the Company's obligations under a Conversion Services Agreement with TIMET (see discussion of TIMET at Note 15). The U.S. revolving credit facility is also secured by a pledge of a 65% equity interest in each of the Company's direct foreign subsidiaries.

Future Uses of Liquidity

The Company’s primary uses of cash over the next twelve months are expected to consist of expenditures related to:

- Funding operations;
- Capital spending (detailed below);
- Pension plan funding; and
- Dividends to stockholders.

Capital spending in fiscal 2011 was $14.4 million compared to an original target of approximately $15.0 million, excluding any amounts for service center restructuring. The target for capital spending in fiscal 2012 is $27.1 million, which includes amounts for remelting capacity, four-high Steckel rolling mill upgrades, service center enhancement and the upgrade to the Company’s information system. See “Significant Events of Fiscal 2011- Capital Spending” in Item 7. Management’s Discussion and Analysis of Financial Conditions and Results of Operations contained elsewhere in this Form 10-K for additional discussion of actual capital spending.

Contractual Obligations

The following table sets forth the Company’s contractual obligations for the periods indicated, as of September 30, 2011:

	Payments Due by Period				
Contractual Obligations[1]	**Total**	**Less than 1 year**	**1-3 Years**	**3-5 Years**	**More than 5 years**
			(in thousands)		
Credit facility fees[2]	$1,627	$340	$680	$607	$—
Operating lease obligations	10,650	2,856	3,710	1,843	2,241
Capital lease obligations	272	33	66	66	107
Raw material contracts	39,304	39,304	—	—	—
Mill supplies contracts	122	122	—	—	—
Capital projects	21,392	21,392	—	—	—
External product conversion source	4,100	600	1,200	1,200	1,100
Pension plan[3]	89,775	16,295	39,720	33,760	—
Non-qualified pension plans	894	95	190	190	419
Other postretirement benefits[4]	50,000	5,000	10,000	10,000	25,000
Environmental post-closure monitoring	1,348	—	—	—	1,348

Total	$219,484	$86,037	$55,566	$47,666	$30,215

(1) Taxes are not included in the table. As of September 30, 2011, $323 related to the uncertain tax liability recorded in accordance with ASC 740-10, *Income Taxes*, and is excluded as it is not possible to determine in which period the tax liability might be paid out.

(2) As of September 30, 2011, the revolver balance was zero, therefore no interest is due. However, the Company is obligated to the Bank for unused line fees and quarterly management fees.

(3) The Company has a funding obligation to contribute $88,840 to the domestic pension plan and expects its U.K. subsidiary to contribute $935 to the U.K pension plan. These payments will be tax deductible. All benefit payments under the domestic pension plan will come from the plan and not the Company.

(4) Represents expected other postretirement benefits based upon anticipated timing of payments.

Inflation

While neither inflation nor deflation has had, nor do we expect them to have, a material impact on our operating results, there can be no assurance that our business will not be affected by inflation or deflation in the future. Historically, the Company has had the ability to pass on to customers both increases in consumable costs and material costs because of the value-added contribution the material makes to the final product. Raw material comprises the most significant portion of the product costs. Nickel, cobalt and molybdenum, the primary raw materials used to manufacture the Company's products, all have experienced significant fluctuations in price. In the future the Company may not be able to successfully offset rapid increases in the price of nickel or other raw materials. In the event that raw material price increases occur that the Company is unable to pass on to its customers, its cash flows or results of operations would be materially adversely affected.

Critical Accounting Policies and Estimates

Overview

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments, including those related to bad debts, inventories, income taxes, asset impairments, retirement benefits, matters related to product liability lawsuits and environmental matters. The process of determining significant estimates is fact specific and takes into account factors such as historical experience, current and expected economic conditions, product mix, pension asset mix and, in some cases, actuarial techniques, and various other factors that are believed to be reasonable under the circumstances. The results of this process form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. The Company routinely reevaluates these significant factors and makes adjustments where facts and circumstances dictate. Actual results may differ from these estimates under different assumptions or conditions.

The Company's accounting policies are more fully described in Note 2 in the Notes to the Consolidated Financial Statements included in Item 8 of this Form 10-K. The Company has identified certain critical accounting policies, which are described below. The following listing of policies is not intended to be a comprehensive list of all of the Company's accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by generally accepted accounting principles, with no need for management's judgment in their application. There are also areas in which management's judgment in selecting any available alternative would not produce a materially different result.

Revenue Recognition

Revenue is recognized when collectability is reasonably assured and when title passes to the customer which is generally at the time of shipment (F.O.B. shipping point or at a foreign port for certain export customers). Allowances for sales returns are recorded as a component of net revenues in the periods in which the related sales are recognized. Management determines this allowance based on historical experience. Should returns increase above historical experience, additional allowances may be required.

Pension and Postretirement Benefits

The Company has defined benefit pension and postretirement plans covering most of its current and former employees. Significant elements in determining the assets or liabilities and related income or expense for these plans are the expected return on plan assets (if any), the discount rate used to value future payment streams, expected trends in health care costs, and other actuarial assumptions. Annually, the Company evaluates the significant assumptions to be used to value its pension and postretirement plan assets and liabilities based on current market conditions and expectations of future costs. If actual results are less favorable than those projected by management, additional expense may be required in future periods.

The selection of the Plan's assumption for the expected long-term rate of return on plan assets is based upon the Plan's target allocation of 60% equities and 40% bonds, and the expected rate of return for each equity/bond asset class. Based upon the target allocation and each asset class's expected return, the Plan's return on assets assumption of 8.00% is reasonable, and represents a decrease from last year's assumption of 8.50%. The Company also realizes that historical performance is no guarantee of future performance.

In the short term, substantial decreases in plan assets will result in higher plan funding contribution levels and higher pension expenses. A decrease of 25 basis points in the expected long-term rate of return on plan assets would result in an increase in annual pension expense of about $331,000. To the extent that the actual return on plan assets during the year exceeds or falls short of the assumed long-term rate of return, an asset gain or loss is created. Gains and losses are generally amortized over a 7-year period. As an example, each $1.0 million in asset loss created by unfavorable investment performance results in seven annual payments (contributions) of approximately $180,000 depending upon the precise effective interest rate in the valuation and the timing of the contribution.

Decreases in discount rates used to value future payment streams will result in higher liabilities for pension and postretirement plans. A decrease of 25 basis points would result in $8.3 million higher liability for the U.S. pension plan and $4.0 million higher liability for the postretirement plan. This increase in liability would also increase the accumulated other comprehensive loss that would be amortized as higher pension and postretirement expense over an amortization period of approximately 8.5 and 10.5 years, respectively.

Salaried employees hired after December 31, 2005 and hourly employees hired after June 30, 2007 are not covered by the pension plan; however, they are eligible for an enhanced matching program of the defined contribution plan (401(k)). Effective December 31, 2007, the U.S. pension plan was amended to freeze benefits for all non-union employees in the U.S. Effective September 30, 2009, the U.K. pension plan was amended to freeze benefits for employees in the plan.

Impairment of Long-lived Assets, Goodwill and Other Intangible Assets

The Company reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets to be held and used is measured by a comparison of the carrying amount of the asset to the undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount exceeds the fair value of the asset. The Company reviewed goodwill for impairment annually or more frequently if events or circumstances indicated that the carrying amount of goodwill may be impaired. During the second quarter of fiscal 2009, the Company determined that the weakening of the U.S. economy and the global credit crisis resulted in a reduction of the Company's market capitalization below its total shareholder's equity value for a sustained period of time, which is an indication that goodwill may be impaired. As a result, the Company performed an interim step one goodwill impairment analysis as of February 28, 2009 which indicated impairment.

As a result, the Company recorded a non-cash charge of $43,737 for goodwill impairment in the second quarter of fiscal 2009. Accordingly, no goodwill impairment analysis was required for the year ending September 30, 2010 or thereafter. The Company reviews trademarks for impairment annually or more often if necessary and concluded no impairment adjustment was necessary.

Share-Based Compensation

Restricted Stock Plan

On February 23, 2009, the Company adopted a restricted stock plan that reserved 400,000 shares of common stock for issuance. Grants of restricted stock are grants of shares of the Company's common stock subject to transfer restrictions, which vest in accordance with the terms and conditions established by the Compensation Committee. The Compensation

Committee may set restrictions based on the achievement of specific performance goals, and vesting of grants to participants will also be time-based.

Restricted shares are subject to forfeiture if employment or service terminates prior to the vesting period or if the performance goal is not met. The Company will assess, on an ongoing basis, the probability of whether the performance criteria will be achieved. The Company will recognize compensation expense over the performance period if it is deemed probable that the goal will be achieved. The fair value of the Company's restricted stock is determined based upon the closing price of the Company's common stock on the grant date. The plan provides for the adjustment of the number of shares covered by an outstanding grant and the maximum number of shares for which restricted stock may be granted in the event of a stock split, extraordinary dividend or distribution or similar recapitalization event.

Stock Option Plans

The Company has two stock option plans that authorize the granting of non-qualified stock options to certain key employees and non-employee directors for the purchase of a maximum of 1,500,000 shares of the Company's common stock. The original option plan was adopted in August 2004 pursuant to the plan of reorganization and provides for the grant of options to purchase up to 1,000,000 shares of the Company's common stock. In January 2007, the Company's Board of Directors adopted a second option plan that provides for options to purchase up to 500,000 shares of the Company's common stock. Each plan provides for the adjustment of the maximum number of shares for which options may be granted in the event of a stock split, extraordinary dividend or distribution or similar recapitalization event. Unless the Compensation Committee determines otherwise, options granted under the option plans are exercisable for a period of ten years from the date of grant and vest $33^1/_3$% per year over three years from the grant date. The amount of compensation cost recognized in the financial statements is measured based upon the grant date fair value. The fair value of the option grants is estimated on the date of grant using the Black-Scholes option pricing model with assumptions on dividend yield, risk-free interest rate, expected volatilities, expected forfeiture rate and expected lives of the options.

Income Taxes

The Company accounts for deferred tax assets and liabilities using enacted tax rates for the effect of temporary differences between book and tax basis of recorded assets and liabilities. A valuation allowance is required if it is more likely than not that some portion or all of the deferred tax assets will not be realized. The determination of whether or not a valuation allowance is needed is based upon an evaluation of both positive and negative evidence. In its evaluation of the need for a valuation allowance, the Company assesses prudent and feasible tax planning strategies. The ultimate amount of deferred tax assets realized could be different from those recorded, as influenced by potential changes in enacted tax laws and the availability of future taxable income.

On October 1, 2007, the Company adopted guidance prescribing a recognition threshold and measurement attribute for financial statement recognition and measurement of tax positions taken or expected to be taken in an income tax return. It also provides guidance related to reversal of tax positions, balance sheet classification, interest and penalties, interim period accounting, disclosure and transition.

Recently Issued Accounting Pronouncements

See Note 2. – Summary of Significant Accounting Policies of Notes to Consolidated Financial Statements for information regarding New Accounting Standards.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the potential loss arising from adverse changes in market rates and prices. The Company is exposed to various market risks, including changes in interest rates, foreign currency exchange rates and the price of nickel, which is a commodity.

Changes in interest rates affect the Company's interest expense on variable rate debt. All of the Company's revolver availability is at a variable rate at September 30, 2010 and 2011. The Company's outstanding variable rate debt was zero at September 30, 2010 and 2011. The Company has not entered into any derivative instruments to hedge the effects of changes in interest rates.

The foreign currency exchange risk exists primarily because the foreign subsidiaries maintain receivables and payables denominated in currencies other than their functional currency. The foreign subsidiaries manage their own foreign currency exchange risk. The U.S. operations transact their foreign sales in U.S. dollars, thereby avoiding fluctuations in foreign exchange rates. Any exposure aggregating more than $500,000 requires approval from the Company's Vice President of Finance. The Company is not currently party to any currency contracts.

Fluctuations in the price of nickel, the Company's most significant raw material, subject the Company to commodity price risk. The Company manages its exposure to this market risk through internally established policies and procedures, including negotiating raw material escalators within product sales agreements, and continually monitoring and revising customer quote amounts to reflect the fluctuations in market prices for nickel. The Company does not presently use derivative instruments to manage this market risk, but may in the future. The Company monitors its underlying market risk exposure from a rapid change in nickel prices on an ongoing basis and believes that it can modify or adapt its strategies as necessary. The Company periodically purchases raw material forward with certain suppliers. However, there is a risk that the Company may not be able to successfully offset a rapid increase in the cost of raw material in the future as it has been able to in the past.

Item 8. Financial Statements and Supplementary Data

HAYNES INTERNATIONAL, INC. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Audited Consolidated Financial Statements of Haynes International, Inc. and Subsidiaries as of September 30, 2011 and 2010 and for the years ended September 30, 2011, September 30, 2010 and September 30, 2009

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Haynes International, Inc.
Kokomo, IN

We have audited the accompanying consolidated balance sheets of Haynes International, Inc. and subsidiaries (the "Company") as of September 30, 2011 and 2010, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended September 30, 2011. We also have audited the Company's internal control over financial reporting as of September 30, 2011, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our 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 audit 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 by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel 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 (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) 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 (3) 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 the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Haynes International Inc. and subsidiaries as of September 30, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2011, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2011, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ DELOITTE & TOUCHE LLP
Indianapolis, IN
November 17, 2011

HAYNES INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	September 30, 2010	September 30, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$63,968	$60,062
Restricted cash—current portion	110	—
Accounts receivable, less allowance for doubtful accounts of $1,116 and $1,129 respectively	62,851	87,680
Inventories	231,783	250,051
Income taxes receivable	698	2,573
Deferred income taxes	10,554	9,341
Other current assets	1,666	1,728
Total current assets	371,630	411,435
Property, plant and equipment, net	107,043	110,678
Deferred income taxes—long term portion	62,446	65,113
Prepayments and deferred charges	3,753	2,903
Other intangible assets, net	6,671	6,440
Total assets	$551,543	$596,569
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$34,284	$49,086
Accrued expenses	15,780	19,698
Revolving credit facility	—	—
Accrued pension and postretirement benefits	18,758	21,390
Deferred revenue—current portion	2,500	2,500
Current maturities of long-term obligations	109	—
Total current liabilities	71,431	92,674
Long-term obligations (less current portion)	1,324	1,348
Deferred revenue (less current portion)	37,829	35,329
Non-current income taxes payable	308	323
Accrued pension and postretirement benefits	174,802	194,042
Total liabilities	285,694	323,716
Commitments and contingencies (Notes 9 and 10)	—	—
Stockholders' equity:		
Common stock, $0.001 par value (40,000,000 shares authorized, 12,144,079 and 12,204,179 shares issued and outstanding at September 30, 2010 and September 30, 2011, respectively)	12	12
Preferred stock, $0.001 par value (20,000,000 shares authorized, 0 shares issued and outstanding)	—	—
Additional paid-in capital	229,197	231,842
Accumulated earnings	102,677	124,047
Accumulated other comprehensive loss	(66,037)	(83,048)
Total stockholders' equity	265,849	272,853
Total liabilities and stockholders' equity	$551,543	$596,569

The accompanying notes are an integral part of these consolidated financial statements.

HAYNES INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share data)

	Year Ended September 30, 2009	Year Ended September 30, 2010	Year Ended September 30, 2011
Net revenues	$438,633	$381,543	$542,896
Cost of sales	416,150	327,712	449,116
Gross profit	22,483	53,831	93,780
Selling, general and administrative expense	36,207	35,470	41,215
Research and technical expense	3,120	2,828	3,259
Impairment of goodwill	43,737	—	—
Operating income (loss)	(60,581)	15,533	49,306
Interest income	(138)	(209)	(248)
Interest expense	647	150	156
Income (loss) before income taxes	(61,090)	15,592	49,398
Provision for (benefit from) income taxes	(8,768)	6,717	18,270
Net income (loss)	$(52,322)	$8,875	$31,128
Net income (loss) per share:			
Basic	$(4.36)	$0.74	$2.55
Diluted	$(4.36)	$0.73	$2.54
Weighted average shares outstanding:			
Basic	12,004,498	12,049,779	12,067,555
Diluted	12,004,498	12,159,529	12,149,866

The accompanying notes are an integral part of these consolidated financial statements.

HAYNES INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands)

	Year Ended September 30, 2009	Year Ended September 30, 2010	Year Ended September 30, 2011
Net income (loss)	$(52,322)	$8,875	$31,128
Other comprehensive loss, net of tax:			
Pension curtailment	282	—	—
Pension and postretirement	(49,637)	(13,042)	(17,656)
Foreign currency translation adjustment	(980)	(539)	645
Other comprehensive loss	(50,335)	(13,581)	(17,011)
Comprehensive income (loss)	$(102,657)	$(4,706)	$14,117

The accompanying notes are an integral part of these consolidated financial statements.

HAYNES INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except share data)

	Common Stock Shares	Common Stock Par	Additional Paid-in Capital	Accumulated Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance September 30, 2008	11,984,623	$12	$225,821	$155,831	$(2,121)	$379,543
Net loss				(52,322)		(52,322)
Other comprehensive loss					(50,335)	(50,335)
Exercise of stock options	65,156		955			955
Tax impact of forfeited vested options			(351)			(351)
Issue restricted stock (less forfeitures)	52,050					
Stock compensation			1,309			1,309
Balance September 30, 2009	12,101,829	12	227,734	103,509	(52,456)	278,799
Net income				8,875		8,875
Dividends paid				(9,707)		(9,707)
Other comprehensive loss					(13,581)	(13,581)
Tax impact of forfeited vested options			(74)			(74)
Issue restricted stock (less forfeitures)	42,250					
Stock compensation			1,537			1,537
Balance September 30, 2010	12,144,079	12	229,197	102,677	(66,037)	265,849
Net income				31,128		31,128
Dividends paid				(9,758)		(9,758)
Other comprehensive loss					(17,011)	(17,011)
Exercise of stock options	28,400		872			872
Tax impact of forfeited vested options			(10)			(10)
Tax impact of dividends on restricted stock			31			31
Issue restricted stock (less forfeitures)	31,700					
Stock compensation			1,752			1,752
Balance September 30, 2011	12,204,179	$12	$231,842	$124,047	$(83,048)	$272,853

The accompanying notes are an integral part of these consolidated financial statements.

HAYNES INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended September 30, 2009	Year Ended September 30, 2010	Year Ended September 30, 2011
Cash flows from operating activities:			
Net income (loss)	$(52,322)	$8,875	$31,128
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation	10,450	11,316	11,528
Amortization	993	559	561
Impairment of goodwill	43,737	—	—
Stock compensation expense	1,309	1,537	1,752
Excess tax benefit from option exercises	21	—	(166)
Deferred revenue	(2,501)	(2,500)	(2,500)
Deferred income taxes	3,887	2,661	9,044
Loss on disposition of property	169	232	145
Change in assets and liabilities:			
Accounts receivable	50,901	(15,786)	(24,806)
Inventories	120,980	(49,483)	(17,859)
Other assets	2,035	(2,130)	805
Accounts payable and accrued expenses	(14,234)	10,481	17,966
Income taxes	(31,553)	23,653	(1,540)
Accrued pension and postretirement benefits	(13,890)	(8,434)	(6,454)
Net cash provided by (used in) operating activities	119,982	(19,019)	19,604
Cash flows from investing activities:			
Additions to property, plant and equipment	(9,303)	(12,340)	(14,445)
Change in restricted cash	110	110	110
Net cash used in investing activities	(9,193)	(12,230)	(14,335)
Cash flows from financing activities:			
Dividends paid	—	(9,707)	(9,758)
Net decrease in revolving credit facility	(11,812)	—	—
Proceeds from exercise of stock options	976	—	706
Excess tax benefit from option exercises	(21)	—	166
Payment for debt issuance cost	(316)	—	(330)
Changes in long-term obligations	(1,505)	(159)	(85)
Net cash used in financing activities	(12,678)	(9,866)	(9,301)
Effect of exchange rates on cash	(74)	(12)	126
Increase (decrease) in cash and cash equivalents:	98,037	(41,127)	(3,906)
Cash and cash equivalents:			
Beginning of period	7,058	105,095	63,968
End of period	$105,095	$63,968	$60,062
Supplemental disclosures of cash flow information:			
Cash paid during period for:			
Interest (net of capitalized interest)	$566	$40	$33
Income taxes paid (refunded), net	$20,869	$(19,460)	$10,736
Capital expenditures incurred but not yet paid	$606	$916	$1,539

The accompanying notes are an integral part of these consolidated financial statements.

Note 1 Background and Organization

Description of Business

Haynes International, Inc. and its subsidiaries (the “Company” or “Haynes”) develops, manufactures, markets and distributes technologically advanced, high-performance alloys primarily for use in the aerospace, land-based gas turbine and chemical processing industries. The Company’s products are high-temperature resistant alloys (“HTA”) and corrosion-resistant alloys (“CRA”). The Company’s HTA products are used by manufacturers of equipment that is subjected to extremely high temperatures, such as jet engines for the aerospace industry, gas turbine engines for power generation, waste incineration and industrial heating equipment. The Company’s CRA products are used in applications that require resistance to extreme corrosion, such as chemical processing, power plant emissions control and hazardous waste treatment. The Company produces its high-performance alloys primarily in sheet, coil and plate forms. In addition, the Company produces its products as seamless and welded tubulars, and in slab, bar, billets and wire forms.

High-performance alloys are characterized by highly engineered often proprietary, metallurgical formulations primarily of nickel, cobalt and other metals with complex physical properties. The complexity of the manufacturing process for high-performance alloys is reflected in the Company’s relatively high average selling price per pound, compared to the average selling price of other metals, such as carbon steel sheet, stainless steel sheet and aluminum. The high-performance alloy industry has significant barriers to entry such as the combination of (i) demanding end-user specifications, (ii) a multi-stage manufacturing process and (iii) the technical sales, marketing and manufacturing expertise required to develop new applications.

Note 2 Summary of Significant Accounting Policies

A. Principles of Consolidation and Nature of Operations

The consolidated financial statements include the accounts of Haynes International, Inc. and its wholly-owned subsidiaries. All intercompany transactions and balances are eliminated. The Company has manufacturing facilities in Kokomo, Indiana; Mountain Home, North Carolina; and Arcadia, Louisiana with distribution service centers in Lebanon, Indiana; LaMirada, California; Houston, Texas; Windsor, Connecticut; Openshaw, England; Lenzburg, Switzerland; Shanghai, China; and sales offices in Paris, France; Singapore; Milan, Italy; and Chennai, India.

B. Cash and Cash Equivalents

The Company considers all highly liquid investment instruments, including investments with original maturities of three months or less at acquisition, to be cash equivalents, the carrying value of which approximates fair value due to the short maturity of these investments.

C. Accounts Receivable

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. The Company markets its products to a diverse customer base, both in the United States of America and overseas. Trade credit is extended based upon evaluation of each customer’s ability to perform its obligation, which is updated periodically. The Company purchases credit insurance for certain foreign trade receivables.

D. Revenue Recognition

The Company recognizes revenue when collectability is reasonably assured and when title passes to the customer, which is generally at the time of shipment with freight terms of FOB shipping point or at a foreign port for certain export customers. Allowances for sales returns are recorded as a component of net sales in the periods in which the related sales are recognized. The Company determines this allowance based on historical experience.

E. Inventories

Inventories are stated at the lower of cost or market. The cost of inventories is determined using the first-in, first-out ("FIFO") method. The Company writes down its inventory for estimated obsolescence or unmarketable inventory in an amount equal to the difference between the cost of inventory and the estimated market or scrap value, if applicable, based upon assumptions about future demand and market conditions.

F. Intangible Assets and Goodwill

Goodwill was created primarily as a result of the Company's reorganization pursuant to Chapter 11 of the U.S. Bankruptcy Code and fresh start accounting. Goodwill was not amortized and the value of goodwill was reviewed at least annually for impairment. If the carrying value of goodwill exceeded its fair value, impairment of goodwill could exist resulting in a charge to earnings to the extent of goodwill impairment. The Company estimated fair value using a combination of a market value approach using quoted market prices and an income approach using discounted cash flow projections.

During the second quarter of fiscal 2009, the Company determined that the weakening of the U.S. economy and the global credit crisis resulted in a reduction of the Company's market capitalization below its total shareholder's equity value for a sustained period of time, which is an indication that goodwill may be impaired. As a result, the Company performed goodwill impairment analysis as of February 28, 2009 which indicated impairment. As a result, the Company recorded a non-cash charge of $43,737 for goodwill impairment in the second quarter of fiscal 2009 and fully impaired the goodwill, which was primarily non-deductible for tax purposes.

The Company also has patents, trademarks and other intangibles. As the patents have a definite life, they are amortized over lives ranging from two to fourteen years. As the trademarks have an indefinite life, the Company tests them for impairment at least annually. If the carrying value exceeds the fair value (determined by calculating a fair value based upon a discounted cash flow of an assumed royalty rate), impairment of the trademark may exist resulting in a charge to earnings to the extent of the impairment. The Company has non-compete agreements with remaining lives of 1 to 4 years. Amortization of the patents, non-competes and other intangibles was $993, $559 and $561 for the years ended September 30, 2009, 2010 and 2011, respectively.

The Company reviews trademarks for impairment at least annually as of August 31 (the annual impairment testing date). No impairment was recognized in the year ended September 30, 2010 or 2011 because the fair value exceeded the carrying values.

The following represents a summary of intangible assets at September 30, 2010 and 2011:

September 30, 2010	**Gross Amount**	**Accumulated Amortization**	**Carrying Amount**
Patents	$8,667	$(6,333)	$2,334
Trademarks	3,800	—	3,800
Non-compete	1,090	(664)	426
Other	316	(205)	111
	$13,873	$(7,202)	$6,671

September 30, 2011	**Gross Amount**	**Accumulated Amortization**	**Carrying Amount**
Patents	$8,667	$(6,612)	$2,055
Trademarks	3,800	-	3,800
Non-compete	1,090	(820)	270
Other	646	(331)	315
	$14,203	$(7,763)	$6,440

Estimate of Aggregate Amortization Expense: Year Ended September 30,	
2012	424
2013	416
2014	416
2015	394
2016	330

G. Property, Plant and Equipment

Additions to property, plant and equipment are recorded at cost with depreciation calculated primarily by using the straight-line method based on estimated economic useful lives which are generally as follows:

Building and improvements	40 years
Machinery and equipment	5–14 years
Office equipment and computer software	3–10 years
Land improvements	20 years

Expenditures for maintenance and repairs and minor renewals are charged to expense; major renewals are capitalized. Upon retirement or sale of assets, the cost of the disposed assets and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is credited or charged to operations.

The Company records capitalized interest for long-term construction projects to capture the cost of capital committed prior to the placed in service date as a part of the historical cost of acquiring the asset. Interest is not capitalized when balance on the revolver is zero.

The Company reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets to be held and used is measured by a comparison of the carrying amount of the asset to the undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount exceeds the fair value of the asset. No impairment was recognized in the year ended September 30, 2009 as a result of the evaluation performed, because the fair value exceeded the carrying values. There was no triggering event during the years ended September 30, 2010 or 2011.

H. Environmental Remediation

When it is probable that a liability has been incurred or an asset of the Company has been impaired, a loss is recognized assuming the amount of the loss can be reasonably estimated. The measurement of environmental liabilities by the Company is based on currently available facts, present laws and regulations, and current technology. Such estimates take into consideration the expected costs of post-closure monitoring based on historical experience.

I. Pension and Postretirement Benefits

The Company has defined benefit pension and postretirement plans covering most of its current and former employees. Significant elements in determining the assets or liabilities and related income or expense for these plans are the expected return on plan assets, the discount rate used to value future payment streams, expected trends in health care costs, and other actuarial assumptions. Annually, the Company evaluates the significant assumptions to be used to value its pension and postretirement plan assets and liabilities based on current market conditions and expectations of future costs. If actual results are less favorable than those projected by management, additional expense may be required in future periods. Salaried employees hired after December 31, 2005 and hourly employees hired after June 30, 2007 are not covered by the pension plan; however, they are eligible for an enhanced matching program of the defined contribution plan (401(k)). Effective December 31, 2007, the U.S. pension plan was amended to freeze benefits for all non-union employees in the U.S. Effective September 30, 2009, the U.K. pension plan was amended to freeze benefits for employees in the plan.

J. Foreign Currency Exchange

The Company's foreign operating entities' financial statements are stated in the functional currencies of each respective country, which are the local currencies. All assets and liabilities are translated to U.S. dollars using exchange rates in effect at the end of the year, and revenues and expenses are translated at the weighted average rate for the year. Translation gains or losses are recorded as a separate component of comprehensive income (loss) and transaction gains and losses are reflected in the consolidated statements of operations.

K. Research and Technical Costs

Research and technical costs related to the development of new products and processes are expensed as incurred. Research and technical costs for the years ended September 30, 2009, 2010 and 2011, were $3,120, $2,828 and $3,259, respectively.

L. Income Taxes

The Company accounts for deferred tax assets and liabilities using enacted tax rates for the effect of temporary differences between book and tax basis of recorded assets and liabilities. A valuation allowance is required if it is more likely than not that some portion or all of the deferred tax assets will not be realized. The determination of whether or not a valuation allowance is needed is based upon an evaluation of both positive and negative evidence. In its evaluation of the need for a valuation allowance, the Company assesses prudent and feasible tax planning strategies. The ultimate amount of deferred tax assets realized could be different from those recorded, as influenced by potential changes in enacted tax laws and the availability of future taxable income.

M. Stock Based Compensation

Restricted Stock Plan

On February 23, 2009, the Company adopted a restricted stock plan that reserved 400,000 shares of common stock for issuance. Grants of restricted stock are shares of the Company's common stock subject to transfer restrictions, which vest in accordance with the terms and conditions established by the Compensation Committee. The Compensation Committee may set restrictions on certain grants based on the achievement of specific performance goals and vesting of grants to participants will also be time-based.

Restricted stock grants are subject to forfeiture if employment or service terminates prior to the vesting period or if the performance goals are not met, if applicable. The Company will assess, on an ongoing basis, the probability of whether the performance criteria will be achieved. The Company will recognize compensation expense over the performance period if it is deemed probable that the goals will be achieved. The fair value of the Company's restricted stock is determined based upon the closing price of the Company's common stock on the grant date. The plan provides for the adjustment of the number of shares covered by an outstanding grant and the maximum number of shares for which restricted stock may be granted in the event of a stock split, extraordinary dividend or distribution or similar recapitalization event.

Stock Option Plans

The Company has two stock option plans that authorize the granting of non-qualified stock options to certain key employees and non-employee directors for the purchase of a maximum of 1,500,000 shares of the Company's common stock. The original option plan was adopted in August 2004 pursuant to the plan of reorganization and provides for the grant of options to purchase up to 1,000,000 shares of the Company's common stock. In January 2007, the Company's Board of Directors adopted a second option plan that provides for options to purchase up to 500,000 shares of the Company's common stock. Each plan provides for the adjustment of the maximum number of shares for which options may be granted in the event of a stock split, extraordinary dividend or distribution or similar recapitalization event. Unless the Compensation Committee determines otherwise, options granted under the option plans are exercisable for a period of ten years from the date of grant and vest $33^{1}/_{3}$% per year over three years from the grant date. The amount of compensation cost recognized in the financial statement is measured based upon the grant date fair value. The fair value of the option grants is estimated on the date of grant using the Black-Scholes option pricing model with assumptions on dividend yield, risk-free interest rate, expected volatilities, expected forfeiture rate, and expected lives of the options.

N. Financial Instruments and Concentrations of Risk

The Company may periodically enter into forward currency exchange contracts to minimize the variability in the Company's operating results arising from foreign exchange rate movements. The Company does not engage in foreign currency speculation. At September 30, 2010 and 2011, the Company had no foreign currency exchange contracts outstanding.

Financial instruments which potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents and accounts receivable. At September 30, 2011, and periodically throughout the year, the Company has maintained cash balances in excess of federally insured limits. The carrying amounts of cash and cash equivalents, accounts receivable, and accounts payable approximate fair value because of the relatively short maturity of these instruments.

During 2009, 2010 and 2011 the Company did not have sales to any group of affiliated customers that were greater than 10% of net revenues. The Company generally does not require collateral with the exception of letters of credit with certain foreign sales. Credit losses have been within management's expectations. In addition, the Company purchases credit insurance for certain foreign trade receivables. The Company does not believe it is significantly vulnerable to the risk of near-term severe impact from business concentrations with respect to customers, suppliers, products, markets or geographic areas.

O. Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments, including those related to bad debts, inventories, income taxes, asset impairment, retirement benefits, and environmental matters. The process of determining significant estimates is fact specific and takes into account factors such as historical experience, current and expected economic conditions, product mix, pension asset mix and in some cases, actuarial techniques, and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. The Company routinely reevaluates these significant factors and makes adjustments where facts and circumstances dictate. Actual results may differ from these estimates under different assumptions or conditions.

P. Earnings (Loss) Per Share

The Company accounts for earnings (loss) per share using the two-class method. The two-class method is an earnings allocation that determines net income per share for each class of common stock and participating securities according to participation rights in undistributed earnings. Non-vested restricted stock awards that include non-forfeitable rights to dividends are considered participating securities. Per share amounts are computed by dividing net income attributable to common shareholders by the weighted average shares outstanding during each period. Basic earnings (loss) per share is computed by dividing net income (loss) available to common stockholders for the period by the weighted average number of common shares outstanding for the period. The computation of diluted earnings (loss) per share is similar to basic earnings (loss) per share, except the denominator is increased to include the number of additional common shares that would have been outstanding if the potentially dilutive common shares had been issued.

Basic and diluted net income (loss) per share were computed as follows:

	Years ended September 30,		
(in thousands, except share and per share data)	**2009**	**2010**	**2011**
Numerator:			
Net income (loss)	$(52,322)	$8,875	$31,128
Less amount allocable to participating securities	—	—	(320)
Net income (loss) available for basic shareholders	(52,322)	8,875	30,808
Adjustment for dilutive potential common shares	—	—	(2)
Net income (loss) available for diluted common shares	$(52,322)	$8,875	$30,806
Denominator:			
Weighted average shares - Basic	12,004,498	12,049,779	12,067,555
Adjustment for dilutive potential common shares	—	109,750	82,311

Weighted average shares - Diluted	12,004,498	12,159,529	12,149,866
Basic net income (loss) per share	$(4.36)	$0.74	$2.55
Diluted net income (loss) per share	$(4.36)	$0.73	$2.54
Number of stock option shares excluded as their effect would be anti-dilutive	288,777	216,224	130,195
Number of restricted stock shares excluded as their performance goal is not yet met	31,050	42,300	50,950
Number of restricted stock shares excluded because of the net loss	21,000	—	—

Anti-dilutive shares with respect to outstanding stock options have been properly excluded from the computation of diluted net income (loss) per share.

Q. Recently Issued Accounting Pronouncements

In June 2011, the FASB issued ASU 2011-05, *Presentation of Comprehensive Income.* The objective of this update is to facilitate convergence of U.S. GAAP and International Financial Reporting Standards ("IFRS"). This update revises the manner in which entities present comprehensive income in their financial statements. Entities have the option to present total comprehensive income, the components of net income and the components of other comprehensive income as either a single, continuous statement of comprehensive income or as two separate but consecutive statements. The amendments of this update do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. The amendments in this update are to be applied retrospectively for all periods presented in the financial statements and are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The adoption of this guidance will not have a significant impact on the Company's consolidated financial statements.

R. Comprehensive Income (Loss)

Comprehensive income (loss) includes changes in equity that result from transactions and economic events from non-owner sources. Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss) items, including pension and foreign currency translation adjustments, net of tax when applicable.

	Year Ended September 30,								
	2009			2010			2011		
	Pre-tax	Tax	Net	Pre-tax	Tax	Net	Pre-tax	Tax	Net
Net income (loss)			$(52,322)			$8,875			$31,128
Other comprehensive income (loss):									
Pension curtailment	$392	$(110)	282	$—	$—	—	$—	$—	—
Pension and postretirement	(80,073)	30,436	(49,637)	(20,935)	7,893	(13,042)	(28,326)	10,670	(17,656)
Foreign currency translation adjustment	(980)	—	(980)	(539)	—	(539)	645	—	645
Other comprehensive income (loss)	$(80,661)	$30,326	$(50,335)	$(21,474)	$7,893	$(13,581)	$(27,681)	$10,670	(17,011)
Total comprehensive income (loss)			$(102,657)			$(4,706)			$14,117

The following is a breakdown of accumulated other comprehensive income (loss) net of tax effects:

	Accumulated Other Comprehensive Loss at September 30, 2010	Other Comprehensive Income (Loss) for the year ended September 30, 2011	Accumulated Other Comprehensive Income (Loss) at September 30, 2011
Foreign Currency Translation Adjustment	$(394)	$645	$251
Pension and Postretirement, including curtailment	(65,643)	(17,656)	(83,299)
	$(66,037)	$(17,011)	$(83,048)

Note 3 Inventories

Inventories are stated at the lower of cost or market. The cost of inventories is determined using the first-in, first-out (“FIFO”) method. The following is a summary of the major classes of inventories:

	September 30, 2010	September 30, 2011
Raw materials	$20,226	$22,430
Work-in-process	126,626	136,227
Finished goods	83,971	90,386
Other	960	1,008
	$231,783	$250,051

Note 4 Property, Plant and Equipment

The following is a summary of the major classes of property, plant and equipment:

	September 30, 2010	September 30, 2011
Land and land improvements	$5,068	$6,024
Buildings	14,763	15,960
Machinery and equipment	130,534	141,442
Construction in process	5,115	6,329
	155,480	169,755
Less accumulated depreciation	(48,437)	(59,077)
	$107,043	$110,678

The Company has $873 of assets under a capital lease for equipment related to the service center operation in Shanghai, China.

Note 5 Accrued Expenses

The following is a summary of the major classes of accrued expenses:

	September 30, 2010	September 30, 2011
Employee compensation	$8,733	$8,658
Advance payments from customers	2,775	6,166
Taxes, other than income taxes	2,091	2,284
Other	2,181	2,590
	$15,780	$19,698

Note 6 Income Taxes

The components of income before provision for income taxes are as follows:

	Year Ended September 30,		
	2009	2010	2011
Income (loss) before income taxes:			
U.S.	$(60,071)	$12,615	$44,244
Foreign	(1,019)	2,977	5,154
Total	$(61,090)	$15,592	$49,398
Provision for (benefit from) income taxes:			
Current:			
U.S. Federal	$(10,747)	$2,722	$5,952
Foreign	(183)	678	2,145
State	(2,111)	696	825
Total	(13,041)	4,096	8,922
Deferred:			
U.S. Federal	3,309	720	7,411
Foreign	(50)	147	(685)
State	1,014	1,754	2,308
Valuation Allowance	0	0	314
Total	4,273	2,621	9,348
Total provision for (benefit from) income taxes	$(8,768)	$6,717	18,270

The provision for (benefit from) income taxes applicable to results of operations differed from the U.S. federal statutory rate as follows:

	Year Ended September 30,		
	2009	2010	2011
Statutory federal tax rate	35%	35%	35%
Tax provision for (benefit from) income taxes at the statutory rate	$(21,381)	$5,457	$17,289
Foreign tax rate differentials	125	(216)	(342)
Provision for (benefit from) state taxes, net of federal taxes	(419)	468	1,289
U.S. tax on distributed and undistributed earnings (losses) of foreign subsidiaries	(1,158)	165	0
Manufacturer’s deduction	—	(193)	(910)
Tax credits	(490)	(476)	(713)
Nondeductible goodwill	14,438	—	—
State tax rate reduction impact on deferred tax asset	379	1,149	1,228
Change in Valuation Allowance	0	0	314
Other, net	(262)	363	115
Provision for (benefit from) income taxes at effective tax rate	$(8,768)	$6,717	18,270

During both fiscal 2010 and fiscal 2011, the Company's effective tax rate increased due to the revaluation of the Company's deferred tax assets at a lower blended state income tax rate. However, the impact on the effective tax rate in 2011 was lower due to the Company's higher profitability. Also in fiscal 2011, the effective rate decreased due to additional tax credits.

During fiscal 2009, the Company’s effective tax rate was impacted by the impairment of non-deductible goodwill, a change in the reinvestment policy of a foreign entity, and a change in the state apportionment factor which lowered the blended state tax rate resulting in an unfavorable reduction of our deferred tax asset.

Deferred tax assets (liabilities) are comprised of the following:

	September 30, 2010	September 30, 2011
Current deferred tax assets (liabilities):		
Inventories	$3,608	$3,106
Pension and postretirement benefits	3,725	3,638
Accrued expenses and other	560	585
Accrued compensation and benefits	1,249	978
Tax attributes	472	109
TIMET Agreement	940	925
Total net current deferred tax assets	10,554	9,341
Noncurrent deferred tax assets (liabilities):		
Property, plant and equipment, net	(18,619)	(22,960)
Intangible assets	(1,367)	(1,973)
Pension and postretirement benefits	65,420	72,072
Accrued compensation and benefits	2,205	2,556
TIMET Agreement	14,223	13,099
Tax attributes	0	1,337
Other accruals	584	1,296
	62,446	65,427
Valuation Allowance	0	(314)
Total net noncurrent deferred tax assets	62,446	65,113
Net deferred tax assets (liabilities)	$73,000	74,454

The Company has $1,446 of other tax attributes, most of which are foreign. During fiscal year 2011, the Company recorded a valuation allowance against $314 of foreign losses. These losses are available to be carried forward indefinitely. These attributes will generally expire between 2014 and 2018.

Undistributed earnings of our foreign subsidiaries amounted to approximately $37,491 at September 30, 2011. The Company considers those earnings reinvested indefinitely and, accordingly, no provision for U.S. income taxes has been provided. Determination of the amount of unrecognized deferred U.S. income tax liability is not practicable because of the complexities associated with its hypothetical calculation.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	October 1, 2008 To September 30, 2009	October 1, 2009 To September 30, 2010	October 1, 2010 To September 30, 2011
Balance at beginning of period	$264	$264	$264
Gross Increases—current period tax positions	—	—	—
Gross Decreases—current period tax positions	—	—	—
Gross Increases—tax positions in prior periods	—	—	—
Gross Decreases—tax positions in prior periods	—	—	—
Gross Decreases—settlements with taxing authorities	—	—	—
Gross Decreases—lapse of statute of limitations	—	—	—
Balance at end of period	$264	$264	$264

The total amount of unrecognized tax benefits that would, if recognized, affect the effective income tax rate is $221 as of September 30, 2011. Additionally, as consistent with prior periods, the Company recognized accrued interest expense and penalties related to the unrecognized tax benefits as additional income tax expense. The total amount of accrued interest and penalties was approximately $60 and $0 respectively, as of September 30, 2011.

As of September 30, 2011, the Company is open to examination in the U.S. federal income tax jurisdiction for the September 30, 2007, 2008, 2009, 2010 and 2011 tax years, in the U.K. for the year 2011, in Switzerland for 2010 and 2011 and in France for the years 2010 and 2011. The Company is also open to examination in other foreign locations and various states in the U.S., none of which were individually material.

Of the unrecognized tax benefits noted above, the Company does not anticipate any significant changes to occur in unrecognized tax benefits over the next 12 months.

Note 7 Debt

U.S. revolving credit facility

The Company and Wells Fargo Capital Finance, LLC ("Wells Fargo") successor by merger to Wachovia Capital Finance Corporation (Central) ("Wachovia"), entered into a Third Amended and Restated Loan and Security Agreement (the "Amended Agreement") with certain other lenders thereto with an effective date of July 14, 2011, which amended and restated the revolving credit facility between Haynes and Wachovia dated August 31, 2004 and amended and restated on November 18, 2008. The maximum revolving loan amount under the Amended Agreement is $120.0 million subject to a borrowing base formula and certain reserves. The Amended Agreement permits an increase in the maximum revolving loan amount from $120.0 million up to an aggregate amount of $170.0 million at the request of the borrowers. Borrowings under the U.S. revolving credit facility bear interest at the Company's option at either Wells Fargo's "prime rate", plus up to 0.75% per annum, or the adjusted Eurodollar rate used by the lender, plus up to 2.0% per annum. As of September 30, 2011, the U.S. revolving credit facility had an outstanding balance of zero. In addition, the Company must pay monthly in arrears a commitment fee of 0.25% per annum on the unused amount of the U.S. revolving credit facility total commitment. For letters of credit, the Company must pay 1.5% per annum on the daily outstanding balance of all issued letters of credit, plus customary fees for issuance, amendments and processing. The Company is subject to certain covenants as to fixed charge coverage ratios and other customary covenants, including covenants restricting the incurrence of indebtedness, the granting of liens and the sale of assets. The Company is permitted to pay dividends and repurchase common stock if certain financial metrics are met. As of September 30, 2011, the most recent required measurement date under the Amended Agreement, the Company was in compliance with these covenants. The U.S. revolving credit facility matures on July 14, 2016. Borrowings under the U.S. revolving credit facility are collateralized by a pledge of substantially all of the U.S. assets of the Company, including the equity interests in its U.S. subsidiaries, but excluding the four-high Steckel rolling mill and related assets, which are pledged to Titanium Metals Corporation to secure the performance of the Company's obligations under a Conversion Services Agreement with TIMET (see discussion of TIMET at Note 15). The U.S. revolving credit facility is also secured by a pledge of a 65% equity interest in each of the Company's direct foreign subsidiaries.

U.K. revolving credit facility

In April 2008, the U.K. company put in place a facility with a multi-currency overdraft facility. The overdraft facility has a limit of 2,000 pounds sterling ($3,117). Haynes International LTD is required to pay interest on overdrafts in an amount equal to the Bank's Sterling Base Rate (in accordance with the terms facility), plus 2.0% per annum. As of September 30, 2011, the overdraft facility had an outstanding balance of zero.

Debt and long-term obligations consist of the following (in thousands):

	September 30, 2010	September 30, 2011
Revolving Credit Agreement		
U.S. Facility, 5.00% 2010; 3.25% 2011	$—	$—
Other long-term obligations	1,433	1,348
	1,433	1,348
Less amounts due within one year	109	—
	$1,324	$1,348

Other long-term obligations primarily represents environmental post-closure monitoring and maintenance activities (See Note 10). The carrying amount of debt approximates fair value.

At September 30, 2011, the Company had access to approximately $120,000 under its credit agreement (based on borrowing base and certain reserves). The Company's British subsidiary (Haynes International LTD) has an overdraft facility of 2,000 pounds sterling ($3,117), all of which was available on September 30, 2011. The Company's French subsidiary

(Haynes International, S.A.R.L.) has an overdraft banking facility of 1,200 Euro ($1,620), all of which was available on September 30, 2011. The Company's Swiss subsidiary (Nickel-Contor AG) had an overdraft banking facility of 500 Swiss Francs ($551), all of which was available on September 30, 2011.

Maturities of long-term debt are as follows at September 30, 2011:

Year Ending	
2012	$—
2013	—
2014	—
2015	—
2016	—
2017 and thereafter	1,348
	$1,348

Note 8 Pension Plan and Retirement Benefits

Defined Contribution Plans

The Company sponsors a defined contribution plan (401(k)) for substantially all U.S. employees. The Company contributes an amount equal to 50% of an employee's contribution to the plan up to a maximum contribution of 3% of the employee's salary, except for all salaried employees and certain hourly employees (those hired after June 30, 2007 that are not eligible for the U.S. pension plan). The Company contributes an amount equal to 60% of an employee's contribution to the plan up to a maximum contribution of 6% of the employee's salary for these groups. Expenses associated with this plan for the years ended September 30, 2009, 2010 and 2011 totaled $1,077, $990 and $1,273, respectively.

The Company sponsors certain profit sharing plans for the benefit of employees meeting certain eligibility requirements. There were no contributions to these plans for the years ended September 30, 2009, 2010 and 2011.

Defined Benefit Plans

The Company has non-contributory defined benefit pension plans which cover most employees in the U.S. and certain foreign subsidiaries. In the U.S. salaried employees hired after December 31, 2005 and hourly employees hired after June 30, 2007 are not covered by the pension plan; however, they are eligible for an enhanced matching program of the defined contribution plan (401(k)). On October 3, 2007, the U.S. pension plan was amended effective December 31, 2007 to freeze benefit accruals for all non-union employees in the U.S. and effective January 1, 2008, the pension multiplier used to calculate the employee's monthly benefit was increased from 1.4% to 1.6%. In addition, the Company will make enhanced matching contributions to its 401K plan equal to 60% of the non-union and union plan participant's salary deferrals, up to 6% of compensation. As a result of freezing the benefit accruals for all non-union employees in the U.S. in the first quarter of fiscal 2008, the Company recognized a reduction of the projected benefit obligation of $8,191, an increase to other comprehensive income (before tax) of $4,532 and a curtailment gain (before tax) of $3,659. The impact of the multiplier increase will be charged to pension expense over the estimated remaining lives of the participants. Effective September 30, 2009, the U.K. pension plan was amended to freeze benefit accruals for members of its plan. As of September 30, 2009, the company recognized a reduction of the projected benefit obligation of $392, an increase to other comprehensive income (before tax) of $392 and zero impact on the statement of operations.

Benefits provided under the Company's domestic defined benefit pension plan are based on years of service and the employee's final compensation. The Company's funding policy is to contribute annually an amount deductible for federal income tax purposes based upon an actuarial cost method using actuarial and economic assumptions designed to achieve adequate funding of benefit obligations.

The Company has non-qualified pensions for former executives of the Company. Non-qualified pension plan expense (income) for the years ended September 30, 2009, 2010 and 2011 was $145, $109 and $84, respectively. Accrued liabilities in the amount of $906 and $895 for these benefits are included in accrued pension and postretirement benefits liability at September 30, 2010 and 2011, respectively.

In addition to providing pension benefits, the Company provides certain health care and life insurance benefits for retired employees. Substantially all domestic employees become eligible for these benefits, if they reach normal retirement age while working for the Company. During March 2006, the Company communicated to employees and plan participants a negative plan amendment that caps the Company's liability related to total retiree health care costs at $5,000 annually effective January 1, 2007. An updated actuarial valuation was performed at March 31, 2006, which reduced the accumulated postretirement benefit liability due to this plan amendment by $46,313 that will be amortized as a reduction to expense over an eight year period. This amortization period began in April 2006 thus reducing the amount of expense recognized for the second half of fiscal 2006 and the respective future periods.

The Company made contributions of $14,200 and $12,720 to fund its domestic Company-sponsored pension plan for the year ended September 30, 2010 and 2011, respectively. The Company's U.K. subsidiary made contributions of $943 and $935 for the year ended September 30, 2010 and 2011, respectively, to the U.K. pension plan.

The Company uses a September 30 measurement date for its plans. The status of employee pension benefit plans and other postretirement benefit plans are summarized below:

	Defined Benefit Pension Plans		Postretirement Health Care Benefits	
	Year Ended September 30,		Year Ended September 30,	
	2010	2011	2010	2011
Change in Benefit Obligation:				
Projected benefit obligation at beginning of year	$216,443	$239,006	$90,027	$98,624
Service cost	3,596	3,612	206	266
Interest cost	11,600	11,383	4,819	4,688
Actuarial losses	18,724	19,833	8,424	2,662
Benefits paid	(11,357)	(11,881)	(4,852)	(4,725)
Projected benefit obligation at end of year	$239,006	$261,953	$98,624	$101,515
Change in Plan Assets:				
Fair value of plan assets at beginning of year	$126,285	$144,976	$—	$—
Actual return on assets	14,905	2,181	—	—
Employer contributions	15,143	13,655	4,852	4,725
Benefits paid	(11,357)	(11,881)	(4,852)	(4,725)
Fair value of plan assets at end of year	$144,976	$148,931	$—	$—
Funded Status of Plan:				
Unfunded status	$(94,030)	$(113,022)	$(98,624)	$(101,515)

Amounts recognized in the consolidated balance sheets are as follows:

	Defined Benefit Pension Plans		Postretirement Health Care Benefits		Non-Qualified Pension Plans		All Plans Combined	
	September 30,		September 30,		September 30,		September 30,	
	2010	2011	2010	2011	2010	2011	2010	2011
Accrued benefit liability	$(94,030)	$(113,022)	$(98,624)	$(101,515)	$(906)	$(895)	$(193,560)	$(215,432)
Accumulated other comprehensive loss	86,639	109,221	19,238	24,983	—	—	105,877	134,204
Net amount recognized	$(7,391)	$(3,801)	$(79,386)	$(76,532)	$(906)	$(895)	$(87,683)	$(81,228)
Amounts expected to be recognized from AOCI into the statement of operations in the following year:								
Amortization of net loss	$6,285	$9,031	$2,707	$2,799	$—	$—	$8,992	$11,830
Amortization of prior service cost	808	808	(5,789)	(5,789)	—	—	(4,981)	(4,981)
	$7,093	$9,839	$(3,082)	$(2,990)	$—	$—	$4,011	$6,849

The accumulated benefit obligation for the pension plans was $227,052 and $245,197 at September 30, 2010 and 2011, respectively.

The cost of the Company's postretirement benefits are accrued over the years employees provide service to the date of their full eligibility for such benefits. The Company's policy is to fund the cost of claims on an annual basis.

The components of net periodic pension cost and postretirement health care benefit cost are as follows:

	Defined Benefit Pension Plans		
	Year Ended September 30,		
	2009	2010	2011
Service cost	$2,409	$3,596	$3,612
Interest cost	11,821	11,600	11,383
Expected return on assets	(9,756)	(10,626)	(12,023)
Amortization of prior service cost	808	808	808
Recognized actuarial loss	—	4,922	6,285
Net periodic cost	$5,282	$10,300	$10,065

	Postretirement Health Care Benefits		
	Year Ended September 30,		
	2009	2010	2011
Service cost	$1,327	$206	$266
Interest cost	4,925	4,819	4,688
Amortization of unrecognized prior service cost	(5,789)	(5,789)	(5,789)
Recognized actuarial loss	482	1,992	2,706
Net periodic cost	$945	$1,228	$1,871

Assumptions

A 7.0% (7.5%-2010) annual rate of increase for ages under 65 and a 6.0% (6.5%-2010) annual rate of increase for ages over 65 in the costs of covered health care benefits were assumed for 2011, gradually decreasing for both age groups to 5.0% (5.0%-2010) by the year 2016. Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one percentage point change in assumed health care cost trend rates would have the following effects in 2011:

	1-Percentage Point Increase	1-Percentage Point Decrease
Effect on total of service and interest cost components	$0	$0
Effect on accumulated postretirement benefit obligation	0	0

The effect on total of service and interest cost components and the effect on accumulated postretirement benefit obligation is zero due to the negative plan amendment that caps the Company costs at $5,000 on an undiscounted basis per year.

The actuarial present value of the projected pension benefit obligation and postretirement health care benefit obligation for the domestic plans at September 30, 2010 and 2011 were determined based on the following assumptions:

	September 30, 2010	September 30, 2011
Discount rate (postretirement health care)	4.875%	4.625%
Discount rate (pension plan)	4.875%	4.500%
Rate of compensation increase (pension plan only)	3.500%	3.500%

The net periodic pension and postretirement health care benefit costs for the domestic plans were determined using the following assumptions:

	Defined Benefit Pension and Postretirement Health Care Plans		
	Year Ended September 30,		
	2009	2010	2011
Discount rate	7.50%	5.50%	4.875%
Expected return on plan assets (pension plan only)	8.50%	8.50%	8.500%
Rate of compensation increase (pension plan only)	4.00%	4.00%	3.500%

Plan Assets and Investment Strategy

Our pension plan assets by level within the fair value hierarchy at September 30, 2010 and 2011, are presented in the table below. Our pension plan assets were accounted for at fair value. For more information on a description of the fair value hierarchy, see Note 17.

	September 30, 2010			
U.S. Plan Assets:	Level 1 Active Markets for Identical Assets	Level 2 Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total
Mutual fund	$17,741	$—	$—	$17,741
Common /collective funds				
Bonds	—	54,391	—	54,391
Short-term money market	—	1,654	—	1,654
U.S. common stock	—	51,478	—	51,478
International equity	—	6,816	—	6,816
Total U.S.	$17,741	$114,339	$—	$132,080
U.K. plan assets	12,896	—	—	12,896
Total pension plan	$30,637	$114,339	$—	$144,976

U.S. Plan Assets:	September 30, 2011 Level 1 Active Markets for Identical Assets	Level 2 Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total
Mutual fund	$17,607	$—	$—	$17,607
Common /collective funds				
Bonds	—	57,883	—	57,883
Short-term money market	—	2,418	—	2,418
U.S. common stock	—	51,753	—	51,753
International equity	—	6,062	—	6,062
Total U.S.	$17,607	$118,116	$—	$135,723
U.K. plan assets	13,208	—	—	13,208
Total pension plan	$30,815	$118,116	$—	$148,931

The primary financial objectives of the Plan are to minimize cash contributions over the long term and preserve capital while maintaining a high degree of liquidity. A secondary financial objective is, where possible, to avoid significant downside risk in the short run. The objective is based on a long-term investment horizon so that interim fluctuations should be viewed with appropriate perspective.

The selection of the Plan's assumption for the expected long-term rate of return on plan assets is based upon the Plan's target allocation of 60% equities and 40% bonds, and the expected rate of return for each equity/bond asset class. Based upon the target allocation and each asset class's expected return, the Plan's return on assets assumption of 8.00% is reasonable, and represents a decrease from last year's assumption of 8.50%. The Company also realizes that historical performance is no guarantee of future performance.

In determining the expected rate of return on plan assets, the Company takes into account the plan's allocation at September 30, 2011 of 55% equities, 43% fixed income and 2% other. The Company assumes an approximately 1.75% to 2.75% equity risk premium above the broad bond market yields of 4.25% to 7.75%. Note that over very long historical periods the realized risk premium has been higher. The Company believes that its assumption of an 8.0% long-term rate of return on plan assets is comparable to other companies, given the target allocation of the plan assets; however, there exists the potential for the use of a lower rate in the future.

It is the policy of the Plan to invest assets with an allocation to equities as shown below. The balance of the assets are maintained in fixed income investments, and in cash holdings, to the extent permitted by the plan documents.

Asset classes as a percent of total assets:

Asset Class	Target[(1)]
Equity	60%
Fixed Income	40%
Real Estate and Other	0%

(1) From time to time the Company may adjust the target allocation by an amount not to exceed 10%.

The U.K. pension plan assets use a similar strategy and investment objective.

Contributions and Benefit Payments

The Company expects to contribute approximately $15,360 to its domestic pension plans, $5,000 to its domestic other postretirement benefit plans, and $935 to the U.K. pension plan in fiscal 2012.

Pension and postretirement health care benefits (which include expected future service) are expected to be paid out of the respective plans as follows:

Fiscal Year Ending September 30	Pension	Postretirement Health Care
2012	$12,540	$5,000
2013	12,837	5,000
2014	13,105	5,000
2015	13,456	5,000
2016	13,859	5,000
2017-2021 (in total)	76,644	25,000

Note 9 Commitments

The Company leases certain transportation vehicles, warehouse facilities, office space and machinery and equipment under cancelable and non-cancelable leases, most of which expire within 10 years and may be renewed by the Company. Rent expense under such arrangements totaled $3,659, $3,564 and $3,607 for the years ended September 30, 2009, 2010 and 2011, respectively. Rent expense does not include income from sub-lease rentals totaling $155, $107 and $112 for the years ended September 30, 2009, 2010 and 2011, respectively. Future minimum rental commitments under non-cancelable operating leases at September 30, 2011, are as follows:

	Operating
2012	$2,855
2013	2,045
2014	1,665
2015	1,006
2016	836
2017 and thereafter	2,243
	$10,650

Future minimum rental commitments under non-cancelable operating leases have not been reduced by minimum sub-lease rentals of $55 due in the future.

Note 10 Legal, Environmental and Other Contingencies

The Company is regularly involved in litigation, both as a plaintiff and as a defendant, relating to its business and operations, including environmental and intellectual property matters. Future expenditures for environmental, intellectual property and other legal matters cannot be determined with any degree of certainty; however, based on the facts presently known, management does not believe that such costs will have a material effect on the Company's financial position, results of operations or cash flows.

The Company is currently, and has in the past, been subject to claims involving personal injuries allegedly relating to its products. For example, the Company is presently involved in two actions involving welding rod-related injuries, which were filed in California state court against numerous manufacturers, including the Company, in May 2006 and February 2007, respectively, alleging that the welding-related products of the defendant manufacturers harmed the users of such products through the inhalation of welding fumes containing manganese. The Company believes that it has defenses to these allegations and that, if the Company were to be found liable, the cases would not have a material effect on its financial position, results of operations or liquidity.

The Company has received permits from the Indiana Department of Environmental Management, or IDEM, to close and to provide post-closure monitoring and care for certain areas at the Kokomo facility previously used for the storage and disposal of wastes, some of which are classified as hazardous under applicable regulations. Closure certification was received in fiscal 1988 for the South Landfill at the Kokomo facility and post-closure monitoring and care is ongoing there. Closure certification was received in fiscal 1999 for the North Landfill at the Kokomo facility and post-closure monitoring and care are permitted and ongoing there. In fiscal 2007, IDEM issued a single post-closure permit applicable to both the North and South Landfills, which contains monitoring and post-closure care requirements. In addition, IDEM required that a Resource Conservation and Recovery Act, or RCRA, Facility Investigation, or RFI, be conducted in order to further evaluate one area of concern and one solid waste management unit. The RFI commenced in fiscal 2008 and is ongoing.

The Company has also received permits from the North Carolina Department of Environment and Natural Resources, or NCDENR, to close and provide post-closure monitoring and care for the hazardous waste lagoon at its Mountain Home, North Carolina facility. The lagoon area has been closed and is currently undergoing post-closure monitoring and care. The Company is required to monitor groundwater and to continue post-closure maintenance of the former disposal areas at each site. As a result, the Company is aware of elevated levels of certain contaminants in the groundwater and additional corrective action by the Company could be required. In addition, in August, 2008, employees discovered an abnormal pH in the sump pumps located in containment pits in the wastewater treatment facility. After testing, it was determined that there was a leak in the pipeline from the cleaning house to the wastewater treatment facility. NCDENR was notified within 24 hours of the verification of the leak. To date, the state has not responded to this disclosure.

As of September 30, 2011, the Company has accrued $1,469 for post-closure monitoring and maintenance activities. Accruals for these costs are calculated by estimating the cost to monitor and maintain each post-closure site and multiplying that amount by the number of years remaining in the 30 year post-closure monitoring period referred to above. At each fiscal year-end, or earlier if necessary, the Company evaluates the accuracy of the estimates for these monitoring and maintenance costs for the upcoming fiscal year. The accrual was based upon the undiscounted amount of the obligation of $1,766 which was then discounted using an appropriate discount rate.

Note 11 Stock-based Compensation

Restricted Stock Plan

On February 23, 2009, the Company adopted a restricted stock plan that reserved 400,000 shares of common stock for issuance. Grants of restricted stock are shares of the Company's common stock subject to transfer restrictions, which vest in accordance with the terms and conditions established by the Compensation Committee. The Compensation Committee may set restrictions on certain grants based on the achievement of specific performance goals and vesting of grants to participants will also be time-based.

Restricted stock grants are subject to forfeiture if employment or service terminates prior to the vesting period or if the performance goal is not met, if applicable. The Company will assess, on an ongoing basis, the probability of whether the performance criteria will be achieved. The Company will recognize compensation expense over the performance period if it is deemed probable that the goal will be achieved. The fair value of the Company's restricted stock is determined based upon the closing price of the Company's common stock on the grant date. The plan provides for the adjustment of the number of shares covered by an outstanding grant and the maximum number of shares for which restricted stock may be granted in the event of a stock split, extraordinary dividend or distribution or similar recapitalization event. Outstanding shares of restricted stock are entitled to receive dividends on shares of common stock.

On November 24, 2010 and December 21, 2010, the Company granted 34,000 and 4,000 shares, respectively, of restricted stock to certain key employees and non-employee directors. The shares of restricted stock granted to employees will vest on the third anniversary of their grant date, provided that (a) the recipient is still an employee with the Company and (b) the Company has met a three year net income performance goal. The shares of restricted stock granted to directors will vest on the earlier of (a) the third anniversary of the date of grant or (b) the failure of such non-employee director to be re-elected at an annual meeting of the stockholders of the Company as a result of such non-employee director being excluded from the nominations for any reason other than cause. The fair value of the shares of common stock subject to the November and December grants was $40.26 and $41.55 per share, respectively, the closing price of the Company’s common stock on the day of the grant.

The following table summarizes the activity under the restricted stock plan for the year ended September 30, 2011:

	Number of Shares	Weighted Average Fair Value At Grant Date
Unvested at September 30, 2010	94,300	$25.71
Granted	38,000	40.40
Forfeited / Cancelled	(6,300)	31.38
Vested	--	
Unvested at September 30, 2011	126,000	$29.86
Expected to vest	100,400	$32.93

Compensation expense related to restricted stock for the years ended September 30, 2009, 2010 and 2011 was $62, $516 and $992, respectively. The remaining unrecognized compensation expense at September 30, 2011 was $1,736, to be recognized over a weighted average period of 2.12 years. Compensation expense is not being recorded on a March 31, 2009 grant of 25,600 shares to employees because the performance goal was not achieved.

Stock Option Plans

The Company has two stock option plans that authorize the granting of non-qualified stock options to certain key employees and non-employee directors for the purchase of a maximum of 1,500,000 shares of the Company’s common stock. The original option plan was adopted in August 2004 pursuant to the plan of reorganization and provides for the grant of options to purchase up to 1,000,000 shares of the Company’s common stock. In January 2007, the Company’s Board of Directors adopted a second option plan that provides for options to purchase up to 500,000 shares of the Company’s common stock. Each plan provides for the adjustment of the maximum number of shares for which options may be granted in the event of a stock split, extraordinary dividend or distribution or similar recapitalization event. Unless the Compensation Committee determines otherwise, options granted under the option plans are exercisable for a period of ten years from the date of grant and vest 33 1/3% per year over three years from the grant date.

The fair value of option grants was estimated as of the date of the grant. The Company has elected to use the Black-Scholes option pricing model, which incorporates various assumptions including volatility, expected life, risk-free interest rates, expected forfeitures and dividend yields. The volatility is based on historical volatility of the Company's common stock over the most recent period commensurate with the estimated expected term of the stock option granted. The Company uses historical volatility because management believes such volatility is representative of prospective trends. The expected term of an award is based on historical exercise data. The risk-free interest rate assumption is based upon observed interest rates appropriate for the expected term of the awards. The expected forfeiture rate is based upon historical experience. The dividend yield assumption is based on the Company's history and expectation regarding dividend payouts at the time of the grant. Valuation of future grants under the Black-Scholes model will include a dividend yield. The following assumptions were used for grants in fiscal year 2011:

Grant Date	Fair Value	Dividend Yield	Risk-Free Interest Rate	Expected Volatility	Expected Life
November 24, 2010	$21.43	1.99%	0.69%	90%	3 years

On November 24, 2010, the Company granted 27,400 options to certain employees at an exercise price of $40.26 per share, the fair market value of the Company's common stock the day of the grant. During fiscal year 2011, 28,400 options were exercised and 20,134 options were forfeited/cancelled.

The stock-based employee compensation expense for stock options for the years ended September 30, 2009, 2010 and 2011 was $1,247, $1,021 and $760, respectively. The remaining unrecognized compensation expense at September 30, 2011 was $662, to be recognized over a weighted average vesting period of 1.36 years.

The following table summarizes the activity under the stock option plans for the year ended September 30, 2011:

	Number of Shares	Aggregate Intrinsic Value	Weighted Average Exercise Prices	Weighted Average Remaining Contractual Life
Outstanding at September 30, 2010	394,321		$38.25	
Granted	27,400		$40.26	
Exercised	(28,400)			
Cancelled	(20,134)			
Outstanding at September 30, 2011	373,187	$4,513	$38.53	5.91 yrs.
Vested or expected to vest	360,612	$4,513	$38.53	5.91 yrs.
Exercisable at September 30, 2011	300,987	$3,792	$39.67	5.33 yrs.

Grant Date	Exercise Price Per Share	Remaining Contractual Life in Years	Outstanding Number of Shares	Exercisable Number of Shares
August 31, 2004	$12.80	2.92	86,886	86,886
February 21, 2006	29.25	4.42	8,334	8,334
March 31, 2006	31.00	4.50	10,000	10,000
March 30, 2007	72.93	5.50	59,500	59,500
March 31, 2008	54.00	6.50	81,000	81,000
October 1, 2008	46.83	7.00	20,000	13,334
March 31, 2009	17.82	7.50	46,567	30,266
January 8, 2010	34.00	8.25	35,000	11,667
November 24, 2010	40.26	9.17	25,900	---
			373,187	300,987

Forfeitures are estimated over the vesting period, rather than being recognized as a reduction of compensation expense when the forfeiture actually occurs.

Note 12 Quarterly Data (unaudited)

The unaudited quarterly result of operations of the Company for years ended September 30, 2010 and 2011 are as follows:

	2010			
	Quarter Ended			
	December 31	March 31	June 30	September 30
Net revenues	$81,008	$94,619	$101,271	$104,646
Gross profit	6,845	10,190	16,854	19,942
Net income (loss)	(1,286)	956	3,747	5,458
Net income (loss) per share:				
Basic	$(0.11)	$0.08	$0.31	$0.46
Diluted	$(0.11)	$0.08	$0.31	$0.45

	2011			
	Quarter Ended			
	December 31	March 31	June 30	September 30
Net revenues	$106,351	$139,114	$143,122	$154,309
Gross profit	17,869	20,593	25,321	29,997
Net income	5,256	6,216	8,397	11,259
Net income (loss) per share:				
Basic	$0.44	$0.52	$0.70	$0.92
Diluted	$0.43	$0.51	$0.69	$0.92

Note 13 Segment Reporting

The Company operates in one business segment: the design, manufacture, marketing and distribution of technologically advanced, high-performance alloys for use in the aerospace, land-based gas turbine, chemical processing and other industries. The Company has operations in the United States, Europe and China, which are summarized below. Sales between geographic areas are made at negotiated selling prices.

	Year Ended September 30,		
	2009	2010	2011
Net Revenue by Geography:			
United States	$258,940	$231,607	$344,983
Europe	113,020	81,332	105,725
China	38,114	33,693	40,934
Other	28,559	34,911	51,254
Net Revenues	$438,633	$381,543	$542,896
Net Revenue by Product Group:			
High-temperature resistant alloys	$324,588	$286,157	$412,601
Corrosive-resistant alloys	114,045	95,386	130,295
Net revenues	$438,633	$381,543	$542,896

	September 30,	
	2010	2011
Long-lived Assets by Geography:		
United States	$109,531	$112,354
Europe	3,347	3,986
China	836	778
Total long-lived assets	$113,714	$117,118

Note 14 Valuation and Qualifying Accounts

	Balance at Beginning of Period	Charges (credits) to Expense	Deductions[1]	Balance at End of Period
Allowance for doubtful accounts receivables:				
September 30, 2011	$1,116	$54	$(41)	$1,129
September 30, 2010	1,310	263	(457)	1,116
September 30, 2009	1,354	470	(514)	1,310
September 30, 2008	1,339	100	(85)	1,354

(1) Uncollectible accounts written off net of recoveries.

Note 15 Deferred Revenue

On November 17, 2006, the Company entered into a twenty-year agreement to provide conversion services to Titanium Metals Corporation ("TIMET") for up to ten million pounds of titanium metal annually. TIMET paid the Company a $50,000 up-front fee and will also pay the Company for its processing services during the term of the agreement (20 years) at prices established by the terms of the agreement. TIMET may exercise an option to have ten million additional pounds of titanium converted annually, provided that it offers to loan up to $12,000 to the Company for certain capital expenditures which may be required to expand capacity. In addition to the volume commitment, the Company has granted TIMET a first priority security interest on its four-high Steckel rolling mill, along with rights of access if the Company enters into bankruptcy or defaults on any financing arrangements. The Company has agreed not to manufacture titanium products (other than cold reduced titanium tubing). The Company has also agreed not to provide titanium conversion services to any entity other than TIMET for the term of the Conversion Services Agreement. The agreement contains certain default provisions which could result in contract termination and damages, including the Company being required to return the unearned portion of the up-front fee. The cash received of $50,000 is recognized in income on a straight-line basis over the 20-year term of the agreement. The portion of the up-front fee not recognized in income is shown as deferred revenue on the consolidated balance sheet.

Note 16 Commodity Contracts

On June 11, 2009, to mitigate the volatility of the natural gas markets, the Company entered into a commodity swap-cash settlement agreement with JP Morgan Chase Bank. The Company has agreed to a fixed natural gas price on a total of 300,000 MMBTU, at a settlement rate of 50,000 MMBTU per month for a period spanning October 2009 to March 2010. The Company's realized hedging loss was $185 and zero for the years ended September 30, 2010 and September 30, 2011, respectively.

	As of September 30, 2010		Gain or (loss) Recognized in Income (Loss)	
	Balance Sheet Location	**Fair Value**	**Statement of Operations Location**	**Year Ended Sept. 30, 2010**
Commodity Contracts	Accounts Receivable	$—	Cost of Sales	$(185)
	Accounts Payable	$—		

	As of September 30, 2011		Gain or (loss) Recognized in Income (Loss)	
	Balance Sheet Location	**Fair Value**	**Statement of Operations Location**	**Year Ended Sept. 30, 2011**
Commodity Contracts	Accounts Receivable	$—	Cost of Sales	$—
	Accounts Payable	$—		

The Company is not currently party to any commodity swap-cash settlement agreements.

Note 17 Fair Value Measurements

On October 1, 2008, the Company adopted guidance for assets and liabilities measured at fair value on a recurring basis. This guidance does not apply to non-financial assets and non-financial liabilities, except those that are recognized or disclosed in the financial statements at fair value at least annually until October 1, 2009. This guidance establishes a framework for measuring fair value, clarifies the definition of fair value within that framework and expands disclosures about the use of fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability.

This guidance specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions that other market participants would use based upon market data obtained from independent sources (observable inputs) or reflect the Company's own assumptions of market participant valuation (unobservable inputs). Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy that prioritizes the use of inputs used in valuation techniques into the following three levels:

- Level 1—Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities;

- Level 2—Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or financial instruments for which significant inputs are observable, either directly or indirectly; and

- Level 3—Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

When available, the Company uses unadjusted quoted market prices to measure fair value and classifies such items within Level 1. If quoted market prices are not available, fair value is based upon internally-developed models that use, where possible, current market-based or independently-sourced market parameters such as interest rates and currency rates. Items valued using internally-generated models are classified according to the lowest level input or value driver that is significant to the valuation. If quoted market prices are not available, the valuation model used depends on the specific asset or liability being valued.

The following table represents the Company's fair value hierarchy for its financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2010 and 2011:

	September 30, 2010 Fair Value Measurements at Reporting Date Using:			
Assets:	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and money market funds	$63,968	$—	$—	$63,968
Pension plan assets	30,637	114,339	—	144,976
Total fair value	$94,605	$114,339	$—	$208,944

	September 30, 2011 Fair Value Measurements at Reporting Date Using:			
Assets:	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and money market funds	$60,062	$—	$—	$60,062
Pension plan assets	30,815	118,116	—	148,931
Total fair value	$90,877	$118,116	$—	$208,993

The Company has no Level 3 assets as of September 30, 2010 or 2011.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the U.S. Securities and Exchange Commission, including to ensure that information required to be disclosed by the Company that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and financial officers, as appropriate to allow timely decisions regarding required disclosure. Pursuant to Rule 13a-15(b) of the Exchange Act the Company has performed, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, an evaluation of the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of September 30, 2011.

Changes in Internal Control Over Financial Reporting

During the fourth quarter of fiscal 2011 there were no changes in the Company's internal controls over financial reporting or in other factors that have materially affected or are reasonably likely to materially affect, these controls.

Management's Annual Report on Internal Control Over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting (as defined by Exchange Act rules 13a-15(f) and 15d-15(f)) for the Company. With the participation of the Chief Executive Officer and Chief Financial Officer, our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework and criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations (COSO) of The Treadway Commission. Based on our assessment, management has concluded that, as of September 30, 2011, the Company's internal control over financial reporting is effective based on those criteria.

The internal controls over financial reporting that were assessed for fiscal year 2011 were:

- Controls over initiating, authorizing, recording, processing, and reporting significant accounts and disclosures and related assertions embodied in the financial statements.

- Controls over the selection and application of accounting policies that are in conformity with generally accepted accounting principles.

- Antifraud programs and controls.

- Controls including IT general controls, on which other controls are dependent.

- Controls over significant non-routine and non-systematic transactions, such as accounts involving judgments and estimates.Company level controls, including (1) the control environmental and (2) controls over the period-end financial reporting process (e.g., controls over procedures used to enter transaction totals into the general ledger; to initiate, authorize, record, and process journal entries in the general ledger; and to record recurring and nonrecurring adjustments to the financial statements).

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective may not prevent or detect misstatements and can provide only reasonable assurance with respect to financial statement preparation and presentation. 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.

The Company's effectiveness of internal control over financial reporting as of September 30, 2011 has been audited by Deloitte and Touche LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Mark Comerford	Marcel Martin
President & Chief Executive Officer	Chief Financial Officer
November 17, 2011	November 17, 2011

Item 9B. Other Information

None.

Part III

Item 10. Directors, Executive Officers and Corporate Governance

The information included under the caption "Business—Executive Officers" in this Form 10-K, and under the captions "Election of Directors", "Section 16(a) Beneficial Ownership Reporting Compliance", "Corporate Governance—Code of Ethics", "Corporate Governance—Corporate Governance Committee and Director Nominations", "Corporate Governance—Board Committee Structure", "Corporate Governance—Family Relationships" and "Corporate Governance—Independence of the Board of Directors and Committee Members" in the Proxy Statement to be issued in connection with the meeting of the Company's stockholders of February 27, 2012 is incorporated herein by reference.

Item 11. Executive Compensation

The information included under the captions "Executive Compensation", "Corporate Governance—Compensation Committee Interlocks and Insider Participation" and "Corporate Governance—Director Compensation Program" in the Proxy Statement to be issued in connection with the meeting of the Company's stockholders of February 27, 2012 is incorporated herein by reference in response to this item.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information contained under the captions "Security Ownership of Certain Beneficial Owners" and "Security Ownership of Management" in the Proxy Statement to be issued in connection with the meeting of the Company's stockholders of February 27, 2012 and "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities—Equity Compensation Plan Information" in this Form 10-K is incorporated herein by reference in response to this item. For additional information regarding the Company's stock option plans, please see Note 11 in the Notes to Consolidated Financial Statements in this report.

Equity Compensation Plan Information

The following table provides information as of September 30, 2011 regarding shares of the Company's common stock issuable pursuant to its stock option and restricted stock plans:

Plan Category	**Number of securities to be issued upon exercise of outstanding options, warrants and rights**	**Weighted-average exercise price of outstanding options, warrants and rights**	**Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the second column)**
Equity compensation plans approved by security holders[(1)]	373,187	$38.53	522,634[(2)]

[(1)] For a description of the Company's equity compensation plans, see Note 11 to the Consolidated Financial Statements in Item 8.

(2) Includes (i) 248,634 stock options which are exercisable for one share of common stock, and (ii) 274,000 shares of restricted stock.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The Company's policy is to require that all conflict of interest transactions between the Company and any of its directors, officers or 10% beneficial owners (collectively, "Insiders") and all transactions where any Insider has a direct or indirect financial interest, including related party transactions required to be reported under Item 404(a) of Regulation S-K, must be reviewed and approved or ratified by the Board of Directors. The material terms of any such transaction, including the nature and extent of the Insider's interest therein, must be disclosed to the Board of Directors. The Board will then review the terms of the proposed transaction to determine whether the terms of the proposed transactions are fair to the Company and are no less favorable to the Company than those that would be available from an independent third party. Following the Board's review and discussion, the proposed transaction will be approved or ratified only if it receives the affirmative votes of a majority of the directors who have no direct or indirect financial interest in the proposed transaction, even though the disinterested directors represent less than a quorum. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors which authorizes the contract or transaction.

There are no transactions since the beginning of fiscal 2011, or any currently proposed transaction in which the Company is or was a participant in which any "related person", within the meaning of Section 404(a) of Regulation S-K under the Securities Act of 1933, had or will have a material interest. The information contained under the caption "Corporate Governance—Independence of Board of Directors and Committee Members" in the Proxy Statement to be issued in connection with the meeting of the Company's stockholders of February 27, 2012 is incorporated herein by reference in response to this item.

Item 14. Principal Accountant Fees and Services

The information included under the caption "Ratification of the Appointment of Independent Registered Public Accounting Firm" in the Proxy Statement to be issued in connection with the meeting of the Company's stockholders of February 27, 2012 is incorporated herein by reference in response to this item.

Part IV

Item 15. Exhibits, Financial Statement Schedules

(a) *Documents filed as part of this Report.*

1. *Financial Statements:*

The Financial Statements are set forth under Item 8 in this Form 10-K.

2. *Financial Statement Schedules:*

Financial Statement Schedules are omitted as they are not required, are not applicable or the information is shown in the Notes to the Consolidated Financial Statements.

(b) *Exhibits*. See Index to Exhibits, which is incorporated herein by reference.

(c) *Financial Statement Schedules:* None

SIGNATURES

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

HAYNES INTERNATIONAL, INC.

By: /s/ MARK COMERFORD
Mark Comerford
President and Chief Executive Officer
Date: November 17, 2011

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

Signature	Title	Date
/s/ MARK COMERFORD Mark Comerford	President and Chief Executive Officer; Director (Principal Executive Officer)	November 17, 2011
/s/ MARCEL MARTIN Marcel Martin	Chief Financial Officer (Principal Financial Officer)	November 17, 2011
/s/ DAN MAUDLIN Dan Maudlin	Controller and Chief Accounting Officer (Principal Accounting Officer)	November 17, 2011
/s/ JOHN C. COREY John C. Corey	Chairman of the Board, Director	November 17, 2011
/s/ PAUL J. BOHAN Paul J. Bohan	Director	November 17, 2011
/s/ DONALD C. CAMPION Donald C. Campion	Director	November 17, 2011
/s/ ROBERT H. GETZ Robert H. Getz	Director	November 17, 2011
/s/ TIMOTHY J. MCCARTHY Timothy J. McCarthy	Director	November 17, 2011
/s/ WILLIAM P. WALL William P. Wall	Director	November 17, 2011

INDEX TO EXHIBITS

Exhibit Number	Description
3.1	Restated Certificate of Incorporation of Haynes International, Inc. (incorporated by reference to Exhibit 3.1 to the Haynes International, Inc. Registration Statement on Form S-1, Registration No. 333-140194).
3.2	Amended and Restated By-laws of Haynes International, Inc. (incorporated by reference to Exhibit 3.2 to the Haynes International, Inc. Registration Statement on Form S-1, Registration No. 333-140194).
4.1	Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.1 to the Haynes International, Inc. Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2009).
4.2	Restated Certificate of Incorporation of Haynes International, Inc. (incorporated by reference to Exhibit 3.1 hereof).
4.3	Amended and Restated By-laws of Haynes International, Inc. (incorporated by reference to Exhibit 3.2 hereof).
10.1**	Form of Termination Benefits Agreements by and between Haynes International, Inc. and certain of its employees, conformed to give effect to all amendments thereto.
10.2	Third Amended and Restated Loan and Security Agreement by and among Haynes International, Inc., Haynes Wire Company, the Lenders (as defined therein), Wells Fargo Capital Finance, LLC, as agent for the Lenders, and JPMorgan Chase Bank, N.A., as documentation agent (incorporated by reference to Exhibit 10.1 to Haynes International, Inc. Current Report on Form 8-K filed July 20, 2011).
10.3	Form of Director Indemnification Agreement between Haynes International, Inc. and certain of its directors named in the schedule to the Exhibit (incorporated by reference to Exhibit 10.21 to the Haynes International, Inc. Registration Statement on Form S-1, Registration No. 333-140194).
10.4	Conversion Services Agreement by and between the Company and Titanium Metals Corporation, dated November 17, 2006 (incorporated by reference to Exhibit 10.22 to the Haynes International, Inc. Registration Statement on Form S-1, Registration No. 333-140194). Portions of this exhibit have been omitted pursuant to a request for confidential treatment and filed separately with the Securities and Exchange Commission.
10.5	Access and Security Agreement by and between the Company and Titanium Metals Corporation, dated November 17, 2006 (incorporated by reference to Exhibit 10.23 to the Haynes International, Inc. Registration Statement on Form S-1, Registration No. 333-140194).
10.6	Haynes International, Inc. 2007 Stock Option Plan as adopted by the Board of Directors on January 18, 2007 (incorporated by reference to Exhibit 10.25 to the Haynes International, Inc. Registration Statement on Form S-1, Registration No. 333-140194).
10.7	Form of Non-Qualified Stock Option Agreement to be used in conjunction with grants made pursuant to the Haynes International, Inc. 2007 Stock Option Plan (incorporated by reference to Exhibit 10.26 to the Haynes International, Inc. Registration Statement on Form S-1, Registration No. 333-140194).
10.8	Second Amended and Restated Haynes International, Inc. Stock Option Plan as adopted by the Board of Directors on January 22, 2007 (incorporated by reference to Exhibit 10.27 to the Haynes International, Inc. Registration Statement on Form S-1, Registration No. 333-140194).
10.9	Form of Non-Qualified Stock Option Agreements between Haynes International, Inc. and certain of its executive officers and directors named in the schedule to the Exhibit pursuant to the Haynes International, Inc. Second Amended and Restated Stock Option Plan (incorporated by reference to Exhibit 10.28 to the Haynes International, Inc. Registration Statement on Form S-1, Registration No. 333-140194).
10.10	Employment Agreement by and between Haynes International, Inc. and Mark Comerford dated September 8, 2008 (incorporated by reference to Exhibit 10.21 to Haynes International, Inc. Annual Report on Form 10-K for the fiscal year ended September 30, 2008).
10.11	Non-Qualified Stock Option Agreement by and between Haynes International, Inc. and Mark Comerford, dated October 1, 2008 (incorporated by reference to Exhibit 10.2 to Haynes International, Inc. Form 8-K filed October 7, 2008).
10.12	Amendment No. 1 to Executive Employment Agreement by and between Haynes International, Inc. and Mark Comerford, dated August 6, 2009 (incorporated by reference to Exhibit 10.1 to the Haynes International, Inc. Form 8-K filed August 7, 2009).

Exhibit Number	Description
10.13	Haynes International, Inc. 2009 Restricted Stock Plan (incorporated by reference to Exhibit 10.02 to the Haynes International, Inc. Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2009).
10.14	Summary of 2011 Management Incentive Plan (incorporated by reference to Item 5.02 of the Haynes International, Inc. Form 8-K filed November 24, 2010).
21.1**	Subsidiaries of the Registrant.
23.1**	Consent of Deloitte & Touche LLP.
31.1**	Rule 13a-14(a)/15d-4(a) Certification of Chief Executive Officer
31.2**	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
32.1**	Section 1350 Certifications
101**	The following materials from the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2011 formatted in Extensible Business Reporting Language (XBRL): (i) the Consolidated Balance Sheets; (11) the Consolidated Statements of Operations; (iii) the Consolidated Statements of Comprehensive Income (Loss); (iv) the Consolidated Statements of Stockholders Equity; (v) the Consolidated Statements of Cash Flows; and (vi) related notes.

** Filed herewith

Exhibit 21.1

HAYNES INTERNATIONAL, INC. SUBSIDIARIES

Subsidiary	Jurisdiction of Organization
Haynes Wire Company (Wholly owned subsidiary in Mountain Home, North Carolina)	Delaware
Haynes International, Ltd. (Wholly owned subsidiary in Openshaw, England)	United Kingdom
Haynes International, S.A.R.L. (Wholly owned subsidiary in Paris, France)	France
Nickel-Contor AG (Wholly owned subsidiary in Zurich, Switzerland)	Switzerland
Haynes International, S.r.l. (Wholly owned subsidiary of Nickel-Contor in Italy)	Italy
Haynes Pacific Pte. Ltd. (Wholly owned subsidiary in Singapore)	Singapore
Haynes International (China) Ltd. (Wholly owned subsidiary of Haynes Pacific Pte. Ltd.)	People’s Republic of China
Haynes International, Inc. India Branch Office (Wholly owned Branch Office in India)	India

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-14599 and No. 333-134989 on Form S-8 of our report dated November 17, 2011, relating to the consolidated financial statements of Haynes International Inc. and the effectiveness of Haynes International Inc.'s internal control over financial reporting, appearing in the Annual Report on Form 10-K of Haynes International Inc. for the year ended September 30, 2011.

/s/ DELOITTE & TOUCHE LLP

Indianapolis, IN
November 17, 2011

Exhibit 31.1

CERTIFICATIONS

I, Mark Comerford, certify that:

1. I have reviewed this annual report on Form 10-K of Haynes International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statement made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the period presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-159f) and 15(d)-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 17, 2011

/s/ MARK COMERFORD

Mark Comerford
Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Marcel Martin, certify that:

1. I have reviewed this annual report on Form 10-K of Haynes International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statement made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the period presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-159f) and 15(d)-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

    (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 17, 2011

/s/ MARCEL MARTIN

Marcel Martin
Chief Financial Officer

Exhibit 32.1

Certifications Pursuant to 18 U.S.C. Section 1350
As Adopted Pursuant to Section 906 of the
Sarbanes—Oxley Act of 2002

I, Marcel Martin, the Vice President Finance and Chief Financial Officer of Haynes International, Inc., certify that (i) the annual report on Form 10-K for the fiscal year ended September 30, 2011 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Haynes International, Inc. as of the dates and for the periods set forth therein.

/s/ MARCEL MARTIN
Marcel Martin
Vice President Finance and
Chief Financial Officer

November 17, 2011
Date

I, Mark Comerford, the President and Chief Executive Officer of Haynes International, Inc., certify that (i) the annual report on Form 10-K for the fiscal year ended September 30, 2011 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Haynes International, Inc. as of the dates and for the periods set forth therein.

/s/ MARK COMERFORD
Mark Comerford
President and Chief Executive Officer

November 17, 2011
Date

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