

HAYNES

International

January 26, 2011

Dear Stockholders,

Fiscal 2010 was a year marked by continuing quarter-over-quarter improvements in our financial performance and end markets. I am encouraged by the positive trend in our end markets, and believe we are well-positioned to compete effectively in the coming year. Our customers used the latter half of fiscal 2010 for restocking their supply chain, and underlying demand is increasing from the lows of fiscal 2009.

The aerospace market is improving as end-users continue to increase their production schedules. The chemical processing industry is starting to expand as chemical plant utilization and capital spending increase from 2009 levels. The land-based gas turbine market continues to be challenged in the energy industry, where a rebound is not expected until 2012; however, demand for marine and pipeline applications remains steady. Our application development efforts in alternative energy markets had a positive impact on net revenues in our “other markets” category. Our core “other markets”, flue gas desulfurization and industrial heat treating, were heavily impacted by the downturn and have not yet rebounded.

Over the course of the downturn, we adjusted production schedules, reduced costs and managed cash flow in response to adverse market conditions, while still moving forward with initiatives that are important to our long-term success. Over the past two years, we began upgrades to the 4-high Steckel rolling mill, completed projects on the Pilger mill and our annealing process, and expanded our wire production capacity. These actions have positioned us well to benefit from the improving economic environment and manage the upturn more effectively than in prior periods.

In fiscal 2010, Haynes:

- Generated net income of \$8.9 million compared to a net loss of \$(9.5) million for fiscal 2009 (excluding the effect of a one-time, non-cash charge for goodwill impairment of \$42.9 million). This \$18.4 million increase in net income occurred despite a drop in net revenues of \$55.0 million.
- Increased gross margins sequentially from 8.5% in the first quarter to 19.1% in the fourth quarter.
- Instituted a quarterly dividend of \$0.20 per share of outstanding common stock.
- Finished the year with liquidity of \$184.0 million, which included cash of \$64.0 million and revolver availability of \$120.0 million.
- Started a five-year, \$85.0 million capital expenditure initiative to upgrade our facilities.

Commercially, we've redeployed working capital to support our customers' needs for improved delivery response. Technically, HASTELLOY® C-22HS® and HAYNES® 282® alloys continue to gain acceptance in commercial applications, and HYBRID-BC1®, G-35®, NS-163®, and HR-224® alloys are being tested in various prototype applications. Our continued focus on research and development sets us apart from our competition.

We believe we are an industry leader in the development of new high-performance, nickel- and cobalt-based alloys designed to meet our customers' specialized and demanding requirements. We sell at the design level, and we focus on alloys and applications that enable our customers to advance their technologies. Our marketing team is at the core of our success, and they work closely with our engineering and technology staff in directing our sales force to new opportunities. Fiscal 2010 saw the

return of an important member of the Haynes marketing and technology team. Dr. Venkat Ishwar returned to Haynes as Vice President—Marketing and Technology after a brief break. His nearly 28 years of service to Haynes and 30 years in the specialty metals industry are an invaluable asset to the Company.

Safety remains our primary objective. We're committed to meeting the ongoing challenges of constantly striving to improve our procedures and processes. While we experience set backs from time to time, we take great pride in our commitment to the required discipline to operate safely.

Operational Excellence, Innovation, Service and Financial Strength remain our core values in order to provide a safe and rewarding workplace for our employees, a competitive edge for our customers and value for our stockholders.

As we approach our 100th year as a company, we are very proud of what we have accomplished. From manufacturing high-performance alloys, which provide solutions to a wide array of technical problems in advanced applications, to assembling an incredible team of employees, Haynes continues to build upon its history of innovation.

Sincerely,



Mark M. Comerford
President and Chief Executive Officer
Haynes International, Inc.

Safe Harbor Statement

Please refer to the Safe Harbor Statement in the Form 10-K included within for information about factors which could cause future results to differ materially from forward-looking statements, expectations and assumptions expressed or implied in this letter to stockholders or elsewhere in this publication.

Regulation G Disclosure

The Company recorded a non-cash goodwill impairment charge in the second quarter of fiscal 2009. This type of charge has not occurred frequently and 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. The following table reconciles the net loss for fiscal 2009 noted in the President's Letter to the fiscal 2009 GAAP net loss amount.

(in thousands)	Year Ended (unaudited)	
	September 30, 2009	September 30, 2010
Reconciliation of non-GAAP net income (loss):		
Net income (loss) excluding non-cash charge for goodwill impairment . .	\$ (9,453)	\$8,875
Charge for goodwill impairment	(43,737)	—
Goodwill tax benefit	868	—
Net income (loss) as reported	<u>\$(52,322)</u>	<u>\$8,875</u>

HAYNES International

January 26, 2011

Dear Stockholders of Haynes International, Inc.:

You are cordially invited to attend the Annual Meeting of Stockholders of Haynes International, Inc. ("Haynes") to be held Monday, February 28, 2011 at 10:00 a.m. (EST) at the Conrad Indianapolis, located at 50 West Washington Street, Indianapolis, Indiana 46204.

The business to be discussed and voted upon by the Stockholders at the Annual Meeting is described in the accompanying Notice of Annual Meeting and Proxy Statement.

We hope you are able to attend the Annual Meeting personally, and we look forward to meeting with you. Whether or not you attend, it is important that your stock be represented and voted at the meeting. I urge you to please complete, date and return the proxy card in the enclosed envelope. The vote of each Stockholder is very important. You may revoke your proxy at any time before it is voted at the Annual Meeting by giving written notice to the Secretary of Haynes, by filing a properly executed proxy bearing a later date or by attending the Annual Meeting and voting in person.

On behalf of the Board of Directors and management of Haynes, I thank you for your continued support.

Sincerely,
Haynes International, Inc.



Mark M. Comerford
President and Chief Executive Officer

HAYNES International

HAYNES INTERNATIONAL, INC.
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD FEBRUARY 28, 2011

Stockholders of Haynes International, Inc.:

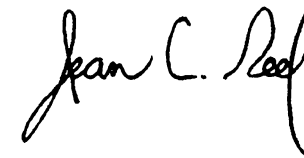
The Annual Meeting of Stockholders of Haynes International, Inc. ("Haynes") will be held at the Conrad Indianapolis, located at 50 West Washington Street, Indianapolis, Indiana 46204 on Monday, February 28, 2011 at 10:00 a.m. (EST) for the following purposes:

1. To elect seven directors of Haynes to serve for a one-year term,
2. To ratify the appointment of Deloitte & Touche, LLP as Haynes' independent registered public accounting firm for the fiscal year ending September 30, 2011,
3. To hold an advisory vote on executive compensation,
4. To hold an advisory vote on the frequency of future advisory votes on executive compensation, and
5. To transact such other business as may properly come before the meeting.

Only stockholders of record at the close of business on January 13, 2011 are entitled to notice of, and to vote at, the Annual Meeting.

YOUR VOTE IS IMPORTANT. IF YOU DO NOT EXPECT TO ATTEND THE ANNUAL MEETING, OR IF YOU DO PLAN TO ATTEND BUT WISH TO VOTE BY PROXY, PLEASE DATE, SIGN AND PROMPTLY MAIL THE ENCLOSED PROXY. A RETURN ENVELOPE IS PROVIDED FOR THIS PURPOSE.

By Order of the Board of Directors,



Jean C. Neel
Corporate Secretary

January 26, 2011
Kokomo, Indiana

**HAYNES INTERNATIONAL, INC. PROXY STATEMENT
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HAYNES

International

**ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD FEBRUARY 28, 2011**

GENERAL INFORMATION

This proxy statement is furnished in connection with the solicitation by the Board of Directors of Haynes International, Inc. (“Haynes” or the “Company”) of proxies to be voted at the Annual Meeting of Stockholders to be held at 10:00 a.m. (EST) on Monday, February 28, 2011, and at any adjournment thereof. The meeting will be held at the Conrad Indianapolis, located at 50 West Washington Street, Indianapolis, Indiana 46204. This proxy statement and the accompanying form of proxy were first mailed to stockholders of the Company (the “Stockholders”) on or about January 26, 2011.

A Stockholder signing and returning the enclosed proxy may revoke it at any time before it is exercised by delivering written notice to the Corporate Secretary of Haynes, by filing a properly executed proxy bearing a later date or by attending the Annual Meeting and voting in person. The signing of a proxy does not preclude a Stockholder from attending the Annual Meeting in person. All proxies returned prior to the Annual Meeting, and not revoked, will be voted in accordance with the instructions contained therein. Any executed proxy not specifying to the contrary will be voted as follows:

- (1) FOR the election of the seven directors named below;
- (2) FOR ratification of the selection of Deloitte & Touche LLP as the Company’s independent registered public accounting firm for its fiscal year ending September 30, 2011;
- (3) FOR the approval of the compensation of the Company’s Named Executive Officers as described under “Executive Compensation” below; and
- (4) FOR a frequency of EVERY THREE YEARS for future advisory votes on the compensation of the Company’s Named Executive Officers.

Two of the matters that will be presented to a vote of Stockholders at the meeting are advisory in nature and will not be binding on the Company or the Board of Directors: approval of the compensation of the Company’s Named Executive Officers as described under “Executive Compensation” below, and the frequency of future advisory votes on the compensation of the Company’s Named Executive Officers (i.e., whether the shareholder advisory vote to approve compensation of the Company’s Named Executive Officers should occur every one, two or three years). Stockholders may also choose to abstain from voting on such matters.

As of the close of business on January 13, 2011, the record date for the Annual Meeting, there were outstanding and entitled to vote 12,178,345 shares of common stock of Haynes. Each outstanding share of common stock is entitled to one vote on each matter properly brought before the Annual Meeting and can be voted only if the record owner of that share, determined as of the record date, is present in person at the Annual Meeting or represented by proxy. Haynes has no other voting securities outstanding. Stockholders do not have cumulative voting rights. All Stockholders of record as of January 13, 2011 are entitled to notice of and to vote at the Annual Meeting.

A quorum will be present if a majority of the outstanding shares of common stock are present, in person or by proxy, at the Annual Meeting. Shares registered in the names of brokers or other “street name” nominees for which proxies are voted on some but not all matters will be considered to be present at the Annual Meeting for quorum purposes, but will be considered to be voted only as to

those matters actually voted, and will not be considered as voting for any purpose as to the matters with respect to which no vote is indicated (commonly referred to as “broker non-votes”). If a quorum is present, the nominees for director will be elected by a majority of the votes cast. Abstentions and broker non-votes are treated as votes not cast and will have no effect in the election of directors. The affirmative vote of the majority of the shares present and entitled to vote on the matter is required for adoption of the proposal to ratify the appointment of Deloitte & Touche LLP as the Company’s independent registered public accounting firm and approval of the compensation of the Company’s Named Executive Officers; accordingly, abstentions applicable to shares represented at the meeting will have the same effect as votes against these proposals, and broker non-votes will have no effect on the outcome of these proposals. On the proposal regarding the frequency of future advisory votes on the compensation of the Company’s Named Executive Officers, the option receiving the most votes at the Annual Meeting will be the option recommended by the Stockholders; accordingly, abstentions and broker non-votes will have no effect on the outcome of this proposal. With respect to any other proposals which may properly come before the Annual Meeting, proposals will be approved upon the affirmative vote of a majority of the shares of common stock present in person or represented by proxy and entitled to vote on such matters at the Annual Meeting.

A copy of the Haynes International, Inc. Fiscal Year 2010 Annual Report on Form 10-K, including audited financial statements and a description of operations for the fiscal year ended September 30, 2010, accompany this proxy statement. The financial statements contained in the Form 10-K are not incorporated by reference in this proxy statement, but they do contain important information regarding Haynes. The solicitation of proxies is being made by Haynes, and all expenses in connection with the solicitation of proxies will be borne by Haynes. Haynes expects to solicit proxies primarily by mail, but directors, officers and other employees of Haynes may also solicit proxies in person or by telephone.

PROPOSALS FOR 2012 ANNUAL MEETING

Stockholder proposals to be considered for presentation and inclusion in the proxy statement for the 2012 Annual Meeting of Stockholders must be submitted in writing to the Corporate Secretary of Haynes and received on or before November 30, 2011 and not earlier than October 31, 2011. If notice of any Stockholder proposal intended to be presented at the 2012 Annual Meeting of Stockholders is not received by Haynes on or after October 31, 2011 but on or before November 30, 2011, the proxy solicited by the Board of Directors of Haynes for use in connection with that meeting may confer authority on the proxies to vote in their discretion on such proposal, without any discussion in the Haynes proxy statement for that meeting of either the proposal or how such proxies intend to exercise their voting discretion.

In addition, any Stockholder proposal must be in proper written form. To be in proper written form, a Stockholder’s proposal must set forth as to each matter the Stockholder proposes to bring before the 2012 Annual Meeting (a) a brief description of the business desired to be brought before the Annual Meeting and the reasons for conducting such business at the Annual Meeting, (b) the name and record address of the Stockholder, (c) the class or series and number of shares of capital stock of Haynes which are owned beneficially or of record by the Stockholder, (d) a description of all arrangements or understandings between the Stockholder and any other person or persons (including their names) in connection with the proposal of such business by the Stockholder and any material interest of the Stockholder in such business and (e) a representation that the Stockholder intends to appear in person or by proxy at the Annual Meeting to bring such business before the meeting.

The mailing address of the principal executive offices of Haynes is 1020 West Park Avenue, P.O. Box 9013, Kokomo, Indiana 46904-9013.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

Listed below are the only individuals and entities known by Haynes to beneficially own more than 5% of the outstanding common stock of the Company as of December 31, 2010 (assuming that their holdings have not changed from such other date as may be shown below):

<u>Name</u>	<u>Number</u>	<u>Percent⁽¹⁾</u>
Shapiro Capital Management LLC ⁽²⁾	1,184,432	9.73%
T. Rowe Price Associates, Inc. ⁽³⁾	795,180	6.53%
Royce & Associates LLC ⁽⁴⁾	787,433	6.47%
Keeley Asset Management Corp. ⁽⁵⁾	740,000	6.08%

- (1) The percentage is calculated on the basis of 12,178,345 shares of common stock outstanding as of December 31, 2010.
- (2) The address of Shapiro Capital Management LLC is 3060 Peachtree Road Northwest, Suite 1555, Atlanta, Georgia 30305-2240. Based solely on Schedule 13G, filed December 8, 2010 with the Securities and Exchange Commission. Represents sole voting power over 1,026,568 shares, shared voting power over 359,450 shares, and sole dispositive power over 1,184,432 shares.
- (3) The address of T. Rowe Price Associates, Inc. is 100 East Pratt Street, 10th floor, Baltimore, Maryland 21202-1009. Based solely on Form 13F-HR for the quarter ended September 30, 2010, filed November 12, 2010 with the Securities and Exchange Commission. Represents sole voting power over 113,340 shares, no voting power over 681,840 shares, and sole dispositive power over 795,180 shares.
- (4) The address of Royce & Associates LLC is 745 Fifth Avenue, New York, New York 10151. Based solely on Form 13F-HR for the quarter ended September 30, 2010, filed November 8, 2010 with the Securities and Exchange Commission. Represents sole voting and dispositive power over 787,433 shares.
- (5) The address of Keeley Asset Management Corp. is 401 South LaSalle Street, Suite 1201, Chicago, Illinois 60605-1014. Based solely on Form 13F for the quarter ended September 30, 2010, filed November 19, 2010 with the Securities and Exchange Commission. Represents sole voting and dispositive power over 740,000 shares.

SECURITY OWNERSHIP OF MANAGEMENT

The following table shows the ownership of shares of Haynes common stock as of December 31, 2010, by each director, the Chief Executive Officer, the Chief Financial Officer, and the other three most highly compensated officers during fiscal year 2010 (the “Named Executive Officers”) and the directors and all executive officers as a group. Except as noted below, the directors and executive officers have sole voting and investment power over these shares of common stock. The business

address of each person indicated is c/o Haynes International, Inc., 1020 West Park Avenue, P.O. Box 9013, Kokomo, Indiana 46904-9013.

<u>Name</u>	<u>Number</u>	<u>Percent⁽¹⁾</u>
Mark M. Comerford ⁽²⁾	52,580	*
John C. Corey ⁽³⁾	18,318	*
Paul J. Bohan ⁽⁴⁾	27,082	*
Donald C. Champion ⁽⁵⁾	15,905	*
Robert H. Getz ⁽⁶⁾	20,866	*
Timothy J. McCarthy ⁽⁷⁾	15,866	*
William P. Wall ⁽⁸⁾	15,866	*
Marlin C. Losch III ⁽⁹⁾	34,933	*
Marcel Martin ⁽¹⁰⁾	89,079	*
Scott R. Pinkham ⁽¹¹⁾	24,300	*
Gregory M. Spalding ⁽¹²⁾	20,482	*
All Directors and executive officers as a group (15 persons) ⁽¹³⁾	415,660	3.34%

* Represents beneficial ownership of less than one percent of the outstanding common stock.

⁽¹⁾ The percentages are calculated on the basis of 12,178,345 shares of common stock outstanding as of December 31, 2010, plus the number of shares underlying stock options held by such person or group which may be acquired within sixty days of December 31, 2010.

⁽²⁾ Shares of common stock beneficially owned by Mr. Comerford include: 15,600 shares of performance-contingent restricted stock subject to forfeiture, the vesting of which is subject to satisfaction of specified performance criteria and 7,600 shares of time vested restricted stock subject to forfeiture, both of which Mr. Comerford has the right to vote; 21,666 shares underlying stock options which may be acquired within sixty days of December 31, 2010; and 7,714 shares held jointly with his spouse.

⁽³⁾ Shares of common stock beneficially owned by Mr. Corey include: 7,200 shares of time vesting restricted stock subject to forfeiture, and which Mr. Corey has the right to vote; and 11,118 shares underlying stock options which may be acquired within sixty days of December 31, 2010.

⁽⁴⁾ Shares of common stock beneficially owned by Mr. Bohan include: 7,200 shares of time vesting restricted stock subject to forfeiture, and which Mr. Bohan has the right to vote; and 13,382 shares underlying stock options which may be acquired within sixty days of December 31, 2010.

⁽⁵⁾ Shares of common stock beneficially owned by Mr. Champion include: 7,200 shares of time vesting restricted stock subject to forfeiture, and which Mr. Champion has the right to vote; and 8,705 shares underlying stock options which may be acquired within sixty days of December 31, 2010.

⁽⁶⁾ Shares of common stock beneficially owned by Mr. Getz include: 7,200 shares of time vesting restricted stock subject to forfeiture, and which Mr. Getz has the right to vote; and 13,666 shares underlying stock options which may be acquired within sixty days of December 31, 2010.

⁽⁷⁾ Shares of common stock beneficially owned by Mr. McCarthy include: 7,200 shares of time vesting restricted stock subject to forfeiture, and which Mr. McCarthy has the right to vote; and 8,666 shares underlying stock options which may be acquired within sixty days of December 31, 2010.

⁽⁸⁾ Shares of common stock beneficially owned by Mr. Wall include: 7,200 shares of time vesting restricted stock subject to forfeiture, and which Mr. Wall has the right to vote; and 8,666 shares underlying stock options which may be acquired within sixty days of December 31, 2010.

⁽⁹⁾ Shares of common stock beneficially owned by Mr. Losch include: 5,850 shares of performance-contingent restricted stock subject to forfeiture, the vesting of which is subject to satisfaction of specified performance criteria and 2,600 shares of time vested restricted stock subject to forfeiture, both of which Mr. Losch has the right to vote; and 23,983 shares underlying stock options which may be acquired within sixty days of December 31, 2010.

⁽¹⁰⁾ Shares of common stock beneficially owned by Mr. Martin include: 8,450 shares of performance-contingent restricted stock subject to forfeiture, the vesting of which is subject to satisfaction of specified performance criteria and 4,200 shares of time vested restricted stock subject to forfeiture, both of which Mr. Martin has the right to vote; and 76,429 shares underlying stock options which may be acquired within sixty days of December 31, 2010.

⁽¹¹⁾ Shares of common stock beneficially owned by Mr. Pinkham include: 6,300 shares of performance-contingent restricted stock subject to forfeiture, the vesting of which is subject to satisfaction of specified performance criteria and 2,800 shares of time vested restricted stock subject to forfeiture, both of which Mr. Pinkham has the right to vote; and 15,200 shares underlying stock options which may be acquired within sixty days of December 31, 2010.

⁽¹²⁾ Shares of common stock beneficially owned by Mr. Spalding include: 3,650 shares of performance-contingent restricted stock subject to forfeiture, the vesting of which is subject to satisfaction of specified performance criteria and 1,900 shares of time vested restricted stock subject to forfeiture, both of which Mr. Spalding has the right to vote; and 14,932 shares underlying stock options which may be acquired within sixty days of December 31, 2010.

⁽¹³⁾ Includes 275,346 shares underlying stock options that may be acquired within sixty days of December 31, 2010.

PROPOSALS TO BE VOTED UPON

1. ELECTION OF DIRECTORS

The Amended and Restated By-Laws of Haynes provide the number of directors constituting the whole board shall be fixed from time to time by resolutions of the Board of Directors, but shall not be less than three nor more than nine directors, each of whom is elected for a one-year term. By resolution the Board of Directors has fixed the number of directors at seven. The terms of all incumbent directors will expire at the Annual Meeting.

Nominees

Upon the unanimous recommendation of the Corporate Governance and Nominating Committee, the Board of Directors has nominated the seven directors who served in fiscal 2010 for re-election at the Annual Meeting. The Board of Directors believes that all of its nominees will be available for re-election at the Annual Meeting and will serve if re-elected. The directors nominated for re-election (the “Nominated Directors”) are:

<u>Name</u>	<u>Age on 12/31/10</u>	<u>Position</u>	<u>Served as Director Since</u>
Mark M. Comerford	49	President and Chief Executive Officer; Director	2008
John C. Corey	63	Chairman of the Board; Director	2004
Paul J. Bohan	65	Director	2004
Donald C. Champion	62	Director	2004
Robert H. Getz	48	Director	2006
Timothy J. McCarthy	70	Director	2004
William P. Wall	48	Director	2004

The Board of Directors recommends that Stockholders vote FOR the election of all of the Nominated Directors. Unless authority to vote for any Nominated Director is withheld, the accompanying proxy will be voted FOR the election of all the Nominated Directors. However, the persons designated as proxies reserve the right to cast votes for another person designated by the Board of Directors in the event that any Nominated Director becomes unable or for good cause will not serve. Proxies will not be voted for more than seven nominees. If a quorum is present, those nominees receiving a majority of the votes cast will be elected to the Board of Directors.

Business Experience of Nominated Directors

Mark M. Comerford was elected President and Chief Executive Officer and a director of the Company in October 2008. Before joining the Company, Mr. Comerford was President of Brush Engineered Materials Alloy Division and President of Brush International, Inc., subsidiaries of Brush Engineered Materials, Inc., a company that manufactures high-performance materials, from 2004 to 2008. The Board believes Mr. Comerford’s years of experience driving international growth at various advanced materials manufacturing companies provide valuable strategic insights to the Board. In addition, his leadership experience and acumen in strategic and operating roles based in the United States and Asia, as well as his experience as a top executive at Haynes, all make him well qualified to serve as a director.

John C. Corey has been a director and the Chairman of the Board since August 31, 2004. Mr. Corey also serves as a member of the Corporate Governance and Nominating Committee of the Board. Since January 2006, Mr. Corey has served as President, Chief Executive Officer and a director of Stoneridge, Inc., a global manufacturer of electrical and electronic components, modules and systems for the automotive, medium- and heavy-duty truck, agricultural and off-highway vehicle markets. From

October 2000 through December 2005, Mr. Corey served as the President, Chief Executive Officer and a director of Safety Components International, Inc., a global manufacturer of automotive airbags. The Board believes Mr. Corey’s extensive experience as a President and Chief Executive Officer, garnered in service of a New York Stock Exchange listed corporation, as well as substantial operations, international and business development experience, make him well-qualified to serve as a director.

Paul J. Bohan has been a director since August 31, 2004. Mr. Bohan also serves as the Chairman of the Corporate Governance and Nominating Committee of the Board. He retired as a Managing Director of Citigroup in February 2001. Mr. Bohan currently serves on the Board of Directors of Arena Brands, Inc. and Revlon, Inc. The Board believes Mr. Bohan’s qualifications include, among other things, his expansive board leadership expertise and operating experience which enables Mr. Bohan to provide a wide range of perspectives on governance and management issues.

Donald C. Champion has been a director since August 31, 2004. Mr. Champion also serves as the Chairman of the Audit Committee and as a member of the Compensation Committee of the Board. From January 2003 until July 2004, Mr. Champion served as Chief Financial Officer of Verifone, Inc. Mr. Champion previously served as Chief Financial Officer of several companies, including Special Devices, Inc., Cambridge, Inc., Oxford Automotive, Inc., and Delco Electronics Corporation. The Board believes Mr. Champion’s substantial tax and accounting experience built through his career in finance at several significant corporations, his work in engineering and lean manufacturing and his experience serving as a director of other companies makes him well qualified to serve as a director. Mr. Champion’s tax and accounting acumen also qualify him as the Company’s Audit Committee financial expert.

Robert H. Getz has been a director since March 31, 2006. Mr. Getz also serves as a member of the Audit and Compensation Committees of the Board. Since 1996, Mr. Getz has been a Managing Director and Partner of Cornerstone Equity Investors, LLC, a New York-based private equity investment firm which he co-founded. Mr. Getz also serves as a director of Palladon Ventures LTD and CML Metals Corp. Mr. Getz formerly served on the Boards of Directors of Centurion International, Inc., MDN, Inc., Novatel Wireless, Inc. and SITEL Corporation. The Board believes Mr. Getz’s extensive experience in acting as a director of other companies, as well as the wide variety of his operating experience, enables him to share with the Board valuable perspectives on a variety of issues relating to management, strategic planning, tactical capital investments, mergers and acquisitions and international growth.

Timothy J. McCarthy has been a director since August 31, 2004. Mr. McCarthy also serves as the Chairman of the Compensation Committee and as a member of the Audit Committee of the Board. Mr. McCarthy is also the Chairman of C.E. Minerals, an industrial mineral business, and served as the President of that company from 1985 until 2008. The Board believes Mr. McCarthy’s qualifications include, among other things, his leadership and extensive operational and international management experience.

William P. Wall has been a director since August 31, 2004. Mr. Wall also serves on the Audit and Corporate Governance and Nominating Committees of the Board. Mr. Wall joined Abrams Capital, LLC, a value-oriented investment firm headquartered in Boston, in February 2006, where he serves as general counsel and a director of Abrams Capital International, Ltd. and Automile Holdings LLC. From July 2003 through April 2005, Mr. Wall was a Partner in Andover Capital, a hedge fund focused on leveraged companies. The Board believes, in addition to his experience as an attorney, Mr. Wall provides financing and investment analysis experience as a result of his career in the investment management industry. Mr. Wall’s leadership, finance and corporate governance experience enable him to advise the Company on its strategic direction, allocation of capital and management development.

Corporate Governance

Board Committee Structure

The Board of Directors has three standing committees: (i) an Audit Committee (in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), (ii) a Compensation Committee and (iii) a Corporate Governance and Nominating Committee.

The Audit Committee is currently composed of four members, Messrs. Campion (who chairs the Committee), Getz, McCarthy and Wall, all of whom are independent under the definitions and interpretations of NASDAQ. According to the Audit Committee Charter, adopted by the Board of Directors and available in the investor relations section of our website at www.haynesintl.com, the Audit Committee is primarily responsible for:

- Appointment, retention, termination and oversight, including the approval of compensation, of the Company’s independent auditors;
- Pre-approving audit and non-audit services by the independent auditors;
- Reviewing the audit plan and the estimated fees;
- Reviewing securities disclosures and earnings press releases;
- Managing significant risks and exposures and policies with respect to risk assessment and risk management;
- Reviewing operational and accounting internal controls, including any special procedures adopted in response to the discovery of material control deficiencies;
- Reviewing the action taken by management on the internal auditors’ and independent auditors’ recommendations;
- Reviewing the appointment, reassignment, and replacement of the senior internal audit executive; and
- Performing such additional activities, and considering such other matters, within the scope of its responsibilities, as the Audit Committee or the Board deems necessary or appropriate.

The Compensation Committee is currently composed of three members, Messrs. McCarthy (who chairs the Committee), Campion and Getz, all of whom are independent under the definitions and interpretations of NASDAQ. According to the Compensation Committee Charter, adopted by the Board of Directors and available in the investor relations section of our website at www.haynesintl.com, the Compensation Committee is primarily responsible for:

- Establishing the Company’s philosophy and policies regarding executive and director compensation, and overseeing the development and implementation of executive and director compensation programs;
- Setting the CEO’s compensation level and performance goals and approving awards for the CEO under incentive compensation plans based on the performance evaluation conducted by the Board;
- Reviewing and approving the individual elements of total compensation for the executive management of the Company;
- Reviewing and approving revisions to the Company’s executive officer salary structure and annual salary increase guidelines;
- Assuring that the Company’s executive incentive compensation program is administered in a manner consistent with the Committee’s compensation philosophy and policies as to

participation, target annual incentive awards, corporate financial goals, and actual awards paid to executive officers;

- Reviewing the Company’s employee benefit programs and approving changes, subject, where appropriate, to stockholder or Board approval;
- Overseeing regulatory compliance with respect to compensation matters;
- Overseeing and making recommendations to the Board with respect to the Company’s incentive compensation plans and equity-based plans; and
- Preparing and issuing compensation evaluations and reports.

The Corporate Governance and Nominating Committee, which we sometimes refer to as the Governance Committee, is currently composed of three members, Messrs. Bohan (who Chairs the Committee), Corey, and Wall, all of whom are independent under the definitions and interpretations of NASDAQ. According to the Corporate Governance and Nominating Committee Charter, adopted by the Board of Directors and available in the investor relations section of our website at www.haynesintl.com, the Governance Committee is responsible for overseeing the performance and composition of the Board of Directors to ensure effective governance. The Governance Committee identifies and recommends the nomination of qualified directors to the Board of Directors as well as develops and recommends governance principles for the Company.

Meetings of the Board of Directors and Committees

The Board of Directors held seventeen meetings during the fiscal year ended September 30, 2010. No member of the Board of Directors attended fewer than 75% of the meetings of the Board of Directors and meetings of any committee of the Board of Directors of which he was a member. Scheduled meetings are supplemented by frequent informal exchanges of information and, on occasion, actions taken by unanimous written consent without meetings. All of the members of the Board of Directors are encouraged, but not required, to attend Haynes’ Annual Meetings of Stockholders. All of the current members of the Board of Directors attended Haynes’ 2010 Annual Meeting. The following chart shows the number of meetings in fiscal 2010 of each of the standing committees of the Board of Directors at which a quorum was present:

<u>Committee</u>	<u>Meetings in Fiscal 2010</u>
Audit	6
Compensation	8
Governance	3

Meetings of Non-Management Directors

Pursuant to the NASDAQ independence standards, the non-management members of the Board of Directors meet in an executive session at least twice per year, and usually in connection with every regularly-scheduled in-person board meeting, to: (a) review the performance of the management team; (b) discuss its views on management’s strategic planning and its implementation; and (c) address any other matters affecting Haynes that may concern individual directors. The executive sessions are designed to ensure that our Board of Directors is not only structurally independent, but also is given ample opportunity to exercise independent thought and action. In fiscal 2010, the non-management directors met in executive session one time. When meeting in executive session, the presiding person was our Chairman, Mr. Corey.

Independence of the Board of Directors and Committee Members

Except for Mr. Comerford, all of the members of the Board of Directors, including all of the members of the Audit Committee, the Compensation Committee and the Governance Committee, meet the criteria for independence set forth in Rule 10A-3(b)(1) of the Securities Exchange Act of 1934, as amended, and the definitions and interpretations of NASDAQ. The Board of Directors has determined that Mr. Campion, the Chairman of the Audit Committee, is an “audit committee financial expert” (as defined by Item 407(d)(5)(ii) of Regulation S-K) and is “independent” (under the definitions and interpretations of NASDAQ).

The roles of Chairman and Chief Executive Officer are split into two positions. The Board of Directors believes that separating these roles aligns the Company with emerging trends in best practices for corporate governance of public companies and accountability to stockholders. The Board also believes that this provides a leadership model that clearly distinguishes the roles of the Board and management. The separation of the Chairman and Chief Executive Officer positions allows our Chief Executive Officer to direct his or her energy towards operational and strategic issues while the non-executive Chairman focuses on governance and stockholders. The Company believes that separating the Chairman and Chief Executive Officer positions enhances the independence of the Board, provides independent business counsel for our Chief Executive Officer, and facilitates improved communications between Company management and Board members.

Family Relationships

There are no family relationships among the directors and executive officers of Haynes.

Conflict of Interest and Related Party Transactions

It is our policy to require that all conflict of interest transactions between Haynes and any of its directors, officers or 10% beneficial owners (collectively, each, an “insider”) and all transactions where any insider has a direct or indirect financial interest, including related party transactions required to be reported under Item 404(a) of Regulation S-K, must be reviewed and approved or ratified by the Board of Directors. The material terms of any such transaction, including the nature and extent of the insider’s interest therein, must be disclosed to the Board of Directors. The Board of Directors will then review the terms of the proposed transaction to determine whether the terms of the proposed transaction are fair to Haynes and are no less favorable to Haynes than those that would be available from an independent third party. Following the Board of Directors review and discussion, the proposed transaction will be approved or ratified only if it receives the affirmative votes of a majority of the directors who have no direct or indirect financial interest in the proposed transaction, even though the disinterested directors represent less than a quorum. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors which authorizes the contract or transaction. Haynes did not enter into any transactions in fiscal 2010 with any insider.

Governance Committee and Director Nominations

Nominees for the Board of Directors are currently recommended for nomination to the Board of Directors by the Governance Committee. The Governance Committee bases its recommendation for nomination on criteria that it believes will provide a broad perspective and depth of experience in the Board of Directors. In general, when considering independent directors, the Governance Committee will consider the candidate’s experience in areas central to the Company, such as business, finance, legal and regulatory compliance, as well as considering the candidate’s personal qualities and accomplishments and their ability to devote sufficient time and effort to their duties as directors. Important areas of experience and expertise include manufacturing, international operations, finance and the capital markets, accounting, and experience as a director of other public companies. The

Governance Committee does not have a formal diversity policy, but considers diversity as one criteria evaluated as a part of the total package of attributes and qualifications a particular candidate possesses. The Governance Committee construes the notion of diversity broadly, considering differences in viewpoint, professional experience, education, skills, and other individual qualities, in addition to race, gender, age, ethnicity, and cultural background as elements that contribute to a diverse Board.

Although the Governance Committee has no formal policy regarding the consideration of director candidates recommended by Stockholders, the Committee will consider candidates recommended by Stockholders, provided the names of such persons, accompanied by relevant biographical information, are properly submitted in writing to the Secretary of the Company in accordance with the procedure described below for Stockholder nominations. Candidates recommended by Stockholders are evaluated in the same manner using the same criteria as candidates not so recommended.

Stockholders may nominate directors by providing timely notice thereof in proper written form to the Secretary of Haynes. To be timely, a Stockholder’s notice to the Secretary must be delivered to or mailed and received at Haynes’ principal executive offices (a) in the case of an Annual Meeting, not less than ninety days nor more than one hundred twenty days prior to the anniversary date of the immediately preceding Annual Meeting; provided, however, that in the event that the Annual Meeting is called for a date that is not within twenty-five days before or after such anniversary date, notice by the Stockholder in order to be timely must be so received not later than the close of business on the tenth day following the day on which such notice of the date of the Annual Meeting was mailed or such public disclosure of the date of the Annual Meeting was made, whichever first occurs; and (b) in the case of a special meeting of Stockholders called for the purpose of electing directors, not later than the close of business on the tenth day following the day on which notice of the date of the special meeting was mailed or public disclosure of the date of the special meeting was made, whichever first occurs.

To be in proper written form, a Stockholder’s notice to the Secretary must set forth (a) as to each person whom the Stockholder proposes to nominate for election as a director (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class or series and number of shares of capital stock of the Company which are owned beneficially or of record by the person, and (iv) any other information relating to the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act, and the rules and regulations promulgated thereunder; and (b) as to the Stockholder giving the notice (i) the name and record address of such Stockholder, (ii) the class or series and number of shares of capital stock of the Company which are owned beneficially or of record by such Stockholder, (iii) a description of all arrangements or understandings between such Stockholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by such Stockholder, (iv) a representation that such Stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice, and (v) any other information relating to such Stockholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected.

Code of Ethics

Haynes has adopted a Code of Business Conduct and Ethics that applies to its Chief Executive Officer, Chief Financial Officer, and Controller, as well as to its directors and other officers and employees. This Code is posted on our website at www.haynesintl.com/CodeofBusinessConductandEthics.pdf.

Board of Directors' Role in Risk Oversight

As a part of its oversight function, the Board monitors how management operates the corporation. Risk is an important part of deliberations at the Board and committee level throughout the year. Enterprise risks—the specific financial, operational, business and strategic risks that the Company faces, whether internal or external—are identified and prioritized by the Board and management together. Certain strategic and business risks, such as those relating to our products, markets and capital investments, are overseen by the entire Board. The Audit Committee oversees management of market and operational risks that could have a financial impact, such as those relating to internal controls, liquidity or raw materials. The Corporate Governance and Nominating Committee manages the risks associated with governance issues, such as the independence of the Board and key executive succession, and the Compensation Committee is responsible for managing the risks relating to the Company's executive compensation plans and policies.

In addition to the formal compliance program, the Board encourages management to promote a corporate culture that understands risk management and incorporates it into the overall corporate strategy and day-to-day business operations of the Company. The Company's risk management structure also includes an ongoing effort to assess and analyze the most likely areas of future risk for the Company and to address them in its long-term planning process.

Communications with Board of Directors

Stockholders may communicate with the full Board of Directors by sending a letter to Haynes International, Inc. Board of Directors, c/o Corporate Secretary, 1020 West Park Avenue, P.O. Box 9013, Kokomo, Indiana 46904-9013. Haynes' Corporate Secretary will review the correspondence and forward it to the chairman of the appropriate committee or to any individual director or directors to whom the communication is directed, unless the communication is unduly hostile, threatening, illegal, does not reasonably relate to Haynes or its business, or is similarly inappropriate. In addition, interested parties may contact the non-management directors as a group by sending a written communication to the Corporate Secretary as directed above. Such communication should be clearly addressed to the non-management directors.

Director Compensation Program

Directors who are also Haynes employees do not receive compensation for their services as directors. Following is a description of our compensation program for non-management directors in fiscal 2010. In consultation with the Compensation Committee and its independent compensation consultant, Total Rewards Strategies, the Governance Committee reviews the compensation paid to non-management directors and recommends changes to the Board of Directors, as appropriate.

Director Compensation Table

The following table provides information regarding the compensation paid to our non-employee members of the Board of Directors in fiscal 2010.

<u>Name</u>	<u>Fees Earned or Paid in Cash (\$)</u>	<u>Restricted Stock Awards (\$)⁽¹⁾</u>	<u>Total (\$)</u>
J. C. Corey, Chairman	\$ 95,000	\$68,000	\$163,000
P. J. Bohan, Director	\$ 85,000	\$68,000	\$153,000
D. C. Campion, Director	\$105,000	\$68,000	\$173,000
R. H. Getz, Director	\$ 90,000	\$68,000	\$158,000
T. J. McCarthy, Director	\$100,000	\$68,000	\$168,000
W. P. Wall, Director	\$ 90,000	\$68,000	\$158,000

⁽¹⁾ Represents restricted stock with a grant date fair value equal to \$34.00, which was the closing price of the Company's common stock on the date of the grant. The shares of restricted stock are subject to vesting as described more fully under "Director Compensation Program—Equity Compensation".

Director Compensation Analysis

Total Rewards Strategies, our independent compensation consulting firm, reviewed the Board of Directors total compensation in fiscal 2010, including Board and Committee annual retainers, meeting fees and restricted stock grants. Specifically, Total Rewards Strategies provided a memorandum to the Compensation Committee describing compensation trends in 2010, comparing Haynes fiscal 2006, 2007, 2008 and 2009 director compensation to the comparator group companies, and making recommendations with respect to 2010 director compensation. Based upon its review of this information, the Compensation Committee determined to maintain the existing director compensation structure, and no changes in director compensation were made in fiscal 2010.

Annual Retainer

Non-management members of the Board of Directors receive a \$60,000 annual retainer related to their Board of Directors duties and responsibilities, which is paid in advance in four equal installments of \$15,000 each. Additionally, there is a \$20,000 annual retainer for serving as Chairman of the Board, also paid in four equal installments. We reimburse directors for their out-of-pocket expenses incurred in attending meetings of the Board of Directors or any committee thereof.

Committee Fees

Directors receive an additional annual retainer of \$15,000 for each committee on which they serve, paid in four equal installments. In addition, there is a \$15,000 annual retainer for serving as the chairman of the Audit Committee, and a \$10,000 annual retainer for serving as the chairman of any other committee of the Board of Directors.

Equity Compensation

On January 8, 2010, each director was granted 2,000 shares of restricted stock pursuant to the Haynes International, Inc. 2009 Restricted Stock Plan. In making its decision to award restricted stock rather than stock options, the Compensation Committee considered information provided by Total Rewards Strategies on methods of encouraging long-term stock ownership by directors, as well as information regarding how comparator group companies utilized restricted or deferred stock. The shares of restricted stock will vest in full on the earlier of (i) the third anniversary of the grant date, or (ii) the failure of the director to be re-elected at an annual meeting of the stockholders of the

Company as a result of the director being excluded from the nominations for any reason other than “cause” as defined in the 2009 Restricted Stock Plan.

Indemnification Agreements

Effective August 13, 2006, we agreed to indemnify all of our directors against loss or expense arising from such individuals’ service to us and our subsidiaries and affiliates, and to advance attorneys’ fees and other costs of defense to such individuals in respect of claims that may be eligible for indemnification under certain circumstances. Effective October 1, 2008, the Company entered into a similar agreement with Mr. Comerford.

Compensation Committee Interlocks and Insider Participation

The members of the Compensation Committee as of September 30, 2010 were Messrs. McCarthy, Campion, and Getz. None of the members of the Compensation Committee are now serving or previously have served as employees or officers of the Company or any subsidiary, and none of the Company’s executive officers serve as directors of, or in any compensation related capacity for, companies with which members of the Compensation Committee are affiliated.

Executive Compensation

Compensation Committee Report

The Compensation Committee of the Board of Directors has reviewed and discussed the following Compensation Discussion and Analysis with management and, based on such review and discussion, has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement and in our annual report on Form 10-K for the fiscal year ended September 30, 2010.

SUBMITTED BY THE COMPENSATION COMMITTEE

Timothy J. McCarthy, Chair
Donald C. Campion
Robert H. Getz

Compensation Discussion and Analysis

Overview

This Compensation Discussion and Analysis describes the key principles and approaches used to determine the compensation in fiscal 2010 for Mark M. Comerford, our principal executive officer; Marcel Martin, our principal financial officer; and Marlin C. Losch III, Scott Pinkham and Greg Spalding, our other three most highly compensated executive officers in fiscal 2010. Detailed information regarding the compensation of these executive officers, who are referred to as “Named Executive Officers” or “NEOs”, appears in the tables following this Compensation Discussion and Analysis. This Compensation Discussion and Analysis should be read in conjunction with those tables.

This Compensation Discussion and Analysis consists of the following parts:

Responsibility for Executive Compensation Decisions

Role of Executive Officers in Compensation Decisions

Executive Compensation Philosophy and Principles

Committee Procedures

Setting Named Executive Officer Compensation in Fiscal 2010

Responsibility for Executive Compensation Decisions

The Compensation Committee of our Board of Directors, whose membership is limited to independent directors, acts pursuant to a Board-approved charter. The Compensation Committee is responsible for approving the compensation programs for all executive officers, including the Named Executive Officers, and making decisions regarding specific compensation to be paid or awarded to them. The Compensation Committee has responsibility for establishing and monitoring the adherence to the Company’s compensation philosophies and objectives. The Compensation Committee aims to ensure that the total compensation paid to our NEO’s is fair, reasonable and competitive. Although the Compensation Committee approves all elements of an executive officer’s compensation, it approves equity grants and certain other incentive compensation subject to approval by the full Board.

Role of Executive Officers in Compensation Decisions

No Named Executive Officer participates directly in the determination of his or her compensation. For Named Executive Officers other than himself, our Chief Executive Officer provides the Compensation Committee with performance evaluations and presents individual compensation recommendations to the Compensation Committee, as well as compensation program design recommendations. The Chief Executive Officer’s performance is evaluated by our Board of Directors. Mr. Comerford’s fiscal 2010 base salary was established by the employment agreement he entered into in fiscal 2008. Mr. Comerford and Mr. Martin, our Chief Financial Officer, work closely with the Compensation Committee on the development of the financial targets and overall annual bonus levels to be provided to the Named Executive Officers under the management incentive plan, or MIP, as those amounts are based on the annual operating budget. The Compensation Committee retains the full authority to modify, accept or reject all compensation recommendations provided by management.

Executive Compensation Philosophy and Objectives

Our compensation program is designed to attract, motivate, reward and retain key executives who drive our success and enable us to consistently achieve corporate performance goals in the competitive high-performance alloy business and increase Stockholder value. We seek to achieve these objectives through a compensation package that:

- Pays for performance: Our management incentive plan, or MIP, provides incentives to our executive officers based upon meeting or exceeding specified financial goals, taking into consideration the ability of our executives to influence our financial results. In addition, grants of restricted stock and stock options provide an appropriate incentive to produce Stockholder returns through overall corporate performance.
- Supports our business strategy: The annual bonus provided by our MIP focuses our executive officers on near term goals, while our equity compensation plans aim to engage management in our long-term growth. We believe both of those elements serve to align management interests with creating Stockholder value.
- Pays competitively: We set compensation levels so that they are in line with those of individuals holding comparable positions and producing similar results at other multi-national corporations of similar size, value and complexity.

Committee Procedures

The Compensation Committee retains the services of Total Rewards Strategies, an independent compensation consulting firm, to collect survey data and analyze the compensation and related data of a comparator group of companies. Total Rewards Strategies also provides the Compensation Committee with alternatives to consider when making compensation decisions and provides opinions on compensation recommendations the Compensation Committee receives from management. Total Rewards Strategies provided analysis and opinion regarding executive compensation trends and

practices to the Compensation Committee during fiscal 2009 and fiscal 2010. Total Rewards Strategies did not provide any services to the Company other than compensation consulting to the Compensation Committee in fiscal 2009 or fiscal 2010.

The comparator group is comprised of our direct competitors and a broader group of industrial metals and minerals companies, as well as Indiana-based companies, which the Compensation Committee believes is representative of the labor market from which we recruit executive talent. Factors used to select the comparator group companies include industry segment, revenue, profitability, number of employees and market capitalization. The Compensation Committee reviews the comparator group annually. The companies in the comparator group that were used to benchmark fiscal 2010 compensation practices include:

American Commercial Lines	Franklin Electric	RTI International Metals
Ameron International	Insteel Industries	Shiloh Industries
Brush Engineered Materials	Keystone Consolidated	Skyline
Carpenter Technology	Ladish	Supreme Industries
Compass Minerals International	Matthews International	Symmetry Medical
CTS Corp	Metalico	Titan International
Ducommun	Northwest Pipe	Titanium Metals
Enpro Industries	Olympic Steel	Universal Stainless & Alloy Products

Among other analyses, Total Rewards Strategies provides the 50th percentile, or median, of the comparator group for base salary, cash bonus, long-term incentives and total overall compensation, or the Median Market Rate. The Compensation Committee uses the Median Market Rate as a primary reference point when determining compensation targets for each element of pay. When individual and targeted company financial performance is achieved, the objective of the executive compensation program is to provide overall compensation near the Median Market Rate of pay practices of the comparator group of companies. Actual target pay for an individual may be more or less than the Median Market Rate based on the Compensation Committee's evaluation of the individual's performance, experience and potential.

Consistent with the Compensation Committee's philosophy of pay for performance, incentive payments can exceed target levels only if overall Company financial targets are exceeded and will fall below target levels if overall financial goals are not achieved.

Setting Named Executive Officer Compensation in Fiscal 2010

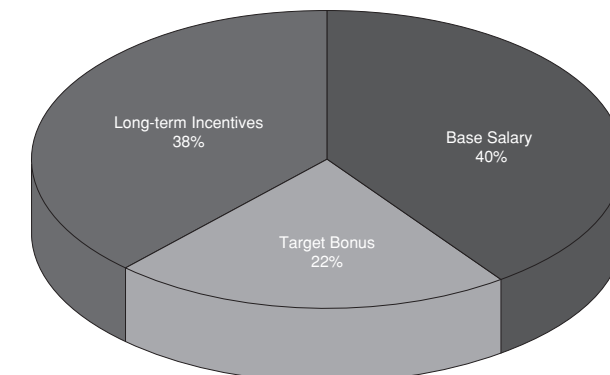
Components of Compensation

The chief components of each Named Executive Officers' compensation in fiscal 2010 were:

- base salary,
- a performance-based annual incentive award under the MIP,
- long-term compensation awards that include a combination of stock option grants and performance- and time-based restricted stock,
- employee benefits, such as life, health and disability insurance benefits, and a qualified savings (401(k)) plan,
- limited perquisites, and
- upon termination or a change in control, severance and acceleration of long-term awards.

Each element of compensation is designed to achieve a specific purpose and to contribute to a total package that is competitive, appropriately performance-based and valued by our executives. The Compensation Committee reviews information provided by Total Rewards Strategies and the Company's historical pay practices to determine the appropriate level and mix of compensation. In allocating compensation among elements, we believe the compensation of our most senior executives, including our Named Executive Officers, who have the greatest ability to influence Company performance, should be predominately performance-based. As a result of this philosophy, in fiscal 2010 60% of the Named Executive Officers' total compensation, including our Chief Executive Officer's compensation, was allocated to performance-based pay as a percent of total compensation at target performance.

Fiscal 2010 Target Compensation



Base Salary

We provide executives with a base salary that is intended to attract and retain the quality of executives needed to lead our complex businesses. Base salaries for executives are generally targeted at the Median Market Rate of the comparator group, although individual performance, experience, internal equity, compensation history and contribution of the executive are also considered. The Committee reviews base salaries for Named Executive Officers annually and may make adjustments based on individual performance, experience, market competitiveness, internal equity and the scope of responsibilities.

Mr. Comerford became President and Chief Executive Officer effective October 1, 2008 and his base salary was established at \$425,000. Base salaries for our Named Executive Officers were reduced

by 15% effective August 6, 2009 and remained at that level until January 1, 2010. The base salaries for our Named Executive Officers were increased to their prior levels effective January 1, 2010, but there were no additional increases in base salaries during fiscal 2010. The following table provides annualized base salary information for our Named Executive Officers effective July 1, 2009 and July 1, 2010:

<u>Named Executive Officer</u>	<u>Base Salary as of July 1, 2009</u>	<u>Base Salary as of July 1, 2010</u>	<u>Base Salary as a Percentage of Median Market Rate</u>
Mark M. Comerford	\$425,000	\$425,000	79%
Marcel Martin	\$250,000	\$250,000	83%
Marlin C. Losch III	\$190,000	\$190,000	96%
Scott R. Pinkham	\$200,000	\$200,000	90%
Gregory M. Spalding	\$205,700	\$205,700	99%

Management Incentive Plan—Annual Cash Incentive

The purpose of the management incentive plan, or MIP, is to provide an annual cash bonus based on the achievement of specific operational and financial performance targets, tying compensation to the creation of value for Stockholders. Target cash bonus awards are determined for each executive position by competitive analysis of the comparator group. In general, the median annual cash bonus opportunity of the comparator group is used to establish target bonus opportunities, but consideration is given to the individual executive’s responsibilities and contribution to business results, and internal equity. The MIP allows the Board of Directors discretion to administer the plan, including not paying out any compensation thereunder, accounting for unforeseen one-time transactions, or adjusting the performance measures based on external economic factors.

For fiscal 2010, the target performance level was established by our consolidated annual operating budget. The annual operating budget is developed by management and presented by the CEO and the CFO to the Board of Directors for its review and approval. The target was intended to represent corporate performance which the Board of Directors believed was more likely than not to be achieved based upon management’s presentation of the annual operating budget. For fiscal 2010, the Compensation Committee established net income as the sole financial goal for MIP payouts.

The Compensation Committee established the 2010 bonus opportunities for the MIP participants, including the Named Executive Officers. The table below lists the 2010 MIP incentive awards earned at the maximum level by each Named Executive Officer as a percentage of his base salary:

<u>Named Executive Officer</u>	<u>Maximum Level MIP Incentive as % of Base Salary</u>
Mark M. Comerford	120%
Marcel Martin	75%
Marlin C. Losch III	75%
Scott R. Pinkham	75%
Gregory M. Spalding	37.5%

The above noted percentage awards applied against the salaries noted for Named Executive Officers on page 18 equals the amounts included in the Compensation Tables on page 22 under the column entitled “Non-Equity Incentive Plan Compensation” for fiscal year 2010.

Long-Term Incentives

Stockholders approved a new Restricted Stock Plan in 2009 to provide restricted stock grants for executives. Stockholders approved a new Stock Option Plan in 2007. Both plans are designed to attract and retain key management, including our Named Executive Officers. The Compensation Committee administers both plans and believes the plans provide an appropriate incentive to produce superior returns to Stockholders over the long-term by offering participants an opportunity to benefit from stock appreciation through stock ownership.

Competitive benchmarking to the comparator group, the executive’s responsibilities, and the individual’s contributions to business results determine the level of long-term compensation. In general, the median value of long-term compensation in the comparator group is used to determine the approximate value of long-term incentives. The Black-Scholes method of stock valuation, which is consistent with our expensing of equity awards under SFAS 123(R), was used in fiscal 2010 to determine the value of stock options.

We currently do not have any formal plan requiring us to grant equity compensation on specified dates. With respect to newly hired or promoted executives, our practice is typically to consider stock grants at the first meeting of the Compensation Committee and Board of Directors following such executive’s hire date. The recommendations of the Compensation Committee are subsequently submitted to the Board of Directors for approval. We intend to ensure that we do not award equity grants in connection with the release, or the withholding, of material non-public information, and that the grant value of all equity awards is equal to the fair market value on the date of grant. The Compensation Committee will consider whether or not to grant additional equity awards to the management team on an annual basis.

Stock Options

We have two stock option plans that authorize the grant of non-qualified stock options to certain of our key employees and non-employee directors for the purchase of a maximum of 1,500,000 shares of our common stock. Our original option plan was adopted in 2004 pursuant to our plan of reorganization and provides for the grant of options to purchase up to 1,000,000 shares of our common stock. In January 2007, our Board of Directors adopted a new option plan, also approved by our Stockholders in fiscal 2007, that provides for options to purchase up to 500,000 shares of our common stock. All options granted under our plans vest in three equal annual installments on the first, second and third anniversaries of the grant date.

Under Internal Revenue Code Section 162(m), subject to an exception for qualifying performance-based compensation, we cannot deduct compensation of over \$1 million in annual compensation paid to certain executive officers. Options granted pursuant to our option plans are intended to qualify as qualifying performance-based compensation exempt from this deduction limitation. As a result, it is not anticipated that a grant of options under these plans will cause the deduction limit to be exceeded for any executive.

The Compensation Committee granted stock options to the management team, including the Named Executive Officers, in March 2008 and 2009, and January 2010. The Compensation Committee believes that the stock options, in conjunction with the other elements of compensation described herein, align management’s interests with those of the Stockholders and will provide no return whatsoever if Stockholders do not also realize gains. In determining the number of shares to be granted to the Named Executive Officers, the Compensation Committee established the value of the shares underlying the options at \$16.41 for the March 2008 grant, \$9.86 for the March 2009 grant and \$17.93 for the January 2010 grant pursuant to Financial Accounting Standard 123R, or FAS 123R, using the Black-Scholes pricing model. The Compensation Committee then set a total pool of options for grant to

all executive officers of approximately \$2.1 million for the March 2008 grant, \$0.6 million for the March 2009 grant, and \$0.6 million for the January 2010 grant.

Restricted Stock

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 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 end of 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 March 31, 2009, executives, including the Named Executive Officers, were granted performance-based restricted stock for the three-year period beginning October 1, 2008 through September 30, 2011. The Compensation Committee established a cumulative three-year net income performance goal for the period October 1, 2008 through September 30, 2011 which will dictate whether these restricted shares will vest or be forfeited on September 30, 2011.

On January 8, 2010, executives, including the Named Executive Officers, were granted restricted stock for the three-year period beginning on October 1, 2009 through September 30, 2012. Two types of restricted shares were granted: those with performance-based vesting and those with time-based vesting. For the grant of performance-based restricted shares, the Compensation Committee established a three-year net income performance goal for the period of October 1, 2009 through September 30, 2012, which will dictate whether these restricted shares will vest or be forfeited on September 30, 2012. The restricted shares which are subject to time-based vesting will vest on the third anniversary of the date of grant. The number of shares and value of restricted stock are listed in the Grants of Plan-Based Awards table on page 24. Participants must be employees at the end of the performance period to receive a payout, except in the event of death or disability.

The fiscal 2010 expense related to restricted stock grants to Named Executive Officers is listed in the Summary Compensation Table on page 22.

Benefits

The Named Executive Officers are eligible for the same level and offering of benefits made available to other employees, including our 401(k) plan, health care plan, life insurance plan and other welfare benefit programs. Our benefits are designed to be competitive with other employers in the central/northern Indiana region to enable us to compete for and retain employees.

In addition, we maintain the Haynes International, Inc. Pension Plan, a defined benefit pension plan for the benefit of all eligible domestic employees, including certain of the Named Executive Officers who were hired prior to December 31, 2005. As of December 31, 2005, the Pension Plan was closed to new salaried employees and, as of December 31, 2007, the benefits of all salaried participants in the Pension Plan were frozen and no further benefits will accumulate.

Perquisites

We provide limited perquisites to certain executives. These arrangements are primarily intended to increase the efficiency of an executive by allowing him or her to focus on business issues and to provide business and community development opportunities. In fiscal 2010, these perquisites consisted of taxable automobile usage for all Named Executive Officers other than Mr. Martin; country club memberships for Messrs. Comerford, Losch and Spalding; and the payment of life insurance and disability insurance premiums and a company match under the Company's 401(k) plan for all Named Executive Officers. No single perquisite exceeded \$10,000 per year, other than taxable income from company cars for Mr. Pinkham in fiscal 2010.

Severance; Change in Control

Pursuant to his employment agreement, Mr. Comerford is entitled to compensation under certain circumstances relating to his severance from employment with the Company. In addition, we have entered into Termination Benefits Agreements with the Named Executive Officers (other than Mr. Comerford), which provide severance and change in control compensation. We recognize that Haynes, as a publicly-traded company, may become the target of a proposal which could result in a change in control, and that such possibility and the uncertainty and questions which such a proposal may raise among management could cause our Named Executive Officers to leave or could distract them in the performance of their duties, to our detriment and the detriment of our Stockholders. We have entered into these agreements to protect the Named Executive Officers against the loss of their positions and to reinforce and encourage their continued attention to their assigned duties without distraction in the event of a proposed change in control transaction. We believe that these objectives are in the best interests of Haynes and our Stockholders. We also believe that it is in the best interests of Haynes and our Stockholders to offer such agreements to our Named Executive Officers insofar as we compete for executive talent in a highly competitive market in which companies routinely offer similar severance and change in control benefits to senior executives.

CEO Compensation

Effective October 1, 2008, Mark M. Comerford was appointed President and CEO of the Company. With the recommendation and approval of the Compensation Committee, the Company entered into an Employment Agreement with Mr. Comerford on September 8, 2008. The Agreement's initial term began at the close of business on September 30, 2008 and ends on September 30, 2011 and will automatically extend for one year periods thereafter assuming mutual consent of the Company and Mr. Comerford. Pursuant to the Agreement, Mr. Comerford's base salary is \$425,000 per year (79% of the 2010 median CEO salary in the Comparator Group), with bonus targets to be determined by the Compensation Committee annually prior to or at the commencement of the applicable fiscal year. In addition, the Company paid Mr. Comerford a one-time transition bonus in the amount of \$340,000. In connection with his employment, Mr. Comerford was also granted 20,000 stock options with an exercise price of \$46.83. The options vest in three equal annual installments beginning October 1, 2009.

Compensation Tables and Narrative Disclosure

Summary Compensation Table

The following tables, footnotes and narratives provide information regarding the compensation, benefits and equity holdings in the Company for the CEO, CFO and the other Named Executive Officers.

The narrative and footnotes below describe the total compensation paid for fiscal 2008, 2009 and 2010 to the Named Executive Officers, each of whom was serving as an executive officer on September 30, 2010, the last day of our fiscal year. For information on the role of each element of compensation within the total compensation package, please see the discussion above under “Compensation Discussion and Analysis”.

Salary—This column represents the base salary earned during fiscal 2008, 2009 and 2010, including any amounts invested by the Named Executive Officers in our 401(k) plan.

Bonus—This column represents all non-plan cash bonuses earned by the Named Executive Officers in fiscal 2008, 2009 and 2010.

Restricted Stock—This column represents the fair value of the restricted stock grant which equals the share price on the date of the grant.

Option Awards—This column represents the compensation expense we recognized for financial statement reporting purposes, computed in accordance with Financial Accounting Standard (FAS) 123R, with respect to stock options granted in fiscal 2008, 2009 and 2010. Under FAS 123R, compensation expense is calculated using the Black- Scholes option pricing method and recognized over the expected life of the stock option.

Non-Equity Incentive Plan Compensation—This column represents cash bonuses earned in fiscal 2008, 2009 and 2010 by the Named Executive Officers under the 2008, 2009 and 2010 MIP.

Change in Pension Value and Nonqualified Deferred Compensation Earnings—This column represents the actuarial increase during fiscal 2008, 2009 and 2010 in the pension value for the Named Executive Officers under the Haynes International, Inc. Pension Plan. A description of the Pension Plan can be found below under “Pension Benefits”.

All Other Compensation—This column represents all other compensation paid or provided to the Named Executive Officers for fiscal 2008, 2009 and 2010 not reported in previous columns, such as our matching contributions to 401(k) plans, payment of insurance premiums and costs of providing certain perquisites and benefits.

Name And Principal Position	Year	Salary	Bonus	Restricted Stock Awards ⁽²⁾	Option Awards ⁽³⁾	Non-Equity Incentive Plan Compensation ⁽⁴⁾	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation ⁽⁵⁾	Total
M. M. Comerford President & CEO	2009	\$406,203	\$340,000 ⁽¹⁾	\$142,560	\$465,638	—	N/A	\$103,913	\$1,458,314
	2010	\$406,856	—	\$272,000	\$179,300	\$510,000	N/A	\$ 74,711	\$1,442,867
M. Martin VP of Finance & CFO	2008	\$234,539	N/A	N/A	\$246,155	\$ 65,000	\$136,802	\$ 15,860	\$ 698,356
	2009	\$245,674	N/A	\$ 75,735	\$ 81,333	—	\$203,992	\$ 15,314	\$ 622,048
	2010	\$239,327	N/A	\$156,400	\$107,580	\$187,500	\$180,518	\$ 19,534	\$ 890,859
M. C. Losch III VP Sales and Distribution	2008	\$162,269	N/A	N/A	\$106,667	\$ 30,000	\$ 20,915	\$ 15,784	\$ 335,635
	2009	\$175,943	N/A	\$ 57,915	\$ 61,616	—	\$ 86,787	\$ 16,823	\$ 399,084
	2010	\$181,888	N/A	\$102,000	\$ 66,341	\$142,500	\$ 23,882	\$ 19,603	\$ 536,214
S. R. Pinkham VP of Manufacturing	2008	\$188,269	N/A	N/A	\$164,104	\$ 35,000	\$ 2,872	\$ 9,349	\$ 399,594
	2009	\$196,538	N/A	\$ 62,370	\$ 64,081	—	\$ 35,928	\$ 14,582	\$ 373,499
	2010	\$191,462	N/A	\$115,600	\$ 73,513	\$150,000	\$ 11,056	\$ 24,445	\$ 566,076
G. M. Spalding VP Tube and Wire Products	2008	\$181,589	N/A	N/A	\$131,283	\$ 30,000	\$ 20,678	\$ 12,595	\$ 376,145
	2009	\$187,755	N/A	\$ 31,185	\$ 34,505	—	\$ 60,451	\$ 18,197	\$ 332,093
	2010	\$196,917	N/A	\$ 81,600	\$ 50,204	\$ 77,138	\$ 13,159	\$ 16,600	\$ 435,618

⁽¹⁾ This amount is a one-time signing bonus negotiated as part of Mr. Comerford’s employment agreement.

⁽²⁾ Shares of restricted stock were valued at the closing price of the Company’s common stock on the day prior to the date of grant. On September 30, 2009 the probability of reaching the three-year performance goal for the fiscal 2009 restricted stock grant was evaluated and it was determined that it was not probable that the performance goal would be achieved. Therefore, expense associated with restricted shares granted to the Named Executive Officers was reversed and no future compensation expense will be recorded unless circumstances change making the goal no longer improbable.

⁽³⁾ The options were valued pursuant to FAS 123R using the Black-Scholes option pricing model.

⁽⁴⁾ Amounts earned in fiscal 2008 under the 2008 MIP were paid in the first quarter of fiscal 2009. There were no payouts under the fiscal 2009 MIP. Amounts earned in fiscal 2010 under the 2010 MIP were paid in the first quarter of fiscal 2011. Please see the discussion of the Management Incentive Plan under “Compensation Discussion and Analysis”.

⁽⁵⁾ Amounts shown in the “All Other Compensation” column include the following:

Name	Year	Taxable Auto	Dividends On Restricted Stock	Relocation	Country Club	Life Insurance	Disability Insurance	401(k) Company Match	401(m) Company Match	Other	Total
M. M. Comerford	2009	\$ 9,600	N/A	\$76,708	\$3,600	\$4,023	\$1,984	\$7,508	\$ 490	—	\$103,913
	2010	\$ 9,600	\$9,600	\$33,426	\$3,630	\$5,412	\$4,132	\$8,066	\$ 698	\$147	\$ 74,711
M. Martin	2008	\$ 1,404	N/A	—	\$2,520	\$1,241	\$4,083	\$6,612	—	—	\$ 15,860
	2009	—	N/A	—	—	\$1,434	\$4,120	\$7,205	\$2,555	—	\$ 15,314
	2010	—	\$5,310	—	—	\$1,398	\$4,229	\$7,868	\$ 588	\$141	\$ 19,534
M.C. Losch III	2008	\$ 3,462	N/A	—	\$3,360	\$ 858	\$2,959	\$5,145	—	—	\$ 15,784
	2009	\$ 2,499	N/A	—	\$3,810	\$1,032	\$3,267	\$6,215	—	—	\$ 16,823
	2010	\$(1,599)	\$3,750	—	\$6,854	\$1,063	\$3,395	\$5,995	—	\$145	\$ 19,603
S. R. Pinkham	2008	—	N/A	—	—	\$ 990	\$2,560	\$5,799	—	—	\$ 9,349
	2009	\$ 2,956	N/A	—	—	\$1,147	\$2,752	\$7,727	—	—	\$ 14,582
	2010	\$10,305	\$4,140	—	—	\$1,118	\$2,752	\$5,994	—	\$136	\$ 24,445
G. M. Spalding	2008	\$ 122	N/A	—	\$2,550	\$ 960	\$3,114	\$5,849	—	—	\$ 12,595
	2009	\$ 8,116	N/A	—	—	\$1,099	\$3,241	\$5,741	—	—	\$ 18,197
	2010	\$ 152	\$2,490	—	\$3,150	\$1,151	\$3,343	\$6,151	—	\$163	\$ 16,600

Grants of Plan-Based Awards in Fiscal 2010

During fiscal 2010, the Named Executive Officers received three types of plan-based awards:

Management Incentive Plan—On October 19, 2009, the Named Executive Officers were awarded grants under the Company’s 2010 Management Incentive Plan. Under the plan, certain employees of the Company, including the Named Executive Officers were eligible for cash awards if the Company met certain net income targets established by the Compensation Committee for fiscal 2010. The amount of the cash awards could range between 40% and 120% of base salary for Mr. Comerford, and 12.5% and 75% of base salary for the other Named Executive Officers, depending on the level of net income earned by the Company compared to the targeted amount. In the event the targeted net income amount was not achieved, the Named Executive Officers would have been eligible to receive a portion of a \$450,000 bonus pool payable at the discretion of the Board of Directors.

Stock Options—Non-qualified options were granted on January 8, 2010 under the Haynes International, Inc. 2007 Stock Option Plan. Each option vests in three equal installments on the first, second and third anniversaries of the grant date, remains exercisable for ten years and has an exercise price equal to the closing stock price on the day prior to the date of grant.

Restricted Stock—On January 8, 2010, executives, including the Named Executive Officers, were granted restricted stock for the three-year period beginning on October 1, 2009 through September 30, 2012. Two types of restricted shares were granted: those with performance-based vesting and those with time-based vesting. For the grant of performance-based restricted shares, the Compensation Committee established a three-year net income performance goal for the period of October 1, 2009 through September 30, 2012 which will dictate whether these restricted shares will vest or be forfeited on September 30, 2012. The restricted shares which are subject to time-based vesting will vest on the third anniversary of the date of grant.

Grants of Plan-Based Awards Table

Name	Grant Type	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards	All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards ⁽¹⁾	Grant Date Fair Value of Stock and Option Awards ⁽²⁾
			Threshold	Target	Maximum					
M. M. Comerford . . .	MIP	10/19/09	\$170,000	\$340,000	\$510,000					
	Option	01/08/10				4,000	4,000	10,000	\$34.00	
	Restricted Stock	01/08/10							\$179,300 \$272,000	
M. Martin	MIP	10/19/09	\$ 62,500	\$125,000	\$187,500					
	Option	01/08/10				2,300	2,300	6,000	\$34.00	
	Restricted Stock	01/08/10							\$107,580 \$156,400	
M. C. Losch III	MIP	10/19/09	\$ 47,500	\$ 95,000	\$142,500					
	Option	01/08/10				1,500	1,500	3,700	\$34.00	
	Restricted Stock	01/08/10							\$ 66,341 \$102,000	
S. R. Pinkham	MIP	10/19/09	\$ 50,000	\$100,000	\$150,000					
	Option	01/08/10				1,700	1,700	4,100	\$34.00	
	Restricted Stock	01/08/10							\$ 73,513 \$115,600	
G. M. Spalding	MIP	10/19/09	\$ 25,713	\$ 51,425	\$ 77,138					
	Option	01/08/10				1,200	1,200	2,800	\$34.00	
	Restricted Stock	01/08/10							\$ 50,204 \$ 81,600	

⁽¹⁾ The exercise price of each option is equal to the closing market price of shares of common stock on the date of the grant.
⁽²⁾ Represents the grant date fair value calculated in accordance with FAS 123R, but excludes any forfeiture assumptions related to service-based vesting conditions as prescribed by SEC rules.

Outstanding Equity Awards at Fiscal Year-End

The table below provides information on the Named Executive Officers' outstanding equity awards as of September 30, 2010. The equity awards consist of stock options and shares of restricted stock. The table includes the following:

Number of Securities Underlying Unexercised Options (Exercisable)—This column represents options to buy shares of common stock which are fully vested and subject to forfeiture only with respect to a break in service.

Number of Securities Underlying Unexercised Options (Unexercisable)—This column represents options to buy shares of common stock which are not fully vested. All options vest in three equal annual installments on the first, second and third anniversaries of the grant date.

Option Exercise Price—In the case of grants made in connection with our emergence from Chapter 11 reorganization on August 31, 2004, the exercise price was \$12.80 per share, which was established by the creditors committee and set forth in the plan of reorganization. The fair value of our common stock on August 31, 2004 was \$15.37 per share without regard to any adjustment for lack of marketability or minority discount, but based upon a contemporaneous valuation of the enterprise as a whole using the same discounted cash flow method used in determining our reorganization value. All other option exercise prices are equal to the closing market price of shares of common stock on the grant date.

Option Expiration Date—This is the date upon which an option will expire if not yet exercised by the option holder. In all cases, this is ten years from the date of grant.

Number of Unearned Shares That Have Not Vested—All shares of restricted stock granted in fiscal 2010 are unvested. Two types of restricted shares were granted: those with performance-based vesting and those with time-based vesting. For the grant of performance-based restricted shares, the

Compensation Committee established a three-year net income performance goal for the period of October 1, 2009 through September 30, 2012 which will dictate whether these restricted shares will vest or be forfeited on September 30, 2012. The restricted shares which are subject to time-based vesting will vest on the third anniversary of the date of grant.

Market Value of Unearned Shares That Have Not Vested—The market value of unvested shares of restricted stock is based upon the September 30, 2010 closing price of the Company's common stock.

Name	Grant Date	Option Awards				Restricted Stock Awards			
		Exercisable ⁽¹⁾	Unexercisable	Option Exercise Price	Option Expiration Date	Number of Shares that Have Not Vested ⁽²⁾	Market Value of Shares That Have Not Vested	Number of Unearned Shares That Have Not Vested ⁽³⁾	Market Value of Unearned Shares That Have Not Vested
M. M. Comerford . . .	10/01/08	6,666	13,334	\$46.83	10/01/18	—	—	—	—
	3/31/09	5,000	10,000	\$17.82	3/31/19	—	—	8,000	\$279,360
	1/08/10	—	10,000	\$34.00	1/08/20	4,000	\$139,680	4,000	\$139,680
M. Martin	8/31/04	49,679	—	\$12.80	8/31/14	—	—	—	—
	3/30/07	12,000	—	\$72.93	3/30/17	—	—	—	—
	3/31/08	10,000	5,000	\$54.00	3/31/18	—	—	—	—
	3/31/09	2,750	5,500	\$17.82	3/31/19	—	—	4,250	\$148,410
	1/08/10	—	6,000	\$34.00	1/08/20	2,300	\$ 80,316	2,300	\$ 80,316
M. C. Losch II	2/21/06	8,334	—	\$29.25	2/21/16	—	—	—	—
	3/30/07	8,000	—	\$72.93	3/30/17	—	—	—	—
	3/31/08	4,333	2,167	\$54.00	3/31/18	—	—	—	—
	3/31/09	2,083	4,167	\$17.82	3/31/19	—	—	3,250	\$113,490
	1/08/10	—	3,700	\$34.00	1/08/20	1,500	\$ 52,380	1,500	\$ 52,380
S. R. Pinkham	3/30/07	5,000	—	\$72.93	3/30/17	—	—	—	—
	3/31/08	6,666	3,334	\$54.00	3/31/18	—	—	—	—
	3/31/09	2,166	4,334	\$17.82	3/31/19	—	—	3,500	\$122,220
	1/08/10	—	4,100	\$34.00	1/08/20	1,700	\$ 59,364	1,700	\$ 59,364
G. M. Spalding	3/30/07	7,500	—	\$72.93	3/30/17	—	—	—	—
	3/31/08	5,333	2,667	\$54.00	3/31/18	—	—	—	—
	3/31/09	1,166	2,334	\$17.82	3/31/19	—	—	1,750	\$ 61,110
	1/08/10	—	2,800	\$34.00	1/08/20	1,200	\$ 41,904	1,200	\$ 41,904

⁽¹⁾ Vest in three equal annual installments on the first, second and third anniversaries of the grant date.
⁽²⁾ Vest on the third anniversary of the grant date.
⁽³⁾ Vest on the third anniversary of the grant date if the Company has met a three-year net income performance goal.

Option Exercises

No Named Executive Officer exercised any vested stock options in fiscal 2010.

Pension Benefits

We maintain a defined benefit pension plan for the benefit of eligible domestic employees designated as the Haynes International, Inc. Pension Plan. The pension plan is qualified under Section 401 of the Internal Revenue Code, permitting us to deduct for federal income tax purposes all amounts we contribute to the pension plan pursuant to funding requirements. The following table sets forth the range of estimated annual benefits payable upon retirement for graduated levels of average annual earnings and years of service for employees under the pension plan, based on retirement at age 65 on or after October 31, 2006. As of December 31, 2005, the Pension Plan was closed to new salaried

employees and, as of December 31, 2007, the benefits of all salaried participants in the Pension Plan were frozen and no further benefits will accumulate.

<u>Name</u>	<u>Year</u>	<u>Plan Name</u>	<u>Number of Years Credited Service</u>	<u>Present Value of Accumulated Benefit</u>
M. M. Comerford	2010	Defined Benefit	2	—
M. Martin	2010	Defined Benefit	24	\$1,020,461
M. C. Losch III	2010	Defined Benefit	22	\$ 244,658
S. R. Pinkham	2010	Defined Benefit	10	\$ 88,621
G. M. Spalding	2010	Defined Benefit	10	\$ 197,781

Participants in the pension plan are eligible to receive an unreduced pension annuity upon the first to occur of (i) reaching age 65, (ii) reaching age 62 and completing ten years of benefit service, or (iii) completing 30 years of benefit service. The final option is available only for salaried employees who were plan participants in the pension plan on March 31, 1987. For salaried employees who retire on or after July 2, 2002 under option (i) or (ii) above, the normal monthly pension benefit provided under the pension plan is the greater of (i) 1.6% of the employee's average monthly earnings multiplied by years of benefit service, plus an additional 0.5% of the employee's average monthly earnings, if any, in excess of Social Security covered compensation multiplied by years of benefit service up to 35 years, or (ii) the employee's accrued benefits as of September 30, 2002. For salaried employees who retire on or after July 2, 2002 under option (iii) above (with 30 years of benefit service), the normal monthly pension provided under the pension plan is equal to one of the following as elected by the participant: (i) the accrued benefit as of March 31, 1987 plus any supplemental retirement benefit payable to age 62, (ii) the accrued benefit as of March 31, 1987 plus any supplemental retirement benefit payable to any age elected by the participant (prior to 62) and thereafter the actuarial equivalent of the benefit payable for retirement under options (i) and (ii) above, or (iii) if the participant is at least age 55, the actuarial equivalent of the benefit payable for retirement under options (i) and (ii) above. There are provisions for delayed retirement, early retirement benefits, disability retirement, death benefits, optional methods of benefits payments, payments to an employee who leaves after five or more years of service, and payments to an employee's surviving spouse. Participants' interests are vested and they are eligible to receive pension benefits after completing five years of service. However, all participants as of October 1, 2001, became 100% vested in their benefits on that date. Vested benefits are generally paid to retired employees beginning at or after age 55.

Potential Payments Upon Termination or Change of Control

As described in the Compensation Discussion and Analysis beginning on page 14, Mr. Comerford has an employment agreement and the other Named Executive Officers have termination benefits agreements that provide for payments to the Named Executive Officers at, following or in connection with a termination of their employment in the circumstances described in those agreements. In addition, certain of the Company's compensation plans and arrangements provide for acceleration of vesting of outstanding unvested options and restricted stock in certain circumstances described therein, including a "change of control" of the Company.

The information below generally describes payments or benefits payable to the Named Executive Officers (including Mr. Comerford) under agreements between the Named Executive Officers and the Company or under the Company's compensation plans and arrangements in the event of a change of control of the Company or the termination of the Named Executive Officer's employment, whether prior to or following a change of control of the Company. Any such payments or benefits that a Named Executive Officer has elected to defer would be provided in accordance with the requirements of Internal Revenue Code Section 409A. Payments or benefits under other plans and arrangements that

are generally available to the Company's employees on similar terms are not described. Certain capitalized terms used in this discussion are defined under the caption "Certain Definitions", below.

Conditions and Obligations Applicable to Receipt of Termination/Change of Control Payments

Under the applicable compensation agreements, each Named Executive Officer has agreed not to compete with, or solicit the employees of, the Company during and for a one year period (two years for Mr. Comerford) after termination of employment. Further, each Named Executive Officer is obligated to maintain the confidentiality of Company information and to assign all inventions, improvements, discoveries, designs, works of authorship, concepts or ideas or expressions thereof to the Company. The Company is entitled to cease making payments or providing benefits due under the applicable agreement if the Named Executive Officer breaches the confidentiality, non-competition or non-solicitation provisions of the agreement.

As a condition to the receipt of the payments and other benefits to be received by the Named Executive Officers under the applicable agreements upon termination of employment, each Named Executive Officer must execute and deliver to the Company a release of all claims against the Company, including claims arising out of his employment with the Company. Certain payments to Mr. Comerford are required to be made or commence on the date that the release executed by him in connection with the termination of his employment becomes effective (generally seven days following execution thereof by Mr. Comerford). In addition to the release, Named Executive Officers may be asked to sign letter agreements reaffirming their applicable confidentiality, non-competition and non-solicitation obligations and may enter into extended non-competition agreements with the Company.

Payments Made Upon Death or Disability

Upon death or total disability, the Company's compensation plans and arrangements for the Named Executive Officers provide as follows:

- Each Named Executive Officer (other than Mr. Comerford) or his heirs, estate, personal representative or legal guardian, as appropriate, is entitled to receive a lump sum payment equal to the sum of (i) the Named Executive Officer's earned but unpaid base salary through the termination date; (ii) any reimbursable expenses incurred by the Named Executive Officer and not reimbursed as of the termination date; and (iii) a bonus for the fiscal year in which the termination date occurs in an amount equal to his target bonus for such fiscal year pro-rated based upon the number of days he worked in the fiscal year in which the termination date occurs.
- Mr. Comerford or his heirs, estate, personal representative or legal guardian, as appropriate, is entitled to receive a lump sum payment equal to the sum of (i) his earned but unpaid base salary through the termination date; (ii) any bonus earned prior to the termination date that remains unpaid on the termination date, and (iii) any reimbursable expenses incurred by Mr. Comerford and not reimbursed as of the termination date.
- All unvested stock options held by the Named Executive Officer will vest immediately and all options will remain exercisable for six months from the termination date, but in no event later than the expiration date of such stock options as specified in the applicable option agreement.
- All restrictions on transfer of any shares of restricted stock granted more than one year prior to the termination date and held by the Named Executive Officer on the termination date will lapse as of the termination date, so long as the Named Executive Officer has been continuously employed by the Company between the grant date and the termination date.

- In the case of death, the Named Executive Officer's designated beneficiary is entitled to receive the death benefit under a Company-provided life insurance policy in the amount of two times the Named Executive officer's base salary (four times base salary for Mr. Comerford).
- In the case of total disability, the Named Executive Officer will be entitled to disability benefits under the Company's executive long-term disability plans. Each Named Executive Officer is entitled to disability benefits under a group plan and an individual plan. The group plan provides for a monthly benefit equal to 50% of monthly base salary, subject to a maximum benefit of \$10,000 per month. The individual plan provides for a monthly benefit equal to 70% of monthly base salary, subject to a maximum benefit of \$5,000 per month. Benefits under the plan are payable monthly beginning 90 days after the employee becomes disabled and continuing until age 65.

Payments Made Upon Other Termination

If the employment of any of the Named Executive Officers (other than Mr. Comerford) is terminated by the Company for "cause" (as defined in the Termination Benefits Agreements), or is terminated by the Named Executive Officer without "good reason" (as defined in the Termination Benefits Agreements),

- The Named Executive Officer would be entitled to receive a lump sum cash payment equal to the sum of (i) the Named Executive Officer's earned but unpaid base salary through the termination date; (ii) any accrued but unpaid compensation, including any unpaid bonus compensation; and (iii) any reimbursable expenses incurred by the Named Executive Officer and not reimbursed as of the termination date.

If, prior to any change of control, the employment of any Named Executive Officer (other than Mr. Comerford) is terminated by the Company without "cause" or is terminated by the Named Executive Officer with "good reason",

- The Named Executive Officer would be entitled to receive a lump sum payment equal to the sum of (i) the Named Executive Officer's earned but unpaid base salary through the termination date; (ii) any accrued but unpaid compensation, including any unpaid bonus compensation; (iii) any reimbursable expenses incurred by the Named Executive Officer and not reimbursed as of the termination date; and (iv) a bonus for the fiscal year in which the termination date occurs in an amount equal to his target bonus for such fiscal year pro-rated based upon the number of days he worked in the fiscal year in which the termination date occurs.

If Mr. Comerford's employment is terminated by the Company for "cause" (as defined in his employment agreement), or by Mr. Comerford without "good reason" (as defined in his employment agreement),

- Mr. Comerford is entitled to receive a lump sum payment equal to the sum of (i) his earned but unpaid base salary through the termination date; (ii) any bonus earned prior to the termination date that remains unpaid on the termination date, and (iii) any reimbursable expenses incurred by Mr. Comerford and not reimbursed as of the termination date.

If, prior to or more than 24 months after a change of control, Mr. Comerford's employment is terminated by the Company without "cause" or by Mr. Comerford for "good reason",

- Mr. Comerford is entitled to receive a lump sum payment equal to the sum of (i) his earned but unpaid base salary through the termination date; (ii) any bonus earned prior to the termination date that remains unpaid on the termination date, and (iii) any reimbursable expenses incurred by Mr. Comerford and not reimbursed as of the termination date.

- Mr. Comerford is entitled to a continuation of his annual salary as in effect immediately prior to such termination date through the end of the then current employment term, payable in accordance with the then prevailing payroll practices of the Company.
- If Mr. Comerford is not otherwise entitled to a bonus for the same period or fiscal year as part of his termination benefits, Mr. Comerford is entitled to receive a bonus for the fiscal year in which the termination date occurs in an amount equal to his target bonus for such fiscal year pro-rated based upon the number of whole months he worked in the fiscal year in which the termination date occurs.

Payments Made Upon or Following a Change of Control

The Company's 2009 Restricted Stock Plan provides that all restrictions imposed on shares of restricted stock subject to restricted stock awards under the plan lapse upon a change of control. Similarly, all unvested stock options issued pursuant to the Company's stock option plans vest automatically upon the occurrence the events described in clauses (i) or (ii) of the definition of a "change of control", below, and the Board of Directors has discretion to accelerate the vesting of unvested stock options in the event of any other event constituting a change of control. In the event that the employment of a Named Executive Officer (other than Mr. Comerford) is terminated by the Company without "cause" or by the Named Executive Officer for "good reason" within 12 months following a change of control,

- The Named Executive Officer is entitled to receive a lump sum payment equal to the sum of (i) the Named Executive Officer's accrued but unpaid base salary through the termination date; (ii) any accrued but unpaid compensation, including any unpaid bonus compensation; (iii) any reimbursable expenses incurred by the Named Executive Officer and not reimbursed as of the termination date; (iv) a bonus for the fiscal year in which the termination date occurs in an amount equal to his target bonus for such fiscal year pro-rated based upon the number of days he worked in the fiscal year in which the termination date occurs; and (v) an amount equal to one year's base salary.
- All unvested stock options held by the Named Executive Officer will vest immediately and all options will remain exercisable for one year from the termination date, but in no event later than the expiration date of such stock options as specified in the applicable option agreement.
- The Named Executive Officer and his dependents are entitled to medical, hospitalization and life insurance benefits that he received immediately prior to termination for a period of one year following the termination date, unless the Named Executive Officer obtains comparable benefits from another employer.

If Mr. Comerford's employment is terminated by the Company without "cause" or by Mr. Comerford for "good reason" within 24 months after a change of control,

- Mr. Comerford is entitled to receive a lump sum payment equal to the sum of (i) his earned but unpaid base salary through the termination date; (ii) any bonus earned prior to the termination date that remains unpaid on the termination date, and (iii) any reimbursable expenses incurred by Mr. Comerford and not reimbursed as of the termination date.
- Mr. Comerford shall be entitled to a cash payment equal to three times his annual salary as in effect immediately prior to the termination date, payable in equal monthly installments of one-twelfth of the total amount of the cash payment.
- Any unvested stock options held by Mr. Comerford as of the termination date will become vested and exercisable and will remain exercisable after the termination date for a period equal to the lesser of (i) six months following the termination date or (ii) the expiration of the original exercise period of such option.

Certain Definitions

A termination for “*cause*” as defined in the Termination Benefits Agreements, means a termination by reason of the good faith determination of the Company’s Board of Directors that the Named Executive Officer (1) continually failed to substantially perform his duties with the Company (other than a failure resulting from his medically documented incapacity due to physical or mental illness), including, without limitation, repeated refusal to follow the reasonable directions of the Company’s Chief Executive Officer (or, in Mr. Comerford’s case, the Board), knowing violation of the law in the course of performance of his duties with the Company, repeated absences from work without a reasonable excuse, or intoxication with alcohol or illegal drugs while on the Company’s premises during regular business hours, (2) engaged in conduct which constituted a material breach of the confidentiality, non-competition or non-solicitation provisions of the applicable agreement, (3) was indicted (or equivalent under applicable law), convicted of, or entered a plea of nolo contendere to the commission of a felony or crime involving dishonesty or moral turpitude, (4) engaged in conduct which is demonstrably and materially injurious to the financial condition, business reputation, or otherwise of the Company or its subsidiaries or affiliates, or (5) perpetuated a fraud or embezzlement against the Company or its subsidiaries or affiliates, and in each case the particular act or omission was not cured, if curable, in all material respects by the Named Executive Officer within thirty (30) days (or by Mr. Comerford within 15 days) after receipt of written notice from the Board.

The term “*change of control*” has varying definitions under the different plans and agreements, but generally means the first to occur of the following: (i) any person becomes the beneficial owner, directly or indirectly, of securities of the Company representing a majority of the combined voting power of the Company’s then outstanding securities (assuming conversion of all outstanding non-voting securities into voting securities and the exercise of all outstanding options or other convertible securities); (ii) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on the effective date, constitute the Board of Directors and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company) whose appointment or election by the Board of Directors or nomination for election by the Company’s stockholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on the effective date or whose appointment, election or nomination for election was previously so approved or recommended; (iii) there is consummated a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation other than (x) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent, either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof, a majority of the combined voting power of the securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (y) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no person, is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing a majority of the combined voting power of the Company’s then outstanding securities; or (iv) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company’s assets, or to an entity a majority of the combined voting power of the voting securities of which is owned by substantially all of the stockholders of the Company immediately prior to such sale in substantially the same proportions as their ownership of the Company immediately prior to such sale.

The term “*good reason*” means the occurrence of any of the following actions or failures to act if it is not consented to by the Named Executive Officer in writing: (a) a material adverse change in the

Named Executive Officer’s duties, reporting responsibilities, titles or elected or appointed offices; (b) a material reduction by the Company in the Named Executive Officer’s base salary or annual bonus opportunity, not including any reduction resulting from changes in the market value of securities or other instruments paid or payable to the Named Executive Officer; or (c) solely with respect to Mr. Comerford, any change of more than 50 miles in the location of the principal place of Mr. Comerford’s employment. None of the actions described in clauses (a) and (b) above shall constitute “good reason” if it was an isolated and inadvertent action not taken in bad faith by the Company and if it is remedied by the Company within 30 days after receipt of written notice thereof given by the Named Executive Officer (or, if the matter is not capable of remedy within 30 days, then within a reasonable period of time following such 30-day period, provided that the Company has commenced such remedy within said 30-day period); provided that “good reason” ceases to exist for any action described in clauses (a) and (b) above on the 60th day following the later of the occurrence of such action or the Named Executive Officer’s knowledge thereof, unless the Named Executive Officer has given the Company written notice thereof prior to such date.

Quantification of Payments and Benefits

The following tables quantify the potential payments and benefits upon termination or a change of control of the Company for each of the Named Executive Officers, assuming the Named Executive Officer’s employment terminated on September 30, 2010, given the Named Executive Officer’s compensation and service level as of that date and, if applicable, based on the Company’s closing stock price of \$34.92 on that date. Other assumptions made with respect to specific payments or benefits are set forth in applicable footnotes to the tables. Information regarding the present value of pension benefits for each of the Named Executive Officers is set forth above under the caption “Pension Benefits” on page 26. Due to the number of factors that affect the nature and amount of any payments or benefits provided upon a termination or change of control, including, but not limited to, the date of any such event, the Company’s stock price and the Named Executive Officer’s age, any actual amounts paid or distributed may be different. None of the payments set forth below would be grossed-up for taxes.

M. M. Comerford					
Executive Benefits and Payments Upon Termination	Death	Disability	Voluntary or For Cause Term.	Invol. Term. Not for Cause	Change of Control
Annual Cash Incentive ⁽¹⁾	\$ 340,000	\$ 340,000	0	\$340,000	\$ 340,000 ⁽³⁾
Cash Severance	0	0	0	\$425,000 ⁽²⁾	\$1,275,000 ⁽³⁾
Stock Options ⁽⁴⁾	\$ 180,200	\$ 180,200	0	0	\$ 180,200
Restricted Stock—Performance ⁽⁵⁾	\$ 279,360	\$ 279,360	0	0	\$ 419,040
Restricted Stock—Time ⁽⁵⁾	0	0	0	0	\$ 139,680
Life and Long-Term Disability Insurance Benefits	\$1,700,000 ⁽⁶⁾	1,968,272 ⁽⁷⁾	0	0	0

M. Martin

Executive Benefits and Payments Upon Termination			Voluntary or For Cause Term.	Invol. Term. Not for Cause	Change of Control
	Death	Disability			
Annual Cash Incentive ⁽¹⁾	\$125,000	\$125,000	0	\$125,000	\$125,000 ⁽⁸⁾
Cash Severance	0	0	0	0	\$250,000 ⁽⁸⁾
Stock Options ⁽⁴⁾	\$ 99,570	\$ 99,570	0	0	\$ 99,570
Restricted Stock—Performance ⁽⁵⁾	\$148,410	\$148,410	0	0	\$228,726
Restricted Stock—Time ⁽⁵⁾	0	0	0	0	\$ 80,316
Life and Long-Term Disability Insurance Benefits	\$500,000 ⁽⁶⁾	640,129 ⁽⁷⁾	0	0	0

M. C. Losch III

Executive Benefits and Payments Upon Termination			Voluntary or For Cause Term.	Invol. Term. Not for Cause	Change of Control
	Death	Disability			
Annual Cash Incentive ⁽¹⁾	\$ 95,000	\$ 95,000	0	\$95,000	\$ 95,000 ⁽⁸⁾
Cash Severance	0	0	0	0	\$190,000 ⁽⁸⁾
Stock Options ⁽⁴⁾	\$ 74,660	\$ 74,660	0	0	\$ 74,660
Restricted Stock—Performance ⁽⁵⁾	\$113,490	\$ 113,490	0	0	\$165,870
Restricted Stock—Time ⁽⁵⁾	0	0	0	0	\$ 52,380
Life and Long-Term Disability Insurance Benefits	\$380,000 ⁽⁶⁾	1,622,527 ⁽⁷⁾	0	0	0

S. R. Pinkham

Executive Benefits and Payments Upon Termination			Voluntary or For Cause Term.	Invol. Term. Not for Cause	Change of Control
	Death	Disability			
Annual Cash Incentive ⁽¹⁾	\$100,000	\$ 100,000	0	\$100,000	\$100,000 ⁽⁸⁾
Cash Severance	0	0	0	0	\$200,000 ⁽⁸⁾
Stock Options ⁽⁴⁾	\$ 77,883	\$ 77,883	0	0	\$ 77,883
Restricted Stock—Performance ⁽⁵⁾	\$122,120	\$ 122,120	0	0	\$181,584
Restricted Stock—Time ⁽⁵⁾	0	0	0	0	\$ 59,364
Life and Long-Term Disability Insurance Benefits	\$400,000 ⁽⁶⁾	1,749,575 ⁽⁷⁾	0	0	0

G. M. Spalding

Executive Benefits and Payments Upon Termination			Voluntary or For Cause Term.	Invol. Term. Not for Cause	Change of Control
	Death	Disability			
Annual Cash Incentive ⁽¹⁾	\$ 51,425	\$ 51,425	0	\$51,425	\$ 51,425 ⁽⁸⁾
Cash Severance	0	0	0	0	\$205,700 ⁽⁸⁾
Stock Options ⁽⁴⁾	\$ 42,487	\$ 42,487	0	0	\$ 42,487
Restricted Stock—Performance ⁽⁵⁾	\$ 61,110	\$ 61,110	0	0	\$103,014
Restricted Stock—Time ⁽⁵⁾	0	0	0	0	\$ 41,904
Life and Long-Term Disability Insurance Benefits	\$411,400 ⁽⁶⁾	1,361,624 ⁽⁷⁾	0	0	0

- (1) Represents base salary as of September 30, 2010 multiplied by the target percentage of the FY 2010 Management Incentive Plan.
- (2) In the case of termination by the Company without cause, Mr. Comerford would be paid through the end of his employment agreement which expires on September 30, 2011.
- (3) Represents the amount payable to Mr. Comerford if his employment is terminated within 24 months after a change of control by the Company without “cause” or by Mr. Comerford for “good reason”. These amounts do not reflect any reduction that may be required by the employment agreement to avoid excise tax under Section 4999 of the Internal Revenue Code.
- (4) Represents market value of \$34.92 per share minus the exercise price for all unvested options (but not less than zero). The number of unvested options for each Named Executive Officer is set forth in the Outstanding Equity Awards at Fiscal Year End table at page 25 above.
- (5) Represents the market value of \$34.92 of all unvested restricted shares (a) in the case of death or disability for all outstanding awards made prior to October 1, 2009, and (b) in the case of a change of control, all outstanding awards. The number of unvested restricted shares for each Named Executive Officer is set forth in the Outstanding Equity Awards at Fiscal Year End table at page 25 above.
- (6) Represents death benefit under a life insurance policy, the premiums on which are paid by the Company, equal to four times base salary for Mr. Comerford and two times base salary for the other Named Executive Officers.
- (7) Represents the present value of benefits payable under the Company’s executive long-term disability plans, determined using the same discount rate used to determine the Company’s funding obligation under the pension plan.
- (8) Represents the amount payable to the Named Executive Officer if his employment is terminated within 12 months after a change of control by the Company without “cause” or by the Named Executive Officer for “good reason”.

Audit Committee Report

The Audit Committee reviews Haynes’ financial reporting process on behalf of the Board of Directors. In fulfilling its responsibilities, the Audit Committee has reviewed and discussed the audited financial statements contained in the Annual Report on Form 10-K for the year ended September 30, 2010 with Haynes’ management and the independent auditors. These reviews included quality, not just acceptability, of accounting principles, reasonableness of significant judgments, and clarity of disclosures in financial statements. Management is responsible for the financial statements and the reporting process, including administering the systems of internal control. The independent registered public

accounting firm is responsible for expressing an opinion on the conformity of those audited financial statements with accounting principles generally accepted in the United States of America.

The Audit Committee discussed with the independent registered public accounting firm, the matters required to be discussed by Statement on Auditing Standards No. 114, *The Auditor's Communications with Those Charged with Governance*, as amended. In addition, the Audit Committee has discussed with the independent registered public accounting firm, the auditors' independence from Haynes and its management, including the matters in the written disclosures and letter received by the Audit Committee, as required by *Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees*, as amended, and considered the compatibility of non-audit services with the auditors' independence.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in Haynes' Annual Report on Form 10-K for the year ended September 30, 2010, for filing with the SEC, and the Board of Directors has so approved the audited financial statements.

Respectfully submitted,

Donald C. Champion, Chair
Robert H. Getz
Timothy J. McCarthy
William P. Wall

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's executive officers, directors and greater than 10% stockholders to file reports of ownership and changes in ownership of Haynes securities with the Securities and Exchange Commission. Our employees prepare these reports for our directors and executive officers on the basis of information obtained from them and from Haynes' records. Based on information available to us, we believe that all filing requirements were met during fiscal 2010.

2. RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

In accordance with its charter, the Audit Committee has selected the firm of Deloitte & Touche, LLP ("Deloitte"), an independent registered public accounting firm, to be Haynes' auditors for the fiscal year ended September 30, 2011, and the Board of Directors is asking Stockholders to ratify that selection. We are not required to have the Stockholders ratify the selection of Deloitte as our independent auditor. We nonetheless are doing so because we believe it is a matter of good corporate practice. If the Stockholders do not ratify the selection, the Audit Committee will reconsider the retention of Deloitte, but ultimately may decide to retain Deloitte as Haynes' independent auditor. Even if the selection is ratified, the Audit Committee, in its discretion, may change the appointment at any time if it determines that such a change would be in the best interests of Haynes and its Stockholders. Before selecting Deloitte, the Audit Committee carefully considered that firm's qualifications as an independent registered public accounting firm for the Company. This included a review of its performance in prior years, including the firm's efficiency, integrity and competence in the fields of accounting and auditing. The Audit Committee has expressed its satisfaction with Deloitte in all of these respects. Haynes has been advised by Deloitte that neither it nor any of its associates has any direct or material indirect financial interest in Haynes.

The Board of Directors recommends that Stockholders vote "FOR" ratification of the appointment of Deloitte & Touche as the Company's independent registered public accounting firm for fiscal 2011.

Deloitte has acted as the independent registered public accounting firm for Haynes and its predecessors since 1998. Its representatives are expected to be present at the Annual Meeting and will have an opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions concerning the audit of Haynes' financial statements.

Audit Fees—The Company has paid, or expects to pay, audit fees (including cost reimbursements) to Deloitte for the audit of the Company's financial statements for the fiscal years ended September 30, 2009 and 2010, including fees for an integrated audit which included the Sarbanes-Oxley attestation audit and reporting to the Securities and Exchange Commission (SEC), of \$790,220 and \$726,543, respectively.

Audit-Related Fees—The Company has paid, or expects to pay, fees (including cost reimbursements) to Deloitte for audit-related services during fiscal 2009 and 2010 of \$55,624 and \$46,640, respectively. These services related primarily to benefit plan audits and special projects.

Tax Fees—The Company has paid, or expects to pay, fees (including cost reimbursements) to Deloitte for services related to tax compliance, tax advice and planning service rendered during fiscal 2009 and 2010 of \$379,092 and \$285,277, respectively. Services include preparation of federal and state tax returns, tax planning and assistance with various business issues including correspondence with taxing authorities.

All Other Fees—The Company did not incur any additional fees for services rendered by Deloitte in the fiscal years ended September 30, 2009 and 2010.

The Audit Committee reviewed the audit and non-audit services rendered by Deloitte and concluded that such services were compatible with maintaining the auditors' independence. All audit and non-audit services performed by the Company's independent registered public accounting firm are approved in advance by the Board of Directors or the Audit Committee to ensure that such services do not impair the auditors' independence.

Haynes' policies require that the scope and cost of all work to be performed for Haynes by its independent registered public accounting firm must be pre-approved by the Audit Committee. Prior to the commencement of any work by the independent registered public accounting firm on behalf of Haynes, the independent registered public accounting firm provides an engagement letter describing the scope of the work to be performed and an estimate of the fees. The Audit Committee and the Chief Financial Officer must review and approve the engagement letter and the fee estimate before authorizing the engagement. The Audit Committee pre-approved 100% of the services rendered by Deloitte in fiscal 2009 and 2010.

The Board of Directors unanimously recommends that Stockholders vote FOR this proposal.

3. ADVISORY VOTE ON EXECUTIVE COMPENSATION

The recently enacted Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, provides that Haynes' Stockholders have the opportunity to vote to approve, on an advisory (nonbinding) basis, the compensation of Haynes' Named Executive Officers as disclosed in this proxy statement in accordance with the Securities and Exchange Commission's rules.

As described in detail under the heading "Executive Compensation," our executive compensation programs are designed to attract, motivate and retain talented executives. In addition, the programs are structured to create an alignment of interests between our executives and Stockholders so that a significant portion of each executive's compensation is linked to maximizing Stockholder value. Under the programs, our Named Executive Officers are provided with opportunities to earn rewards for the achievement of specific annual and long-term goals that are directly relevant to Haynes' short-term and long-term success. Please read the "Compensation Discussion and Analysis" beginning on page 14 for

additional details about Haynes' executive compensation philosophy and programs, including information about the fiscal year 2010 compensation of our Named Executive Officers.

The Compensation Committee of the Board of Directors continually reviews Haynes' compensation programs to ensure they achieve the desired objectives. As a result of its review process, in fiscal year 2010 and for fiscal year 2011 the Compensation Committee has taken the following actions with respect to Haynes' executive compensation practices:

- established corporate performance goals under Haynes Management Incentive Plan based on Haynes attainment of certain net income levels, creating a clear and direct relationship between executive pay and corporate performance;
- made grants of restricted stock in awards that were partially time-vesting and partially performance based, in order to reward executive officers for the achievement of both long-term and strategic goals;
- established base salary and overall compensation at levels that are in line with those of individuals holding comparable positions and producing similar results at other multi-national corporations of similar size, value and complexity; and
- designed the elements of the compensation program to retain and incentivize the Named Executive Officers and align their interests with those of the Stockholders.

Haynes seeks your advisory vote on the compensation of the Named Executive Officers. We ask that you support the compensation of our Named Executive Officers as described in this proxy statement by voting in favor of this proposal. This proposal, commonly known as a "say-on-pay" proposal, gives Haynes' Stockholders the opportunity to express their views on the compensation of our Named Executive Officers. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our Named Executive Officers and the philosophy, policies and practices described in this proxy statement. The say-on-pay vote is advisory, and therefore not binding on Haynes, the Compensation Committee or the Board of Directors. The Board of Directors and the Compensation Committee will review the voting results and consider them, along with any specific insight gained from Stockholders of Haynes and other information relating to the Stockholder vote on this proposal, when making future decisions regarding executive compensation.

The Board of Directors unanimously recommends that Stockholders vote *FOR* this proposal.

4. ADVISORY VOTE ON FREQUENCY OF FUTURE ADVISORY VOTES ON EXECUTIVE COMPENSATION

The Dodd-Frank Act provides that the Company's Stockholders have the opportunity to indicate how frequently the Company should seek an advisory vote on the compensation of the Company's Named Executive Officers, as disclosed pursuant to the Securities and Exchange Commission's compensation disclosure rules. By voting on this proposal, Stockholders may indicate whether they would prefer that the advisory vote on the compensation of the Company's Named Executive Officers occur once every one, two, or three years.

After careful consideration of this Proposal, the Board of Directors has determined that an advisory vote on executive compensation that occurs every three years is the most appropriate alternative for the Company, and therefore the Board of Directors recommends that you vote for a three-year interval for the advisory vote on the compensation of the Company's Named Executive Officers.

In formulating its recommendation, the Board of Directors considered a number of factors, including the following:

- Our compensation program is designed to incentivize performance over a multi-year period. For example, as discussed above in "Compensation Discussion and Analysis", a significant portion of

the total compensation to our Named Executive Officers is provided in long-term incentives. In fiscal 2009 and fiscal 2010, the awards under the MIP included a performance award based on a three-year performance period. We also grant options and shares of restricted stock that vest over a three-year period. A vote held every three years would be more consistent with, and provide better input on, our long-term compensation;

- Voting on executive compensation every three years would provide the Board sufficient time to thoughtfully consider the results of the advisory vote and to implement any desired changes to our executive compensation policies and procedures; and
- A three-year voting cycle will provide investors with sufficient time to evaluate the effectiveness of our short- and long-term compensation strategies and their impact on our operating results.

You may cast your vote on your preferred voting frequency by choosing the option of one year, two years, three years or abstain from voting when you vote in response to this proposal. The option of one year, two years, or three years that receives the highest number of votes cast by the Stockholders will be the frequency for the advisory vote on executive compensation that has been recommended by the Stockholders. However, because this vote is advisory and not binding on the Board of Directors or the Company, the Board of Directors may decide that it is in the best interests of the Company and its Stockholders to hold an advisory vote on executive compensation that differs from the option that received the highest number of votes from the Company's Stockholders.

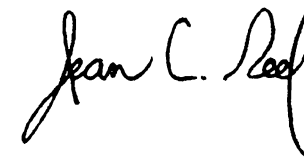
Haynes' Stockholders also have the opportunity to provide additional feedback on important matters involving executive compensation even in years when say-on-pay votes do not occur. For example, the rules of the NASDAQ Global Market require the Company to seek stockholder approval for new employee equity compensation plans and material revisions thereto. As discussed under "Election of Directors—Corporate Governance," the Company provides Stockholders an opportunity to communicate directly with the Board, including on issues of executive compensation.

The Board of Directors unanimously recommends that Stockholders vote to conduct an advisory vote on executive compensation EVERY THREE YEARS.

5. OTHER MATTERS

As of the date of this proxy statement, the Board of Directors of Haynes has no knowledge of any matters to be presented for consideration at the Annual Meeting other than those referred to above. If (a) any matters not within the knowledge of the Board of Directors as of the date of this proxy statement should properly come before the Annual Meeting; (b) a person not named herein is nominated at the Annual Meeting for election as a director because a nominee named herein is unable to serve or for good cause will not serve; (c) any proposals properly omitted from this proxy statement and the form of proxy should come before the Annual Meeting; or (d) any matters should arise incident to the conduct of the Annual Meeting, then the proxies will be voted with respect to such matters in accordance with the recommendations of the Board of Directors of Haynes.

By Order of the Board of Directors,



Jean C. Neel
Corporate Secretary
January 26, 2011

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 30, 2010

or

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

For the transition period from _____ to _____
Commission file number 001-33288

HAYNES INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

06-1185400

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

1020 West Park Avenue, Kokomo, Indiana
(Address of principal executive offices)

46904-9013
(Zip Code)

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

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

Title of each class

Name of each exchange on which registered

Common Stock, par value \$.001 per share

NASDAQ Global Market

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
 Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
 Yes No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. (See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act). (Check one):

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

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

As of March 31, 2010, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was \$427,417,302 based on the closing sale price as reported on the NASDAQ Global Market. Shares of common stock held by each executive officer and director and by each person who owns 5% or more of the outstanding common stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

12,144,079 shares of Haynes International, Inc. common stock were outstanding as of November 18, 2010.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement to be delivered to stockholders in connection with the Annual Meeting of Stockholders to be held February 28, 2011 have been incorporated by reference into Part III of this report.

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This Annual Report on Form 10-K contains statements that constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Those statements appear in a number of places in this Report 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, dividends and 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 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 1.A to this Report, may affect the accuracy of forward-looking statements.

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

Part I

Item 1. Business

Overview

Haynes International, Inc. (“Haynes” or “the Company”) is one of the world’s largest producers of high-performance nickel- and cobalt-based alloys in sheet, coil and plate forms. The Company is focused on developing, manufacturing, marketing and distributing technologically advanced, high-performance alloys, which are sold primarily in the aerospace, chemical processing and land-based gas turbine industries. The Company’s products consist of high temperature resistant alloys, or HTA products, and corrosion resistant alloys, or CRA products. HTA products are used by manufacturers of equipment that is subjected to extremely high temperatures, such as jet engines for the aerospace market, gas turbine engines used for power generation and waste incineration, and industrial heating equipment. CRA products are used in applications that require resistance to very corrosive media found in chemical processing, power plant emissions control and hazardous waste treatment. Management believes Haynes is one of four principal producers of high-performance alloy products in sheet, coil and plate forms, and sales of these forms, in the aggregate, represented approximately 64% of net product revenues in fiscal 2010. The Company also produces its products as seamless and welded tubulars, and in slab, bar, billet and wire forms.

The Company has manufacturing facilities in Kokomo, Indiana; Arcadia, Louisiana; and Mountain Home, North Carolina. The Kokomo facility specializes in flat products, the Arcadia facility specializes in tubular products, and the Mountain Home facility specializes in wire products. The Company’s products are sold primarily through its direct sales organization, which includes 11 service and/or sales centers in the United States, Europe, Asia and India. All of these centers are company-operated. In fiscal 2010, approximately 78% of the Company’s net revenues was generated by its direct sales organization, and the remaining 22% was generated by a network of independent distributors and sales agents who supplement its direct sales efforts primarily in the United States, Europe and Asia, some of whom have been associated with the Company for over 30 years.

Available Information

The address of the Company's website is www.haynesintl.com. The Company provides a link to its reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 on its website as soon as reasonably practicable after filing with the U.S. Securities and Exchange Commission. The filings available on the Company's website date back to November 23, 2009. For all filings made prior to that date, the Company's website includes a link to the website of the U.S. Securities and Exchange Commission, where such filings are available. Information contained or referenced on the Company's website is not incorporated by reference and does not form a part of this Form 10-K.

Significant Events of Fiscal 2010

The information under the caption "Significant Events of Fiscal 2010" in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations contained elsewhere in this Form 10-K is incorporated herein by reference.

Business Strategy

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

- *Increase revenues by providing value-added processing services.* The Company believes that its network of service and sales centers throughout North America, Europe and Asia distinguishes it from its competitors, many of whom operate only mills. The Company's service and sales centers enable it to develop close customer relationships through direct interaction with customers and to respond to customer orders quickly, while providing value-added services such as laser and water jet processing. These services allow the Company's customers to minimize their processing costs and outsource non-core activities. In addition, the Company's rapid response time and enhanced processing services for products shipped from its service and sales centers often enable the Company to obtain a selling price advantage. As discussed below, the Company is finalizing plans to spend approximately \$10.0 million over the course of fiscal 2011 and 2012 to restructure its service center operations.
- *Increase revenue by developing new products and new applications for existing alloys, and expanding into new markets.* The Company believes that it is the industry leader in developing new alloys designed to meet its customers' specialized and demanding requirements. The Company continues to work closely with customers and end users of its products to identify, develop, manufacture and test new high-performance alloys. Since fiscal 2000, the Company's technical programs have yielded six new proprietary alloys; an accomplishment that the Company believes distinguishes it from its competitors. The Company expects continued emphasis on product innovation to yield similar future results.

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

- *Continue to expand its maintenance, repair and overhaul business.* The Company believes that its maintenance, repair and overhaul, or MRO, business serves a growing market and represents both an expanding and recurring revenue stream. Products used in the Company's end markets require periodic replacement due to the extreme environments in which they are used, which drives demand for recurring MRO work. The Company intends to continue to leverage the capabilities of its service and sales centers to respond quickly to its customers' time-sensitive MRO needs to develop new and retain existing business opportunities.
- *Capitalize on strategic equipment investment.* The Company expects to continue to improve operations through ongoing capital investment in manufacturing facilities and equipment. Ongoing investment in equipment has significantly improved the Company's operations by increasing capacity, reducing unplanned downtime and manufacturing costs, and improving product quality and working capital management. Management believes that the Company's capital investments will enable it to continue to satisfy long-term customer demand for value-added products that meet ever increasingly precise specifications.

As announced at the beginning of fiscal 2010, the Company plans to spend, in total, approximately \$85.0 million over fiscal years 2010 through 2014 on new strategic initiatives, routine capital maintenance projects and restructuring its service centers. This amount includes approximately \$30.0 million on upgrades to the 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 finalizing plans to spend approximately \$10.0 million over the course of fiscal 2011 and 2012 to restructure, consolidate and enhance capabilities at its service center operations to improve the 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, improve inventory turnover, reduce operating costs, improve delivery performance and decrease cycle time. See "Liquidity and Capital Resources" in Item 7. Management's Discussion and Analysis of Financial Conditions and Results of Operations contained elsewhere in this Form 10-K for discussion of actual capital spending in fiscal 2010.

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

Company History

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

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

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

Products

The global specialty alloy market consists of three primary sectors: stainless steel, general purpose nickel alloys and high-performance nickel- and cobalt-based alloys. The Company believes that the high-performance alloy sector represents less than 10% of the total alloy market. The Company competes exclusively in the high-performance nickel- and cobalt-based alloy sectors, which includes HTA products and CRA products. In fiscal 2008, 2009 and 2010, HTA products accounted for approximately 73%, 74% and 75% of the Company's net revenues, respectively; and sales of the Company's CRA products accounted for approximately 27%, 26% and 25% of the Company's net revenues, respectively. These percentages are based on data which include revenue associated with sales by the Company to its foreign subsidiaries, but exclude revenue associated with sales by foreign subsidiaries to their customers. Management believes, however, that the effect of including revenue data associated with sales by its foreign subsidiaries would not materially change the percentages presented in this section.

High Temperature Resistant Alloys. HTA products are used primarily in manufacturing components for the hot sections of gas turbine engines. Stringent safety and performance standards in the aerospace industry result in development lead times typically as long as eight to ten years in the introduction of new aerospace-related market applications for HTA products. However, once a particular new alloy is shown to possess the properties required for a specific application in the aerospace market, it tends to remain in use for extended periods. HTA products are also used in gas turbine engines produced for use in applications such as naval and commercial vessels, electric power generation, power sources for offshore drilling platforms, gas pipeline booster stations and emergency standby power stations. The following table sets

forth information with respect to the Company's significant high temperature resistant alloys, applications and features (new HTA development is discussed below under "Patents and Trademarks"):

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

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

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

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

to certain of the Company's significant corrosion resistant alloys, applications and features (new CRA development is discussed below under "Patents and Trademarks"):

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

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

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

Patents and Trademarks

The Company currently maintains a total of approximately 14 U.S. patents and applications and approximately 169 foreign counterpart patents and applications targeted at countries with significant or potential markets for the patented products and continues to develop, manufacture and test high-performance nickel- and cobalt-based alloys. Since fiscal 2000, the Company's technical programs have yielded six new proprietary alloys, four of which are currently commercially available and two of which are being scaled-up to be brought to market. Of the alloys which are being commercialized, two alloys saw advancement in the process during fiscal 2010. First, HAYNES® 282® alloy, which management believes will have significant commercial potential for the Company in the long-term, is the subject of a patent application filed in fiscal 2004. HAYNES 282 alloy has excellent formability, fabricability and forgeability. The commercial launch of HAYNES 282 alloy occurred in October 2005 and, since that time, there have been more than 70 customer tests and evaluations of this product for the hot sections of gas turbines in the aerospace and land-based gas turbine markets, as well as for automotive and other high-temperature applications. The Company will continue to actively promote HAYNES 282 alloy through customer engineering visits and technical presentations and papers. In addition, commercialization of HASTELLOY® C-22HS® alloy also continued in fiscal 2010. The Company has been providing customers with samples of this alloy and making technical presentations since 2004. Testing and evaluation of the alloy is ongoing with special emphasis on applications for the oil and gas market. It is important to note, however, that both of these alloys are in the early stages of commercialization and pounds sold to date are very low compared to the Company's other proprietary alloys; furthermore, pounds sold in the next three to five years are expected to remain at low levels. The Company believes that the alloys (particularly HAYNES 282 alloy) are significantly further along the commercialization curve when compared to historical trends for other proprietary alloys introduced by the Company. In addition to

HAYNES 282 alloy and HASTELLOY C-22HS alloy, commercialization is also ongoing for HASTELLOY® HYBRID-BC1® alloy. HASTELLOY HYBRID-BC1 alloy, a CRA product with potential applications in the chemical processing industry, has demonstrated resistance to hydrochloric and sulfuric acid.

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

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

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

End Markets

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

Aerospace. The Company has manufactured HTA products for the aerospace market since the late 1930s, and has developed numerous proprietary alloys for this market. Customers in the aerospace market tend to be the most demanding with respect to meeting specifications within very low tolerances and achieving new product performance standards. Stringent safety standards and continuous efforts to reduce equipment weight require close coordination between the Company and its customers in the selection and development of HTA products. As a result, sales to aerospace customers tend to be made through the

Company's direct sales force. Demand for the Company's products in the aerospace market is based on the new and replacement market for jet engines and the maintenance needs of operators of commercial and military aircraft. The hot sections of jet engines are subjected to substantial wear and tear and accordingly require periodic maintenance, repair and overhaul. The Company views the maintenance, repair and overhaul business as an area of continuing long-term growth.

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

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

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

Sales and Marketing and Distribution

The Company sells its products primarily through its direct sales organization, which operates from 14 total locations in the U.S., Europe, Asia and India, 11 of which are service and/or sales centers. All of the Company's service and/or sales centers are operated either directly by the Company or through its wholly-owned subsidiaries. Approximately 79% of the Company's net revenues in fiscal 2010 were generated by the Company's direct sales organization. The remaining 21% of the Company's fiscal 2010 net revenues was generated by a network of independent distributors and sales agents who supplement the Company's direct sales in the U.S., Europe and Asia, some of whom have been associated with the Company for over

30 years. Going forward, the Company expects its direct sales force to continue to generate approximately 80% of its total net revenues.

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

The Company continues to focus on growing its business in foreign markets. In recent years, the Company opened a service and sales center in China, the first service and sales center operated by any manufacturer of nickel- and cobalt- based alloys in China, and sales centers in Singapore, India and Italy. Although sales to China in fiscal 2010 were approximately \$33.4 million, compared to \$38.1 million in fiscal 2009, for the long-term, management continues to view China as an expanding market opportunity for the Company. That is why the Company continues to evaluate the possibility of opening a second service center in China, although global economic conditions may continue to delay this decision.

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

The following table sets forth the approximate percentage of the Company's fiscal 2010 net revenues generated through each of the Company's distribution channels.

	From Domestic Locations	From Foreign Locations	Total
Company mill direct/service and sales centers	59%	19%	78%
Independent distributors/sales agents	21%	1%	22%
Total	<u>80%</u>	<u>20%</u>	<u>100%</u>

The Company's top twenty customers accounted for approximately 36%, 35% and 32% of the Company's net revenues in fiscal 2008, 2009 and 2010, respectively. No customer or group of affiliated customers of the Company accounted for more than 10% of the Company's net revenues in fiscal 2008, 2009 or 2010.

Net revenues and net income (loss) in fiscal 2008, 2009 and 2010 were generated primarily by the Company's U.S. operations. Sales to domestic customers comprised approximately 54%, 63% and 61% of the Company's net revenues in fiscal 2008, 2009 and 2010, respectively. In addition, the majority of the Company's operating costs are incurred in the U.S., as all of its manufacturing facilities are located in the U.S. It is expected that net revenues and net income will continue to be highly dependent on the Company's domestic sales and manufacturing facilities in the U.S.

The Company's foreign and export sales were approximately \$292.9 million, \$179.7 million, and \$149.9 million for fiscal 2008, 2009 and 2010, respectively. Additional information concerning foreign operations and export sales is set forth in Note 13 to the Consolidated Financial Statements included elsewhere in this Form 10-K.

Manufacturing Process

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

The manufacturing process begins with raw materials being combined, melted and refined in a precise manner to produce the chemical composition specified for each high-performance alloy. For most high-performance alloys, this molten material is cast into electrodes and additionally refined through electroslag remelting. The resulting ingots are then forged or rolled to an intermediate shape and size depending upon the intended final product form. Intermediate shapes destined for flat products are then sent through a series of hot and cold rolling, annealing and pickling operations before being cut to final size.

The argon oxygen decarburization gas controls in the Company's primary melt facility remove carbon and other undesirable elements, thereby allowing more tightly-controlled chemistries, which in turn produce more consistent properties in the high-performance alloys. The argon oxygen decarburization gas control system also allows for statistical process control monitoring in real time to improve product quality.

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

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

Investments in plant and equipment have allowed the Company to increase capacity, reduce unplanned equipment outages, produce higher quality products at reduced costs and improve working capital management. The Company spent \$18.7 million in fiscal 2008, \$9.3 million in fiscal 2009 and \$12.2 million in fiscal 2010 on plant and equipment upgrades. The significant investments over the last several years were the result of under-investment in prior years, as well as increases in customer demand and quality requirements. The principal benefits of these investments are improved machine reliability,

improved product quality, increased processing efficiency, increased capacity, reduced maintenance costs and reduced risk of unplanned outages.

As announced at the beginning of fiscal 2010, the Company plans to spend, in total, approximately \$85.0 million over fiscal years 2010 through 2014 on new strategic initiatives, routine capital maintenance projects and restructuring its 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 finalizing plans to spend approximately \$10.0 million over the course of fiscal 2011 and 2012 to restructure, consolidate and enhance capabilities at its service center operations to improve the 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, improve inventory turnover, reduce operating costs, improve delivery performance and decrease cycle time.

Capital spending in fiscal 2010 was \$12.2 million, compared to an original target of approximately \$15.0 million (excluding any amounts for service center restructuring). The difference of \$2.8 million between the original forecast and the actual spending includes \$2.2 million related to the timing of completion of a project for the Company's four-high Steckel rolling mill that was started in fiscal 2010, but which will be completed in the first quarter of fiscal 2011. The target for capital spending in fiscal 2011 is approximately \$15.0 million, plus additional amounts for the restructuring of the Company's service centers. Management estimates that spending on the service center project will be approximately \$10.0 million over the course of fiscal 2011 and 2012.

Backlog

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

Consolidated Backlog at Fiscal Quarter End

	2006	2007	2008	2009	2010
	(in millions)				
1 st quarter	\$203.5	\$206.9	\$247.8	\$199.7	\$110.4
2 nd quarter	207.4	237.6	254.5	153.0	124.6
3 rd quarter	200.8	258.9	252.6	113.4	130.9
4 th quarter	206.9	236.3	229.2	106.7	148.0

Raw Materials

In fiscal 2010, nickel, a major component of many of the Company's products, accounted for approximately 59% of raw material costs, or approximately 29% of total cost of sales. Other raw materials include cobalt, chromium, molybdenum and tungsten. Melt materials consist of virgin raw material, purchased scrap and internally produced scrap.

The average nickel price per pound for cash buyers for the 30-day period ended on September 30, 2008, 2009 and 2010, as reported by the London Metals Exchange, was \$8.07, \$7.93 and \$10.26, respectively. Prices for other raw materials which are significant in the manufacture of the Company's products, such as molybdenum, cobalt and chromium, were also higher in fiscal 2010 than fiscal 2009.

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

Research and Technical Support

The Company's technology facilities are located at the Kokomo headquarters and consist of 19,000 square feet of offices and laboratories, as well as an additional 90,000 square feet of paved storage area. The Company has six fully equipped technology testing laboratories, including a mechanical test lab, a metallographic lab, an electron microscopy lab, a corrosion lab, a high temperature lab and a welding lab. These facilities also contain a reduced scale, fully equipped melt shop and process lab. As of September 30, 2010, the technology, engineering and technological testing staff consisted of 23 persons, 9 of whom have engineering or science degrees, including 6 with doctoral degrees, with the majority of degrees in the field of metallurgical engineering.

Research and technical support costs primarily relate to efforts to develop new proprietary alloys and new applications for existing alloys. The Company spent approximately \$3.4 million, \$3.1 million and \$2.8 million for research and technical support activities for fiscal 2008, 2009 and 2010, respectively.

During fiscal 2010, research and development projects were focused on new alloy development, new product form development and new alloy concept validation, all relating to products for the aerospace, land-based gas turbine, chemical processing and oil and gas industries. In addition, significant projects were conducted to generate technical data in support of major market application opportunities in areas such as renewable energy, fuel cell systems, biotechnology (including toxic waste incineration and pharmaceutical manufacturing), and power generation.

Competition

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

Starting in the fourth quarter of fiscal 2007 and continuing through fiscal 2010, the Company experienced strong price competition from competitors who produce both stainless steel and high-performance alloys due primarily to weakness in the stainless market. Historically, the Company experienced similar price competition in the 1990's and in the early 2000's, when demand in the stainless market weakened. Increased competition has required the Company to continually price our product competitively, which has contributed to the reduction in the Company's gross profit margin and net income. Although the economic environment has modestly improved, there continues to be significant

uncertainty as to when the stainless market will return to the pre-recession levels. When stainless demand begins to improve, price competition in the high-performance alloy industry should begin to ease. The Company continues to respond to the competition by increasing emphasis on service centers, offering value-added services, improving its cost structure, and striving to improve delivery-times and reliability. At this time, however, continued weakness in the economy continues to generate intense competitive pricing pressure.

Employees

As of September 30, 2010, the Company employed approximately 980 full-time employees worldwide. All eligible hourly employees at the Kokomo plant and the Lebanon, Indiana service and sales center (approximately 499 in the aggregate) are covered by a collective bargaining agreement. On July 1, 2010, the Company entered into a new collective bargaining agreement with the United Steelworkers of America, which will expire in June 2013. Management believes that current relations with the union are satisfactory. In September 2010, a majority of the 76 hourly employees at the Company's Arcadia, Louisiana operations elected to be represented by the United Steelworkers of America, although no collective bargaining agreement is in place at this time and negotiations are ongoing. None of the other employees at the Company's domestic operations are represented by a labor union.

Environmental Matters

The Company's facilities and operations are subject to various foreign, federal, state and local laws and regulations relating to the protection of human health and the environment, including those governing the discharge of pollutants into the environment and the storage, handling, use, treatment and disposal of hazardous substances and wastes. In the U.S., such laws include the Occupational, Safety and Health Act, the Clean Air Act, the Clean Water Act, the Toxic Substances Control Act and the Resource Conservation and Recovery Act. As environmental laws and regulations continue to evolve, it is likely the Company will be subject to increasingly stringent environmental standards in the future, particularly under air quality and water quality laws and standards related to climate change issues, such as a reporting of greenhouse gas emissions. Violations of these laws and regulations can result in the imposition of substantial penalties and can require facilities improvements. Expenses related to environmental compliance were approximately \$1.8 million for fiscal 2010 and are expected to be approximately \$1.8 million for fiscal 2011. Although there can be no assurance, based upon current information available to the Company, the Company does not expect that costs of environmental contingencies, individually or in the aggregate, will have a material adverse effect on the Company's financial condition, results of operations or liquidity. The Company's facilities are subject to periodic inspection by various regulatory authorities, who from time to time have issued findings of violations of governing laws, regulations and permits. In the past five years, the Company has paid administrative fines, none of which have had a material effect on the Company's financial condition, for alleged violations relating to environmental matters, including the handling and storage of hazardous wastes, requirements relating to its Title V Air Permit, requirements relating to the handling of polychlorinated biphenyls and violations of record keeping and notification requirements relating to industrial waste water discharge. Capital expenditures of approximately \$1.1 million were made for pollution control improvements during fiscal 2010, with additional expenditures of approximately \$1.8 million for similar improvements planned for fiscal 2011.

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. Based on preliminary results, the Company has determined that additional testing and further source remediation are necessary.

The Company has also received permits from the North Carolina Department of Environment and Natural Resources, or NCDENR, to close and provide post-closure monitoring and care for the hazardous waste lagoon at its Mountain Home, North Carolina facility. The lagoon area has been closed and is currently undergoing post-closure monitoring and care. The Company is required to monitor groundwater and to continue post-closure maintenance of the former disposal areas at each site. As a result, the Company is aware of elevated levels of certain contaminants in the groundwater and additional corrective action by the Company could be required.

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

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

Executive Officers of the Company

The following table sets forth certain information concerning the persons who served as executive officers as of September 30, 2010. Except as indicated in the following paragraphs, the principal occupations of these persons have not changed during the past five years.

<u>Name</u>	<u>Age</u>	<u>Position with Haynes International, Inc.</u>
Mark Comerford	48	President and Chief Executive Officer; Director
Marcel Martin	60	Vice President—Finance, Treasurer, Chief Financial Officer
Venkat R. Ishwar	58	Vice President—Marketing & Technology
Anastacia S. Knapper	36	Vice President—General Counsel & Corporate Secretary
Marlin C. Losch	50	Vice President—Sales & Distribution
Daniel W. Maudlin	44	Controller and Chief Accounting Officer
Jean C. Neel	51	Vice President—Corporate Affairs
Scott R. Pinkham	43	Vice President—Manufacturing
Gregory M. Spalding	54	Vice President—Tube & Wire Products
Jeffrey L. Young	53	Vice President & Chief Information Officer

Mr. Comerford was elected President and Chief Executive Officer and a director of the Company in October 2008. Before joining the Company, Mr. Comerford was President of Brush International, Inc., a subsidiary of Brush Engineered Materials, Inc., a company that manufactures high performance materials, from 2004 to 2008.

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

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

Mrs. Knapper has served as Vice President—General Counsel & Corporate Secretary of the Company since July 2006. Prior to joining the Company, beginning in 2000, Mrs. Knapper was a lawyer in private practice with the law firm Ice Miller LLP in Indianapolis, Indiana.

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

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

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

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

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

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

Item 1A. Risk Factors

Risks Related to Our Business

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

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

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

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

The high-performance alloy industry is characterized by high capital investment and high fixed costs. The cost of raw materials is the primary variable cost in the manufacture of our high-performance alloys and, in fiscal 2010, represented approximately 48.5% of our total cost of sales. Other manufacturing costs, such as labor, energy, maintenance and supplies, often thought of as variable, have a significant fixed element. Profitability is, therefore, very sensitive to changes in volume, and relatively small changes in volume can result in significant variations in earnings. Our ability to effectively utilize our manufacturing assets depends greatly upon continuing demand in our end-markets, successfully increasing our market share and continued acceptance of our new products into the marketplace. Any failure to effectively utilize our manufacturing assets may negatively impact our gross margin and net income.

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

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

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

We Operate in Cyclical Markets.

A significant portion of our revenues are derived from the highly cyclical aerospace, power generation and chemical processing markets. Our sales to the aerospace industry constituted 36.3% of our total sales in fiscal 2010. Our land-based gas turbine and chemical processing sales constituted 19.4% and 23.0%, respectively, of our total sales in fiscal 2010.

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

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

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

Aerospace demand is dependent on primarily two manufacturers.

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

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

Our principal assets are located at our primary integrated production facility in Kokomo, Indiana and at our production facilities in Arcadia, Louisiana and in Mountain Home, North Carolina. The Arcadia and Mountain Home plants rely to a significant extent upon feedstock produced at the Kokomo facility. Any production failures, shutdowns or other significant problems at the Kokomo facility could have a material adverse effect on our financial condition and results of operations. We maintain property damage insurance to provide for reconstruction of damaged equipment, as well as business interruption insurance to mitigate losses resulting from any production shutdown caused by an insured loss. Although we believe

that our insurance is adequate to cover any such losses that may not be the case. One or more significant uninsured losses at our Kokomo facility may have a material adverse effect on our financial condition.

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

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

We have experienced increased competition since the third quarter of fiscal 2007 from competitors who produce both stainless steel and high-performance alloys. Due to continued under-utilization of capacity in the stainless steel market, we believe these competitors increased their production levels and sales activity in high-performance alloys to keep capacity in their mills as full as possible, while offering very competitive prices and delivery times. While competition should soften as the stainless market improves, based on the current economic environment there continues to be significant capacity available in the stainless market with which we are competing. Increased competition has required us to lower prices, which has contributed to the reduction in our gross profit margin.

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

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

To the extent that we are unable to adjust to rapid fluctuations in the price of nickel, there may be a negative effect on our gross profit margins. In fiscal 2010, nickel, a major component of many of our products, accounted for approximately 59% of our raw material costs, or approximately 29% of our total costs of sales. We enter into several different types of sales contracts with our customers, some of which allow us to pass on increases in nickel prices to our customers. In other cases, we price our products at the time of order, which allows us to establish prices with reference to known costs of our nickel inventory, but which does not allow us to offset an unexpected rise in the price of nickel. We may not be able to successfully offset rapid increases in the price of nickel or other raw materials in the future. In the event that raw material price increases occur that we are unable to pass on to our customers, our cash flows or results of operations would be materially adversely affected.

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

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

We use a number of raw materials in our products which are found in only a few parts of the world and are available from a limited number of suppliers. The availability and costs of these materials may be influenced by private or government cartels, changes in world politics, labor relations between the materials producers and their work force, unstable governments in exporting nations and inflation. The ability of key material suppliers to meet quality and delivery requirements can also impact our ability to

meet commitments to customers. Future shortages or price fluctuations in raw materials could result in decreased sales as well as margins, or otherwise adversely affect our business. The enactment of new or increased import duties on raw materials imported by us could also increase the costs to us of obtaining the raw materials and might adversely affect our business.

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

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

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

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

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

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

We have received permits from the environmental regulatory authorities in Indiana and North Carolina to close and to provide post-closure monitoring and care for certain areas of our Kokomo and Mountain Home facilities that were used for the storage and disposal of wastes, some of which are classified as hazardous under applicable regulations. We are required to monitor groundwater and to continue post-closure maintenance of the former disposal areas at each site. As a result, we are aware of elevated levels of certain contaminants in the groundwater and additional corrective action could be required. Additionally, it is possible that we could be required to undertake other corrective action for any

other solid waste management unit existing or determined to exist at our facilities. We are unable to estimate the costs of any further corrective action, if required. Accordingly, we cannot assure you that the costs of future corrective action at these or any other current or former sites will not have a material adverse effect on our financial condition, results of operations or liquidity.

We may also incur liability for alleged environmental damages associated with the off-site transportation and disposal of hazardous substances. Our operations generate hazardous substances, many of which we accumulate at our facilities for subsequent transportation and disposal off-site or recycling by third parties. Generators of hazardous substances which are transported to disposal sites where environmental problems are alleged to exist are subject to liability under CERCLA and state counterparts. In addition, we may have generated hazardous substances disposed of at sites which are subject to CERCLA or equivalent state law remedial action. CERCLA imposes strict, joint and several liabilities for investigatory and cleanup costs upon hazardous substance generators, site owners and operators and other potentially responsible parties regardless of fault. We cannot assure you that we will not be named as a potentially responsible party at sites in the future or that the costs associated with current or future additional sites would not have a material adverse effect on our financial condition, results of operations or liquidity.

Environmental laws are complex, change frequently and have tended to become increasingly stringent over time. While we have budgeted for future capital and operating expenditures to comply with environmental laws, we cannot assure you that environmental laws will not change or become more stringent in the future. Therefore, we cannot assure you that our costs of complying with current and future environmental, health and safety laws and regulations, and our liabilities arising from past or future releases of, or exposure to, hazardous substances will not materially adversely affect our business, results of operations or financial condition. See “Business—Environmental Matters.”

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

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

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

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

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

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

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

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

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

We cannot assure you that one or more of these factors will not harm our business. Any material decrease in our international revenues or inability to expand our international operations would adversely impact our revenues, results of operations and financial condition.

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

Our operations rely heavily on our skilled employees. Any labor shortage, disruption or stoppage caused by any deterioration in employee relations or difficulties in the renegotiation of labor contracts could reduce our operating margins and income. Approximately 63% percent of our U.S. employees are affiliated with unions or covered by collective bargaining agreements. Failure to negotiate new labor agreements when required could result in a work stoppage at one or more of our facilities. Although we believe that our labor relations have generally been satisfactory, it is possible that we could become subject to additional work rules imposed by agreements with labor unions, or that work stoppages or other labor disturbances could occur in the future, any of which could reduce our operating margins and income and place us at a disadvantage relative to non-union competitors.

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

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

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

Risks Related to Shares of Our Common Stock

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

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

- fluctuations in the market price of nickel, raw materials or energy;
- market conditions in the end markets into which our customers sell their products, principally aerospace, power generation and chemical processing;
- announcements of technological innovations or new products and services by us or our competitors;
- the operating and stock price performance of other companies that investors may deem comparable to us;
- announcements by us of acquisitions, alliances, joint development efforts or corporate partnerships in the high temperature resistant alloy and corrosion resistant alloy markets;
- market conditions in the technology, manufacturing or other growth sectors; and
- rumors relating to us or our competitors.

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

Although our Board of Directors currently intends to continue the payment of regular quarterly cash dividends on shares of our common stock, the timing and amount of future dividends will depend on the

Board’s assessment of our operations, financial condition, projected liabilities, contractual restrictions, restrictions imposed by applicable law and other factors. We cannot guarantee that we will continue to declare dividends at the same or similar rates.

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

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

Item 1B. Unresolved Staff Comments

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

Item 2. Properties

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

- Kokomo, Indiana—manufactures and sells all product forms, other than tubular and wire goods;
- Arcadia, Louisiana—manufactures and sells welded and seamless tubular goods; and
- Mountain Home, North Carolina—manufactures and sells high-performance alloy wire.

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

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

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

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

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

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

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

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

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

Sales Centers. The Company leases sales centers in the following locations:

- Singapore—sells all product forms;
- Milan, Italy—sells all product forms; and
- Chennai, India—sells all product forms.

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

Item 3. Legal Proceedings

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

The Company is currently, and has in the past, been subject to claims involving personal injuries allegedly relating to its products. For example, the Company is presently involved in two actions involving welding rod-related injuries, both of which were filed against numerous manufacturers, including the Company, in December 2008 in the U.S. District Court Eastern Division and February 2007 in California state court, respectively, alleging that the welding-related products of the defendant manufacturers harmed the users of such products through the inhalation of welding fumes containing manganese. The Company believes that it has defenses to these allegations and, that if the Company were found liable, the cases would not have a material effect on its financial position, results of operations or liquidity. In addition to these cases, the Company has in the past been named a defendant in several other lawsuits, including 53 filed in the state of California, alleging that its welding-related products harmed the users of such products through the inhalation of welding fumes containing manganese. The Company has since been voluntarily dismissed from all of these lawsuits on the basis of the release and discharge of claims contained in the confirmation order issued in connection with the Company’s emergence from Chapter 11 reorganization. While the Company contests such lawsuits vigorously, and may have applicable insurance, there are several

risks and uncertainties that may affect its liability for claims relating to exposure to welding fumes and manganese. For instance, in recent cases, at least two courts (in cases not involving Haynes) have refused to dismiss claims relating to inhalation of welding fumes containing manganese based upon a bankruptcy discharge order. Although the Company believes the facts of these cases are distinguishable from the facts of its cases, it cannot assure you that any or all claims against the Company will be dismissed based upon the Confirmation Order, particularly claims premised, in part or in full, upon actual or alleged exposure on or after the date of the Confirmation Order. It is also possible that the Company will be named in additional suits alleging welding-rod injuries. Should such litigation occur, it is possible that the aggregate claims for damages, if the Company is found liable, could have a material adverse effect on its financial condition, results of operations or liquidity.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of the Company’s stockholders during the fourth quarter of fiscal 2010.

Part II

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

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

<u>Fiscal year ended September 30, 2010:</u>	<u>High</u>	<u>Low</u>	<u>Dividend</u>
September 30, 2010	\$35.39	\$27.58	\$0.20
June 30, 2010	\$38.88	\$26.61	\$0.20
March 31, 2010	\$36.59	\$27.04	\$0.20
December 31, 2009	\$34.99	\$24.75	\$0.20
<u>Fiscal year ended September 30, 2009:</u>			
September 30, 2009	\$34.67	\$20.58	\$0.00
June 30, 2009	\$28.25	\$17.17	\$0.00
March 31, 2009	\$26.41	\$10.92	\$0.00
December 31, 2008	\$46.50	\$12.49	\$0.00

The range of the Company’s common stock price on NASDAQ from October 1, 2009 to September 30, 2010 was \$38.88 to \$24.75. The closing price of the common stock was \$34.92 on September 30, 2010.

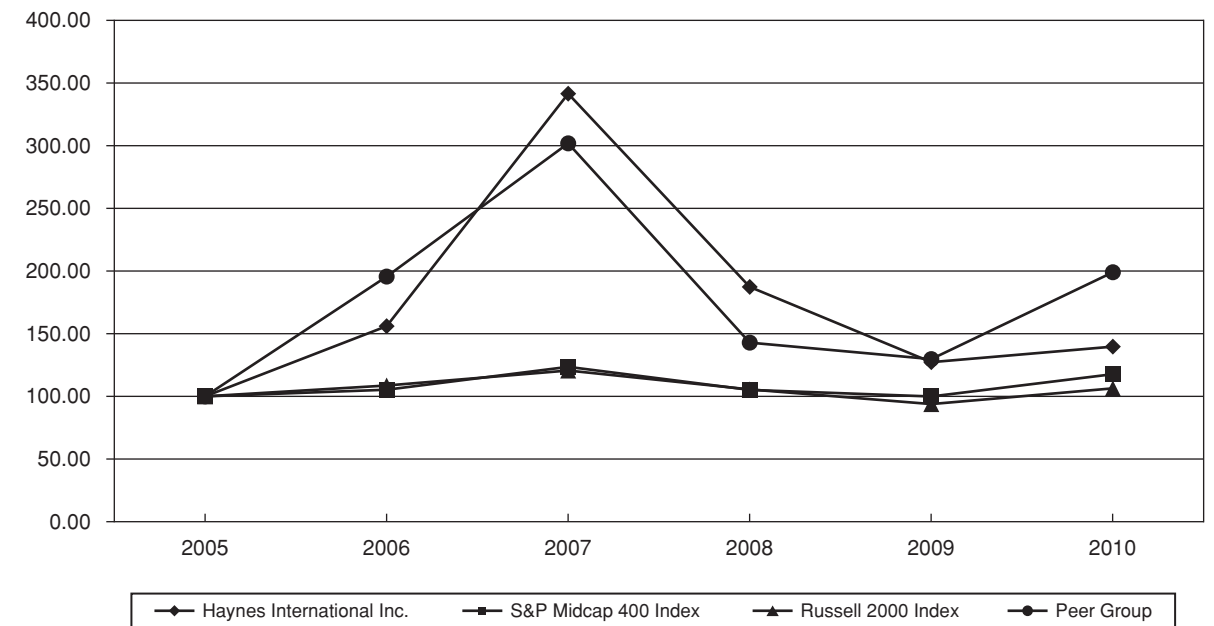
As of November 1, 2010, there were approximately 36 holders of record of the Company’s common stock.

Our payment of dividends is permitted under our existing financing agreement, although our U.S. revolving credit facility requires (i) prior notice to the agent, (ii) that aggregate dividends cannot exceed \$25.0 million per year, or \$50.0 million during the term of the facility, and (iii) that the Company have at least \$50.0 million in availability within 30 consecutive days before and after issuance of any dividend. While it is our intention to continue to pay quarterly cash dividends for 2011 and beyond, any decision to pay future cash dividends will be made by our Board of Directors and will depend upon our earnings, financial conditions and other factors.

Cumulative Total Stockholder Return

The graph below compares the cumulative total stockholder return on the Company’s common stock to the cumulative total return of the Russell 2000 Index, S&P MidCap 400 Index, and Peer Group for each of the last six fiscal years ended September 30, 2010. The cumulative total return assumes an investment of \$100 on September 30, 2005 and the reinvestment of any dividends during the period. The Russell 2000 is a broad-based index that includes smaller market capitalization stocks. The S&P MidCap 400 Index is the most widely used index for mid-sized companies. Management believes that the S&P MidCap 400 is representative of companies with similar market and economic characteristics to Haynes. Furthermore, we also believe the Russell 2000 Index is representative of the Company’s current market capitalization status and this index is also provided on a comparable basis. The companies included in the Peer Group Index are: Allegheny Technologies, Inc., Titanium Metals Corporation, RTI International Metals, Inc., Universal Stainless & Alloy Products, Inc. and Carpenter Technologies Corp. Management believes that the companies included in the Peer Group, taken as a whole, provide a meaningful comparison in terms of competition, product offerings and other relevant factors. The total stockholder return for the peer group is weighted according to the respective issuer’s stock market capitalization at the beginning of each period.

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



* For fiscal 2005, 2006 and up to March 23, 2007, the Company’s stock was traded on the “Pink Sheets.” As of March 27, 2007, the Company listed its common stock on The NASDAQ Global Market.

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Haynes International, Inc.	100.00	156.00	341.48	187.32	127.28	139.68
Russell 2000	100.00	105.29	123.55	105.16	99.91	117.69
S&P MidCap 400	100.00	108.65	120.61	105.53	93.84	106.38
Peer Group	100.00	195.57	301.86	142.87	129.72	199.02

Item 6. Selected Financial Data

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

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

	Year Ended September 30,				
	2006	2007	2008	2009	2010
Statement of Operations Data:					
Net revenues	\$ 434,405	\$ 559,836	\$ 637,006	\$ 438,633	\$ 381,543
Cost of sales ⁽¹⁾	325,573	408,752	492,349	416,150	327,712
Selling, general and administrative expense	40,296	39,441	42,277	36,207	35,470
Research and technical expense	2,659	3,116	3,441	3,120	2,828
Impairment of goodwill ⁽²⁾	—	—	—	43,737	—
Operating income (loss)	65,877	108,527	98,939	(60,581)	15,533
Interest expense (income), net	8,024	3,939	1,025	509	(59)
Provision for (benefit from) income taxes .	22,313	38,468	35,136	(8,768)	6,717
Net income (loss)	\$ 35,540	\$ 66,120	\$ 62,778	\$ (52,322)	\$ 8,875
Net income (loss) per share ⁽³⁾ :					
Basic	\$ 3.55	\$ 6.07	\$ 5.27	\$ (4.36)	\$ 0.74
Diluted	\$ 3.46	\$ 5.89	\$ 5.22	\$ (4.36)	\$ 0.73
Weighted average shares outstanding ⁽³⁾ :					
Basic	10,000,000	10,896,067	11,903,289	12,004,498	12,049,779
Diluted	10,270,642	11,230,101	12,026,440	12,004,498	12,159,529

	September 30,				
	2006	2007	2008	2009	2010
Balance Sheet Data:					
Working capital	\$101,864	\$299,312	\$330,357	\$307,091	\$300,199
Property, plant and equipment, net	88,921	97,860	107,302	105,820	107,043
Total assets	445,860	586,969	617,567	544,150	551,543
Total debt	120,043	38,733	14,909	1,592	1,433
Long-term portion of debt	3,097	3,074	1,582	1,482	1,324
Accrued pension and postretirement benefits ⁽⁴⁾	126,488	123,587	115,359	181,077	193,560
Stockholders’ equity	151,548	316,377 ⁽⁵⁾	379,543	278,799	265,849

	September 30,				
	2006	2007	2008	2009	2010
Consolidated Backlog at Fiscal Quarter End⁽⁵⁾:					
1 st quarter	\$ 203.5	\$ 206.9	\$ 247.8	\$ 199.7	\$ 110.4
2 nd quarter	207.4	237.6	254.5	153.0	124.6
3 rd quarter	200.8	258.9	252.6	113.4	130.9
4 th quarter	206.9	236.3	229.2	106.7	148.0

	Year Ended September 30,				
	2006	2007	2008	2009	2010
Average nickel price per pound ⁽⁶⁾	\$ 13.67	\$ 13.40	\$ 8.07	\$ 7.93	\$ 10.26

⁽¹⁾ As part of fresh start reporting, machinery and equipment, buildings, and patents were increased by \$49,436 to reflect fair value at August 31, 2004. Commencing in 2004 these costs are being recognized in cost of sales over periods ranging from 2 to 14 years. Cost of sales for the years ended September 30, 2006, 2007, 2008, 2009 and 2010 include \$4,788, \$4,802, \$3,815, \$3,780, \$3,435 and \$3,199, respectively, for this fair value adjustment.

- ⁽²⁾ A non-cash goodwill impairment charge of \$43.7 million was recorded during the second quarter of fiscal 2009. See Note 2 in the Notes to Consolidated Financial Statements contained elsewhere in this Form 10-K for additional information.
- ⁽³⁾ During fiscal 2007, the Company completed an equity offering which resulted in the issuance of 1,200,000 shares of its common stock. In addition, 450,000 stock options were exercised as a part of the offering. The net proceeds of the equity offering were \$72,753 and the payment of the exercise price for the stock options resulted in an additional \$6,083 in proceeds to the Company.
- ⁽⁴⁾ During March 2006, the Company communicated to employees and plan participants a negative plan amendment that caps the Company’s liability related to total retiree health care costs at \$5,000 annually effective January 1, 2007. An updated actuarial valuation was performed at March 31, 2006, which reduces the accumulated postretirement benefit liability due to this plan amendment by \$46,300, that will be amortized as a reduction to expense over an eight-year period. This amortization period began in April 2006 thus reducing the amount of expense recognized for the second half of fiscal 2006 and the respective future periods. As a result of freezing the benefit accruals for all non-union employees in the U.S. in the first quarter of fiscal 2008, the Company recognized a reduction of the projected benefit obligation of \$8,191, an increase to other comprehensive income (before tax) of \$4,532 and a curtailment gain (before tax) of \$3,659.
- ⁽⁵⁾ 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.
- ⁽⁶⁾ Represents the average price for a cash buyer as reported by the London Metals Exchange for the 30 days ending on the last day of the period presented.

Quarterly Market Information

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

	Quarter Ended				Quarter Ended			
	December 31, 2008	March 31, 2009	June 30, 2009	September 30, 2009	December 31, 2009	March 31, 2010	June 30, 2010	September 30, 2010
Backlog								
Dollars (in thousands)	\$199,667	\$153,039	\$113,420	\$106,680	\$110,406	\$124,571	\$130,885	\$147,958
Pounds (in thousands)	7,287	5,557	4,468	4,544	4,915	5,805	5,675	5,997
Average selling price per pound	\$ 27.40	\$ 27.54	\$ 25.39	\$ 23.48	\$ 22.46	\$ 21.46	\$ 23.06	\$ 24.67
Average nickel price per pound								
London Metals Exchange ⁽¹⁾	\$ 4.39	\$ 4.40	\$ 6.79	\$ 7.93	\$ 7.75	\$ 10.19	\$ 8.79	\$ 10.26

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

	Quarter Ended				Quarter Ended			
	December 31, 2008	March 31, 2009	June 30, 2009	September 30, 2009	December 31, 2009	March 31, 2010	June 30, 2010	September 30, 2010
Net revenues (in thousands)								
Aerospace	\$ 49,721	\$ 45,200	\$34,959	\$30,158	\$28,375	\$33,495	\$ 36,739	\$ 39,793
Chemical processing	30,883	26,025	26,944	25,803	20,828	18,333	27,461	21,062
Land-based gas turbines	32,145	28,648	22,087	14,821	14,966	20,028	18,412	20,802
Other markets	19,166	17,562	11,529	11,152	13,080	19,426	15,540	20,021
Total product revenue	131,915	117,435	95,519	81,934	77,249	91,282	98,152	101,678
Other revenue	2,389	2,978	2,806	3,657	3,759	3,337	3,119	2,968
Net revenues	<u>\$134,304</u>	<u>\$120,413</u>	<u>\$98,325</u>	<u>\$85,591</u>	<u>\$81,008</u>	<u>\$94,619</u>	<u>\$101,271</u>	<u>\$104,646</u>
Shipments by markets (in thousands of pounds)								
Aerospace	1,653	1,648	1,387	1,261	1,221	1,435	1,581	1,739
Chemical processing	947	1,170	1,077	1,337	1,155	811	1,372	870
Land-based gas turbines	1,507	1,680	1,405	872	946	1,291	1,106	1,252
Other markets	691	871	511	467	605	867	665	906
Total shipments	<u>4,798</u>	<u>5,369</u>	<u>4,380</u>	<u>3,937</u>	<u>3,927</u>	<u>4,404</u>	<u>4,724</u>	<u>4,767</u>
Average selling price per pound								
Aerospace	\$ 30.08	\$ 27.43	\$ 25.20	\$ 23.92	\$ 23.24	\$ 23.34	\$ 23.24	\$ 22.88
Chemical processing	32.61	22.24	25.02	19.30	18.03	22.61	20.02	24.21
Land-based gas turbines	21.33	17.05	15.72	17.00	15.82	15.51	16.65	16.62
Other markets	27.74	20.16	22.56	23.88	21.62	22.41	23.37	22.10
Total average selling price (product only; excluding other revenue)	27.49	21.87	21.81	20.81	19.67	20.73	20.78	21.33
Total average selling price (including other revenue)	27.99	22.43	22.45	21.74	20.63	21.48	21.44	21.95

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

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

Overview of Business

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

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

Significant Events of Fiscal 2010

Regular Quarterly Cash Dividend

On November 23, 2009, the Company announced that the Board of Directors has initiated a regular quarterly cash dividend of \$0.20 per outstanding share of the Company's common stock. The first dividend paid by the Company was on December 15, 2009 to stockholders of record at the close of business on December 3, 2009, the first business day of December. The December dividend cash pay-out was based on current shares outstanding and equaled approximately \$2.4 million. Subsequently, there were cash dividend payments on March 15, 2010, June 15, 2010 and September 15, 2010. The total authorized cash dividends paid for fiscal 2010 was approximately \$9.7 million.

New Bargaining Unit Agreement

On July 1, 2010, the Company announced that the membership of the United Steelworkers Local 2958 (USW) ratified an agreement covering approximately 485 employees at the Company's Kokomo, Indiana plant and the Lebanon, Indiana service center. The new three-year agreement included a lump sum payout of four thousand dollars for covered employees and wage increases of 0.0%, 2.0% and 2.0% in 2010, 2011 and 2012. This agreement succeeds an existing agreement that expired June 30, 2010. The one-time lump sum payment total of \$2.1 million (including employer taxes) was paid in July 2010 and will be expensed on a straight-line basis over the three-year life of the contract as the payment allows for a lower wage increase over the term of the agreement.

Improved Results

Net income for fiscal 2010 is \$8.9 million, a substantial improvement over the fiscal 2009 net loss of \$52.3 million. The net loss in fiscal 2009 included a write-off of goodwill of \$42.9 million. The Company's improved results from fiscal 2009 to fiscal 2010 were due to a combination of a modestly improving market environment, improved product mix, high cost raw material from inventory which impacted cost of goods

sold in fiscal 2009 having no impact in fiscal 2010, and an improved cost structure (including staffing reductions during fiscal 2009 and operating efficiencies attributable to equipment upgrades).

Capital Spending

As announced at the beginning of fiscal 2010, the Company plans to spend, in total, approximately \$85.0 million over fiscal years 2010 through 2014 on capital projects. 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 finalizing plans to spend approximately \$10.0 million over the course of fiscal 2011 and 2012 to restructure, consolidate and enhance capabilities at its service center operations to improve the 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, improve inventory turnover, reduce operating costs, improve delivery performance and decrease cycle time.

Capital spending in fiscal 2010 was \$12.2 million, compared to an original target of approximately \$15.0 million, excluding any spending for service center restructuring. The difference of \$2.8 million between the original forecast and the actual amount spent includes \$2.2 million related to the timing of completion of a project for the Company's four-high Steckel rolling mill that was started in fiscal 2010, but which will be completed in the first quarter of fiscal 2011. The target for capital spending in fiscal 2011 is approximately \$15.0 million, plus additional amounts for the restructuring of the Company's service centers. Management estimates that spending on the service center project will be approximately \$10.0 million over the course of fiscal 2011 and 2012.

Dividends Declared

On November 18, 2010, 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 December 15, 2010 to stockholders of record at the close of business on December 1, 2010. The aggregate cash payout based on current shares outstanding will be approximately \$2.4 million, or approximately \$9.7 million on an annualized basis.

Outlook

General

Net revenues, volume and net income improved during each quarter of fiscal 2010 when compared to the immediately preceding quarter. Management expects this trend to continue into fiscal 2011 due to moderate improvement in demand in the Company's end markets and improving global economic conditions. Management expects that the Company's operating results will continue to be negatively impacted by reduced absorption of fixed manufacturing costs due to less than optimal production volumes, and by competition from stainless manufacturers who are trying to fill increased capacity, which may impose continued downward pressure on prices. These negative factors are expected to be somewhat offset by the benefit of the cost savings initiatives undertaken in fiscal 2009 and 2010 and increased efficiencies and equipment reliability resulting from the Company's capital improvement program.

Although management expects continued improvement in forward performance for fiscal 2011 compared to fiscal 2010, net revenues, volume and net income in the first quarter of fiscal 2011 should approximate the levels achieved in the fourth quarter of fiscal 2010, due to the impact of fewer ship days, customer shutdowns and major maintenance projects to be undertaken by the Company in the first quarter. Management also expects that demand for the Company's products will continue to increase as market conditions improve, resulting in increased levels of net revenues, volume and net income in the second quarter of fiscal 2011 as compared to the fourth quarter of fiscal 2010.

Working Capital

Controllable working capital, which includes accounts receivable, inventory, accounts payable and accrued expenses, increased during fiscal 2010. Accounts receivable increased during fiscal 2010 due to increased sales and an almost three-day improvement in days sales outstanding. Inventory increased significantly during the fiscal year primarily due to staging of work-in-process inventory for initiation of the inventory pull process, staging of inventory as safety stock for customers in the event of a work stoppage associated with the collective bargaining agreement negotiation and increased sales volumes. The process of reducing inventory started in July 2010 and management expects that during fiscal 2011 inventory turns will improve quarter-over-quarter. Although inventory was reduced during the fourth quarter of fiscal 2010, the reduction was lower than management's original expectation. The initiation and operation of the pull inventory process is more complex than originally considered, in particular due to increased order entry. Progress is being made, but management expects that the benefits from the inventory pull process will not be seen in full until the end of fiscal 2011. As a result of these factors, the cash balance at September 30, 2010 was \$64.0 million.

Backlog

As a result of increasing order entry, backlog dollars were approximately \$148.0 million at September 30, 2010, an increase of approximately 13.1% from approximately \$130.9 million at June 30, 2010. This increase is the result of a 7.0% increase in backlog average selling price and a 5.7% increase in backlog pounds. In addition, backlog in all four of the Company's primary markets was higher at September 30, 2010 than at September 30, 2009. Management expects backlog dollars and pounds to continue to increase through fiscal 2011.

Competition and Pricing

Although volumes and pricing continued to improve through the fourth quarter of fiscal 2010, the Company continued to experience intense price competition in the marketplace, particularly in mill direct project business. This competition continues to require the Company to aggressively price project business orders, which has unfavorably impacted the Company's gross profit margin and net income. However, it appears that the impact of the price competition lessened in the second half of fiscal 2010, which is reflected in the improved product pricing in the fourth quarter of fiscal 2010.

Average selling price increased 8.4% between the first quarter and the fourth quarter of fiscal 2010. This increase reflects both a higher priced mix of alloys and forms and a modest improvement in demand in the Company's end markets. Current selling prices continue to be impacted by both the competitive environment and the volatility of raw material in the market place, which will continue to temper prices. If market conditions continue to improve, pricing competition in the high-performance alloy industry may begin to ease further in future quarters. The Company continues to respond to this competition by increasing emphasis on service centers, offering value-added services, improving its cost structure, and focusing on delivery-times and reliability.

Quarter over Quarter Gross Profit Margin Trend

Gross profit margin and gross profit margin percentage continued the trend of sequential improvement which began in the fourth quarter of fiscal 2009.

	Trend of Gross Profit Margin and Gross Profit Margin Percentage for Fiscal 2009			
	Quarter Ended			
	December 31, 2008	March 31, 2009	June 30, 2009	September 30, 2009
(dollars in thousands)				
Net Revenues	\$134,304	\$120,413	\$98,325	\$85,591
Gross Profit Margin	\$ 18,750	\$ 6,997	\$ (8,168)	\$ 4,904
Gross Profit Margin %	13.9%	5.8%	(8.3)%	5.7%
	Trend of Gross Profit Margin and Gross Profit Margin Percentage for Fiscal 2010			
	Quarter Ended			
	December 31, 2009	March 31, 2010	June 30, 2010	September 30, 2010
(dollars in thousands)				
Net Revenues	\$81,008	\$94,619	\$101,271	\$104,645
Gross Profit Margin	\$ 6,845	\$10,190	\$ 16,854	\$ 19,942
Gross Profit Margin %	8.5%	10.8%	16.6%	19.1%

The continued improvement in gross profit margin and gross profit margin percentage is due to a combination of rising volume, improved product mix, improved cost structure of the Company (discussed below) and a modestly improving market environment. Service center transactional business volumes and prices have improved, particularly in the aerospace market, due to significant destocking by the Company's customers in this market during the last two years.

Since the fourth quarter of fiscal 2009, cost of goods sold per pound has improved as a result of (i) a significant reduction in the amount of higher cost raw material from inventory, which negatively impacted cost of goods sold in much of fiscal 2009; (ii) manufacturing staff reductions in the second and fourth quarters of fiscal 2009; (iii) operating efficiencies attributable to equipment upgrades, particularly in the sheet finishing operations; and (iv) continued implementation of lean manufacturing techniques.

Overview of Markets

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

	Year Ended September 30,									
	2006		2007		2008		2009		2010	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
Net Revenues (dollars in millions)										
Aerospace	\$165.8	38.2%	\$211.2	37.7%	\$247.3	38.8%	\$160.0	36.5%	\$138.4	36.3%
Chemical processing	129.4	29.8	148.0	26.4	166.1	26.1	109.7	25.0	87.7	23.0
Land-based gas turbines	77.9	17.9	103.0	18.4	124.1	19.5	97.7	22.3	74.2	19.4
Other markets ⁽¹⁾	56.4	13.0	86.3	15.4	86.6	13.6	59.4	13.5	68.1	17.8
Total product	429.5	98.9	548.5	97.9	624.1	98.0	426.8	97.3	368.4	96.5
Other revenue ⁽²⁾	4.9	1.1	11.3	2.1	12.9	2.0	11.8	2.7	13.1	3.5
Net revenues	\$434.4	100.0%	\$559.8	100.0%	\$637.0	100.0%	\$438.6	100.0%	\$381.5	100.0%
U.S.	\$265.1	61.0%	\$343.9	61.4%	\$344.1	54.0%	\$258.9	59.0%	\$231.6	60.7%
Foreign	\$169.3	39.0%	\$215.9	38.6%	\$292.9	46.0%	\$179.7	41.0%	\$149.9	39.3%
Shipments by Market (millions of pounds)										
Aerospace	7.1	32.9%	7.7	33.9%	8.9	38.2%	5.9	32.2%	6.0	33.7%
Chemical processing	5.0	23.1	5.1	22.5	5.4	23.2	4.5	24.5	4.2	23.6
Land-based gas turbines	4.8	22.2	5.1	22.5	6.0	25.8	5.5	29.6	4.6	25.8
Other markets ⁽¹⁾	4.7	21.8	4.8	21.1	3.0	12.8	2.5	13.7	3.0	16.9
Total Shipments	21.6	100.0%	22.7	100.0%	23.3	100.0%	18.5	100.0%	17.8	100.0%
Average Selling Price Per Pound										
Aerospace	\$23.28		\$27.57		\$27.94		\$26.90		\$23.16	
Chemical processing	25.97		28.89		30.83		24.20		20.84	
Land-based gas turbines	16.27		20.22		20.82		17.88		16.15	
Other markets ⁽¹⁾	11.87		17.84		28.17		23.39		22.37	
Total product ⁽³⁾	19.84		24.15		26.81		23.09		20.67	
Total average selling price	20.07		24.65		27.37		23.73		21.41	

⁽¹⁾ During fiscal 2006, 2007, 2008, 2009 and 2010, the "Other Markets" category includes \$15.1 million, \$7.3 million, \$2.6 million, \$1.1 million and \$1.7 million in revenue, respectively, and 3.2 million pounds, 2.2 million pounds, 0.5 million pounds, 0.1 million pounds and 0.1 million pounds, respectively, of stainless steel wire as a result of the Branford Acquisition in November 2004.

⁽²⁾ Other revenue consists of toll conversion, royalty income, scrap sales and in fiscal 2007, 2008, 2009 and 2010 revenue recognized from the TIMET agreement (see Note 15 in the Notes to the Consolidated Financial Statements).

⁽³⁾ Total product price per pound excludes "Other Revenue".

Aerospace sales increased throughout fiscal 2010. The increased sales appear to be largely due to the end of a destocking process that occurred in this market in fiscal 2008 and 2009. Based on the Company's current backlog and rate of order entry, management anticipates that aerospace sales will continue to improve in fiscal 2011. This belief is further supported by sizable backlogs at Boeing and Airbus, including 2012 production schedules which will drive sales starting in mid-2011, and a strong showing for new plane orders at the Farnborough Airshow. Management anticipates that the maintenance, repair and overhaul business will continue at a steady pace due to required maintenance schedules for engines currently in use.

Sales to the chemical processing industry decreased year-over-year, primarily as a result of the economic slowdown which impacted volume and price. Pounds shipped to the chemical processing market in fiscal 2010 fluctuated quarter-to-quarter as a result of sporadic project business. Management believes the reduced sales in fiscal 2010 compared to prior periods reflect the historical trend of decreases in the Company's chemical processing market sales when there are global economic concerns. However, based on our order entry and backlog balance, it is anticipated that sales to the chemical processing industry will improve in fiscal 2011 compared to fiscal 2010. The improved level of activity is further supported by an increase in forecasted global spending in the chemical processing sector.

Sales to the land-based gas turbine market in fiscal 2010 decreased by approximately 24% from the previous year. Based on the Company's backlog and order entry rate, it is anticipated that volumes for fiscal 2011 will improve from fiscal 2010, although the amount of the improvement is uncertain. Subject to global economic conditions, management believes that long-term demand after calendar 2011 in this market will show improvement due to higher activity in power generation, oil and gas production, and alternative power systems. Land-based gas turbines are favored in electric generating facilities due to low capital cost at installation, flexibility in use of alternative fuels and fewer SO₂ emissions than the traditional fossil fuel-fired facilities.

Sales into the "Other" market category increased year-over-year by 15% driven by a volume increase of 20%. The industries in this category focus on upgrading overall quality, improving product performance through increased efficiency, prolonging product life, and lowering long-term costs. Companies in these industries are looking to achieve these goals through the use of "Advanced Materials" which supports the increased use of high-performance alloys in an expanding number of applications. In addition to supporting and expanding the traditional businesses of flue-gas desulphurization, automotive, oil and gas and heat treating, the Company expects increased levels of activity in non-traditional markets such as solar, nuclear and silicon feed-stock production applications. Based on our backlog balance and order entry activity, it is anticipated that the Company will experience a level of revenue activity for this category in excess of fiscal 2010.

Results of Operations

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

(\$ in thousands)

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

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

By market

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

Net Revenues. Net revenues were \$381.5 million in fiscal 2010, a decrease of 13.0% from \$438.6 million in fiscal 2009. Volume was 17.8 million pounds in fiscal 2010, a decrease of 3.6% from 18.5 million pounds in fiscal 2009. The aggregate average selling price was \$21.41 per pound in fiscal 2010, a decrease of 9.8% from \$23.73 per pound in fiscal 2009. Increased competition and weakness in customer demand in the first half of fiscal 2010 unfavorably impacted both average selling price and volume in fiscal 2010 in all primary markets. The Company's consolidated backlog was \$148.0 million at September 30, 2010, an increase of 38.7% from \$106.7 million at September 30, 2009. The increase in backlog reflects the combination of a 32.0% increase in pounds and a 5.1% increase in average selling price resulting primarily from the improving economic conditions and, to a lesser degree, rising raw material costs.

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

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

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

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

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

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

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

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

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

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

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

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

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

Year Ended September 30, 2009 Compared to Year Ended September 30, 2008

(\$ in thousands)

	Year Ended September 30,				Change	
	2008		2009		Amount	%
Net revenues	\$637,006	100.0%	\$438,633	100.0%	\$(198,373)	(31.1)%
Cost of sales	492,349	77.3%	416,150	94.9%	(76,199)	(15.5)%
Gross profit	144,657	22.7%	22,483	5.1%	(122,174)	(84.4)%
Selling, general and administrative expense	42,277	6.6%	36,207	8.3%	(6,070)	(14.4)%
Research and technical expense	3,441	0.5%	3,120	0.7%	(321)	(9.3)%
Impairment of Goodwill	—	—	43,737	10.0%	43,737	NA
Operating income	98,939	15.5%	(60,581)	(13.8)%	(159,520)	(161.2)%
Interest income	(188)	0.0%	(138)	0.0%	(50)	(26.6)%
Interest expense	1,213	0.2%	647	0.1%	(566)	(46.7)%
Income (loss) before income taxes	97,914	15.4%	(61,090)	(13.9)%	(159,004)	(162.4)%
Provision for (benefit from) income taxes	35,136	5.5%	(8,768)	(2.0)%	(43,904)	(125.0)%
Net income (loss)	\$ 62,778	9.9%	\$(52,322)	(11.9)%	\$(115,100)	(183.3)%

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

By market

	Year Ended September 30,		Change	
	2008	2009	Amount	%
Net revenues (dollars in thousands)				
Aerospace	\$247,272	\$160,038	\$ (87,234)	(35.3)%
Chemical processing	166,092	109,655	(56,437)	(34.0)%
Land-based gas turbines	124,117	97,701	(26,416)	(21.3)%
Other markets	86,592	59,409	(27,183)	(31.4)%
Total product revenue	<u>624,073</u>	<u>426,803</u>	<u>(197,270)</u>	<u>(31.6)%</u>
Other revenue	12,933	11,830	(1,103)	(8.5)%
Net revenues	<u>\$637,006</u>	<u>\$438,633</u>	<u>\$(198,373)</u>	<u>(31.1)%</u>
Pounds by markets (in thousands)				
Aerospace	8,851	5,949	(2,902)	(32.8)%
Chemical processing	5,388	4,531	(857)	(15.9)%
Land-based gas turbines	5,962	5,464	(498)	(8.4)%
Other markets	3,074	2,540	(534)	(17.4)%
Total shipments	<u>23,275</u>	<u>18,484</u>	<u>(4,791)</u>	<u>(20.6)%</u>
Average selling price per pound				
Aerospace	\$ 27.94	\$ 26.90	\$ (1.04)	(3.7)%
Chemical processing	30.83	24.20	(6.63)	(21.5)%
Land-based gas turbines	20.82	17.88	(2.94)	(14.1)%
Other markets	28.17	23.39	(4.78)	(17.0)%
Total product (excluding other revenue)	26.81	23.09	(3.72)	(13.9)%
Total average selling price (including other revenue)	\$ 27.37	\$ 23.73	\$ (3.64)	(13.3)%

Net Revenues. Net revenues were \$438.6 million in fiscal 2009, a decrease of 31.1% from \$637.0 million in fiscal 2008. Volume was 18.5 million pounds in fiscal 2009, a decrease of 20.6% from 23.3 million pounds in fiscal 2008. The aggregate average selling price was \$23.73 per pound in fiscal 2009, a decrease of 13.3% from \$27.37 per pound in fiscal 2008. The increased competition and the global economic recession unfavorably impacted both average selling price and volume in fiscal 2009 in all markets. Commodity prices also declined due to the weak economic environment, which has contributed to the reduction in average selling prices. The Company's consolidated backlog was \$106.7 million at September 30, 2009, a decrease of 53.4% from \$229.2 million at September 30, 2008. This reduction reflects the combination of a 40.0% decrease in pounds and a 22.4% decrease in average selling price resulting from the economic recession, the competitive environment and lower raw material cost.

Sales to the aerospace market were \$160.0 million in fiscal 2009, a decrease of 35.3% from \$247.3 million in fiscal 2008, due to a 3.7% decrease in the average selling price per pound combined with a 32.8% decrease in volume. The volume decreased due to slowing market demand as reflected in the reduction in air traffic and the build rate for new aircraft and was exacerbated by disruption to the aerospace supply chain from the fall 2008 work stoppage at Boeing.

Sales to the chemical processing market were \$109.7 million in fiscal 2009, a decrease of 34.0% from \$166.1 million in fiscal 2008, due to a 21.5% decrease in the average selling price per pound combined with a 15.9% decrease in volume. Volume in this market is project-oriented in nature and the decline in fiscal 2009 was primarily due to the impact of the global economic recession on construction and maintenance activity in the market, as well as an increasingly competitive environment.

Sales to the land-based gas turbine market were \$97.7 million in fiscal 2009, a decrease of 21.3% from \$124.1 million for fiscal 2008, due to a decrease of 14.1% in the average selling price per pound combined with an 8.4% decrease in volume. The decrease in both volume and average selling price is due to the effect of the economic recession and increased competition.

Sales to other markets were \$59.4 million in fiscal 2009, a decrease of 31.4% from \$86.6 million in fiscal 2008, due to a 17.0% decrease in average selling price per pound combined with a 17.4% decrease in volume. The decline in volume and average selling price reflects the economic slowdown and the continuing increase in market competition in many of these markets.

Other Revenue. Other revenue was \$11.8 million in fiscal 2009, a decrease of 8.5% from \$12.9 million in fiscal 2008. The decrease is due primarily to lower scrap and miscellaneous sales.

Cost of Sales. Cost of sales was \$416.1 million, or 94.9% of net revenues, in fiscal 2009 compared to \$492.3 million, or 77.3% of net revenues, in fiscal 2008. Cost of sales in fiscal 2009 decreased by \$76.2 million as compared to fiscal 2008 due to lower volume, and spending and workforce reductions. However, cost of sales per pound increased due to higher raw material costs from inventory and reduced absorption of fixed manufacturing costs caused by lower production volumes. Higher per pound cost and increased competition combined with weaker demand (which reduced net revenue and average selling prices), resulted in an increase in cost of sales as a percentage of net revenues as compared to the same period of fiscal 2008. In addition, cost of sales in fiscal 2008 was decreased by \$3.7 million, or 0.6% of net revenues, as a result of a pension curtailment recorded due to an amendment to freeze further pension benefit accruals for non-union employees in the U.S.

Selling, General and Administrative Expense. Selling, general and administrative expense was \$36.2 million in fiscal 2009, a decrease of \$6.1 million from \$42.3 million in fiscal 2008 due primarily to: (i) lower business activity causing commissions and sales expenses to decline, and (ii) significant workforce reductions in the second and fourth quarters of fiscal 2009. Selling, general and administrative expenses as a percentage of net revenues increased to 8.3% for fiscal 2009 compared to 6.6% for fiscal 2008 due primarily to reduced revenues.

Research and Technical Expense. Research and technical expense was \$3.1 million in fiscal 2009, or 0.7% of revenue, a decrease of \$0.3 million from \$3.4 million, or 0.5% of net revenues, in fiscal 2008 due to the reduction in workforce during the second and fourth quarters of fiscal 2009.

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

Operating Income (Loss). As a result of the above factors, operating loss in fiscal 2009 was \$(60.6) million compared to operating income of \$98.9 million in fiscal 2008.

Interest Expense. Interest expense was \$0.6 million in fiscal 2009, a decrease of \$0.6 million from \$1.2 million in fiscal 2008. The decrease is attributable to a lower average debt balance during fiscal 2009 (zero revolver at September 30, 2009). Interest expense includes the amortization of debt issuance costs associated with the Company's credit facility which was renewed in fiscal 2009.

Income Taxes. Income taxes were a benefit of \$8.8 million in fiscal 2009, a decrease of \$43.9 million from an expense of \$35.1 million in fiscal 2008, due to a pretax loss. The effective tax rate for fiscal 2009 was a benefit of 14.4% compared to an expense of 35.9% in fiscal 2008. The decrease in effective tax rate is primarily attributable to (i) the impairment of non-deductible goodwill, (ii) a change in the reinvestment policy of a foreign entity and (iii) change in the state apportionment factor which lowered the blended state tax rate resulting in an unfavorable reduction of our deferred tax asset.

Net Income (Loss). As a result of the above factors, net loss in fiscal 2009 was \$(52.3) million, a decrease of \$115.1 million from net income of \$62.8 million in fiscal 2008.

Liquidity and Capital Resources

Comparative Cash Flow Analysis

During fiscal 2010, the Company's primary sources of cash were cash on hand and cash from operations, as detailed below. At September 30, 2010, the Company had cash and cash equivalents of approximately \$64.0 million compared to cash and cash equivalents of approximately \$105.1 million at September 30, 2009.

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

Net cash provided by operating activities was \$120.0 million in fiscal 2009, as compared to cash provided by operating activities of \$41.3 million in fiscal 2008. The strong cash generation was the result of improved working capital management with the focus on reducing inventory and collecting accounts receivable. At September 30, 2009, inventory balances (net of foreign currency adjustments) were approximately \$121.0 million lower than at September 30, 2008. This reduction in inventory was a result of lower sales, lower raw material costs and a focus on shortened production lead-times made possible by our recent equipment upgrades and more effective stocking strategies at service centers. Cash generated from a reduction of accounts receivable was \$50.9 million in fiscal 2009, as compared to \$5.1 million for fiscal 2008, as a result of lower sales and focusing on improving days sales outstanding. A use of cash of \$13.9 million was related to pension and postretirement benefits in fiscal 2009. Net cash used in investing activities was \$9.2 million in fiscal 2009, as a result of the lower level of capital expenditure spending. As a result of the above, borrowings on the revolving credit facility decreased by \$11.8 million to a zero balance on the revolver and the cash balance increased to \$105.1 million at September 30, 2009.

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. The U.S. revolving credit facility provides borrowings in a maximum amount of \$120.0 million, subject to a borrowing base formula and certain reserves. At September 30, 2010, the Company had cash of approximately \$64.0 million, an outstanding balance of zero on the U.S. revolving credit facility and access

to a total of approximately \$120.0 million under the U.S. revolving credit facility, subject to borrowing base and certain reserves. Management believes that the resources described above will be sufficient to fund working capital requirements, planned capital expenditures, payments to our pension plan and dividends over the next twelve months.

U.S. Revolving Credit Facility

The Company and Wachovia Capital Finance Corporation (Central) ("Wachovia") 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 Wachovia 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 Wachovia Bank, National Association's "prime rate", plus up to 2.25% per annum, or the adjusted Eurodollar rate used by the lender, plus up to 3.0% per annum. As of September 30, 2010, the U.S. revolving credit facility had an outstanding balance of zero. During the twelve month period ended September 30, 2010, it bore interest at a weighted average interest rate of 5.00%. 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. The Company is subject to certain covenants as to fixed charge coverage ratios and other customary covenants, including covenants restricting the incurrence of indebtedness, the granting of liens, and the sale of assets. The Company is permitted to pay dividends and repurchase common stock if certain financial metrics are met. As of September 30, 2010, 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 with TIMET. 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; 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 restructuring 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 finalizing plans to spend approximately \$10.0 million over the course of fiscal 2011 and 2012 to restructure, consolidate and enhance capabilities at its service center operations to improve the 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 and decrease cycle time.

Capital spending in fiscal 2010 was \$12.2 million, compared to an original target of approximately \$15.0 million, excluding any amounts for service center restructuring. The difference of \$2.8 million between the original forecast and the actual spending includes \$2.2 million related to the timing of completion of a project for the Company's four-high steckel rolling mill that was started in fiscal 2010, but which will be completed in the first quarter of fiscal 2011. The target for capital spending in fiscal 2011 is \$15.0 million, plus additional amounts for the restructuring of the Company's service centers. Management estimates that spending on the service center project will be approximately \$10.0 million over the course of fiscal 2011 and 2012.

Contractual Obligations

The following table sets forth the Company's contractual obligations for the periods indicated, as of September 30, 2010:

Contractual Obligations ⁽¹⁾	Payments Due by Period				
	Total	Less than 1 year	1-3 Years	3-5 Years	More than 5 years
	(in thousands)				
Debt obligations (including interest and fees) ⁽²⁾	\$ 510	\$ 510	\$ —	\$ —	\$ —
Operating lease obligations	11,406	2,919	3,280	2,237	2,970
Capital lease obligations	305	33	66	66	140
Raw material contracts	36,929	36,929	—	—	—
Mill supplies contracts	122	122	—	—	—
Capital projects	4,523	4,523	—	—	—
Leveltek monthly minimum commitment	4,700	600	1,200	1,200	1,700
Pension plan ⁽³⁾	63,463	13,663	28,920	20,880	—
Non-qualified pension plans	906	95	190	190	431
Other postretirement benefits ⁽⁴⁾	50,000	5,000	10,000	10,000	25,000
Environmental post-closure monitoring	1,324	—	—	—	1,324
Non-compete obligations ⁽⁵⁾	110	110	—	—	—
Total	<u>\$174,298</u>	<u>\$64,504</u>	<u>\$43,656</u>	<u>\$34,573</u>	<u>\$31,565</u>

⁽¹⁾ Taxes are not included in the table. As of September 30, 2010, the non-current income taxes payable were \$308. It is not possible to determine in which period the tax liability might be paid out.

⁽²⁾ As of September 30, 2010, the revolver balance was zero, therefore no interest is due. However, the Company is obligated to the Bank for unused line fees and quarterly management fees.

⁽³⁾ The Company has a funding obligation to contribute \$62,520 to the domestic pension plan and expects its U.K. subsidiary to contribute \$943 in fiscal 2010 to the U.K. These payments will be tax deductible. All benefit payments under the domestic pension plan will come from the plan and not the Company.

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

⁽⁵⁾ Pursuant to an escrow agreement, as of April 11, 2005, the Company established an escrow account to satisfy its obligation to make payments under a non-compete agreement entered into as part of the Branford Acquisition. This amount is reported as restricted cash.

Inflation

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

Critical Accounting Policies and Estimates

Overview

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

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

Revenue Recognition

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

Pension and Postretirement Benefits

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

The Company believes the expected rate of return on plan assets of 8.5% is a reasonable assumption on a long-term perspective based on its asset allocation of 58% equity, 41% fixed income and 1% other. The Company's assumption for expected rate of return for plan assets as of September 30, 2010 for equity, fixed income, and real estate/other are 10.25%, 5.5% and 8.5%, respectively. This position is supported through a review of investment criteria and consideration of historical returns over a several year period.

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

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

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

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

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

Share-Based Compensation

Restricted Stock Plan

On February 23, 2009, the Company adopted a restricted stock plan that reserved 400,000 shares of common stock for issuance. Grants of restricted stock are 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 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. The Company will assess, on an ongoing basis, the probability of whether the performance criteria will be achieved. The Company will recognize compensation expense over the performance period if it is deemed probable that the goal will be achieved. The fair value of the Company's restricted stock is determined based upon the closing price of the Company's common stock on the grant date. The plan provides for the adjustment of the number of shares covered by an outstanding grant and the maximum number of shares for which restricted stock may be granted in the event of a stock split, extraordinary dividend or distribution or similar recapitalization event.

Stock Option Plans

The Company has two stock option plans that authorize the granting of non-qualified stock options to certain key employees and non-employee directors for the purchase of a maximum of 1,500,000 shares of the Company's common stock. The original option plan was adopted in August 2004 pursuant to the plan of reorganization and provides for the grant of options to purchase up to 1,000,000 shares of the Company's common stock. In January 2007, the Company's Board of Directors adopted a second option plan that provides for options to purchase up to 500,000 shares of the Company's common stock. Each plan provides for the adjustment of the maximum number of shares for which options may be granted in the event of a stock split, extraordinary dividend or distribution or similar recapitalization event. Unless the Compensation Committee determines otherwise, options granted under the option plans are exercisable for a period of ten years from the date of grant and vest 33⅓% per year over three years from the grant date. The amount of compensation cost recognized in the financial statements is measured based upon the grant date fair value. The fair value of the option grants is estimated on the date of grant using the Black-Scholes option pricing model with assumptions on dividend yield, risk-free interest rate, expected volatilities, expected forfeiture rate, and expected lives of the options.

Income Taxes

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

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

Recently Issued Accounting Pronouncements

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

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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

Changes in interest rates affect the Company's interest expense on variable rate debt. All of the Company's revolver availability is at a variable rate at September 30, 2009 and 2010. The Company's outstanding variable rate debt was zero at September 30, 2009 and 2010. The Company has not entered into any derivative instruments to hedge the effects of changes in interest rates.

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

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

On June 11, 2009, to mitigate the volatility of the natural gas markets, the Company entered into a commodity swap-cash settlement agreement with JP Morgan Chase Bank. The Company has agreed to a fixed natural gas price on a total of 300,000 MMBTU, at a settlement rate of 50,000 MMBTU per month for a period spanning October 2009 to March 2010. The Company's unrealized hedging loss was \$83,000 at September 30, 2009. On a hypothetical basis, a \$1.00 per MMBTU decrease in the market price of natural gas is estimated to have an unfavorable impact of \$300,000 of unrealized hedging loss for the period ended September 30, 2009 as a result of the commodity swap-cash settlement agreement. The Company is not currently party to any commodity swap-cash settlement agreements.

Item 8. Financial Statements and Supplementary Data

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

Audited Consolidated Financial Statements of Haynes International, Inc. as of September 30, 2010 and 2009 and for the years ended September 30, 2010, September 30, 2009 and September 30, 2008

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Haynes International, Inc. and subsidiaries (the "Company") as of September 30, 2010 and 2009, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended September 30, 2010. We also have audited the Company's internal control over financial reporting as of September 30, 2010, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Haynes International Inc. and subsidiaries as of September 30, 2010 and

2009, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2010, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2010, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ DELOITTE & TOUCHE LLP

Indianapolis, IN
November 18, 2010

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

	September 30, 2009	September 30, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$105,095	\$ 63,968
Restricted cash—current portion	110	110
Accounts receivable, less allowance for doubtful accounts of \$1,310 and \$1,116 respectively	47,473	62,851
Inventories	182,771	231,783
Income taxes receivable	24,348	698
Deferred income taxes	9,035	10,554
Other current assets	645	1,666
Total current assets	369,477	371,630
Property, plant and equipment, net	105,820	107,043
Deferred income taxes—long term portion	58,843	62,446
Prepayments and deferred charges	2,670	3,753
Restricted cash—long term portion	110	—
Other intangible assets, net	7,230	6,671
Total assets	\$544,150	\$551,543
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 29,249	\$ 34,284
Accrued expenses	10,312	15,780
Revolving credit facility	—	—
Accrued pension and postretirement benefits	20,215	18,758
Deferred revenue—current portion	2,500	2,500
Current maturities of long-term obligations	110	109
Total current liabilities	62,386	71,431
Long-term obligations (less current portion)	1,482	1,324
Deferred revenue (less current portion)	40,329	37,829
Non-current income taxes payable	292	308
Accrued pension and postretirement benefits	160,862	174,802
Total liabilities	265,351	285,694
Commitments and contingencies (Notes 9 and 10)	—	—
Stockholders' equity:		
Common stock, \$0.001 par value (40,000,000 shares authorized, 12,101,829 and 12,144,079 shares issued and outstanding at September 30, 2009 and September 30, 2010, respectively)	12	12
Preferred stock, \$0.001 par value (20,000,000 shares authorized, 0 shares issued and outstanding)	—	—
Additional paid-in capital	227,734	229,197
Accumulated earnings	103,509	102,677
Accumulated other comprehensive loss	(52,456)	(66,037)
Total stockholders' equity	278,799	265,849
Total liabilities and stockholders' equity	\$544,150	\$551,543

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

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

	Year Ended September 30, 2008	Year Ended September 30, 2009	Year Ended September 30, 2010
Net revenues	\$ 637,006	\$ 438,633	\$ 381,543
Cost of sales	492,349	416,150	327,712
Gross profit	144,657	22,483	53,831
Selling, general and administrative expense	42,277	36,207	35,470
Research and technical expense	3,441	3,120	2,828
Impairment of goodwill	—	43,737	—
Operating income (loss)	98,939	(60,581)	15,533
Interest income	(188)	(138)	(209)
Interest expense	1,213	647	150
Income (loss) before income taxes	97,914	(61,090)	15,592
Provision for (benefit from) income taxes	35,136	(8,768)	6,717
Net income (loss)	\$ 62,778	\$ (52,322)	\$ 8,875
Net income (loss) per share:			
Basic	\$ 5.27	\$ (4.36)	\$ 0.74
Diluted	\$ 5.22	\$ (4.36)	\$ 0.73
Weighted average shares outstanding:			
Basic	11,903,289	12,004,498	12,049,779
Diluted	12,026,440	12,004,498	12,159,529

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

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

	Year Ended September 30, 2008	Year Ended September 30, 2009	Year Ended September 30, 2010
Net income (loss)	\$62,778	\$ (52,322)	\$ 8,875
Other comprehensive loss, net of tax:			
Pension curtailment	2,701	282	—
Pension and postretirement	(5,429)	(49,637)	(13,042)
Foreign currency translation adjustment	(3,374)	(980)	(539)
Other comprehensive loss	(6,102)	(50,335)	(13,581)
Comprehensive income (loss)	<u>\$56,676</u>	<u>\$(102,657)</u>	<u>\$ (4,706)</u>

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

	Common Stock		Additional Paid-in Capital	Accumulated Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Par				
Balance October 1, 2007	11,807,237	\$12	\$218,504	\$ 93,880	\$ 3,981	\$316,377
Net income				62,778		62,778
Other comprehensive loss					(6,102)	(6,102)
Adoption of guidance on uncertain tax positions				(827)		(827)
Exercise of stock options	177,386		5,667			5,667
Stock compensation			1,650			1,650
Balance September 30, 2008	11,984,623	12	225,821	155,831	(2,121)	379,543
Net loss				(52,322)		(52,322)
Other comprehensive loss					(50,335)	(50,335)
Exercise of stock options	65,156		955			955
Tax impact of forfeited vested options			(351)			(351)
Issue restricted stock (less forfeitures)	52,050					
Stock compensation			1,309			1,309
Balance September 30, 2009	12,101,829	12	227,734	103,509	(52,456)	278,799
Net income				8,875		8,875
Dividends paid				(9,707)		(9,707)
Other comprehensive loss					(13,581)	(13,581)
Tax impact of forfeited vested options			(74)			(74)
Issue restricted stock (less forfeitures)	42,250					
Stock compensation			1,537			1,537
Balance September 30, 2010	<u>12,144,079</u>	<u>\$12</u>	<u>\$229,197</u>	<u>\$102,677</u>	<u>\$(66,037)</u>	<u>\$265,849</u>

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

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

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

	Year Ended September 30, 2008	Year Ended September 30, 2009	Year Ended September 30, 2010
Cash flows from operating activities:			
Net income (loss)	\$ 62,778	\$(52,322)	\$ 8,875
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation	8,934	10,450	11,316
Amortization	1,119	993	559
Impairment of goodwill	—	43,737	—
Stock compensation expense	1,650	1,309	1,537
Excess tax benefit from option exercises	(3,187)	21	—
Deferred revenue	(2,499)	(2,501)	(2,500)
Deferred income taxes	(7,511)	3,887	2,661
Pension curtailment gain	(3,659)	—	—
Loss on disposition of property	321	169	232
Change in assets and liabilities:			
Accounts receivable	5,121	50,901	(15,786)
Inventories	(21,569)	120,980	(49,483)
Other assets	28	2,035	(2,130)
Accounts payable and accrued expenses	(4,021)	(14,234)	10,481
Income taxes	12,604	(31,553)	23,653
Accrued pension and postretirement benefits	(8,826)	(13,890)	(8,434)
Net cash provided by (used in) operating activities	<u>41,283</u>	<u>119,982</u>	<u>(19,019)</u>
Cash flows from investing activities:			
Additions to property, plant and equipment	(18,685)	(9,303)	(12,340)
Asian distribution expansion and acquisition	(3,000)	—	—
Change in restricted cash	110	110	110
Net cash used in investing activities	<u>(21,575)</u>	<u>(9,193)</u>	<u>(12,230)</u>
Cash flows from financing activities:			
Dividends paid	—	—	(9,707)
Net decrease in revolving credit facility	(23,737)	(11,812)	—
Proceeds from exercise of stock options	2,480	976	—
Excess tax benefit from option exercises	3,187	(21)	—
Payment for debt issuance cost	—	(316)	—
Changes in long-term obligations	(135)	(1,505)	(159)
Net cash used in financing activities	<u>(18,205)</u>	<u>(12,678)</u>	<u>(9,866)</u>
Effect of exchange rates on cash	(162)	(74)	(12)
Increase (decrease) in cash and cash equivalents:	1,341	98,037	(41,127)
Cash and cash equivalents:			
Beginning of period	<u>5,717</u>	<u>7,058</u>	<u>105,095</u>
End of period	<u>\$ 7,058</u>	<u>\$105,095</u>	<u>\$ 63,968</u>
Supplemental disclosures of cash flow information:			
Cash paid during period for:			
Interest (net of capitalized interest)	<u>\$ 1,115</u>	<u>\$ 566</u>	<u>\$ 40</u>
Income taxes paid (refunded), net	<u>\$ 32,410</u>	<u>\$ 20,869</u>	<u>\$(19,460)</u>
Capital expenditures incurred but not yet paid	<u>\$ 864</u>	<u>\$ 606</u>	<u>\$ 916</u>

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

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

Note 1 Background and Organization

Description of Business

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

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

Note 2 Summary of Significant Accounting Policies

A. Principles of Consolidation and Nature of Operations

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

B. Cash and Cash Equivalents

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

C. Accounts Receivable

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

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

Note 2 Summary of Significant Accounting Policies (Continued)

D. Revenue Recognition

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

E. Inventories

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

F. Intangible Assets and Goodwill

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

During the second quarter of fiscal 2009, the Company determined that the weakening of the U.S. economy and the global credit crisis resulted in a reduction of the Company's market capitalization below its total shareholder's equity value for a sustained period of time, which is an indication that goodwill may be impaired. As a result, the Company performed goodwill impairment analysis as of February 28, 2009 which indicated impairment.

As a result, the Company recorded a non-cash charge of \$43,737 for goodwill impairment in the second quarter of fiscal 2009, which was primarily non-deductible for tax purposes.

The following table reflects the change to the carrying amount of goodwill for the year ended September 30, 2009 and 2010:

Goodwill balance at September 30, 2008	\$ 43,737
Impairment charge	<u>(43,737)</u>
Goodwill balance at September 30, 2009 and 2010	<u>\$ 0</u>

The Company also has patents, trademarks and other intangibles. As the patents have a definite life, they are amortized over lives ranging from two to fourteen years. As the trademarks have an indefinite life, the Company tests them for impairment at least annually. If the carrying value exceeds the fair value (determined by calculating a fair value based upon a discounted cash flow of an assumed royalty rate), impairment of the trademark may exist resulting in a charge to earnings to the extent of the impairment.

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

Note 2 Summary of Significant Accounting Policies (Continued)

The Company has non-compete agreements with lives of 5 to 7 years. Amortization of the patents, non-competes and other intangibles was \$1,119, \$993 and \$559 for the years ended September 30, 2008, 2009 and 2010, respectively.

The Company reviews trademarks for impairment at least annually as of August 31 (the annual impairment testing date). No impairment was recognized in the year ended September 30, 2009 or 2010 because the fair value exceeded the carrying values.

The following represents a summary of intangible assets at September 30, 2009 and 2010:

<u>September 30, 2009</u>	<u>Gross Amount</u>	<u>Accumulated Amortization</u>	<u>Carrying Amount</u>
Patents	\$ 8,667	\$(6,040)	\$2,627
Trademarks	3,800	—	3,800
Non-compete	1,340	(758)	582
Other	316	(95)	221
	<u>\$14,123</u>	<u>\$(6,893)</u>	<u>\$7,230</u>

<u>September 30, 2010</u>	<u>Gross Amount</u>	<u>Accumulated Amortization</u>	<u>Carrying Amount</u>
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>

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

2011	\$545
2012	359
2013	350
2014	350
2015	328

G. Property, Plant and Equipment

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

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

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

Note 2 Summary of Significant Accounting Policies (Continued)

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

The Company records capitalized interest for long-term construction projects to capture the cost of capital committed prior to the placed in service date as a part of the historical cost of acquiring the asset. The amount of interest capitalized was \$642, \$21 and \$0 for the years ended September 30, 2008, 2009 and 2010, respectively. The decrease relates to the Company having a zero balance on the revolver.

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

H. Environmental Remediation

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

I. Pension and Postretirement Benefits

The Company has defined benefit pension and postretirement plans covering most of its current and former employees. Significant elements in determining the assets or liabilities and related income or expense for these plans are the expected return on plan assets, the discount rate used to value future payment streams, expected trends in health care costs, and other actuarial assumptions. Annually, the Company evaluates the significant assumptions to be used to value its pension and postretirement plan assets and liabilities based on current market conditions and expectations of future costs. If actual results are less favorable than those projected by management, additional expense may be required in future periods. Salaried employees hired after December 31, 2005 and hourly employees hired after June 30, 2007 are not covered by the pension plan; however, they are eligible for an enhanced matching program of the defined contribution plan (401(k)). Effective December 31, 2007, the U.S. pension plan was amended to freeze benefits for all non-union employees in the U.S. Effective September 30, 2009, the U.K. pension plan was amended to freeze benefits for employees in the plan. During fiscal 2009, the Company reduced its worldwide workforce by 18%.

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

Note 2 Summary of Significant Accounting Policies (Continued)

J. Foreign Currency Exchange

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

K. Research and Technical Costs

Research and technical costs related to the development of new products and processes are expensed as incurred. Research and technical costs for the years ended September 30, 2008, 2009 and 2010, were \$3,441, \$3,120, and \$2,828, respectively.

L. Income Taxes

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

M. Stock Based Compensation

Restricted Stock Plan

On February 23, 2009, the Company adopted a restricted stock plan that reserved 400,000 shares of common stock for issuance. Grants of restricted stock are 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 goals are not met, if applicable. The Company will assess, on an ongoing basis, the probability of whether the performance criteria will be achieved. The Company will recognize compensation expense over the performance period if it is deemed probable that the goals will be achieved. The fair value of the Company's restricted stock is determined based upon the closing price of the Company's common stock on the grant date. The plan provides for the adjustment of the number of shares covered by an outstanding grant and the maximum number of shares for which restricted stock may be granted in the event of a stock split, extraordinary dividend or distribution or similar recapitalization event.

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

Note 2 Summary of Significant Accounting Policies (Continued)

Stock Option Plans

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

N. Financial Instruments and Concentrations of Risk

The Company may periodically enter into forward currency exchange contracts to minimize the variability in the Company's operating results arising from foreign exchange rate movements. The Company does not engage in foreign currency speculation. At September 30, 2009 and 2010, the Company had no foreign currency exchange contracts outstanding.

Financial instruments which potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents and accounts receivable. At September 30, 2010, and periodically throughout the year, the Company has maintained cash balances in excess of federally insured limits. The carrying amounts of cash and cash equivalents, accounts receivable, and accounts payable approximate fair value because of the relatively short maturity of these instruments.

During 2010, 2009 and 2008 the Company did not have sales to any group of affiliated customers that were greater than 10% of net revenues. The Company generally does not require collateral with the exception of letters of credit with certain foreign sales. Credit losses have been within management's expectations. In addition, the Company purchases credit insurance for certain foreign trade receivables. The Company does not believe it is significantly vulnerable to the risk of near-term severe impact from business concentrations with respect to customers, suppliers, products, markets or geographic areas.

O. Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments, including those related to bad debts, inventories, income taxes, asset impairment, retirement benefits, and environmental matters. The process of determining significant estimates is fact specific and takes into account factors such as

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

Note 2 Summary of Significant Accounting Policies (Continued)

historical experience, current and expected economic conditions, product mix, pension asset mix and in some cases, actuarial techniques, and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. The Company routinely reevaluates these significant factors and makes adjustments where facts and circumstances dictate. Actual results may differ from these estimates under different assumptions or conditions.

P. Earnings (Loss) Per Share

The Company accounts for earnings (loss) per share with two presentations—"basic" and "diluted." Basic earnings (loss) per share is computed by dividing net income (loss) available to common stockholders for the period by the weighted average number of common shares outstanding for the period. The computation of diluted earnings (loss) per share is similar to basic earnings (loss) per share, except the denominator is increased to include the number of additional common shares that would have been outstanding if the potentially dilutive common shares had been issued less any treasury stock purchased. The treasury stock method is used, which assumes that the Company will use the proceeds from the exercise of the options to purchase shares of stock for treasury.

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

<i>(in thousands, except share and per share data)</i>	Years ended September 30,		
	2008	2009	2010
<i>Numerator:</i>			
Net income (loss)	\$ 62,778	\$ (52,322)	\$ 8,875
<i>Denominator:</i>			
Weighted average shares outstanding—Basic	11,903,289	12,004,498	12,049,779
Effect of dilutive stock options	123,151	50,302	57,750
Effect of restricted stock shares with no performance goal	—	—	52,000
Adjustment for net loss	—	(50,302)	—
Weighted average shares outstanding—Diluted	12,026,440	12,004,498	12,159,529
Basic net income (loss) per share	\$ 5.27	\$ (4.36)	\$ 0.74
Diluted net income (loss) per share	\$ 5.22	\$ (4.36)	\$ 0.73
Number of stock option shares excluded as their effect would be anti-dilutive	224,000	288,777	216,224
Number of restricted stock shares excluded as their performance goal is not yet met	—	31,050	42,300
Number of restricted stock shares excluded because of the net loss	—	21,000	—

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

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

Note 2 Summary of Significant Accounting Policies (Continued)

Q. Recently Issued Accounting Pronouncements

In December 2007, the FASB issued FASB Statement No. 141 (revised 2007), *Business Combinations* (“SFAS 141(R)”) which was primarily codified into Topic 805 (*Business Combinations*) in the ASC. This guidance requires that the fair value of the purchase price of an acquisition including the issuance of equity securities be determined on the acquisition date; requires that all assets, liabilities, noncontrolling interests, contingent consideration, contingencies, and in-process research and development costs of an acquired business be recorded at fair value at the acquisition date; requires that acquisition costs generally be expensed as incurred; requires that restructuring costs generally be expensed in periods subsequent to the acquisition date; and requires that changes in deferred tax asset valuation allowances and acquired income tax uncertainties after the measurement period impact income tax expense. This guidance also expands disclosures related to business combinations and will be applied prospectively to business combinations occurring after the beginning of the Company’s fiscal year 2010, except that business combinations consummated prior to the effective date must apply SFAS 141(R) income tax requirements immediately upon adoption. The Company is currently evaluating the impact of SFAS 141(R) related to future acquisitions, if any, on its financial position, results of operations and cash flows.

In April 2008, the FASB issued FASB Staff Position No. 142-3, *Determination of the Useful Life of Intangible Assets* (“FSP 142-3”) which is primarily codified into Topic 250 (*Intangibles—Goodwill and Other*) in the ASC. This guidance amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS 141R, and other U.S. GAAP. This FSP was effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years, and early adoption is prohibited. Accordingly, this FSP was effective for the Company on October 1, 2009 and it had no impact on the Company’s consolidated financial statements.

In December 2008, the FASB issued FASB Staff Position No. 132(R)-1, *Employers’ Disclosures about Postretirement Benefit Plan Assets* (“FSP 132(R)-1”) which was primarily codified into Topic 715 (*Compensation Retirement Benefits*) in the ASC. The guidance requires disclosures of the objectives of postretirement benefit plan assets, investment policies and strategies, categories of plan assets, fair value measurements of plan assets, and significant concentrations of risk. This guidance was effective for fiscal years ending after December 15, 2009. The adoption of this guidance increased the Company’s disclosures, but did not have an impact on the Company’s consolidated financial statements.

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

Note 2 Summary of Significant Accounting Policies (Continued)

R. Comprehensive Income (Loss)

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

	Year Ended September 30,								
	2008			2009			2010		
	Pre-tax	Tax	Net	Pre-tax	Tax	Net	Pre-tax	Tax	Net
Net income (loss)			\$62,778			\$ (52,322)			\$ 8,875
Other comprehensive income (loss):									
Pension curtailment	\$ 4,532	\$(1,831)	2,701	\$ 392	\$ (110)	282	\$ —	\$ —	—
Pension and postretirement . . .	(8,789)	3,360	(5,429)	(80,073)	30,436	(49,637)	(20,935)	7,893	(13,042)
Foreign currency translation adjustment	(3,169)	(205)	(3,374)	(980)	—	(980)	(539)	—	(539)
Other comprehensive income (loss)	\$(7,426)	\$ 1,324	\$(6,102)	\$(80,661)	\$30,326	\$ (50,335)	\$(21,474)	\$ 7,893	\$ (13,581)
Total comprehensive income (loss)			\$56,676			\$(102,657)			\$ (4,706)

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

	Accumulated Other Comprehensive Income (Loss) at September 30, 2009	Other Comprehensive Loss for the year ended September 30, 2010	Accumulated Other Comprehensive Loss at September 30, 2010
Foreign Currency Translation Adjustment	\$ 145	\$ (539)	\$ (394)
Pension and Postretirement, including curtailment	(52,601)	(13,042)	(65,643)
	\$ (52,456)	\$ (13,581)	\$ (66,037)

Note 3 Inventories

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

	September 30,	
	2009	2010
Raw materials	\$ 13,321	\$ 20,226
Work-in-process	87,322	126,626
Finished goods	81,228	83,971
Other	900	960
	\$182,771	\$231,783

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

Note 4 Property, Plant and Equipment

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

	September 30,	
	2009	2010
Land and land improvements	\$ 4,887	\$ 5,068
Buildings	13,548	14,763
Machinery and equipment	122,007	130,534
Construction in process	2,898	5,115
	<u>143,340</u>	<u>155,480</u>
Less accumulated depreciation	(37,520)	(48,437)
	<u>\$105,820</u>	<u>\$107,043</u>

The Company has \$844 of assets under a capital lease for equipment related to the service center operation in Shanghai, China.

Note 5 Accrued Expenses

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

	September 30,	
	2009	2010
Employee compensation	\$ 5,790	\$11,322
Taxes, other than income taxes	1,611	2,091
Other	2,911	2,367
	<u>\$10,312</u>	<u>\$15,780</u>

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

Note 6 Income Taxes

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

	Year Ended September 30,		
	2008	2009	2010
Income (loss) before income taxes:			
U.S.	\$86,124	\$(60,071)	\$12,615
Foreign	11,790	(1,019)	2,977
Total	<u>\$97,914</u>	<u>\$(61,090)</u>	<u>\$15,592</u>
Provision for (benefit from) income taxes:			
Current:			
U.S. Federal	\$34,580	\$(10,747)	\$ 2,722
Foreign	3,038	(183)	678
State	2,273	(2,111)	696
Total	<u>39,891</u>	<u>(13,041)</u>	<u>4,096</u>
Deferred:			
U.S. Federal	(6,499)	3,309	720
Foreign	194	(50)	147
State	1,550	1,014	1,754
Total	<u>(4,755)</u>	<u>4,273</u>	<u>2,621</u>
Total provision for (benefit from) income taxes	<u>\$35,136</u>	<u>\$ (8,768)</u>	<u>\$ 6,717</u>

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

	Year Ended September 30,		
	2008	2009	2010
Statutory federal tax rate	35%	35%	35%
Tax provision for (benefit from) income taxes at the statutory rate	\$34,270	\$(21,381)	\$5,457
Foreign tax rate differentials	(894)	125	(216)
Provision for (benefit from) state taxes, net of federal taxes	2,987	(419)	468
U.S. tax on distributed and undistributed earnings (losses) of foreign subsidiaries	793	(1,158)	165
Manufacturer's deduction	(1,260)	—	(193)
Tax credits	(558)	(490)	(476)
Nondeductible goodwill	—	14,438	—
State tax rate reduction impact on deferred	1,430	379	1,149
Other, net	(1,632)	(262)	363
Provision for (benefit from) income taxes at effective tax rate	<u>\$35,136</u>	<u>\$ (8,768)</u>	<u>\$6,717</u>

During fiscal 2010 the Company's effective tax rate increased due to the revaluation of the Company's deferred tax assets at a lower blended state income tax rate.

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

Note 6 Income Taxes (Continued)

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

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

	September 30,	
	2009	2010
Current deferred tax assets (liabilities):		
Inventories	\$ 2,062	\$ 3,608
Pension and postretirement benefits	3,930	3,725
Accrued expenses and other	936	560
Accrued compensation and benefits	1,168	1,249
Tax attributes	—	472
Other foreign related	(17)	—
TIMET Agreement	956	940
Total net current deferred tax assets	<u>9,035</u>	<u>10,554</u>
Noncurrent deferred tax assets (liabilities):		
Property, plant and equipment, net	(18,526)	(18,619)
Intangible assets	(1,469)	(1,367)
Pension and postretirement benefits	61,035	65,420
Accrued compensation and benefits	1,761	2,205
TIMET Agreement	15,426	14,223
Other accruals	616	584
Total net noncurrent deferred tax assets	<u>58,843</u>	<u>62,446</u>
Net deferred tax assets (liabilities)	<u>\$ 67,878</u>	<u>\$ 73,000</u>

The Company has excluded undistributed earnings of \$33,342 of its foreign affiliates from its calculation of deferred tax liabilities because they will be permanently invested for the foreseeable future. Should management decide in the future to repatriate all or a portion of these undistributed earnings, the Company would then be required to provide for taxes on such amounts.

On October 1, 2007, the Company adopted guidance that prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of tax positions taken or expected to be taken in an income tax return. It also provides guidance related to reversal of tax positions, balance sheet classification, interest and penalties, interim period accounting, disclosure and transition. The impact of the adoption was to decrease accumulated earnings by \$827, increase goodwill by \$675, increase deferred tax assets by \$3,316, and increase non-current income taxes payable by \$4,818 (including \$241 of interest).

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

Note 6 Income Taxes (Continued)

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

	October 1, 2007 To September 30, 2008	October 1, 2008 To September 30, 2009	October 1, 2009 To September 30, 2010
Balance at beginning of period	\$ 4,577	\$264	\$264
Gross Increases—current period tax positions . .	—	—	—
Gross Decreases—current period tax positions . .	—	—	—
Gross Increases—tax positions in prior periods .	—	—	—
Gross Decreases—tax positions in prior periods .	(4,313)	—	—
Gross Decreases—settlements with taxing authorities	—	—	—
Gross Decreases—lapse of statute of limitations .	—	—	—
Balance at end of period	<u>\$ 264</u>	<u>\$264</u>	<u>\$264</u>

The total amount of unrecognized tax benefits that would, if recognized, affect the effective income tax rate is \$205 as of September 30, 2010. Additionally, as consistent with prior periods, the Company recognized accrued interest expense and penalties related to the unrecognized tax benefits as additional income tax expense. The total amount of accrued interest and penalties was approximately \$44 and \$0 respectively, as of September 30, 2010.

As of September 30, 2010, the Company is open to examination in the U.S. federal income tax jurisdiction for the September 30, 2007, 2008, 2009 and 2010 tax years, in the U.K. for the years 2005-2010, in Switzerland for 2007, 2008 and 2009, and in France for the year 2010. The Company is also open to examination in other foreign locations and various states in the U.S., none of which were individually material. The Company was notified in October 2010 of an audit in a state jurisdiction.

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

Note 7 Debt

U.S. revolving credit facility

The Company and Wachovia Capital Finance Corporation (Central) (“Wachovia”) 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 Wachovia dated August 31, 2004. Among other items, the Amended Agreement extended the maturity date of the U.S. revolving credit facility to September 30, 2011, increased the margin included in the interest rate from 1.5% per annum to 2.25% per annum for LIBOR borrowings, permitted the Company to pay dividends and repurchase common stock if certain financial metrics are met, and eliminated a covenant requiring the Company to maintain an EBITDA amount of \$22.0 million. The maximum revolving loan amount under the Amended Agreement is \$120.0 million. Borrowings under the U.S. revolving credit facility bear interest at the Company's option at either Wachovia Bank, National Association's “prime rate”, plus up to 2.25% per annum, or the adjusted Eurodollar rate used by the lender, plus up to 3.0% per annum. As of September 30, 2010, the U.S. revolving credit facility had an outstanding balance of zero. During the twelve month period ended September 30, 2010, it bore interest at

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

Note 7 Debt (Continued)

a weighted average interest rate of 5.00%. 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. The Company is subject to certain covenants as to fixed charge coverage ratios when availability is less than \$25.0 million and other customary covenants including covenants restricting the incurrence of indebtedness, the granting of liens, and the sale of assets and permits the Company to pay dividends and repurchase common stock if certain metrics are met. As of September 30, 2010, the most recent required measurement date under the agreement documentation, 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 equity interest in its U.S. subsidiaries, but excluding the four-high Steckel rolling mill and related assets, which are pledged to Titanium Metals Corporation (see discussion of TIMET at Note 15). The U.S. revolving credit facility is also secured by a pledge of 65% of the equity interests in each of the Company's foreign subsidiaries.

U.K. revolving credit facility

The Company's U.K. subsidiary, Haynes International, Ltd., or Haynes U.K., previously had an agreement with a U.K.-based lender providing for a \$15.0 million revolving credit facility. During April 2008, the term of the U.K. revolving credit facility ended. The Company replaced this facility with a multi-currency overdraft facility. The overdraft facility has a limit of 2.0 million pound sterling (\$3,142). Haynes U.K. is required to pay interest on overdrafts in an amount equal to the Bank's Sterling Base Rate (in accordance with the terms facility), plus 2.0% per annum. As of September 30, 2010, the overdraft facility had an outstanding balance of zero.

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

	<u>September 30,</u>	
	<u>2009</u>	<u>2010</u>
Revolving Credit Agreement		
U.S. Facility, 5.00% 2009; 5.00% 2010, expires September 2011 . .	\$ —	\$ —
Other long-term obligations	1,592	1,433
	<u>1,592</u>	<u>1,433</u>
Less amounts due within one year	110	109
	<u>\$1,482</u>	<u>\$1,324</u>

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

At September 30, 2010, the Company had access to approximately \$120,000 under its credit agreement (based on borrowing base and certain reserves). The Company's British subsidiary (Haynes International LTD) has an overdraft facility of 2,000 Sterling (\$3,142) all of which was available on September 30, 2010. The Company's French subsidiary (Haynes International, SARL) has an overdraft

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

Note 7 Debt (Continued)

banking facility of 1,200 Euro (\$1,638) of which all was available on September 30, 2010. The Company's Swiss subsidiary (Nickel-Contor AG) had an overdraft banking facility of 500 Swiss Francs (\$509) all of which was available on September 30, 2010.

Maturities of long-term debt are as follows at September 30, 2010:

<u>Year Ending</u>	
2011	\$ 109
2012	—
2013	—
2014	—
2015	—
2016 and thereafter	<u>1,324</u>
	<u>\$1,433</u>

Note 8 Pension Plan and Retirement Benefits

Defined Contribution Plans

The Company sponsors a defined contribution plan (401(k)) for substantially all U.S. employees. The Company contributes an amount equal to 50% of an employee's contribution to the plan up to a maximum contribution of 3% of the employee's salary, except for all salaried employees and certain hourly employees (those hired after June 30, 2007 that are not eligible for the U.S. pension plan). The Company contributes an amount equal to 60% of an employee's contribution to the plan up to a maximum contribution of 6% of the employee's salary for these groups. Expenses associated with this plan for the years ended September 30, 2008, 2009 and 2010 totaled \$1,091, \$1,077 and \$990, respectively.

The Company sponsors certain profit sharing plans for the benefit of employees meeting certain eligibility requirements. There were no contributions to these plans for the years ended September 30, 2008, 2009 and 2010.

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

Note 8 Pension Plan and Retirement Benefits (Continued)

Defined Benefit Plans

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

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

The Company has non-qualified pensions for former executives of the Company. Non-qualified pension plan expense (income) for the years ended September 30, 2008, 2009 and 2010 was \$(129), \$145 and \$109, respectively. Accrued liabilities in the amount of \$893 and \$906 for these benefits are included in accrued pension and postretirement benefits liability at September 30, 2009 and 2010, respectively.

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

The Company made contributions of \$12,650 and \$14,200 to fund its domestic Company-sponsored pension plan for the year ended September 30, 2009 and 2010, respectively. The Company's U.K. subsidiary made contributions of \$960 and \$943 for the year ended September 30, 2009 and 2010, respectively, to the U.K. pension plan.

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

Note 8 Pension Plan and Retirement Benefits (Continued)

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

	Defined Benefit Pension Plans		Postretirement Health Care Benefits	
	Year Ended September 30,		Year Ended September 30,	
	2009	2010	2009	2010
Change in Benefit Obligation:				
Projected benefit obligation at beginning of year	\$164,603	\$216,443	\$ 67,764	\$ 90,027
Service cost	2,409	3,596	1,327	206
Interest cost	11,821	11,600	4,925	4,819
Plan amendment	—	—	—	—
Curtailment gain	(392)	—	—	—
Actuarial losses	48,193	18,724	20,901	8,424
Employee contributions	42	—	—	—
Benefits paid	(10,233)	(11,357)	(4,890)	(4,852)
Projected benefit obligation at end of year	<u>\$216,443</u>	<u>\$239,006</u>	<u>\$ 90,027</u>	<u>\$ 98,624</u>
Change in Plan Assets:				
Fair value of plan assets at beginning of year	\$119,591	\$126,285	\$ —	\$ —
Actual return on assets	3,275	14,905	—	—
Employer contributions	13,610	15,143	4,890	4,852
Employee contributions	43	—	—	—
Benefits paid	(10,233)	(11,357)	(4,890)	(4,852)
Fair value of plan assets at end of year	<u>\$126,286</u>	<u>\$144,976</u>	<u>\$ —</u>	<u>\$ —</u>
Funded Status of Plan:				
Unfunded status	<u>\$ (90,157)</u>	<u>\$ (94,030)</u>	<u>\$ (90,027)</u>	<u>\$ (98,624)</u>

Amounts recognized in the consolidated balance sheets are as follows:

	Defined Benefit Pension Plans		Postretirement Health Care Benefits		Non-Qualified Pension Plans		All Plans Combined	
	September 30,		September 30,		September 30,		September 30,	
	2009	2010	2009	2010	2009	2010	2009	2010
Accrued benefit liability	\$(90,157)	\$(94,030)	\$(90,027)	\$(98,624)	\$(893)	\$(906)	\$(181,077)	\$(193,560)
Accumulated other comprehensive loss	77,924	86,639	7,017	19,238	—	—	84,941	105,877
Net amount recognized	<u>\$(12,233)</u>	<u>\$ (7,391)</u>	<u>\$(83,010)</u>	<u>\$(79,386)</u>	<u>\$(893)</u>	<u>\$(906)</u>	<u>\$ (96,136)</u>	<u>\$ (87,683)</u>
Amounts expected to be recognized from AOCI into the statement of operations in the following year:								
Amortization of net loss	\$ 4,922	\$ 6,285	\$ 1,992	\$ 2,707	\$ —	\$ —	\$ 6,914	\$ 8,992
Amortization of prior service cost	808	808	(5,789)	(5,789)	—	—	(4,981)	(4,981)
	<u>\$ 5,730</u>	<u>\$ 7,093</u>	<u>\$ (3,797)</u>	<u>\$ (3,082)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,933</u>	<u>\$ 4,011</u>

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

Note 8 Pension Plan and Retirement Benefits (Continued)

The accumulated benefit obligation for the pension plans was \$199,567 and \$227,052 at September 30, 2009 and 2010, respectively.

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

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

	Defined Benefit Pension Plans		
	Year Ended September 30,		
	2008	2009	2010
Service cost	\$ 2,761	\$ 2,409	\$ 3,596
Interest cost	10,757	11,821	11,600
Expected return on assets	(11,432)	(9,756)	(10,626)
Amortization of prior service cost	808	808	808
Recognized actuarial loss	—	—	4,922
Curtailment gain	(3,659)	—	—
Net periodic cost (benefit)	<u>\$ (765)</u>	<u>\$ 5,282</u>	<u>\$ 10,300</u>

	Postretirement Health Care Benefits		
	Year Ended September 30,		
	2008	2009	2010
Service cost	\$ 1,307	\$ 1,327	\$ 206
Interest cost	4,859	4,925	4,819
Amortization of unrecognized prior service cost	(5,789)	(5,789)	(5,789)
Recognized actuarial loss	1,630	482	1,992
Net periodic cost	<u>\$ 2,007</u>	<u>\$ 945</u>	<u>\$ 1,228</u>

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

Note 8 Pension Plan and Retirement Benefits (Continued)

Assumptions

A 7.5% (8.0%-2009) annual rate of increase for ages under 65 and a 6.5% (7.0%-2009) annual rate of increase for ages over 65 in the costs of covered health care benefits were assumed for 2010, gradually decreasing for both age groups to 5.0% (5.0%-2009) by the year 2016. Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one percentage-point change in assumed health care cost trend rates would have the following effects in 2010:

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

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

The actuarial present value of the projected pension benefit obligation and postretirement health care benefit obligation for the domestic plans at September 30, 2009 and 2010 were determined based on the following assumptions:

	September 30, 2009	September 30, 2010
Discount rate	5.500%	4.875%
Rate of compensation increase (pension plan only)	4.000%	3.500%

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

	Defined Benefit Pension and Postretirement Health Care Plans		
	Year Ended September 30,		
	2008	2009	2010
Discount rate	6.25%	7.50%	5.50%
Expected return on plan assets (pension plan only)	8.50%	8.50%	8.50%
Rate of compensation increase (pension plan only)	4.00%	4.00%	4.00%

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

Note 8 Pension Plan and Retirement Benefits (Continued)

Plan Assets and Investment Strategy

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

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

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

The desired investment objective is a long-term real rate of return on assets that is approximately 7.00% greater than the assumed rate of inflation as measured by the Consumer Price Index, assumed to be 1.50%, equaling a nominal rate of return of 8.50%. The target rate of return for the Plan has been based upon an analysis of historical returns supplemented with an economic and structural review for each asset class. The Company realizes that the market performance varies and that a 7.00% real rate of return may not be meaningful during some periods. The Company also realizes that historical performance is no guarantee of future performance.

In determining the expected rate of return on plan assets, the Company takes into account the plan's allocation at September 30, 2010 of 58% equities, 41% fixed income and 1% other. The Company assumes an approximately 3.5% to 4% equity risk premium above the broad bond market yields of 5.50% to 6.00%. Note that over very long historical periods the realized risk premium has been higher. The Company believes that its assumption of an 8.50% long-term rate of return on plan assets is comparable to other companies, given the target allocation of the plan assets; however, there exists the potential for the use of a lower rate in the future.

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

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

Note 8 Pension Plan and Retirement Benefits (Continued)

Asset classes as a percent of total assets:

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

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

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

Contributions and Benefit Payments

The Company expects to contribute approximately \$12,720 to its domestic pension plans, \$5,000 to its domestic other postretirement benefit plans, and \$943 to the U.K. pension plan in fiscal 2011.

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

Fiscal Year Ending September 30	Pension	Postretirement Health Care
2011	\$11,613	\$ 5,000
2012	11,768	5,000
2013	12,167	5,000
2014	12,489	5,000
2015	12,893	5,000
2016-2020 (in total)	71,647	25,000

Note 9 Commitments

The Company leases certain transportation vehicles, warehouse facilities, office space and machinery and equipment under cancelable and non-cancelable leases, most of which expire within 10 years and may be renewed by the Company. Rent expense under such arrangements totaled \$3,770, \$3,659 and \$3,564 for the years ended September 30, 2008, 2009 and 2010, respectively. Rent expense does not include income from sub-lease rentals totaling \$150, \$155 and \$107 for the years ended September 30, 2008, 2009 and 2010, respectively. Future minimum rental commitments under non-cancelable operating leases at September 30, 2010, are as follows:

	Operating
2011	\$ 2,919
2012	1,961
2013	1,319
2014	1,261
2015	976
2016 and thereafter	2,970
	<u>\$11,406</u>

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

Note 9 Commitments (Continued)

Future minimum rental commitments under non-cancelable operating leases have not been reduced by minimum sub-lease rentals of \$594 due in the future.

Note 10 Legal, Environmental and Other Contingencies

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

The Company believes that any and all claims arising out of conduct or activities that occurred prior to March 29, 2004 are subject to dismissal. On March 29, 2004, the Company and certain of its subsidiaries and affiliates filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Southern District of Indiana (the "Bankruptcy Court"). On August 16, 2004, the Bankruptcy Court entered its Findings of Fact, Conclusions of Law, and Order Under 11 U.S.C. 1129(a) and (b) and Fed. R. Bankr. P. 3020 Confirming the First Amended Joint Plan of Reorganization of Haynes International, Inc. and its Affiliated Debtors and Debtors-in-Possession as Further Modified (the "Confirmation Order"). The Confirmation Order and related Chapter 11 Plan, among other things, provide for the release and discharge of prepetition claims and causes of action. The Confirmation Order further provides for an injunction against the commencement of any actions with respect to claims held prior to the Effective Date of the Plan. The Effective Date occurred on August 31, 2004. When appropriate, the Company pursues the dismissal of lawsuits premised upon claims or causes of action discharged in the Confirmation Order and related Chapter 11 Plan. The success of this strategy is dependent upon a number of factors, including the respective court's interpretation of the Confirmation Order and the unique circumstances of each case.

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, both of 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 was found liable, the cases would not have a material effect on its financial position, results of operations or liquidity. In addition to these cases, the Company has in the past been named a defendant in several other lawsuits, including 52 filed in the state of California, alleging that its welding-related products harmed the users of such products through the inhalation of welding fumes containing manganese. The Company has since been voluntarily dismissed from all of these lawsuits on the basis of the release and discharge of claims contained in the Confirmation Order. While the Company contests such lawsuits vigorously, and may have applicable insurance, there are several risks and uncertainties that may affect its liability for claims relating to exposure to welding fumes and manganese. For instance, in recent cases, at least two courts (in cases not involving Haynes) have refused to dismiss claims relating to inhalation of welding fumes containing manganese based upon a bankruptcy discharge order. Although the Company believes the facts of these cases are distinguishable from the facts of its cases, that can be no assurance that any or all claims against the Company will be dismissed based upon the Confirmation Order, particularly claims premised, in part or in full, upon actual or alleged exposure on or

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

Note 10 Legal, Environmental and Other Contingencies (Continued)

after the date of the Confirmation Order. It is also possible that the Company will be named in additional suits alleging welding-rod injuries. Should such litigation occur, it is possible that the aggregate claims for damages, if the Company is found liable, could have a material adverse effect on its financial condition, results of operations or liquidity.

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

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

As of September 30, 2009 and September 30, 2010, the Company has accrued \$1,516 and \$1,448, respectively, 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.

All eligible hourly employees at the Kokomo plant and Lebanon, Indiana service center (approximately 50.9% or 499 in aggregate as of September 30, 2010) are covered by a collective bargaining agreement which will expire in June 2013. In September 2010, a majority of the 76 hourly employees at the Company's Arcadia, Louisiana operations elected to be represented by the United Steelworkers of America, although no collective bargaining agreement is in place at this time and negotiations are ongoing.

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

Note 11 Stock-based Compensation

Restricted Stock Plan

On February 23, 2009, the Company adopted a restricted stock plan that reserved 400,000 shares of common stock for issuance. Grants of restricted stock are 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 goals are not met, if applicable. The Company will assess, on an ongoing basis, the probability of whether the performance criteria will be achieved. The Company will recognize compensation expense over the performance period if it is deemed probable that the goals will be achieved. The fair value of the Company's restricted stock is determined based upon the closing price of the Company's common stock on the grant date. The plan provides for the adjustment of the number of shares covered by an outstanding grant and the maximum number of shares for which restricted stock may be granted in the event of a stock split, extraordinary dividend or distribution or similar recapitalization event. Outstanding shares of restricted stock are entitled to receive dividends on shares of common stock.

On January 8, 2010, the Company granted 46,000 shares 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) for a portion of the grant, 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 grant was \$34.00, the closing price of the Company's common stock on the day of the grant.

The following table summarizes the activity under the restricted stock plan for the year ended September 30, 2010:

	Number of Shares	Weighted Average Fair Value At Grant Date
Unvested at September 30, 2009	52,050	\$17.82
Granted	46,000	\$34.00
Forfeited / Canceled	(3,750)	\$17.82
Vested	—	
Unvested at September 30, 2010	<u>94,300</u>	\$25.71
Expected to vest	<u>67,000</u>	\$28.93

Compensation expense related to restricted stock for the years ended September 30, 2009 and 2010 was \$62 and \$516, respectively. The remaining unrecognized compensation expense at September 30, 2010 was \$1,360 to be recognized over a weighted average period of 2.17 years. Compensation expense is not

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

Note 11 Stock-based Compensation (Continued)

being recorded on the March 31, 2009 prior year grant of 31,050 shares granted to employees as is 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 $\frac{1}{3}$ % 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. The fair value of option grants include the assumptions for grants in fiscal 2008, 2009, and 2010 are as follows:

Grant Date	Fair Value	Dividend Yield	Risk-free Interest Rate	Expected Volatility	Expected Life
March 31, 2008	\$16.41	0%	1.88%	42%	3 years
October 1, 2008	\$15.89	0%	2.12%	47%	3 years
March 31, 2009	\$ 9.86	0%	1.15%	86%	3 years
January 8, 2010	\$17.93	2.35%	1.62%	89%	3 years

On January 8, 2010, the Company granted 37,000 options at an exercise price of \$34.00, the fair market value of the Company's common stock on the day of the grant. During fiscal 2010, no options were exercised and 37,416 options were forfeited/canceled.

The stock-based employee compensation expense related to options for the years ended September 30, 2008, 2009 and 2010 was \$1,650, \$1,247, and \$1,021, respectively. The remaining unrecognized compensation expense at September 30, 2010 was \$1,019 to be recognized over a weighted average vesting period of 0.54 years.

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

Note 11 Stock-based Compensation (Continued)

The following table summarizes the activity under the stock option plans:

	Number of Shares	Aggregate Intrinsic Value	Weighted Average Exercise Prices	Weighted Average Remaining Contractual Life
Outstanding at September 30, 2009	394,737		\$40.20	
Granted	37,000		34.00	
Exercised	—			
Canceled	(37,416)			
Outstanding at September 30, 2010	<u>394,321</u>	\$3,161	\$38.25	6.62 yrs.
Vested or expected to vest	384,336	\$3,161	\$38.25	6.62 yrs.
Exercisable at September 30, 2010	280,076	\$2,532	\$39.30	5.88 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	3.92	86,886	86,886
May 5, 2005	19.00	4.58	8,334	8,334
August 15, 2005	20.25	4.92	—	—
October 1, 2005	25.50	5.00	—	—
February 21, 2006	29.25	5.42	25,001	25,001
March 31, 2006	31.00	5.50	10,000	10,000
March 30, 2007	72.93	6.50	67,500	67,500
September 1, 2007	83.53	6.92	—	—
March 31, 2008	54.00	7.50	87,500	58,326
October 1, 2009	46.83	8.00	20,000	6,666
March 31, 2009	17.82	8.50	52,100	17,363
January 8, 2010	34.00	9.25	37,000	—
			<u>394,321</u>	<u>280,076</u>

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

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

Note 12 Quarterly Data (unaudited)

The unaudited quarterly results of operations of the Company for the years ended September 30, 2009 and 2010 are as follows:

	2009			
	Quarter Ended			
	December 31	March 31	June 30	September 30
Net revenues	\$134,304	\$120,413	\$ 98,325	\$85,591
Gross profit	18,750	6,997	(8,168)	4,904
Net income (loss) ⁽¹⁾	4,524	(42,889)	(10,944)	(3,013)
Net income (loss) per share:				
Basic	\$ 0.38	\$ (3.58)	\$ (0.91)	\$ (0.25)
Diluted	\$ 0.38	\$ (3.58)	\$ (0.91)	\$ (0.25)

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

⁽¹⁾ March 31, 2009 decreased by \$42,869 due to goodwill impairment charge

Note 13 Segment Reporting

The Company operates in one business segment: the design, manufacture, marketing and distribution of technologically advanced, high-performance alloys for use in the aerospace, land-based gas turbine and

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

Note 13 Segment Reporting (Continued)

chemical processing industries. The Company has operations in the United States, Europe and China, which are summarized below. Sales between geographic areas are made at negotiated selling prices.

	Year Ended September 30,		
	2008	2009	2010
Net Revenue by Geography:			
United States	\$344,118	\$258,940	\$231,607
Europe	167,522	113,020	81,332
China	63,950	38,114	33,693
Other	61,416	28,559	34,911
Net Revenues	<u>\$637,006</u>	<u>\$438,633</u>	<u>\$381,543</u>
Net Revenue by Product Group:			
High temperature resistant alloys	\$465,014	\$324,588	\$286,157
Corrosive resistant alloys	171,992	114,045	95,386
Net revenues	<u>\$637,006</u>	<u>\$438,633</u>	<u>\$381,543</u>

	September 30,	
	2009	2010
Long-lived Assets by Geography:		
United States	\$108,548	\$109,531
Europe	3,570	3,347
China	932	836
Total long-lived assets	<u>\$113,050</u>	<u>\$113,714</u>

Note 14 Valuation and Qualifying Accounts

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

⁽¹⁾ Uncollectible accounts written off net of recoveries.

Note 15 Deferred Revenue

On November 17, 2006, the Company entered into a twenty-year agreement to provide conversion services to Titanium Metals Corporation ("TIMET") for up to ten million pounds of titanium metal annually. TIMET paid the Company a \$50,000 up-front fee and will also pay the Company for its

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

Note 15 Deferred Revenue (Continued)

processing services during the term of the agreement (20 years) at prices established by the terms of the agreement. TIMET may exercise an option to have ten million additional pounds of titanium converted annually, provided that it offers to loan up to \$12,000 to the Company for certain capital expenditures which may be required to expand capacity. In addition to the volume commitment, the Company has granted TIMET a security interest on its four-high Steckel rolling mill, along with rights of access if the Company enters into bankruptcy or defaults on any financing arrangements. The Company has agreed not to manufacture titanium products (other than cold reduced titanium tubing). The Company has also agreed not to provide titanium conversion services to any entity other than TIMET for the term of the Conversion Services Agreement. The agreement contains certain default provisions which could result in contract termination and damages, including the Company being required to return the unearned portion of the up-front fee. The cash received of \$50,000 is recognized in income on a straight-line basis over the 20-year term of the agreement. The portion of the up-front fee not recognized in income is shown as deferred revenue on the consolidated balance sheet. Taxes were paid on the up-front fee primarily in the first quarter of fiscal 2009.

Note 16 Commodity Contracts

On June 11, 2009, to mitigate the volatility of the natural gas markets, the Company entered into a commodity swap-cash settlement agreement with JP Morgan Chase Bank. The Company has agreed to a fixed natural gas price on a total of 300,000 MMBTU, at a settlement rate of 50,000 MMBTU per month for a period spanning October 2009 to March 2010. The Company's realized hedging loss was \$83 and \$185 for the years ended September 30, 2009 and September 30, 2010, respectively.

	As of September 30, 2009		Gain or (loss) Recognized in Income (Loss)	
	Balance Sheet Location	Fair Value	Statement of Operations Location	Year Ended Sept. 30, 2009
Commodity Contracts	Accounts Receivable	\$ 51	Cost of Sales	\$(83)
	Accounts Payable	\$(134)		
	As of September 30, 2010		Gain or (loss) Recognized in Income (Loss)	
	Balance Sheet Location	Fair Value	Statement of Operations Location	Year Ended Sept. 30, 2010
Commodity Contracts	Accounts Receivable	\$—	Cost of Sales	\$(185)
	Accounts Payable	\$—		

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

Note 17 Fair Value Measurements

On October 1, 2008, the Company adopted guidance for assets and liabilities measured at fair value on a recurring basis. This guidance does not apply to non-financial assets and non-financial liabilities, except those that are recognized or disclosed in the financial statements at fair value at least annually until October 1, 2009. This guidance establishes a framework for measuring fair value, clarifies the definition of

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

Note 17 Fair Value Measurements (Continued)

fair value within that framework and expands disclosures about the use of fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability.

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

- Level 1—Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2—Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or financial instruments for which significant inputs are observable, either directly or indirectly; and
- Level 3—Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

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

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

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

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

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

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company 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 September 30, 2010 in providing reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the U.S. Securities and Exchange Commission, including to ensure that information required to be disclosed by the Company that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and financial officers, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

During the fourth quarter of fiscal 2010 there were no changes in the Company's internal controls over financial reporting or in other factors that have or are reasonably likely to materially affect these controls.

Management's Annual Report on Internal Control Over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting (as defined by Exchange Act rules 13a-15(f) and 15d-15(f)) for the Company. With the participation of the Chief Executive Officer and Chief Financial Officer, our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework and criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations (COSO) of The Treadway Commission. Based on our assessment, management has concluded that, as of September 30, 2010, the Company's internal control over financial reporting is effective based on those criteria.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective may not prevent or detect misstatements and can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's effectiveness of internal control over financial reporting as of September 30, 2010 has been audited by Deloitte and Touche LLP, an independent registered public accounting firm, and Deloitte & Touche has issued a report on the Company's internal control over financial reporting.

Mark Comerford
President & Chief Executive Officer
November 18, 2010

Marcel Martin
Chief Financial Officer
November 18, 2010

Item 9B. Other Information

None.

Part III

Item 10. Directors, Executive Officers and Corporate Governance.

The information included under the caption “Business—Executive Officers” in this Form 10-K, and under the captions “Election of Directors”, “Section 16(a) Beneficial Ownership Reporting Compliance”, “Corporate Governance—Code of Ethics”, “Corporate Governance—Corporate Governance Committee and Director Nominations”, “Corporate Governance—Committee Structure”, and “Corporate Governance—Independence of the Board of Directors and Committee Members” in the Proxy Statement is incorporated herein by reference.

Item 11. Executive Compensation.

The information included under the captions “Executive Compensation”, “Corporate Governance—Compensation Committee Interlocks and Insider Participation” and “Corporate Governance—Director Compensation Program” in the Proxy Statement is incorporated herein by reference in response to this item.

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

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

Equity Compensation Plan Information

The following table provides information as of September 30, 2010 regarding shares of the Company’s common stock issuable pursuant to its stock option and restricted stock plans:

<u>Plan Category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights</u>	<u>Weighted-average exercise price of outstanding options, warrants and rights</u>	<u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the second column)</u>
Equity compensation plans approved by security holders ⁽¹⁾	394,321	\$38.25	561,600 ⁽²⁾

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

⁽²⁾ Includes (i) 255,900 stock options which are exercisable for one share of common stock, and (ii) 305,700 shares of restricted stock.

Item 13. Certain Relationships and Related Transactions.

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

There are no transactions since the beginning of fiscal 2010, or any currently proposed transaction in which the Company is or was a participant in which any “related person”, within the meaning of Section 404(a) of Regulation S-K under the Securities Act of 1933, had or will have a material interest. The information contained under the caption “Corporate Governance—Independence of Board of Directors and Committee Members” in the Proxy Statement is incorporated herein by reference in response to this item.

Item 14. Principal Accountant Fees and Services.

The information included under the caption “Independent Registered Accounting Firm” in the Proxy Statement is incorporated herein by reference in response to this item.

Part IV

Item 15. Exhibits, Financial Statement Schedules

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

1. *Financial Statements:*

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

2. *Financial Statement Schedules:*

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

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

(c) *Financial Statement Schedules:* None

SIGNATURES

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

HAYNES INTERNATIONAL, INC.

By: /s/ MARK COMERFORD

Mark Comerford
President and Chief Executive Officer
Date: November 18, 2010

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

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ MARK COMERFORD</u> Mark Comerford	President and Chief Executive Officer; Director (Principal Executive Officer)	November 18, 2010
<u>/s/ MARCEL MARTIN</u> Marcel Martin	Chief Financial Officer (Principal Financial Officer)	November 18, 2010
<u>/s/ DAN MAUDLIN</u> Dan Maudlin	Controller and Chief Accounting Officer (Principal Accounting Officer)	November 18, 2010
<u>/s/ JOHN C. COREY</u> John C. Corey	Chairman of the Board, Director	November 18, 2010
<u>/s/ PAUL J. BOHAN</u> Paul J. Bohan	Director	November 18, 2010
<u>/s/ DONALD C. CAMPION</u> Donald C. Campion	Director	November 18, 2010
<u>/s/ ROBERT H. GETZ</u> Robert H. Getz	Director	November 18, 2010

<u>Signature</u>	<u>Title</u>	<u>Date</u>
/s/ TIMOTHY J. MCCARTHY _____ Timothy J. McCarthy	Director	November 18, 2010
/s/ WILLIAM P. WALL _____ William P. Wall	Director	November 18, 2010

INDEX TO EXHIBITS	
<u>Exhibit Number</u>	<u>Description</u>
3.1	Restated Certificate of Incorporation of Haynes International, Inc. (reflecting all amendments through October 31, 2009) (incorporated by reference to Exhibit 3.1 to the Haynes International, Inc. Registration Statement on Form S-1, Registration No. 333-140194).
3.2	Amended and Restated By-laws of Haynes International, Inc. (incorporated by reference to Exhibit 3.2 to the Haynes International, Inc. Registration Statement on Form S-1, Registration No. 333-140194).
4.1	Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.1 to the Haynes International, Inc. Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2009).
4.2	Restated Certificate of Incorporation of Haynes International, Inc. (incorporated by reference to Exhibit 3.1 hereof).
4.3	Amended and Restated By-laws of Haynes International, Inc. (incorporated by reference to Exhibit 3.2 hereof).
10.1	Form of Termination Benefits Agreements by and between Haynes International, Inc. and certain of its employees (incorporated by reference to Exhibit 10.1 to the Haynes International, Inc. Registration Statement on Form S-1, Registration No. 333-140194).
10.2	Haynes International, Inc. Death Benefit Plan, effective January 1, 2003 (incorporated by reference to Exhibit 10.2 to the Haynes International, Inc. Registration Statement on Form S-1, Registration No. 333-140194).
10.3	Amendment No. One to the Haynes International, Inc. Death Benefit Plan, dated August 30, 2004 (incorporated by reference to Exhibit 10.3 to the Haynes International, Inc. Registration Statement on Form S-1, Registration No. 333-140194).
10.4	Haynes International, Inc. Supplemental Executive Retirement Plan, Plan Document effective January 1, 2002 (incorporated by reference to Exhibit 10.4 to the Haynes International, Inc. Registration Statement on Form S-1, Registration No. 333-140194).
10.5	Amendment No. One to the Haynes International, Inc. Supplemental Executive Retirement Plan, dated August 30, 2004 (incorporated by reference to Exhibit 10.5 to the Haynes International, Inc. Registration Statement on Form S-1, Registration No. 333-140194).
10.6	Haynes International Inc. Supplemental Executive Retirement Plan(s), Master Trust Agreement, effective January 1, 2003 (incorporated by reference to Exhibit 10.6 to the Haynes International, Inc. Registration Statement on Form S-1, Registration No. 333-140194).
10.7	Amendment No. One to the Master Trust Agreement, dated August 30, 2004 (incorporated by reference to Exhibit 10.7 to the Haynes International, Inc. Registration Statement on Form S-1, Registration No. 333-140194).
10.08	Second Amended and Restated Loan and Security Agreement by and among Haynes International, Inc., Haynes Wire Company, the Lenders (as defined therein), Wachovia Capital Finance Corporation (Central), as agent for the Lenders, and Bank One, N.A., as documentation agent, dated November 18, 2008 (incorporated by reference to Exhibit 10.10 to Haynes International, Inc. Annual Report on Form 10-K for the fiscal year ended September 30, 2008).
10.09	Form of Director Indemnification Agreement between Haynes International, Inc. and certain of its directors named in the schedule to the Exhibit (incorporated by reference to Exhibit 10.21 to the Haynes International, Inc. Registration Statement on Form S-1, Registration No. 333-140194).

Exhibit Number	Description
10.10	Conversion Services Agreement by and between the Company and Titanium Metals Corporation, dated November 17, 2006 (incorporated by reference to Exhibit 10.22 to the Haynes International, Inc. Registration Statement on Form S-1, Registration No. 333-140194). Portions of this exhibit have been omitted pursuant to a request for confidential treatment and filed separately with the Securities and Exchange Commission.
10.11	Access and Security Agreement by and between the Company and Titanium Metals Corporation, dated November 17, 2006 (incorporated by reference to Exhibit 10.23 to the Haynes International, Inc. Registration Statement on Form S-1, Registration No. 333-140194).
10.12	Haynes International, Inc. 2007 Stock Option Plan as adopted by the Board of Directors on January 18, 2007 (incorporated by reference to Exhibit 10.25 to the Haynes International, Inc. Registration Statement on Form S-1, Registration No. 333-140194).
10.13	Form of Non-Qualified Stock Option Agreement to be used in conjunction with grants made pursuant to the Haynes International, Inc. 2007 Stock Option Plan (incorporated by reference to Exhibit 10.26 to the Haynes International, Inc. Registration Statement on Form S-1, Registration No. 333-140194).
10.14	Second Amended and Restated Haynes International, Inc. Stock Option Plan as adopted by the Board of Directors on January 22, 2007 (incorporated by reference to Exhibit 10.27 to the Haynes International, Inc. Registration Statement on Form S-1, Registration No. 333-140194).
10.15	Form of Non-Qualified Stock Option Agreements between Haynes International, Inc. and certain of its executive officers and directors named in the schedule to the Exhibit pursuant to the Haynes International, Inc. Second Amended and Restated Stock Option Plan (incorporated by reference to Exhibit 10.28 to the Haynes International, Inc. Registration Statement on Form S-1, Registration No. 333-140194).
10.16	Indemnification Agreement with Anastacia S. Kilian (incorporated by reference to Exhibit 10.31 to the Haynes International, Inc. Registration Statement on Form S-1, Registration No. 333-140194).
10.17	Employment Agreement by and between Haynes International, Inc. and Mark Comerford dated September 8, 2008 (incorporated by reference to Exhibit 10.21 to Haynes International, Inc. Annual Report on Form 10-K for the fiscal year ended September 30, 2008).
10.18	Non-Qualified Stock Option Agreement by and between Haynes International, Inc. and Mark Comerford, dated October 1, 2008 (incorporated by reference to Exhibit 10.2 to Haynes International, Inc. Form 8-K filed October 7, 2008).
10.19	Amendment No. 1 to Executive Employment Agreement by and between Haynes International, Inc. and Mark Comerford, dated August 6, 2009 (incorporated by reference to Exhibit 10.1 to the Haynes International, Inc. Form 8-K filed August 7, 2009).
10.20	Haynes International, Inc. 2009 Restricted Stock Plan (incorporated by reference to Exhibit 10.02 to the Haynes International, Inc. Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2009).
10.21	Summary of 2010 Management Incentive Plan (incorporated by reference to Item 5.02 of the Haynes International, Inc. Form 8-K filed October 23, 2009).
21.1**	Subsidiaries of the Registrant.
23.1**	Consent of Deloitte & Touche LLP.
31.1**	Rule 13a-14(a)/15d-4(a) Certification of Chief Executive Officer
31.2**	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
32.1**	Section 1350 Certifications

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** Filed herewith

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