
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended **June 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

(IRS Employer Identification No.)

1020 West Park Avenue, Kokomo, Indiana

(Address of principal executive offices)

46904-9013

(Zip Code)

(765) 456-6000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate 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). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

As of August 1, 2011, the registrant had 12,205,679 shares of Common Stock, \$.001 par value, outstanding.

**HAYNES INTERNATIONAL, INC. and SUBSIDIARIES QUARTERLY REPORT ON FORM 10-Q
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PART 1 FINANCIAL INFORMATION
Item 1. Financial Statements

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

	September 30, 2010	June 30, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 63,968	\$ 52,039
Restricted cash—current portion	110	—
Accounts receivable, less allowance for doubtful accounts of \$1,116 and \$1,211, respectively	62,851	87,649
Inventories	231,783	259,721
Income taxes receivable	698	—
Deferred income taxes	10,554	10,542
Other current assets	1,666	3,184
Total current assets	371,630	413,135
Property, plant and equipment, net	107,043	109,485
Deferred income taxes—long term portion	62,446	57,068
Prepayments and deferred charges	3,753	2,540
Intangible assets, net	6,671	6,262
Total assets	\$ 551,543	\$ 588,490
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 34,284	\$ 57,403
Accrued expenses	15,780	18,893
Accrued pension and postretirement benefits	18,758	18,758
Deferred revenue — current portion	2,500	2,500
Current income taxes payable	—	37
Current maturities of long-term obligations	109	—
Total current liabilities	71,431	97,591
Long-term obligations (less current portion)	1,324	1,324
Deferred revenue (less current portion)	37,829	35,954
Non-current income taxes payable	308	308
Accrued pension and postretirement benefits	174,802	169,901
Total liabilities	285,694	305,078
Commitments and contingencies (Note 6)	—	—
Stockholders' equity:		
Common stock, \$0.001 par value (40,000,000 shares authorized, 12,144,079 and 12,205,679 shares issued and outstanding at September 30, 2010 and June 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	231,397
Accumulated earnings	102,677	115,229
Accumulated other comprehensive loss	(66,037)	(63,226)
Total stockholders' equity	265,849	283,412
Total liabilities and stockholders' equity	\$ 551,543	\$ 588,490

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

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2010	2011	2010	2011
Net revenues	\$ 101,271	\$ 143,122	\$ 276,898	\$ 388,587
Cost of sales	84,417	117,801	243,009	324,804
Gross profit	16,854	25,321	33,889	63,783
Selling, general and administrative expense	9,480	10,710	25,643	29,988
Research and technical expense	637	733	1,998	2,348
Operating income	6,737	13,878	6,248	31,447
Interest income	(43)	(89)	(157)	(190)
Interest expense	36	37	123	96
Income before income taxes	6,744	13,930	6,282	31,541
Provision for income taxes	2,997	5,533	2,865	11,672
Net income	<u>\$ 3,747</u>	<u>\$ 8,397</u>	<u>\$ 3,417</u>	<u>\$ 19,869</u>
Net income per share:				
Basic	<u>\$ 0.31</u>	<u>\$ 0.70</u>	<u>\$ 0.28</u>	<u>\$ 1.65</u>
Diluted	<u>\$ 0.31</u>	<u>\$ 0.69</u>	<u>\$ 0.28</u>	<u>\$ 1.63</u>
Weighted average shares outstanding:				
Basic	12,049,779	12,077,102	12,049,779	12,063,975
Diluted	12,161,957	12,230,436	12,157,708	12,219,876

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

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

	Three Months Ended June 30 ,		Nine Months Ended June 30 ,	
	2010	2011	2010	2011
Net income	\$ 3,747	\$ 8,397	\$ 3,417	\$ 19,869
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment	(1,340)	1,159	(3,511)	2,811
Comprehensive income (loss)	\$ 2,407	\$ 9,556	\$ (94)	\$ 22,680

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

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

	Nine Months Ended	
	June 30,	
	2010	2011
Cash flows from operating activities:		
Net income	\$ 3,417	\$ 19,869
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	8,458	8,383
Amortization	419	409
Stock compensation expense	1,142	1,350
Excess tax benefit from option exercises	—	(144)
Deferred revenue	(1,874)	(1,875)
Deferred income taxes	1,139	5,176
Loss on disposal of property	157	48
Change in assets and liabilities:		
Accounts receivable	(7,782)	(23,622)
Inventories	(54,945)	(26,247)
Other assets	(555)	(205)
Accounts payable and accrued expenses	17,493	24,726
Income taxes	9,685	1,075
Accrued pension and postretirement benefits	(6,256)	(4,907)
Net cash provided by (used in) operating activities	<u>(29,502)</u>	<u>4,036</u>
Cash flows from investing activities:		
Additions to property, plant and equipment	(9,413)	(9,795)
Change in restricted cash	110	110
Net cash used in investing activities	<u>(9,303)</u>	<u>(9,685)</u>
Cash flows from financing activities:		
Dividends paid	(7,278)	(7,317)
Proceeds from exercise of stock options	—	706
Excess tax benefit from option exercises	—	144
Changes in long-term obligations	(103)	(109)
Net cash used in financing activities	<u>(7,381)</u>	<u>(6,576)</u>
Effect of exchange rates on cash	(319)	296
Decrease in cash and cash equivalents	(46,505)	(11,929)
Cash and cash equivalents, beginning of period	105,095	63,968
Cash and cash equivalents, end of period	<u>\$ 58,590</u>	<u>\$ 52,039</u>
Supplemental disclosures of cash flow information:		
Cash paid during period for:		
Interest (net of capitalized interest)	\$ 40	\$ 13
Income taxes paid, net	\$ 839	\$ 5,325
Capital expenditures incurred but not yet paid	\$ 446	\$ 1,498

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

HAYNES INTERNATIONAL, INC. and SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(in thousands, except share and per share data)

Note 1. Basis of Presentation*Interim Financial Statements*

The accompanying unaudited condensed interim consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America and such principles are applied on a basis consistent with information reflected in our Form 10-K for the year ended September 30, 2010 filed with the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to the rules and regulations promulgated by the SEC related to interim financial statements. In the opinion of management, the interim financial information includes all adjustments and accruals, consisting only of normal recurring adjustments, which are necessary for a fair presentation of results for the respective interim periods. The results of operations for the three or nine months ended June 30, 2011 are not necessarily indicative of the results to be expected for the full fiscal year ending September 30, 2011 or any other interim period.

Principles of Consolidation

The consolidated financial statements include the accounts of Haynes International, Inc. and its wholly-owned subsidiaries (collectively, the "Company"). All significant intercompany transactions and balances are eliminated.

Note 2. New 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.

Note 3. Inventories

The following is a summary of the major classes of inventories:

	September 30, 2010	June 30, 2011
Raw Materials	\$ 20,226	\$ 32,544
Work-in-process	126,626	136,442
Finished Goods	83,971	89,818
Other	960	917
	<u>\$ 231,783</u>	<u>\$ 259,721</u>

Note 4. Income Taxes

Income tax expense for the three and nine months ended June 30, 2010 and 2011, differed from the U.S. federal statutory rate of 35% primarily due to state income taxes and differing tax rates on foreign earnings. The effective tax rate for the three months ended June 30, 2011 was 39.7% compared to 44.4% in the same period of fiscal 2010. The effective tax rate for the nine months ended June 30, 2011 was 37.0% compared to 45.6% in the same period of fiscal 2010. During the third quarter, Indiana enacted a corporate income tax rate

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decrease from 8.5% to 6.5% to be phased in over a period of four years. Additional income tax expense of \$732 was recorded this quarter reflecting our estimate of the decrease of the deferred tax asset, due to the lower state income tax rate. The prior year third quarter effective tax rate of 44.4% was primarily due to the impact of fixed permanent items on lower pretax earnings.

Note 5. Pension and Post-retirement Benefits

Components of net periodic pension and post-retirement benefit cost for the three and nine months ended June 30, 2010 and 2011 are as follows:

	Three Months Ended June 30,				Nine Months Ended June 30,			
	Pension Benefits		Other Benefits		Pension Benefits		Other Benefits	
	2010	2011	2010	2011	2010	2011	2010	2011
Service cost	\$ 898	\$ 902	\$ 51	\$ 67	\$ 2,696	\$ 2,709	\$ 154	\$ 199
Interest cost	2,752	2,824	1,205	1,172	8,425	8,546	3,615	3,516
Expected return	(2,511)	(2,989)	—	—	(7,696)	(9,056)	—	—
Amortizations	1,430	1,768	(949)	(771)	4,313	5,303	(2,848)	(2,312)
Net periodic benefit cost	\$ 2,569	\$ 2,505	\$ 307	\$ 468	\$ 7,738	\$ 7,502	\$ 921	\$ 1,403

The Company contributed \$9,540 to Company sponsored domestic pension plans, \$3,471 to its other post-retirement benefit plans and \$724 to the U.K. pension plan for the nine months ended June 30, 2011. The Company presently expects future contributions of \$3,180 to its domestic pension plans, \$1,529 to its other post-retirement benefit plans and \$219 to the U.K. pension plan for the remainder of fiscal 2011.

Note 6. 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.

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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 June 30, 2011 and September 30, 2010, the Company has accrued \$1,448 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 \$1,884 which was then discounted using an appropriate discount rate.

Note 7. 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 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 security interest in 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 upfront 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 upfront fee not recognized in income is shown as deferred revenue on the consolidated balance sheet.

Note 8. Intangible Assets

The Company 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 of a trademark 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 lives of 5 to 7 years. Amortization of the patents, non-competes and other intangibles was \$419 and \$409 for the nine months ended June 30, 2010 and 2011, respectively.

The following represents a summary of intangible assets at September 30, 2010 and June 30, 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
	<u>\$ 13,873</u>	<u>\$ (7,202)</u>	<u>\$ 6,671</u>

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June 30, 2011	Gross Amount	Accumulated Amortization	Carrying Amount
Patents	\$ 8,667	\$ (6,542)	\$ 2,125
Trademarks	3,800	—	3,800
Non-compete	1,090	(780)	310
Other	316	(289)	27
	<u>\$ 13,873</u>	<u>\$ (7,611)</u>	<u>\$ 6,262</u>

**Estimate of Aggregate Amortization Expense:
Year Ended September 30,**

2011 (remainder of fiscal year)	\$ 136
2012	359
2013	350
2014	350
2015	328
2016	279

Note 9. Net Income Per Share

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

(in thousands except share and per share data)	Three Months Ended June 30,		Nine Months Ended June 30,	
	2010	2011	2010	2011
Numerator:				
Net Income	\$ 3,747	\$ 8,397	\$ 3,417	\$ 19,869
Denominator:				
Weighted average shares outstanding - Basic	12,049,779	12,077,102	12,049,779	12,063,975
Effect of dilutive stock options	60,178	76,784	55,929	79,351
Effect of restricted stock shares with no performance goal	52,000	76,550	52,000	76,550
Weighted average shares outstanding - Diluted	<u>12,161,957</u>	<u>12,230,436</u>	<u>12,157,708</u>	<u>12,219,876</u>
Basic net income per share	\$ 0.31	\$ 0.70	\$ 0.28	\$ 1.65
Diluted net income per share	\$ 0.31	\$ 0.69	\$ 0.28	\$ 1.63
Number of stock option shares excluded as their effect would be anti-dilutive	219,132	163,660	215,255	153,760
Number of restricted stock shares excluded as their performance goal is not yet met	42,300	50,950	42,300	50,950

Anti-dilutive shares with respect to outstanding stock options have been properly excluded from the computation of diluted net income per share. Restricted stock issued to certain key employees is not included in the computation as the performance goal is deemed not yet achieved.

Note 10. 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 rights to acquire shares of the Company's common stock, 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

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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 nine months ended June 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 / Canceled	(4,800)	30.10
Vested	—	
Unvested at June 30, 2011	127,500	\$ 29.92
Expected to vest	101,900	\$ 32.96

Compensation expense related to restricted stock for the three months ended June 30, 2010 and 2011 was \$162 and \$280, respectively, and for the nine months ended June 30, 2010 and 2011 was \$354 and \$739, respectively. The remaining unrecognized compensation expense at June 30, 2011 was \$2,042 to be recognized over a weighted average period of 2.05 years. Compensation expense is not being recorded on a March 31, 2009 grant of 25,600 shares to employees as it continues to be not probable that the performance goal will be 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:

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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 the first nine months of fiscal 2011, 28,400 options were exercised and 20,134 options were forfeited/cancelled.

The stock-based employee compensation expense for stock options for the three months ended June 30, 2010 and 2011 was \$234 and \$150, respectively, and for the nine months ended June 30, 2010 and 2011 was \$788 and \$611, respectively. The remaining unrecognized compensation expense at June 30, 2011 was \$812 to be recognized over a weighted average vesting period of 1.67 years.

The following table summarizes the activity under the stock option plans for the nine months ended June 30, 2011:

	Number of Shares	Aggregate Intrinsic Value (000s)	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)			
Canceled	(20,134)			
Outstanding at June 30, 2011	373,187	\$ 9,388	\$ 38.53	6.16 yrs.
Vested or expected to vest	360,612	\$ 9,388	\$ 38.53	6.16 yrs.
Exercisable at June 30, 2011	300,987	\$ 7,355	\$ 39.67	5.58 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	3.17	86,886	86,886
February 21, 2006	29.25	4.67	8,334	8,334
March 31, 2006	31.00	4.75	10,000	10,000
March 30, 2007	72.93	5.75	59,500	59,500
March 31, 2008	54.00	6.75	81,000	81,000
October 1, 2008	46.83	7.25	20,000	13,334
March 31, 2009	17.82	7.75	46,567	30,266
January 8, 2010	34.00	8.50	35,000	11,667
November 24, 2010	40.26	9.42	25,900	—
			373,187	300,987

Note 11. Dividend

In the third quarter of fiscal 2011, the Company declared and paid a regular quarterly cash dividend of \$0.20 per outstanding share of the Company's common stock. The dividend was paid June 15, 2011 to stockholders of record at the close of business on June 1, 2011. The dividend cash pay-out was \$2,441 for the quarter based on shares outstanding. Dividends paid year-to-date for fiscal 2011 are \$7,317.

On August 4, 2011, the Company announced that the Board of Directors declared a regular quarterly cash dividend of \$0.20 per outstanding share of the Company's common stock. The dividend is payable September 15, 2011 to stockholders of record at the close of business on September 1, 2011.

Note 12. 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

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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 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 carrying amount of trade receivables and accounts payable approximate fair value because of the relatively short maturity of these instruments. The following table represents the Company's fair value hierarchy for its remaining financial instruments measured at fair value on a recurring basis as of September 30, 2010 and June 30, 2011:

September 30, 2010	Fair Value Measurements at Reporting Date Using:			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash and money market funds	\$ 63,968	\$ —	\$ —	\$ 63,968

June 30, 2011	Fair Value Measurements at Reporting Date Using:			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash and money market funds	\$ 52,039	\$ —	\$ —	\$ 52,039

The Company had no Level 3 assets or liabilities as of September 30, 2010 or June 30, 2011.

Note 13. Subsequent Event

Extension of U.S. Revolving Credit Facility

On July 14, 2011, Haynes International, Inc. 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, dated November 18, 2008. 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 \$120,000 up to an aggregate amount of \$170,000 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

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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 \$50,000 to at least 15% of the Maximum Credit and improving the Fixed Charge Coverage Ratio requirement of 1.0 to 1.0 for the twelve months ending the month immediately prior to the payment or repurchase date.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

References to years or portions of years in Management's Discussion and Analysis of Financial Condition and Results of Operations refer to the Company's fiscal years ended September 30, unless otherwise indicated.

This Quarterly Report on Form 10-Q (this "Form 10-Q") 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. Those statements appear in a number of places in this Form 10-Q and may include, but are not limited to, statements regarding the intent, belief or current expectations of the Company or its management with respect to strategic plans; revenues; financial results; backlog balance; trends in the industries that consume the Company's products; global economic and political conditions; production levels at the Company's Kokomo, Indiana facility; commercialization of the Company's production capacity; and the Company's ability to develop new products. 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, some of which are discussed in Item 1A. of Part 1 to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2010, 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.

Non-GAAP Measure

This Quarterly Report on Form 10-Q includes non-GAAP financial measures. 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.

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.

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 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 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 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.

Dividend

In the third quarter of fiscal 2011, the Company declared and paid a regular quarterly cash dividend of \$0.20 per outstanding share of the Company's common stock. The dividend was paid June 15, 2011 to stockholders of record at the close of business on June 1, 2011. The dividend cash pay-out was \$2.4 million for the quarter based on shares outstanding. Dividends paid year-to-date for fiscal 2011 are \$7.3 million.

On August 3, 2011, the Company announced that the Board of Directors declared a regular quarterly cash dividend of \$0.20 per outstanding share of the Company's common stock. The dividend is payable September 15, 2011 to stockholders of record at the close of business on September 1, 2011. The aggregate cash payout based on current shares outstanding will be approximately \$2.4 million, or approximately \$9.7 million on an annualized basis.

Subsequent Event — Extension of U.S. Revolving Credit Facility

On July 14, 2011, Haynes International, Inc. 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, dated November 18, 2008. 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 of 1.0 to 1.0 for the twelve months ending the month immediately prior to the payment or repurchase date.

Gross Profit Margin Performance

The gross profit margin and gross profit margin percentage have both improved for the first three quarters 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 second quarter to the third quarter of fiscal 2011, the gross profit margin increased by \$4.7 million and the gross profit margin percentage increased by 2.9%. This increase is due to fewer large, competitively bid projects invoiced in the third quarter as compared to the second quarter, improved pricing of transactional business in the third quarter and price increase initiatives started in the second quarter of fiscal 2011, which were continued into the third quarter in order to recover both the rising cost of raw material and non-raw material items. The average product selling price per pound increased 6.4% from the second quarter to the third 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.

Due to the excess capacity in the industry, the Company continues to experience price competition in the marketplace, especially with the mill-direct project business. However, the Company experienced increased success in raising prices in the third quarter of fiscal 2011 due to the increases to base prices initiated during the second and third quarters. However, the Company has not yet experienced the full effect of these price increases due to the recent volatility of raw material prices, which tempers the benefits of price increases.

Gross profit margin percentages are expected to improve in subsequent quarters commensurate with the improving business environment.

**Comparison by Quarter of Gross Profit Margin and
Gross Profit Margin Percentage for Fiscal 2010 and 2011**

(in thousands)	Quarter Ended						
	December 31, 2009	March 31, 2010	June 30, 2010	September 30, 2010	December 31, 2010	March 31, 2011	June 30, 2011
Net Revenues	\$ 81,008	\$ 94,619	\$ 101,271	\$ 104,646	\$ 106,351	\$ 139,114	\$ 143,122
Gross Profit Margin	\$ 6,845	\$ 10,190	\$ 16,854	\$ 19,942	\$ 17,869	\$ 20,593	\$ 25,321
Gross Profit Margin							
%	8.5%	10.8%	16.6%	19.1%	16.8%	14.8%	17.7%

Backlog

Backlog dollars were \$288.6 million at June 30, 2011, an increase of approximately 19.4% from \$241.7 million at March 31, 2011, due to continued strong order entry activity during the third quarter. This increase is the result of a 7.3% increase in backlog pounds and an 11.3% increase in backlog average selling price.

The backlog dollars improved in the third quarter due to a substantial increase in the land-based gas turbines and other markets backlog segments as a result of improved market demand in these segments. The backlog also reflects an improved product mix reflective of higher value alloys and forms.

Outlook

General

Net revenues, gross margins, net income and volumes have improved over the last seven fiscal quarters culminating in the third quarter 2011 net income of \$9.1 million excluding the one-time non-cash tax adjustment of \$0.7 million. The trend of improving performance for the Company is reflective of the improving market 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 swapping out debt for equity; and strengthening the liquidity of the Company with the Timet transaction, NASDAQ public stock offering and expanded working capital facility. In addition, the Company has invested over \$90.0 million over the past seven years in equipment upgrades in order to improve quality, increase reliability, reduce product cost and increase capacity along with making selective acquisitions. These investments have also enabled the Company to expand both its global footprint and its product portfolio, which

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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 the improving and 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 seven fiscal quarters.

Fourth Quarter Fiscal 2011 and First Quarter Fiscal 2012

Management expects that net revenues and volumes for the fourth quarter of fiscal 2011 and first quarter of fiscal 2012 will approximate the level of the third quarter of fiscal 2011. However, management anticipates improvement in net income for the fourth and first quarter of fiscal 2011 and fiscal 2012, respectively, due to the impact of price increases initiated in the second and third quarters of fiscal 2011.

The first quarter performance of fiscal 2012 will be, as with past first quarter periods, 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 is expected to correspondingly reduce the level of net income for the first quarter versus the fourth quarter of fiscal 2011 due to lower ship pounds and also reduced absorption of manufacturing costs. However, the Company plans to stage additional inventory at September 30, 2011, to accommodate the reduced production days available in the first quarter of fiscal 2012. Also, we expect that the reduced absorption from fewer production days will be largely offset by continued improved pricing with the net effect being that net income should be comparable between the fourth quarter of fiscal 2011 and first quarter of fiscal 2012.

Management expects net income for fiscal 2012 to exceed the net income of fiscal 2011. However, due to the continued competitive environment and uncertain economic environment, the amount of improvement from fiscal 2011 to fiscal 2012 is uncertain.

Working Capital

Controllable working capital, which includes accounts receivable, inventory, accounts payable and accrued expenses, increased slightly during the third quarter of fiscal 2011 as compared to the second quarter of fiscal 2011. During the third fiscal quarter, inventory and accounts receivable increased due to higher business volume; however, this increase was partially offset by an increase in accounts payable and accrued expenses. Inventory turns and working capital as a percent of sales are essentially the same between the second and third fiscal quarters and it is anticipated that both of these metrics will remain consistent at year-end.

Quarterly Market Information

Set forth below are 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 a breakdown of net revenues, shipments and average selling prices to the markets served by the Company 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 in this Form 10-Q.

	Quarter Ended						
	December 31, 2009	March 31, 2010	June 30, 2010	September 30, 2010	December 31, 2010	March 31, 2011	June 30, 2011
Backlog (1)							
Dollars (in thousands)	\$ 110,406	\$ 124,571	\$ 130,885	\$ 147,958	\$ 166,990	\$ 241,661	\$ 288,597
Pounds (in thousands)	4,915	5,805	5,675	5,997	6,911	9,648	10,356
Average selling price per pound	\$ 22.46	\$ 21.46	\$ 23.06	\$ 24.67	\$ 24.16	\$ 25.05	\$ 27.87
Average nickel price per pound							
London Metals Exchange(2)	\$ 7.75	\$ 10.19	\$ 8.79	\$ 10.26	\$ 10.94	\$ 12.16	\$ 10.14

- (1) 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.
- (2) 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.

	Market Activity Per Quarter Ended						
	December 31, 2009	March 31, 2010	June 30, 2010	September 30, 2010	December 31, 2010	March 31, 2011	June 30, 2011
Net revenues (in thousands)							
Aerospace	\$ 28,375	\$ 33,495	\$ 36,739	\$ 39,793	\$ 44,537	\$ 48,953	\$ 53,594
Chemical processing	20,828	18,333	27,461	21,062	20,591	37,238	46,065
Land-based gas turbines	14,966	20,028	18,412	20,802	21,541	27,724	21,067
Other markets	13,080	19,426	15,540	20,021	15,217	21,985	19,248
Total product revenue	77,249	91,282	98,152	101,678	101,886	135,900	139,974
Other revenue	3,759	3,337	3,119	2,968	4,465	3,214	3,148
Net revenues	\$ 81,008	\$ 94,619	\$ 101,271	\$ 104,646	\$ 106,351	\$ 139,114	\$ 143,122

Shipments by markets (in thousands of pounds)							
Aerospace	1,221	1,435	1,581	1,739	1,688	2,008	2,152
Chemical processing	1,155	811	1,372	870	914	1,846	2,185
Land-based gas turbines	946	1,291	1,106	1,252	1,199	1,664	1,093
Other markets	605	867	665	906	610	855	738
Total shipments	3,927	4,404	4,724	4,767	4,411	6,373	6,168

Average selling price per pound							
Aerospace	\$ 23.24	\$ 23.34	\$ 23.24	\$ 22.88	\$ 26.38	\$ 24.38	\$ 24.90
Chemical processing	18.03	22.61	20.02	24.21	22.53	20.17	21.08
Land-based gas turbines	15.82	15.51	16.65	16.62	17.97	16.66	19.27
Other markets	21.62	22.41	23.37	22.10	24.95	25.71	26.08
Total product (excluding other revenue)	19.67	20.73	20.78	21.33	23.10	21.32	22.69
Total average selling price (including other revenue)	20.63	21.48	21.44	21.95	24.11	21.83	23.20

Results of Operations for the Three Months Ended June 30, 2011 Compared to the Three Months Ended June 30, 2010

(\$ in thousands)	Three Months Ended June 30,				Change	
	2010		2011		Amount	
Net revenues	\$ 101,271	100%	\$ 143,122	100%	\$ 41,851	41.3%
Cost of sales	84,417	83.4%	117,801	82.3%	33,384	39.5%
Gross profit	16,854	16.6%	25,321	17.7%	8,467	50.2%
Selling, general and administrative expense	9,480	9.4%	10,710	7.5%	1,230	13.0%
Research and technical expense	637	0.6%	733	0.5%	96	15.1%
Operating income	6,737	6.7%	13,878	9.7%	7,141	106.0%
Interest income	(43)	0.0%	(89)	0.0%	(46)	107.0%
Interest expense	36	0.0%	37	0.0%	1	2.8%
Income before income taxes	6,744	6.7%	13,930	9.7%	7,186	106.6%
Provision for income taxes	2,997	3.0%	5,533	3.8%	2,536	84.6%
Net income	\$ 3,747	3.7%	\$ 8,397	5.9%	\$ 4,650	124.1%
Net income per share:						
Basic	\$ 0.31		\$ 0.70			
Diluted	\$ 0.31		\$ 0.69			
Weighted average shares outstanding:						
Basic	12,049,779		12,077,102			
Diluted	12,161,957		12,230,436			
<u>Reconciliation of non-GAAP net income:</u>						
Net income excluding non-cash tax charge	\$ 3,747		\$ 9,129			
Tax charge to reduce deferred tax asset due to an enacted state income tax rate reduction	—		732			
Net income as reported	\$ 3,747		\$ 8,397			
<u>Reconciliation of non-GAAP EPS:</u>						
Diluted earnings per share excluding non-cash tax charge	\$ 0.31		\$ 0.75			
Tax charge to reduce deferred tax asset due to an enacted state income tax rate reduction	—		0.06			
Diluted earnings per share as reported	\$ 0.31		\$ 0.69			

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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	Three Months Ended June 30,		Change	
	2010	2011	Amount	%
Net revenues (in thousands)				
Aerospace	\$ 36,739	\$ 53,594	\$ 16,855	45.9%
Chemical processing	27,461	46,065	18,604	67.7%
Land-based gas turbines	18,412	21,067	2,655	14.4%
Other markets	15,540	19,248	3,708	23.9%
Total product revenue	98,152	139,974	41,822	42.6%
Other revenue	3,119	3,148	29	0.9%
Net revenues	\$ 101,271	\$ 143,122	\$ 41,851	41.3%
Pounds by markets (in thousands)				
Aerospace	1,581	2,152	571	36.1%
Chemical processing	1,372	2,185	813	59.3%
Land-based gas turbines	1,106	1,093	(13)	(1.2)%
Other markets	665	738	73	11.0%
Total shipments	4,724	6,168	1,444	30.6%
Average selling price per pound				
Aerospace	\$ 23.24	\$ 24.90	\$ 1.66	7.1%
Chemical processing	20.02	21.08	1.06	5.3%
Land-based gas turbines	16.65	19.27	2.62	15.7%
Other markets	23.37	26.08	2.71	11.6%
Total product (excluding other revenue)	20.78	22.69	1.91	9.2%
Total average selling price (including other revenue)	21.44	23.20	1.76	8.2%

Net Revenues. Net revenues were \$143.1 million in the third quarter of fiscal 2011, an increase of 41.3% from \$101.3 million in the same period of fiscal 2010. Volume was 6.2 million pounds in the third quarter of fiscal 2011, an increase of 30.6% from 4.7 million pounds in the same period of fiscal 2010. The total average selling price was \$23.20 per pound in the third quarter of fiscal 2011, an increase of 8.2% from \$21.44 per pound in the same period of 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 \$288.6 million at June 30, 2011, an increase of 19.4% from \$241.7 million at March 31, 2011. This increase reflects a 7.3% increase in backlog pounds combined with an 11.3% increase in backlog average selling price.

Sales to the aerospace market were \$53.6 million in the third quarter of fiscal 2011, an increase of 45.9% from \$36.7 million in the same period of fiscal 2010, due to a 36.1% increase in volume combined with a 7.1% increase in the average selling price per pound. The volume increase reflects improving market demand. The increase in the average selling price per pound is due to increased customer demand and higher raw material costs.

Sales to the chemical processing market were \$46.1 million in the third quarter of fiscal 2011, an increase of 67.7% from \$27.5 million in the same period of fiscal 2010, due to a 59.3% increase in volume, combined with a 5.3% increase in the average selling price per pound. Volume was affected by the project-oriented nature of the market where the comparisons of volume shipped and average selling price per pound between quarters can be affected by timing, quantity and order size of the project business. In the third quarter of fiscal 2011, there was a higher level of project business for higher priced alloys versus the comparable quarter of fiscal 2010, which increased volume and average selling price per pound.

Sales to the land-based gas turbine market were \$21.1 million in the third quarter of fiscal 2011, an increase of 14.4% from \$18.4 million for the same period of fiscal 2010, due to a 15.7% increase in the average selling price per pound partially offset by a 1.2% decrease in volume. The increase in the average selling price is due to improved original equipment manufacturer activity, primarily in the marine and pipeline applications of land-based gas turbines, and rising raw material costs.

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Sales to other markets were \$19.2 million in the third quarter of fiscal 2011, an increase of 23.9% from \$15.5 million in the same period of fiscal 2010, due to an 11.6% increase in average selling price per pound combined with a 11.0% increase in volume. The increase in the average selling price reflects a change to a higher-value alloy and form mix shipped into the other markets category.

Other Revenue. Other revenue was relatively flat at \$3.1 million in the third quarter of fiscal 2011, an increase of 0.9% from \$3.1 million in the same period of fiscal 2010.

Cost of Sales. Cost of sales was \$117.8 million, or 82.3% of net revenues, in the third quarter of fiscal 2011 compared to \$84.4 million, or 83.4% of net revenues, in the same period of fiscal 2010. Cost of sales in the third quarter of fiscal 2011 increased by \$33.4 million as compared to the same period of fiscal 2010 due to higher volume, higher raw material costs and increased production staffing to meet increased product demand. This increase was partially offset by increased absorption of fixed manufacturing costs as a result of higher production volumes, particularly that of sheet product.

Selling, General and Administrative Expense. Selling, general and administrative expense was \$10.7 million for the third quarter of fiscal 2011, an increase of \$1.2 million, or 13.0%, from \$9.5 million in the same period of fiscal 2010, due to increased headcount, higher marketing costs and higher selling costs. Selling, general and administrative expenses as a percentage of net revenues decreased to 7.5% for the third quarter of fiscal 2011 compared to 9.4% for the same period of fiscal 2010 due primarily to increased revenues.

Research and Technical Expense. Research and technical expense was \$0.7 million, or 0.5% of revenue, for the third quarter of fiscal 2011, an increase of \$0.1 million from \$0.6 million, or 0.6% of net revenues, in the same period of 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 the third quarter of fiscal 2011 was \$13.9 million compared to operating income of \$6.7 million in the same period of fiscal 2010.

Income Taxes. Income tax expense was \$5.5 million in the third quarter of fiscal 2011, an increase of \$2.5 million from \$3.0 million in the same period of fiscal 2010, due primarily to higher pretax income generated in fiscal 2011. The effective tax rate for the third quarter of fiscal 2011 was 39.7%, compared to 44.4% in the same period of fiscal 2010. During the third quarter, 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 this quarter reflecting our estimate of the decrease in the deferred tax asset, due to the lower state income tax rate. The prior year third quarter effective tax rate of 44.4% 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 the third quarter of fiscal 2011, including the one-time non-cash tax charge of \$0.7 million, was \$8.4 million, an increase of \$4.7 million from \$3.7 million in the same period of fiscal 2010. Net income excluding the one-time non-cash tax charge was \$9.1 million.

Results of Operations for the Nine Months Ended June 30, 2011 Compared to the Nine Months Ended June 30, 2010

(\$ in thousands)	Nine Months Ended June 30,				Change	
	2010		2011		Amount	%
Net revenues	\$ 276,898	100.0%	\$ 388,587	100.0%	\$ 111,689	40.3%
Cost of sales	243,009	87.8%	324,804	83.6%	81,795	33.7%
Gross profit	33,889	12.2%	63,783	16.4%	29,894	88.2%
Selling, general and administrative expense	25,643	9.3%	29,988	7.7%	4,345	16.9%
Research and technical expense	1,998	0.7%	2,348	0.6%	350	17.5%
Operating income	6,248	2.3%	31,447	8.1%	25,199	403.3%
Interest income	(157)	0.0%	(190)	0.0%	(33)	(21.0)%
Interest expense	123	0.0%	96	0.0%	(27)	(22.0)%
Income before income taxes	6,282	2.3%	31,541	8.1%	25,259	402.1%
Provision for income taxes	2,865	1.0%	11,672	3.0%	8,807	307.4%
Net income	\$ 3,417	1.2%	\$ 19,869	5.1%	\$ 16,452	481.5%

Net income per share:

Basic	\$ 0.28	\$ 1.65
Diluted	\$ 0.28	\$ 1.63

Weighted average shares outstanding:

Basic	12,049,779	12,063,975
Diluted	12,157,708	12,219,876

Reconciliation of non-GAAP net income:

Net income excluding non-cash tax charge	\$ 3,417	\$ 20,601
Tax charge to reduce deferred tax asset due to an enacted state income tax rate reduction	—	732
Net income as reported	\$ 3,417	\$ 19,869

Reconciliation of non-GAAP EPS:

Diluted earnings per share excluding non-cash tax charge	\$ 0.28	\$ 1.69
Tax charge to reduce deferred tax asset due to an enacted state income tax rate reduction	—	0.06
Diluted earnings per share as reported	\$ 0.28	\$ 1.63

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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	Nine Months Ended June 30,		Change	
	2010	2011	Amount	%
<u>Net revenues</u> (in thousands)				
Aerospace	\$ 98,609	\$ 147,084	\$ 48,475	49.2%
Chemical processing	66,622	103,894	37,272	55.9%
Land-based gas turbines	53,406	70,332	16,926	31.7%
Other markets	48,046	56,450	8,404	17.5%
Total product revenue	266,683	377,760	111,077	41.7%
Other revenue	10,215	10,827	612	6.0%
Net revenues	\$ 276,898	\$ 388,587	\$ 111,689	40.3%
<u>Pounds by markets</u> (in thousands)				
Aerospace	4,237	5,848	1,611	38.0%
Chemical processing	3,338	4,945	1,607	48.1%
Land-based gas turbines	3,343	3,956	613	18.3%
Other markets	2,137	2,203	66	3.1%
Total shipments	13,055	16,952	3,897	29.9%
<u>Average selling price per pound</u>				
Aerospace	\$ 23.27	\$ 25.15	\$ 1.88	8.1%
Chemical processing	19.96	21.01	1.05	5.3%
Land-based gas turbines	15.98	17.78	1.80	11.3%
Other markets	22.48	25.62	3.14	14.0%
Total product (excluding other revenue)	20.43	22.28	1.85	9.1%
Total average selling price (including other revenue)	21.21	22.92	1.71	8.1%

Net Revenues. Net revenues were \$388.6 million in the first nine months of fiscal 2011, an increase of 40.3% from \$276.9 million in the same period of fiscal 2010 due to an increase in volume and average selling price per pound. Volume was 17.0 million pounds in the first nine months of fiscal 2011, an increase of 29.9% from 13.1 million pounds in the same period of fiscal 2010. The total average selling price was \$22.92 per pound in the first nine months of fiscal 2011, an increase of 8.1% from \$21.21 per pound in the same period of 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 \$288.6 million at June 30, 2011, an increase of 95% from \$148.0 million at September 30, 2010. This increase reflects the combination of a 72.7% increase in backlog pounds and a 13.0% increase in backlog average selling price.

Sales to the aerospace market were \$147.1 million in the first nine months of fiscal 2011, an increase of 49.2% from \$98.6 million in the same period of fiscal 2010, due to a 38.0% increase in volume combined with an 8.1% increase in the average selling price per pound. The increase in the average selling price per pound is due to increased customer demand and higher raw material costs while the increase in volume is due to improved customer demand.

Sales to the chemical processing market were \$103.9 million in the first nine months of fiscal 2011, an increase of 55.9% from \$66.6 million in the same period of fiscal 2010, due to a 48.1% increase in volume combined with a 5.3% 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 \$70.3 million in the first nine months of fiscal 2011, an increase of 31.7% from \$53.4 million for the same period of fiscal 2010, due to an increase of 11.3% in the average selling price per pound combined with an 18.3% 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 \$56.5 million in the first nine months of fiscal 2011, an increase of 17.5% from \$48.0 million in the same period of fiscal 2010, due to a 14.0% increase in average selling price per

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pound combined with a 3.1% increase 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 \$10.8 million in the first nine months of fiscal 2011, an increase of 6.0% from \$10.2 million in the same period of fiscal 2010. The increase is due primarily to higher conversion sales.

Cost of Sales. Cost of sales was \$324.8 million, or 83.6% of net revenues, in the first nine months of fiscal 2011 compared to \$243.0 million, or 87.8% of net revenues, in the same period of fiscal 2010. Cost of sales in the first nine months of fiscal 2011 increased by \$81.8 million as compared to the same period of fiscal 2010 due to higher volume, higher raw material costs and increased production staffing to meet increased demand. This increase was partially offset by increased absorption of fixed manufacturing costs caused by higher production volumes, particularly that of sheet product.

Selling, General and Administrative Expense. Selling, general and administrative expense was \$30.0 million for the first nine months of fiscal 2011, an increase of \$4.3 million, or 16.9%, from \$25.6 million in the same period of fiscal 2010 due to higher headcount and higher business activity resulting in increased commissions and sales expenses. Selling, general and administrative expenses as a percentage of net revenues decreased to 7.7% for the first nine months of fiscal 2011 compared to 9.3% for the same period of fiscal 2010 due to increased revenues.

Research and Technical Expense. Research and technical expense was \$2.3 million, or 0.6% of revenue, for the first nine months of fiscal 2011, an increase of \$0.3 million from \$2.0 million, or 0.7% of net revenues, in the same period of 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 the first nine months of fiscal 2011 was \$31.4 million compared to operating income of \$6.2 million in the same period of fiscal 2010.

Income Taxes. Income tax expense was \$11.7 million in the first nine months of fiscal 2011, an increase of \$8.8 million from an expense of \$2.9 million in the same period of fiscal 2010, due primarily to higher pretax income generated in fiscal 2011. The effective tax rate for the first nine months of fiscal 2011 was 37.0%, compared to 45.6% in the same period of 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 45.6% 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 the first nine months of fiscal 2011, including the one-time non-cash tax charge of \$0.7 million, was \$19.9 million, an increase of \$16.5 million from net income of \$3.4 million in the same period of fiscal 2010. Net income excluding the one-time non-cash tax charge was \$20.6 million.

Liquidity and Capital Resources

Comparative cash flow analysis

During the first nine months of fiscal 2011, the Company's primary sources of cash were cash on-hand and cash from operations as detailed below. At June 30, 2011, the Company had cash and cash equivalents of \$52.0 million compared to cash and cash equivalents of \$64.0 million at September 30, 2010.

Net cash provided by operating activities was \$4.0 million in the first nine months of fiscal 2011 compared to a use of cash of \$29.5 million in the same period of fiscal 2010. Cash generated from operations was favorably impacted by net income of \$19.9 million, compared to \$3.4 million in the same period of fiscal 2010. Additional items impacting operating cash flow include cash used by higher accounts receivable of \$23.6 million, which was \$15.8 million higher than cash used from accounts receivable in the same period of fiscal 2010; cash used from increased inventory balances (net of foreign currency fluctuation) of \$26.2 million, which was \$28.7 million lower than cash used from inventory balances in the same period of fiscal 2010; and cash generated by increased accounts payable and accrued expenses of \$24.7 million, which was \$7.2 million higher than the same period of fiscal 2010. Inventory has increased due to the Company's increased order entry and higher backlog levels. Net cash used in investing activities was \$9.7 million in the first nine months of fiscal 2011 compared to \$9.3 million in the first nine months of fiscal 2010 as a result of slightly higher capital expenditures. Net cash used in financing activities in the first nine months of fiscal 2011 included dividend payments of \$7.3 million.

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Future sources of liquidity

The Company's sources of cash for fiscal 2011 are expected to consist primarily of cash generated from operations, cash on-hand, and, if needed, borrowings under the U.S. revolving credit facility. At June 30, 2011, the Company had cash of \$52.0 million, an outstanding balance of zero and availability of \$120.0 million under the U.S. revolving credit facility, subject to a borrowing base and certain reserves. Management believes that the resources described above will be sufficient to fund planned capital expenditures and working capital requirements over the next twelve months.

U.S. revolving credit facility: The Company and Wells Fargo Capital Finance, LLC (as successor by merger to Wachovia Capital Finance) ("Wells Fargo") entered into a Second Amended and Restated Loan and Security Agreement (the "Amended Agreement") with an effective date of November 18, 2008, which amended and restated the revolving credit facility between Haynes and Wells Fargo dated August 31, 2004. The maximum revolving loan amount under the Amended Agreement is \$120.0 million, subject to a borrowing base formula and certain reserves. Borrowings under the U.S. revolving credit facility bear interest at the Company's option at either Wells Fargo, National Association's "prime rate", plus up to 2.25% per annum (depending on excess availability), or the adjusted Eurodollar rate used by the lender, plus up to 3.0% per annum (depending on excess availability). In addition, the Company must pay monthly in arrears a commitment fee of 0.375% per annum on the unused amount of the U.S. revolving credit facility total commitment. For letters of credit, the Company must pay 2.5% per annum on the daily outstanding balance of all issued letters of credit, plus customary fees for issuance, amendments, and processing. During the nine month period ended June 30, 2011 and as of that date, there were no amounts outstanding under the U.S. revolving credit facility. 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 June 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 September 30, 2011. 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. The U.S. revolving credit facility is also secured by a pledge of a 65% equity interest in each of the Company's 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, income taxes and dividends to stockholders.

At the beginning of fiscal 2010, the Company announced plans to spend, in total, approximately \$85.0 million over fiscal years 2010 through 2014 on new strategic initiatives, routine capital maintenance projects and upgrading of the capabilities of the Company's service centers. This amount includes approximately \$30.0 million on upgrades to its four-high Steckel rolling mill and supporting equipment, approximately \$25.0 million on other equipment purchases and upgrades and approximately \$20.0 million on routine capital maintenance projects. In addition, the Company is working to finalize plans to spend approximately \$10.0 million over the course of fiscal 2012 and 2013 to upgrade, consolidate and enhance capabilities at its service center operations to improve customer service and return on assets at those operations. Management does not anticipate prolonged equipment outages as a result of upgrades for any of these projects. These projects are expected to improve quality, reduce operating costs, improve delivery performance, improve inventory turns and decrease cycle time. The target for capital spending in fiscal 2011 is approximately \$15.0 to \$17.0 million, with spending additional monies on the upgrade of the Company's service centers to start in fiscal 2012.

[Table of Contents](#)*Contractual Obligations*

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

(in thousands)	Payments Due by Period				
	Total	Less than 1 year	1-3 Years	3-5 Years	More than 5 years
Contractual Obligations⁽¹⁾					
Credit facility fees	\$ 128	\$ 128	\$ —	\$ —	\$ —
Operating lease obligations	10,976	2,669	3,360	2,271	2,676
Capital lease obligations	280	33	66	66	115
Raw material contracts	47,748	47,748	—	—	—
Mill supplies contracts	31	31	—	—	—
Capital projects	9,796	9,796	—	—	—
Environmental post-closure monitoring	1,448	122	252	248	826
External product conversion source	4,250	600	1,200	1,200	1,250
Pension plan ⁽²⁾	53,923	14,833	24,870	14,220	—
Non-qualified pension plan	834	95	190	190	359
Other postretirement benefits ⁽³⁾	50,000	5,000	10,000	10,000	25,000
Total	\$ 179,414	\$ 81,055	\$ 39,938	\$ 28,195	\$ 30,226

- (1) Taxes are not included in the table. The Company adopted the provisions of FIN No. 48, Accounting for Uncertainty in Income Taxes, on October 1, 2007. As of June 30, 2011, the non-current income taxes payable was \$308. It is not possible to determine in which period the tax liability might be paid out.
- (2) The Company has a funding obligation to contribute \$52,980 to the domestic pension plan arising from the Pension Protection Act of 2006. These payments will be tax deductible. All benefit payments under the domestic pension plan are provided by the plan and not the Company. The Company expects its U.K. subsidiary to contribute \$943 over the following twelve months to the U.K. Pension Plan.
- (3) Represents expected post-retirement benefits only based upon anticipated timing of payments.

New Accounting Pronouncements

See Note 2. New Accounting Pronouncements of the Notes to Consolidated Financial Statements.

Critical Accounting Policies and Estimates

The Company's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities and 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. Assumptions and estimates were based on the facts and circumstances known at June 30, 2011. However, future events rarely develop exactly as forecasted, and the best estimates routinely require adjustment. The accounting policies discussed in Item 7 of our annual report on Form 10-K for the year ended September 30, 2010 are considered by management to be the most important to an understanding of the financial statements, because their application places the most significant demands on management's judgment and estimates about the effect of matters that are inherently uncertain. These policies are also discussed in Note 2 of the consolidated financial statements included in Item 8 of that report. There have been no material changes to that information since the end of fiscal 2010.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

As of June 30, 2011, there were no material changes in the market risks described in "Quantitative and Qualitative Disclosures about Market Risk" in our Form 10-K for the fiscal year ended September 30, 2010.

Item 4. Controls and Procedures

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 and the design and operation of the Company's disclosure controls and procedures (as defined by Exchange Act rules 13a-15(e) and 15d-15(e)) pursuant to Rule 13a-15(b) of the Exchange Act 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 June 30, 2011.

There have been no changes in our internal controls over financial reporting during our most recent quarter that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II OTHER INFORMATION

Item 6. Exhibits

Exhibits. See Index to Exhibits.

SIGNATURES

Pursuant to the requirements of the Securities Exchange 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.

/s/ Mark Comerford

Mark Comerford
President and Chief Executive Officer
Date: August 4, 2011

/s/ Marcel Martin

Marcel Martin
Vice President, Finance
Chief Financial Officer
Date: August 4, 2011

INDEX TO EXHIBITS

Number Assigned In Regulation S-K Item 601		Description of Exhibit
(3)	3.01	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).
	3.02	Amended and Restated Bylaws 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).
(31)	31.01*	Rule 13a-14(a)/15d-14(a) Certification.
	31.02*	Rule 13a-14(a)/15d-14(a) Certification.
(32)	32.01*	Section 1350 Certifications.
101*		The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011 formatted in Extensible Business Reporting Language (XBRL): (i) the Consolidated Statements of Income, (ii) the Consolidated Balance Sheets, (iii) the Consolidated Statements of Cash Flows, (iv) the Consolidated Statement of Equity and (v) related notes.

* Filed herewith

CERTIFICATIONS

I, Mark Comerford, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 statements 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 control over financial reporting (as defined in Exchange Act Rules 13a-15(f) 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 regarding the reliability of financial reporting and the 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: August 4, 2011

/s/ Mark Comerford
Mark Comerford
Chief Executive Officer

CERTIFICATIONS

I, Marcel Martin, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 statements 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 control over financial reporting (as defined in Exchange Act Rules 13a-15(f) 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 regarding the reliability of financial reporting and the 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: August 4, 2011

/s/ Marcel Martin

Marcel Martin
Chief Financial Officer

**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 quarterly report on Form 10-Q for the fiscal quarter ended June 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

August 4, 2011

Date

I, Mark Comerford, the President and Chief Executive Officer of Haynes International, Inc., certify that (i) the quarterly report on Form 10-Q for the fiscal quarter ended June 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

August 4, 2011

Date

CONSOLIDATED BALANCE SHEETS

CONSOLIDATED BALANCE SHEETS (USD \$) (in Thousands)	06/30/2011	09/30/2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 52,039	\$ 63,968
Restricted cash-current portion		110
Accounts receivable, less allowance for doubtful accounts of \$1,116 and \$1,211, respectively	87,649	62,851
Inventories	259,721	231,783
Income taxes receivable		698
Deferred income taxes	10,542	10,554
Other current assets	3,184	1,666
Total current assets	<u>413,135</u>	<u>371,630</u>
Property, plant and equipment, net	109,485	107,043
Deferred income taxes-long term portion	57,068	62,446
Prepayments and deferred charges	2,540	3,753
Intangible assets, net	6,262	6,671
Total assets	<u>588,490</u>	<u>551,543</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	57,403	34,284
Accrued expenses	18,893	15,780
Accrued pension and postretirement benefits	18,758	18,758
Deferred revenue - current portion	2,500	2,500
Current income taxes payable	37	
Current maturities of long-term obligations		109
Total current liabilities	<u>97,591</u>	<u>71,431</u>
Long-term obligations (less current portion)	1,324	1,324
Deferred revenue (less current portion)	35,954	37,829
Non-current income taxes payable	308	308
Accrued pension and postretirement benefits	169,901	174,802
Total liabilities	<u>305,078</u>	<u>285,694</u>
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Common stock, \$0.001 par value (40,000,000 shares authorized, 12,144,079 and 12,205,679 shares issued and outstanding at September 30, 2010 and June 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	231,397	229,197
Accumulated earnings	115,229	102,677
Accumulated other comprehensive loss	(63,226)	(66,037)
Total stockholders' equity	<u>283,412</u>	<u>265,849</u>
Total liabilities and stockholders' equity	<u>\$ 588,490</u>	<u>\$ 551,543</u>

CONSOLIDATED BALANCE SHEETS (Parenthetical)

CONSOLIDATED BALANCE SHEETS (Parenthetical) (USD \$) (in Thousands except Share Data)	06/30/2011	09/30/2010
Accounts receivable, allowance for doubtful accounts (in dollars)	\$ 1,211	\$ 1,116
Common stock, par value (in dollars per share)	\$ 0.001	\$ 0.001
Common stock, shares authorized	40,000,000	40,000,000
Common stock, shares issued	12,205,679	12,144,079
Common stock, shares outstanding	12,205,679	12,144,079
Preferred stock, par value (in dollars per share)	\$ 0.001	\$ 0.001
Preferred stock, shares authorized	20,000,000	20,000,000
Preferred stock, shares issued	0	0
Preferred stock, shares outstanding	0	0

CONSOLIDATED STATEMENTS OF OPERATIONS

CONSOLIDATED STATEMENTS OF OPERATIONS (USD \$) (in Thousands except Share Data)	3 Months Ended 06/30/2011	3 Months Ended 06/30/2010	9 Months Ended 06/30/2011	9 Months Ended 06/30/2010
Statement				
Net revenues	\$ 143,122	\$ 101,271	\$ 388,587	\$ 276,898
Cost of sales	117,801	84,417	324,804	243,009
Gross profit	<u>25,321</u>	<u>16,854</u>	<u>63,783</u>	<u>33,889</u>
Selling, general and administrative expense	10,710	9,480	29,988	25,643
Research and technical expense	733	637	2,348	1,998
Operating income	<u>13,878</u>	<u>6,737</u>	<u>31,447</u>	<u>6,248</u>
Interest income	(89)	(43)	(190)	(157)
Interest expense	37	36	96	123
Income before income taxes	<u>13,930</u>	<u>6,744</u>	<u>31,541</u>	<u>6,282</u>
Provision for income taxes	5,533	2,997	11,672	2,865
Net income	<u>\$ 8,397</u>	<u>\$ 3,747</u>	<u>\$ 19,869</u>	<u>\$ 3,417</u>
Net income per share:				
Basic (in dollars per share)	\$ 0.70	\$ 0.31	\$ 1.65	\$ 0.28
Diluted (in dollars per share)	\$ 0.69	\$ 0.31	\$ 1.63	\$ 0.28
Weighted average shares outstanding:				
Basic (in shares)	12,077,102	12,049,779	12,063,975	12,049,779
Diluted (in shares)	12,230,436	12,161,957	12,219,876	12,157,708

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (USD \$) (in Thousands)	3 Months Ended 06/30/2011	3 Months Ended 06/30/2010	9 Months Ended 06/30/2011	9 Months Ended 06/30/2010
Statement				
Net income	\$ 8,397	\$ 3,747	\$ 19,869	\$ 3,417
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment	1,159	(1,340)	2,811	(3,511)
Comprehensive income (loss)	<u>\$ 9,556</u>	<u>\$ 2,407</u>	<u>\$ 22,680</u>	<u>\$ (94)</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS

CONSOLIDATED STATEMENTS OF CASH FLOWS (USD \$) (in Thousands)	9 Months Ended 06/30/2011	9 Months Ended 06/30/2010
Statement		
Cash flows from operating activities:		
Net income	\$ 19,869	\$ 3,417
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	8,383	8,458
Amortization	409	419
Stock compensation expense	1,350	1,142
Excess tax benefit from option exercises	(144)	
Deferred revenue	(1,875)	(1,874)
Deferred income taxes	5,176	1,139
Loss on disposal of property	48	157
Change in assets and liabilities:		
Accounts receivable	(23,622)	(7,782)
Inventories	(26,247)	(54,945)
Other assets	(205)	(555)
Accounts payable and accrued expenses	24,726	17,493
Income taxes	1,075	9,685
Accrued pension and postretirement benefits	(4,907)	(6,256)
Net cash provided by (used in) operating activities	<u>4,036</u>	<u>(29,502)</u>
Cash flows from investing activities:		
Additions to property, plant and equipment	(9,795)	(9,413)
Change in restricted cash	110	110
Net cash used in investing activities	<u>(9,685)</u>	<u>(9,303)</u>
Cash flows from financing activities:		
Dividends paid	(7,317)	(7,278)
Proceeds from exercise of stock options	706	
Excess tax benefit from option exercises	144	
Changes in long-term obligations	(109)	(103)
Net cash used in financing activities	<u>(6,576)</u>	<u>(7,381)</u>
Effect of exchange rates on cash	296	(319)
Decrease in cash and cash equivalents	<u>(11,929)</u>	<u>(46,505)</u>
Cash and cash equivalents, beginning of period	63,968	105,095
Cash and cash equivalents, end of period	52,039	58,590
Cash paid during period for:		
Interest (net of capitalized interest)	13	40
Income taxes paid, net	5,325	839
Capital expenditures incurred but not yet paid	\$ 1,498	\$ 446

Basis of Presentation

Basis of Presentation (USD \$)	9 Months Ended 06/30/2011
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Basis of Presentation

Note 1. Basis of Presentation

Interim Financial Statements

The accompanying unaudited condensed interim consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America and such principles are applied on a basis consistent with information reflected in our Form 10-K for the year ended September 30, 2010 filed with the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to the rules and regulations promulgated by the SEC related to interim financial statements. In the opinion of management, the interim financial information includes all adjustments and accruals, consisting only of normal recurring adjustments, which are necessary for a fair presentation of results for the respective interim periods. The results of operations for the three or nine months ended June 30, 2011 are not necessarily indicative of the results to be expected for the full fiscal year ending September 30, 2011 or any other interim period.

Principles of Consolidation

The consolidated financial statements include the accounts of Haynes International, Inc. and its wholly-owned subsidiaries (collectively, the "Company"). All significant intercompany transactions and balances are eliminated.

New Accounting Pronouncements

New Accounting Pronouncements
(USD \$)

9 Months Ended
06/30/2011

New Accounting Pronouncements

Note 2. New 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.

Inventories

Inventories
(USD \$)

9 Months Ended
06/30/2011

Inventories

Note 3. Inventories

The following is a summary of the major classes of inventories:

	September 30, 2010	June 30, 2011
Raw Materials	\$ 20,226	\$ 32,544
Work-in-process	126,626	136,442
Finished Goods	83,971	89,818
Other	960	917
	<u>\$ 231,783</u>	<u>\$ 259,721</u>

Income Taxes

Income Taxes (USD \$)	9 Months Ended 06/30/2011
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Income Taxes

Note 4. Income Taxes

Income tax expense for the three and nine months ended June 30, 2010 and 2011, differed from the U.S. federal statutory rate of 35% primarily due to state income taxes and differing tax rates on foreign earnings. The effective tax rate for the three months ended June 30, 2011 was 39.7% compared to 44.4% in the same period of fiscal 2010. The effective tax rate for the nine months ended June 30, 2011 was 37.0% compared to 45.6% in the same period of fiscal 2010. During the third quarter, 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 \$732 was recorded this quarter reflecting our estimate of the decrease of the deferred tax asset, due to the lower state income tax rate. The prior year third quarter effective tax rate of 44.4% was primarily due to the impact of fixed permanent items on lower pretax earnings.

Pension and Post-retirement Benefits

Pension and Post-retirement Benefits
(USD \$)

9 Months Ended
06/30/2011

Pension and Post-retirement Benefits

Note 5. Pension and Post-retirement Benefits

Components of net periodic pension and post-retirement benefit cost for the three and nine months ended June 30, 2010 and 2011 are as follows:

	Three Months Ended June 30,				Nine Months Ended June 30,			
	Pension Benefits		Other Benefits		Pension Benefits		Other Benefits	
	2010	2011	2010	2011	2010	2011	2010	2011
Service cost	\$ 898	\$ 902	\$ 51	\$ 67	\$ 2,696	\$ 2,709	\$ 154	\$ 199
Interest cost	2,752	2,824	1,205	1,172	8,425	8,546	3,615	3,516
Expected return	(2,511)	(2,989)	—	—	(7,696)	(9,056)	—	—
Amortizations	1,430	1,768	(949)	(771)	4,313	5,303	(2,848)	(2,312)
Net periodic benefit cost	<u>\$ 2,569</u>	<u>\$ 2,505</u>	<u>\$ 307</u>	<u>\$ 468</u>	<u>\$ 7,738</u>	<u>\$ 7,502</u>	<u>\$ 921</u>	<u>\$ 1,403</u>

The Company contributed \$9,540 to Company sponsored domestic pension plans, \$3,471 to its other post-retirement benefit plans and \$724 to the U.K. pension plan for the nine months ended June 30, 2011. The Company presently expects future contributions of \$3,180 to its domestic pension plans, \$1,529 to its other post-retirement benefit plans and \$219 to the U.K. pension plan for the remainder of fiscal 2011.

Legal, Environmental and Other Contingencies

Legal, Environmental and Other Contingencies
(USD \$)

9 Months Ended
06/30/2011

Legal, Environmental and Other Contingencies

Note 6. 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 June 30, 2011 and September 30, 2010, the Company has accrued \$1,448 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 \$1,884 which was then discounted using an appropriate discount rate.

Deferred Revenue

Deferred Revenue (USD \$)	9 Months Ended 06/30/2011
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Deferred Revenue

Note 7. 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 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 security interest in 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 upfront 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 upfront fee not recognized in income is shown as deferred revenue on the consolidated balance sheet.

Intangible Assets

Intangible Assets (USD \$) 9 Months Ended 06/30/2011

Intangible Assets

Note 8. Intangible Assets

The Company 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 of a trademark 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 lives of 5 to 7 years. Amortization of the patents, non-competes and other intangibles was \$419 and \$409 for the nine months ended June 30, 2010 and 2011, respectively.

The following represents a summary of intangible assets at September 30, 2010 and June 30, 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
	<u>\$ 13,873</u>	<u>\$ (7,202)</u>	<u>\$ 6,671</u>

June 30, 2011	Gross Amount	Accumulated Amortization	Carrying Amount
Patents	\$ 8,667	\$ (6,542)	\$ 2,125
Trademarks	3,800	—	3,800
Non-compete	1,090	(780)	310
Other	316	(289)	27
	<u>\$ 13,873</u>	<u>\$ (7,611)</u>	<u>\$ 6,262</u>

Estimate of Aggregate Amortization Expense:

Year Ended September 30,

2011 (remainder of fiscal year)	\$ 136
2012	359
2013	350
2014	350
2015	328
2016	279

Net Income Per Share

Net Income Per Share (USD \$) 9 Months Ended 06/30/2011

Net Income Per Share

Note 9. Net Income Per Share

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

(in thousands except share and per share data)	Three Months Ended June 30,		Nine Months Ended June 30,	
	2010	2011	2010	2011
Numerator:				
Net Income	\$ 3,747	\$ 8,397	\$ 3,417	\$ 19,869
Denominator:				
Weighted average shares outstanding - Basic	12,049,779	12,077,102	12,049,779	12,063,975
Effect of dilutive stock options	60,178	76,784	55,929	79,351
Effect of restricted stock shares with no performance goal	52,000	76,550	52,000	76,550
Weighted average shares outstanding - Diluted	12,161,957	12,230,436	12,157,708	12,219,876
Basic net income per share	\$ 0.31	\$ 0.70	\$ 0.28	\$ 1.65
Diluted net income per share	\$ 0.31	\$ 0.69	\$ 0.28	\$ 1.63
Number of stock option shares excluded as their effect would be anti-dilutive	219,132	163,660	215,255	153,760
Number of restricted stock shares excluded as their performance goal is not yet met	42,300	50,950	42,300	50,950

Anti-dilutive shares with respect to outstanding stock options have been properly excluded from the computation of diluted net income per share. Restricted stock issued to certain key employees is not included in the computation as the performance goal is deemed not yet achieved.

Stock-Based Compensation

Stock-Based Compensation
(USD \$)

9 Months Ended
06/30/2011

Stock-Based Compensation

Note 10. 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 rights to acquire shares of the Company's common stock, 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 nine months ended June 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 / Canceled	(4,800)	30.10
Vested	—	
Unvested at June 30, 2011	127,500	\$ 29.92
Expected to vest	101,900	\$ 32.96

Compensation expense related to restricted stock for the three months ended June 30, 2010 and 2011 was \$162 and \$280, respectively, and for the nine months ended June 30, 2010 and 2011 was \$354 and \$739, respectively. The remaining unrecognized compensation expense at June 30, 2011 was \$2,042 to be recognized over a weighted average period of 2.05 years. Compensation expense is not being recorded on a March 31, 2009 grant of 25,600 shares to employees as it continues to be not probable that the performance goal will be 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 the first nine months of fiscal 2011, 28,400 options were exercised and 20,134 options were forfeited/cancelled.

The stock-based employee compensation expense for stock options for the three months ended June 30, 2010 and 2011 was \$234 and \$150, respectively, and for the nine months ended June 30, 2010 and 2011 was \$788 and \$611, respectively. The remaining unrecognized compensation expense at June 30, 2011 was \$812 to be recognized over a weighted average vesting period of 1.67 years.

The following table summarizes the activity under the stock option plans for the nine months ended June 30, 2011:

	Number of Shares	Aggregate Intrinsic Value (000s)	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)			
Canceled	(20,134)			
Outstanding at June 30, 2011	373,187	\$ 9,388	\$ 38.53	6.16 yrs.
Vested or expected to vest	360,612	\$ 9,388	\$ 38.53	6.16 yrs.
Exercisable at June 30, 2011	300,987	\$ 7,355	\$ 39.67	5.58 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	3.17	86,886	86,886
February 21, 2006	29.25	4.67	8,334	8,334
March 31, 2006	31.00	4.75	10,000	10,000
March 30, 2007	72.93	5.75	59,500	59,500
March 31, 2008	54.00	6.75	81,000	81,000
October 1, 2008	46.83	7.25	20,000	13,334
March 31, 2009	17.82	7.75	46,567	30,266
January 8, 2010	34.00	8.50	35,000	11,667
November 24, 2010	40.26	9.42	25,900	—
			373,187	300,987

Dividend

Dividend (USD \$)	9 Months Ended 06/30/2011
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Dividend **Note 11. Dividend**

In the third quarter of fiscal 2011, the Company declared and paid a regular quarterly cash dividend of \$0.20 per outstanding share of the Company's common stock. The dividend was paid June 15, 2011 to stockholders of record at the close of business on June 1, 2011. The dividend cash pay-out was \$2,441 for the quarter based on shares outstanding. Dividends paid year-to-date for fiscal 2011 are \$7,317.

On August 4, 2011, the Company announced that the Board of Directors declared a regular quarterly cash dividend of \$0.20 per outstanding share of the Company's common stock. The dividend is payable September 15, 2011 to stockholders of record at the close of business on September 1, 2011.

Fair Value Measurements

Fair Value Measurements (USD \$)	9 Months Ended 06/30/2011
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Fair Value Measurements

Note 12. 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 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 carrying amount of trade receivables and accounts payable approximate fair value because of the relatively short maturity of these instruments. The following table represents the Company's fair value hierarchy for its remaining financial instruments measured at fair value on a recurring basis as of September 30, 2010 and June 30, 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

June 30, 2011	Fair Value Measurements at Reporting Date Using:			
Assets:	Level 1	Level 2	Level 3	Total
Cash and money market funds	\$ 52,039	\$ —	\$ —	\$ 52,039

The Company had no Level 3 assets or liabilities as of September 30, 2010 or June 30, 2011.

Subsequent Event

Subsequent Event (USD \$)	9 Months Ended 06/30/2011
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Subsequent Event

Note 13. Subsequent Event

Extension of U.S. Revolving Credit Facility

On July 14, 2011, Haynes International, Inc. 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, dated November 18, 2008. 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 \$120,000 up to an aggregate amount of \$170,000 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 \$50,000 to at least 15% of the Maximum Credit and improving the Fixed Charge Coverage Ratio requirement of 1.0 to 1.0 for the twelve months ending the month immediately prior to the payment or repurchase date.

Document and Entity Information

Document and Entity Information (USD \$)	9 Months Ended 06/30/2011	08/01/2011
Entity Registrant Name	HAYNES INTERNATIONAL INC	
Entity Central Index Key	0000858655	
Document Type	10-Q	
Document Period End Date	2011-06-30	
Amendment Flag	false	
Current Fiscal Year End Date	--09-30	
Entity Current Reporting Status	Yes	
Entity Filer Category	Accelerated Filer	
Entity Common Stock, Shares Outstanding		12,205,679
Document Fiscal Year Focus	2,011	
Document Fiscal Period Focus	Q3	

