UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2018

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**

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of August 2, 2018, the registrant had 12,509,153 shares of Common Stock, $.001 par value, outstanding.

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PART 1 FINANCIAL INFORMATION

Item 1. Unaudited Condensed Consolidated Financial Statements

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

	September 30, 2017	June 30, 2018 (Unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 46,328	$ 14,579
Accounts receivable, less allowance for doubtful accounts of $620 and $1,201 at September 30, 2017 and June 30, 2018, respectively	61,602	66,839
Inventories	244,457	271,666
Income taxes receivable	—	6,450
Other current assets	2,781	2,243
Total current assets	355,168	361,777
Property, plant and equipment, net	192,556	183,693
Deferred income taxes	58,133	35,937
Other assets	5,107	5,597
Goodwill	4,789	4,789
Other intangible assets, net	6,066	5,671
Total assets	$ 621,819	$ 597,464
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 32,802	$ 37,546
Accrued expenses	14,108	16,297
Income taxes payable	195	—
Accrued pension and postretirement benefits	5,095	5,095
Deferred revenue—current portion	2,500	2,500
Total current liabilities	54,700	61,438
Long-term obligations (less current portion) (Note 14)	7,896	8,558
Deferred revenue (less current portion)	20,329	18,454
Deferred income taxes	1,741	1,741
Accrued pension benefits (less current portion)	90,957	87,378
Accrued postretirement benefits (less current portion)	112,424	113,181
Total liabilities	288,047	290,750
Commitments and contingencies (Note 6)	—	—
Stockholders' equity:		
Common stock, $0.001 par value (40,000,000 shares authorized, 12,544,933 and 12,551,266 shares issued and 12,509,757 and 12,509,153 shares outstanding at September 30, 2017 and June 30, 2018, respectively)	13	13
Preferred stock, $0.001 par value (20,000,000 shares authorized, 0 shares issued and outstanding)	—	—
Additional paid-in capital	248,733	250,653
Accumulated earnings	159,366	127,213
Treasury stock, 35,176 shares at September 30, 2017 and 42,113 shares at June 30, 2018	(1,646)	(1,869)
Accumulated other comprehensive loss	(72,694)	(69,296)
Total stockholders' equity	333,772	306,714
Total liabilities and stockholders' equity	$ 621,819	$ 597,464

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

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

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2018	Nine Months Ended June 30, 2017	Nine Months Ended June 30, 2018
Net revenues	$ 97,977	$ 113,114	$ 294,444	$ 313,013
Cost of sales	94,315	99,844	270,507	281,281
Gross profit	3,662	13,270	23,937	31,732
Selling, general and administrative expense	10,564	13,686	31,417	36,740
Research and technical expense	941	1,018	2,875	2,871
Operating income (loss)	(7,843)	(1,434)	(10,355)	(7,879)
Interest income	(54)	(18)	(155)	(53)
Interest expense	234	228	639	687
Income (loss) before income taxes	(8,023)	(1,644)	(10,839)	(8,513)
Provision for (benefit from) income taxes	(4,056)	(2,357)	(4,310)	15,368
Net income (loss)	$ (3,967)	$ 713	$ (6,529)	$ (23,881)
Net income (loss) per share:				
Basic	$ (0.32)	$ 0.06	$ (0.53)	$ (1.93)
Diluted	$ (0.32)	$ 0.06	$ (0.53)	$ (1.93)
Weighted Average Common Shares Outstanding				
Basic	12,401	12,422	12,394	12,419
Diluted	12,401	12,430	12,394	12,419
Dividends declared per common share	$ 0.22	$ 0.22	$ 0.66	$ 0.66

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

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2017	2018	2017	2018
Net income (loss)	$ (3,967)	$ 713	$ (6,529)	$ (23,881)
Other comprehensive income (loss), net of tax:				
Pension and postretirement	2,580	1,948	7,739	4,564
Foreign currency translation adjustment	2,642	(3,999)	451	(1,166)
Other comprehensive income (loss)	5,222	(2,051)	8,190	3,398
Comprehensive income (loss)	$ 1,255	$ (1,338)	$ 1,661	$ (20,483)

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

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

	Nine Months Ended June 30,	
	2017	2018
Cash flows from operating activities:		
Net income (loss)	$ (6,529)	$ (23,881)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	15,980	17,244
Amortization	369	395
Pension and post-retirement expense - U.S. and U.K.	17,557	10,693
Stock compensation expense	1,561	1,920
Deferred revenue	(6,863)	(1,875)
Deferred income taxes	(4,098)	20,588
Loss on disposition of property	452	132
Change in assets and liabilities:		
Restricted cash	5,446	—
Accounts receivable	675	(5,591)
Inventories	(10,678)	(27,937)
Other assets	259	40
Accounts payable and accrued expenses	9,257	9,080
Income taxes	(3,188)	(6,632)
Accrued pension and postretirement benefits	(8,352)	(7,362)
Net cash provided by (used in) operating activities	11,848	(13,186)
Cash flows from investing activities:		
Additions to property, plant and equipment	(14,059)	(9,785)
Net cash provided by (used in) investing activities	(14,059)	(9,785)
Cash flows from financing activities:		
Dividends paid	(8,257)	(8,261)
Payment for purchase of treasury stock	(266)	(223)
Payments on long-term obligation	(111)	(140)
Net cash provided by (used in) financing activities	(8,634)	(8,624)
Effect of exchange rates on cash	25	(154)
Increase (decrease) in cash and cash equivalents:	(10,820)	(31,749)
Cash and cash equivalents:		
Beginning of period	59,297	46,328
End of period	$ 48,477	$ 14,579
Supplemental disclosures of cash flow information:		
Interest (net of capitalized interest)	$ 595	$ 643
Income taxes paid (refunded), net	$ 3,429	$ 1,407
Capital expenditures incurred, but not yet paid	$ 789	$ 715

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

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

Note 1. Basis of Presentation

Interim Financial Statements

The accompanying unaudited condensed interim consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"), and such principles are applied on a basis consistent with information reflected in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2017 filed with the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to the rules and regulations promulgated by the SEC related to interim financial statements. In the opinion of management, the interim financial information includes all adjustments and accruals which are necessary for a fair presentation of results for the respective interim periods. The results of operations for the three and nine months ended June 30, 2018 are not necessarily indicative of the results to be expected for the full fiscal year ending September 30, 2018 or any interim period.

Principles of Consolidation

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

Note 2. Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The objective of the update is to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2015-14 deferred the effective date of the update to annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. The Company has chosen to implement this standard on a modified retrospective basis beginning on October 1, 2019 and is in the process of evaluating the impact on the financial statements, if any.

In July 2015, the FASB issued ASU 2015-11, *Inventory (Topic 330)*. The objective of this update is to simplify the measurement of inventory valuation at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. It is effective for annual reporting periods beginning after December 15, 2016 and interim periods within fiscal years beginning after December 15, 2017. The Company adopted these changes in the first quarter of fiscal 2018, which did not result in a material impact to the Company's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This new guidance will require that a lessee recognize assets and liabilities on the balance sheet for all leases with a lease term of more than twelve months, with the result being the recognition of a right of use asset and a lease liability. The new lease accounting requirements are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact of the new guidance on its consolidated financial statements.

In March 2017, the FASB issued ASU 2017-07, *Compensation – Retirement Benefits (Topic 715)*. This new guidance requires entities to (1) disaggregate the service cost component from the other components of net benefit cost and present it with other current compensation costs for related employees in the income statement and (2) present the other components elsewhere in the income statement and outside of income from operations if that subtotal is presented. In addition, the ASU requires entities to disclose the income statement lines that contain the other components if they are not presented on appropriately described separate lines. This new guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those annual periods, with early adoption permitted. The Company is currently evaluating the impact of the new guidance on its consolidated financial statements.

Note 3. Inventories

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

	September 30, 2017	June 30, 2018
Raw Materials	$ 18,731	$ 18,983
Work-in-process	130,019	148,472
Finished Goods	94,331	102,594
Other	1,376	1,617
	$ 244,457	$ 271,666

Note 4. Income Taxes

On December 22, 2017, the United States enacted the Tax Cuts and Jobs Act ("the Act"), which made significant changes to U.S. federal income tax law including, among other things, lowering corporate income tax rates, permitting bonus depreciation that will allow for full expensing of qualified property and imposing a repatriation tax on deemed repatriated earnings of foreign subsidiaries. Beginning October 1, 2017 and continuing through September 30, 2018, the Company's U.S. income will be taxed at a 24.5% federal tax rate after which time the federal tax rate applicable to the Company will be lowered to 21.0%. Deferred tax assets beginning as of December 31, 2017 were revalued to the lower statutory rates of 24.5% or 21.0%, depending upon the projected timing of the reversal of those assets. The estimated impact of the revaluation of the deferred tax assets has resulted in increased tax expense in the first nine months of fiscal 2018 of $18,181. This amount was recorded as a discrete accounting adjustment and will be adjusted throughout the remainder of fiscal 2018 as the timing of the reversal of deferred tax assets becomes known. Other components of the Act, such as the transition tax applied on accumulated earnings and profits of controlled foreign corporations, have not been included in income tax expense as the impact, if any, cannot reasonably be determined at this time. An analysis of accumulated earnings and foreign tax credit pools must be completed before this amount can be determined.

Income tax expense for the three and nine months ended June 30, 2017 and 2018 differed from the U.S. federal statutory rates of 35% and 24.5%, respectively, primarily due to state income taxes, differing tax rates on foreign earnings and discrete tax items that impacted income tax expense in these periods. Current period tax expense was favorably impacted due to a lower statutory rate that was applied against a year-to-date pre-tax loss of $(8,513) which resulted in a higher tax benefit. The effective tax rate for the three months ended June 30, 2018 was 143.4% compared to 50.6% in the same period of fiscal 2017. The effective tax rate for the nine months ended June 30, 2018 was (180.5)% compared to 39.8% in the same period of fiscal 2017.

As the Company's estimated effective tax rate projected for the fiscal 2018 is highly sensitive to changes in estimates of total ordinary income (loss) by jurisdiction, the Company recorded tax expense using the actual effective tax rate for the nine months ended June 30, 2018.

Note 5. Pension and Post-retirement Benefits

Components of net periodic pension and post-retirement benefit cost for the three and nine months ended June 30, 2017 and 2018 were as follows:

	Three Months Ended June 30,				Nine Months Ended June 30,			
	Pension Benefits		Other Benefits		Pension Benefits		Other Benefits	
	2017	2018	2017	2018	2017	2018	2017	2018
Service cost	$ 1,571	$ 1,385	$ 87	$ 83	$ 4,712	$ 4,153	$ 261	$ 251
Interest cost	2,712	2,530	1,073	1,078	7,853	7,761	3,219	3,234
Expected return	(3,699)	(3,508)	—	—	(10,702)	(10,807)	—	—
Amortizations	3,029	1,268	1,070	750	9,004	3,851	3,210	2,250
Net periodic benefit cost	$ 3,613	$ 1,675	$ 2,230	$ 1,911	$ 10,867	$ 4,958	$ 6,690	$ 5,735

The Company contributed $4,500 to Company-sponsored domestic pension plans, $2,727 to its other post-retirement benefit plans and $594 to the U.K. pension plan for the nine months ended June 30, 2018. The Company expects to make future contributions of $3,500 to its U.S. pension plan, $2,273 to its other post-retirement benefit plan and $210 to the U.K. pension plan for the remainder of fiscal 2018.

Note 6. Legal, Environmental and Other Contingencies

Legal

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

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

Environmental

The Company has received permits from the Indiana Department of Environmental Management and the North Carolina Department of Environment and Natural Resources to close and provide post closure environmental monitoring and care for certain areas of its Kokomo, Indiana and Mountain Home, North Carolina facilities, respectively.

The Company is required to, among other things, 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 testing and corrective action by the Company could be required. The Company is unable to estimate the costs of any further corrective action at these sites, if required. Accordingly, the Company cannot assure that the costs of any future corrective action at these, or any other current or former sites, would not have a material effect on the Company's financial condition, results of operations or liquidity.

As of September 30, 2017 and June 30, 2018, the Company has accrued $633 for post-closure monitoring and maintenance activities, of which $531 was included in long-term obligations as it is not due within one year. Accruals for these costs are calculated by estimating the annual cost to monitor and maintain each post-closure site and multiplying that amount by the number of years remaining in the post-closure monitoring period.

Expected expenditures for post-closure monitoring and maintenance activities (discounted) were as follows at June 30, 2018.

2019	$	54
2020		52
2021		60
2022		50
2023 and thereafter		315
	$	531

On February 11, 2016, the Company voluntarily reported to the Louisiana Department of Environmental Quality a leak that it discovered in one of its chemical cleaning operations at its Arcadia, Louisiana facility. As a result of the discovery, the Company is working with that department to determine the extent of the issue and appropriate remediation.

Note 7. Deferred Revenue

On November 17, 2006, the Company entered into a twenty-year agreement to provide conversion services ("Conversion Services Agreement") to Titanium Metals Corporation ("TIMET") for up to ten million pounds of titanium metal annually. TIMET paid the Company a $50,000 up-front fee and will also pay the Company for its processing services during the term of the agreement (20 years) at prices established by the terms of the agreement. TIMET may exercise an option to have ten million additional pounds of titanium converted annually, provided that it offers to loan up to $12,000 to the Company for certain capital expenditures which may be required to expand capacity. In addition to the volume commitment, the Company has granted TIMET a first priority security interest in its four-high Steckel rolling mill, along with rights of access if the Company enters into bankruptcy or defaults on any financing arrangements.

The Company has agreed not to manufacture titanium products (other than cold reduced titanium tubing). The Company has also agreed not to provide titanium hot-rolling 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 liquidated damages of $25.0 million and the Company being required to return the unearned portion of the up-front fee. The Company considered each provision and the likelihood of the occurrence of a default that would result in liquidated damages. Based on the nature of the events that could trigger the liquidated damages clause, and the availability of the cure periods set forth in the agreement, the Company determined and continues to believe that none of these circumstances are reasonably likely to occur. Therefore, events resulting in liquidated damages have not been factored in as a reduction to the amount of revenue recognized over the life of the contract. The cash received of $50,000 is recognized in income on a straight-line basis over the 20-year term of the agreement. If an event of default occurred and was not cured within any applicable grace period, the Company would recognize the impact of the liquidated damages in the period of default and re-evaluate revenue recognition under the contract for future periods. The portion of the up-front fee not recognized in income is shown as deferred revenue on the consolidated balance sheet.

Note 8. Goodwill and Other Intangible Assets, Net

The Company has goodwill, patents, trademarks, customer relationships and other intangibles. As the patents and customer relationships have a definite life, they are amortized over lives ranging from two to sixteen years. The Company reviews patents and customer relationships for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the assets is measured by a comparison of the carrying amount of the asset to the discounted 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.

Goodwill and trademarks (indefinite lived) are tested for impairment at least annually as of January 31 for goodwill and August 31 for trademarks (the annual impairment testing dates), or more frequently if impairment indicators exist. If the carrying value of a trademark exceeds its fair value (determined using an income approach, based upon a discounted cash flow of an assumed royalty rate), impairment of the trademark may exist resulting in a charge to earnings to the extent of the impairment. The impairment test for goodwill is performed by comparing the fair value of a reporting unit with its carrying amount and recognizing an impairment loss in the event that the carrying amount is greater than the fair value. Any goodwill impairment loss recognized would not exceed the total carrying amount of goodwill allocated to that reporting unit. No impairment has been recognized as of June 30, 2018.

During the first nine months of fiscal 2018, there were no changes in the carrying amount of goodwill.

Amortization of customer relationships, patents, non-competes and other intangibles was $124 and $131 for the three-month periods ended June 30, 2017 and 2018, respectively, and $369 and $395 for the nine-month periods ended June 30, 2017 and 2018, respectively. The following represents a summary of intangible assets at September 30, 2017 and June 30, 2018.

September 30, 2017	**Gross Amount**	**Accumulated Amortization**	**Carrying Amount**
Patents	$ 4,030	$ (3,656)	$ 374
Trademarks	3,800	—	3,800
Customer relationships	2,100	(426)	1,674
Other	291	(73)	218
	$ 10,221	$ (4,155)	$ 6,066

June 30, 2018	**Gross Amount**	**Accumulated Amortization**	**Carrying Amount**
Patents	$ 4,030	$ (3,896)	$ 134
Trademarks	3,800	—	3,800
Customer relationships	2,100	(538)	1,562
Other	291	(116)	175
	$ 10,221	$ (4,550)	$ 5,671

Estimated future Aggregate Amortization Expense: Year Ended September 30,	
2018	$ 132
2019	256
2020	198
2021	180
2022	133
Thereafter	972

Note 9. Net Income (Loss) Per Share

The Company accounts for earnings per share using the two-class method. The two-class method is an earnings allocation that determines net income per share for each class of common stock and participating securities according to participation rights in undistributed earnings. Non-vested restricted stock awards that include non-forfeitable rights to dividends are considered participating securities. Per share amounts are computed by dividing net income attributable to common stockholders by the weighted average shares outstanding during each period. Basic earnings per share is computed by dividing net income available to common stockholders for the period by the weighted average number of common shares outstanding for the period. The computation of diluted earnings per share is similar to basic earnings 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.

The following table sets forth the computation of basic and diluted earnings (losses) per share for the periods indicated:

	Three Months Ended June 30,		Nine Months Ended June 30,	
(in thousands, except share and per share data)	2017	2018	2017	2018
Numerator: Basic and Diluted				
Net income (loss)	$ (3,967)	$ 713	$ (6,529)	$ (23,881)
Dividends paid and accrued	(2,752)	(2,756)	(8,257)	(8,272)
Undistributed income (loss)	(6,719)	(2,043)	(14,786)	(32,153)
Percentage allocated to common shares [a]	100.0 %	100.0 %	100.0 %	100.0 %
Undistributed income (loss) allocated to common shares	(6,719)	(2,043)	(14,786)	(32,153)
Dividends paid on common shares outstanding	2,725	2,731	8,176	8,196
Net income (loss) available to common shares	(3,994)	688	(6,610)	(23,957)
Denominator: Basic and Diluted				
Weighted average common shares outstanding	12,400,522	12,422,485	12,394,350	12,418,579
Adjustment for dilutive potential common shares	—	7,144	—	—
Weighted average shares outstanding - Diluted	12,400,522	12,429,629	12,394,350	12,418,579
Basic net income (loss) per share	$ (0.32)	$ 0.06	$ (0.53)	$ (1.93)
Diluted net income (loss) per share	$ (0.32)	$ 0.06	$ (0.53)	$ (1.93)
Number of stock option shares excluded as their effect would be anti-dilutive	299,667	316,776	314,834	333,443
Number of restricted stock shares excluded as their effect would be anti-dilutive	107,210	86,668	108,068	94,013
Number of deferred restricted stock shares excluded as their effect would be anti-dilutive	—	16,550	—	16,550
Number of performance share awards excluded as their effect would be anti-dilutive	14,250	24,045	14,250	39,008
[a] Percentage allocated to common shares - Weighted average				
Common shares outstanding	12,400,522	12,422,485	12,394,350	12,418,579
Unvested participating shares	—	—	—	—
	12,400,522	12,422,485	12,394,350	12,418,579

Note 10. Stock-Based Compensation

Restricted Stock

On February 23, 2009, the Company adopted a restricted stock plan that reserved 400,000 shares of common stock for issuance. Additionally, on March 1, 2016, the Company adopted the 2016 Incentive Compensation Plan which provides for grants of restricted stock, restricted stock units and performance shares, among other awards. Up to 275,000 shares of restricted stock, restricted stock units and performance shares may be granted in the aggregate under this plan. Following the adoption of the 2016 Incentive Compensation Plan, the Company ceased granting awards from the 2009 restricted stock plan, although awards remain outstanding thereunder.

Grants of restricted stock are comprised of shares of the Company's common stock subject to transfer restrictions, which vest in accordance with the terms and conditions established by the Compensation Committee. The Compensation Committee may set vesting requirements based on the achievement of specific performance goals or the passage of time.

Restricted shares are subject to forfeiture if employment or service terminates prior to the vesting date or if any applicable performance goals are 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 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, which is determined based upon the closing price of the Company's common stock on the trading date immediately preceding 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.

The shares of time-based restricted stock granted to employees vest on the third anniversary of their grant date if the recipient is still an employee of the Company on such date. The shares of restricted stock granted to non-employee directors will vest on the earlier of (a) the first 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. In connection with Michael L. Shor's appointment as interim President and Chief Executive Officer of the Company during the third quarter of fiscal 2018, the Company granted Mr. Shor 5,000 shares of restricted stock. The restricted stock will vest upon the earlier to occur of the completion of Mr. Shor's tenure as interim President and Chief Executive Officer or one year from the grant date.

The following table summarizes the activity under the 2009 restricted stock plan and the 2016 Incentive Compensation Plan with respect to restricted stock for the nine months ended June 30, 2018:

	Number of Shares	Weighted Average Fair Value At Grant Date
Unvested at September 30, 2017	107,210	$ 41.36
Granted	36,750	$ 33.23
Forfeited / Canceled	(30,417)	$ 40.43
Vested	(26,875)	$ 44.51
Unvested at June 30, 2018	86,668	$ 37.26
Expected to vest	74,705	$ 37.18

Compensation expense related to restricted stock for the three months ended June 30, 2017 and 2018 was $130 and $220, respectively and for the nine months ended June 30, 2017 and 2018 was $997 and $787, respectively. The remaining unrecognized compensation expense related to restricted stock at June 30, 2018 was $1,170, to be recognized over a weighted average period of 0.85 years. During the first quarter of fiscal 2018, the Company repurchased 6,937 shares of stock from employees at an average purchase price of $32.23 to satisfy required withholding taxes upon vesting of restricted stock-based compensation.

Deferred Restricted Stock

On November 20, 2017, the Company adopted a deferred compensation plan that allows directors and officers the option to defer receipt of cash and stock compensation. On November 21, 2017, the Company granted shares of restricted stock out of the 2016 Incentive Compensation Plan in which elections were made by certain individuals to defer receipt to a future period. Those shares will vest in accordance with the parameters of the 2016 Incentive Compensation Plan, however, receipt of the shares and any corresponding dividends are deferred until the end of the deferral period. In the event the deferred shares are forfeited prior to the vesting date, deferred dividends pertaining to those shares are also forfeited. During the deferral period, the participants who elected to defer shares will not have voting rights with respect to those shares.

The following table summarizes the activity under the 2016 Incentive Compensation Plan with respect to deferred restricted stock for the nine months ended June 30, 2018.

	Number of Shares		Weighted Average Fair Value At Grant Date
Unvested at September 30, 2017	—	$	—
Granted	16,550	$	31.76
Unvested at June 30, 2018	16,550	$	31.76
Expected to vest	16,550	$	31.76

Compensation expense related to deferred restricted stock for the three months ended June 30, 2017 and 2018 was $0 and $131, respectively and for the nine months ended June 30, 2017 and 2018 was $0 and $307, respectively. The remaining unrecognized compensation expense related to restricted stock at June 30, 2018 was $219, to be recognized over a weighted average period of 0.42 years.

Performance Shares

On November 22, 2016 and November 21, 2017, the Company granted a target of 19,000 and 24,800, respectively, performance share awards to certain key employees. The number of performance shares that will ultimately be earned, as well as the number of shares that will be distributed in settling those earned performance shares, if any, will not be determined until the end of the performance period. Performance shares earned will depend on the calculated total shareholder return of the Company at the end of the three-year period ending September 30, 2019 and September 30, 2020, respectively, as compared to the total shareholder return of the Company's peer group, as defined by the Compensation Committee for this purpose. During the third quarter of fiscal 2017, a target amount of 11,910 performance share awards were forfeited. The fair value of the performance shares granted on November 22, 2016 and November 21, 2017 is $60.09 and $38.43, per share, respectively, which is estimated as of the date of the grant using a Monte Carlo simulation model. Compensation expense related to the performance shares for the three months ended June 30, 2017 and 2018 was $101 and $116, respectively, and for the nine months ended June 30, 2017 and 2018 was $235 and $430, respectively. The remaining unrecognized compensation expense related to performance shares at June 30, 2018 was $820, to be recognized over a weighted average period of 1.71 years.

Stock Options

The Company's 2016 Incentive Compensation Plan and its two previous stock option plans authorize, or formerly authorized, the granting of non-qualified stock options to certain key employees and non-employee directors for the purchase of a maximum of 1,925,000 shares of the Company's common stock. The first option plan was adopted in August 2004 and provided 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 the grant of options to purchase up to 500,000 shares of the Company's common stock. On March 1, 2016, the Company adopted the 2016 Incentive Compensation Plan which provides for grants of up to 425,000 stock options and stock appreciation rights. Following the adoption of the 2016 Incentive Compensation Plan, the Company ceased granting awards from its two previous stock option plans, although awards remain outstanding thereunder. 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 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. In connection with Michael L. Shor's appointment as interim President and Chief Executive Officer of the Company during the third quarter of fiscal 2018, the Company granted Mr. Shor an option to purchase 15,000 shares of the Company's common stock. The option will vest upon the earlier to occur of the completion of Mr. Shor's tenure as interim President and Chief Executive Officer or one year 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 option grants is 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 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 dividend yield assumption is based on the Company's history and expectations regarding dividend payouts at the time of the grant. The following assumptions were used for grants during fiscal years 2017 and 2018:

Grant Date	Fair Value	Dividend Yield	Risk-free Interest Rate	Expected Volatility	Expected Life
June 1, 2018	$ 13.92	2.07 %	2.68 %	41 %	5 years
November 21, 2017	$ 9.74	2.77 %	2.06 %	42 %	5 years
November 22, 2016	$ 11.50	2.15 %	1.79 %	37 %	5 years

The stock-based employee compensation expense for stock options for the three months ended June 30, 2017 and 2018 was $105 and $135, respectively, and for the nine months ended June 30, 2017 and 2018 was $329 and $396, respectively. The remaining unrecognized compensation expense at June 30, 2018 was $760, to be recognized over a weighted average vesting period of 0.94 years.

The following table summarizes the activity under the stock option plans and the 2016 Incentive Compensation Plan with respect to stock options for the nine months ended June 30, 2018 and provides information regarding outstanding stock options:

	Number of Shares	Aggregate Intrinsic Value (000s)	Weighted Average Exercise Prices	Weighted Average Remaining Contractual Life
Outstanding at September 30, 2017	425,326		$ 44.93	
Granted	72,550		$ 34.00	
Exercised	—		$ 0.00	
Canceled	(90,467)		$ 45.79	
Outstanding at June 30, 2018	407,409	$ 450	$ 43.72	5.92 yrs.
Vested or expected to vest	339,282	$ 440	$ 42.66	6.06 yrs.
Exercisable at June 30, 2018	316,776	$ 263	$ 44.51	5.07 yrs.

Note 11. Dividend

In the third quarter of fiscal 2018, the Company declared and paid a quarterly cash dividend. The dividend of $0.22 per outstanding share of the Company's common stock was paid June 15, 2018 to stockholders of record at the close of business on June 1, 2018. The dividend cash pay-out was $2,752 for the quarter based on the number of shares outstanding and $4 of dividends were recorded as deferred in accordance with the Deferred Compensation Plan. In the first nine months of fiscal 2018, dividends paid were $8,261 and dividends recorded as deferred were $11.

On August 2, 2018, the Company announced that the Board of Directors declared a regular quarterly cash dividend of $0.22 per outstanding share of the Company's common stock. The dividend is payable September 14, 2018 to stockholders of record at the close of business on August 31, 2018.

Note 12. Fair Value Measurements

The fair value hierarchy has three levels based on the inputs used to determine fair value.

- 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 fair value of cash and cash equivalents is determined using Level 1 information. The Company had no Level 2 or Level 3 assets or liabilities as of September 30, 2017 or June 30, 2018.

U.S. and international equities, fixed income and other investments held in the Company's pension plan are held in mutual funds and common / collective funds which are valued using net asset value (NAV) provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. These investments are not classified in the fair value hierarchy in accordance with guidance included in ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*.

Note 13. Changes in Accumulated Other Comprehensive Income (Loss) by Component

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, post-retirement and foreign currency translation adjustments, primarily caused by the strengthening of the US dollar against the British pound sterling, net of tax when applicable.

Accumulated Other Comprehensive Income (Loss)

	Three Months Ended June 30, 2017			
	Pension Plan	Postretirement Plan	Foreign Exchange	Total
Accumulated other comprehensive income (loss) as of March 31, 2017	$ (70,935)	$ (28,233)	$ (12,387)	$ (111,555)
Other comprehensive income (loss) before reclassifications	—	—	2,642	2,642
Amounts reclassified from accumulated other comprehensive income (loss)				
Amortization of Pension and Postretirement Plan items [a]	202	—	—	202
Actuarial losses [a]	2,809	1,070	—	3,879
Tax benefit	(1,107)	(394)	—	(1,501)
Net current-period other comprehensive income (loss)	1,904	676	2,642	5,222
Accumulated other comprehensive income (loss) as of June 30, 2017	$ (69,031)	$ (27,557)	$ (9,745)	$ (106,333)

	Three Months Ended June 30, 2018			
	Pension Plan	Postretirement Plan	Foreign Exchange	Total
Accumulated other comprehensive income (loss) as of March 31, 2018	$ (41,342)	$ (20,745)	$ (5,158)	$ (67,245)
Other comprehensive income (loss) before reclassifications	—	—	(3,999)	(3,999)
Amounts reclassified from accumulated other comprehensive income (loss)				
Amortization of Pension and Postretirement Plan items [a]	93	—	—	93
Actuarial losses [a]	1,222	749	—	1,971
Tax benefit	(75)	(41)	—	(116)
Net current-period other comprehensive income (loss)	1,240	708	(3,999)	(2,051)
Accumulated other comprehensive income (loss) as of June 30, 2018	$ (40,102)	$ (20,037)	$ (9,157)	$ (69,296)

	Nine Months Ended June 30, 2017			
	Pension Plan	Postretirement Plan	Foreign Exchange	Total
Accumulated other comprehensive income (loss) as of September 30, 2016	$ (74,742)	$ (29,585)	$ (10,196)	$ (114,523)
Other comprehensive income (loss) before reclassifications	—	—	451	451
Amounts reclassified from accumulated other comprehensive income (loss)				
Amortization of Pension and Postretirement Plan items [a]	606	—	—	606
Actuarial losses [a]	8,429	3,209	—	11,638
Tax benefit	(3,324)	(1,181)	—	(4,505)
Net current-period other comprehensive income (loss)	5,711	2,028	451	8,190
Accumulated other comprehensive income (loss) as of June 30, 2017	$ (69,031)	$ (27,557)	$ (9,745)	$ (106,333)

	Nine Months Ended June 30, 2018			
	Pension Plan	Postretirement Plan	Foreign Exchange	Total
Accumulated other comprehensive income (loss) as of September 30, 2017	$ (43,012)	$ (21,691)	$ (7,991)	$ (72,694)
Other comprehensive income (loss) before reclassifications	—	—	(1,166)	(1,166)
Amounts reclassified from accumulated other comprehensive income (loss)				
Amortization of Pension and Postretirement Plan items [a]	280	—	—	280
Actuarial losses [a]	3,666	2,249	—	5,915
Tax benefit	(1,036)	(595)	—	(1,631)
Net current-period other comprehensive income (loss)	2,910	1,654	(1,166)	3,398
Accumulated other comprehensive loss as of June 30, 2018	$ (40,102)	$ (20,037)	$ (9,157)	$ (69,296)

(a) These accumulated other comprehensive income components are included in the computation of net periodic pension cost.

Note 14. Long-term Obligations

On January 1, 2015, the Company entered into a capital lease agreement for the building that houses the assets and operations of LaPorte Custom Metal Processing. The capital asset and obligation are recorded at the present value of the minimum lease payments. The asset is included in Property, plant and equipment, net on the Consolidated Balance Sheet and is depreciated over the 20-year lease term. The long-term component of the capital lease obligation is included in Long-term obligations.

The Company entered into a twenty-year "build-to-suit" lease for a building that houses the assets and operations of the service center located in LaPorte, Indiana that was relocated from Lebanon, Indiana. During the first quarter of fiscal 2017, the Company took occupancy of the building. The Company retained substantially all of the construction risk and was deemed to be the owner of the facility for accounting purposes, even though it is not the legal owner. Construction costs incurred relative to the buildout of the facility of approximately $4,100 are included in Property, plant and equipment, net on the Consolidated Balance Sheet and are depreciated over the 20-year lease term. The Company accounts for the related build-to-suit liability as a financing obligation.

As of June 30, 2018, future minimum lease rental payments during each fiscal year applicable to the lease obligations were as follows.

2018	$ 164
2019	989
2020	994
2021	1,001
2022	1,012
Thereafter	13,678
Total minimum lease payments	17,838
Less amounts representing interest	(9,678)
Present value of net minimum lease payments	8,160
Less current obligation	(142)
Total long-term lease obligation	$ 8,018

The lease obligations are included in Long-term obligations (less current portion) on the Consolidated Balance Sheet.

	September 30, 2017	June 30, 2018
Capital lease rental payments	$ 4,275	$ 4,225
Finance lease rental payments	4,017	3,935
Environmental post-closure monitoring and maintenance activities	633	633
Less amounts due within one year	(1,029)	(235)
Long-term obligations (less current portion)	$ 7,896	$ 8,558

Note 15. Foreign Currency Forward Contracts

Beginning in the third quarter of fiscal 2018, the Company entered into foreign currency forward contracts. The purposes of these hedging contracts is to reduce income statement volatility resulting from foreign currency denominated transactions. The Company has not designated the contacts as hedges; therefore, changes in fair value are recognized in earnings. All of these contracts are designed to be settled within the same fiscal quarter they are entered into and, accordingly as of June 30, 2018, there are no contracts that remain unsettled. As a result, there is no impact to the balance sheet as of June 30, 2018. Foreign exchange hedging gains and losses are recorded within Selling, General and Administrative expenses on the Consolidated Statements of Operations along with foreign currency transactional gains and losses as follows.

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2017	2018	2017	2018
Foreign Currency Transactional Gain (Loss)	$ —	$ 899	$ —	$ 899
Foreign Exchange Forward Contract Gain (Loss)	—	(820)	—	(820)
Net gain (loss) included in Selling, General and administrative expense	$ —	$ 79	$ —	$ 79

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

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

This Quarterly Report on Form 10-Q (this "Form 10-Q") contains statements that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, each as amended. All statements other than statements of historical fact, including statements regarding market and industry prospects and future results of operations or financial position, made in this Form 10-Q are forward-looking. In many cases, you can identify forward-looking statements by terminology, such as "may", "should", "expects", "intends", "plans", "anticipates", "believes", "estimates", "predicts", "potential" or "continue" or the negative of such terms and other comparable terminology. The forward-looking information may include, among other information, statements concerning the Company's outlook for fiscal 2018 and beyond, overall volume and pricing trends, cost reduction strategies and their anticipated results, capital expenditures and dividends. There may also be other statements of expectations, beliefs, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. Readers are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties. Actual results may differ materially from those in the forward-looking statements as a result of various factors, many of which are beyond the Company's control.

The Company has based these forward-looking statements on its current expectations and projections about future events. Although the Company believes that the assumptions on which the forward-looking statements contained herein are based are reasonable, any of those assumptions could prove to be inaccurate. As a result, the forward-looking statements based upon those assumptions also could be incorrect. Risks and uncertainties may affect the accuracy of forward-looking statements. Some, but not all, of these risks are described in Item 1A. of Part 1 of the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2017.

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.

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 industrial 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, gas turbine engines, and industrial heating and heat treatment 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 the principal producers of high-performance alloy flat products in sheet, coil and plate forms, and sales of these forms, in the aggregate, represented approximately 59% of net product revenues in fiscal 2017. 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 12 service and/or sales centers in the United States, Europe and Asia. All of these centers are Company operated.

Dividends Paid and Declared

In the third quarter of fiscal 2018, the Company declared and paid a regular quarterly cash dividend of $0.22 per outstanding share of the Company's common stock. The dividend was paid on June 15, 2018 to stockholders of record at the close of business on June 1, 2018. The dividend cash pay-out in the second quarter was approximately $2.8 million based on the number of shares outstanding and equal to approximately $11.0 million on an annualized basis.

On August 2, 2018, the Company announced that the Board of Directors declared a regular quarterly cash dividend of $0.22 per outstanding share of the Company's common stock. The dividend is payable September 14, 2018 to stockholders of record at the close of business on August 31, 2018.

Capital Spending

During the first nine months of fiscal 2018, capital investment was $9.8 million, and total planned capital expenditures for fiscal 2018 are expected to be approximately $12.0 million.

Strategic Acquisition Activity

Growth through strategic acquisitions is an important part of the Company's overall strategy to increase shareholder value. During the third quarter of 2018, Company personnel were actively engaged in pursuing a potential strategic acquisition in which the Company invested substantial resources of time and effort, as well as legal fees and due diligence costs (including financial, tax and environmental diligence). The Company was not ultimately successful in entering into a definitive purchase agreement with respect to the proposed transaction, and the Company is not permitted to disclose further detail regarding the transaction due to the terms of a customary non-disclosure agreement. Costs incurred totaled to approximately $1.5 million and have been charged to expenses in the third quarter. Despite the outcome with respect to this transaction, the Company remains committed to pursuing alternative strategies to increase shareholder value and strengthen the Company.

CEO Transition

During the third quarter of fiscal 2018, Mark M. Comerford informed the Board of Directors of his intention to retire as President and Chief Executive Officer and a director of the Company. Effective as of May 29, 2018, the Board of Directors appointed Michael L. Shor as interim President and Chief Executive Officer of the Company. In connection with his appointment, Mr. Shor resigned as a member of the Corporate Governance and Nominating Committee of the Company's Board. Mr. Shor continues to serve in his role as Chairman of the Board. The independent members of the Board appointed Mr. William Wall to serve as lead independent director during Mr. Shor's tenure as interim President and Chief Executive Officer.

Mr. Shor has been a director of the Company since August 1, 2012. Mr. Shor retired as Executive Vice President—Advanced Metals Operations & Premium Alloys Operations of Carpenter Technology Corporation on July 1, 2011 after a thirty-year career with Carpenter. At Carpenter, Mr. Shor held managerial positions in technology, marketing and operations before assuming full responsibility for the performance of Carpenter's operating divisions. The Board believes Mr. Shor's extensive management experience, and specific specialty materials experience, well qualify him for his interim role as President and Chief Executive Officer and in his continuing role as Chairman of the Board.

In connection with Mr. Comerford's retirement, the Company entered into a Resignation and General Release Agreement (the "Retirement Agreement"). Under the Retirement Agreement, Mr. Comerford resigned from all positions he held as an officer or director of the Company or any of its subsidiaries and as a member of the Board effective as of May 29, 2018 (the "Resignation Date") and will serve as an advisor to the Chief Executive Officer of the Company until September 30, 2018. Between the Resignation Date and September 30, 2018, Mr. Comerford has and will continue to receive his base salary at the same rate as in effect on the Resignation Date and to participate in the employee health and welfare benefit plans offered by the Company to its employees, subject to the terms and conditions of such plans. In connection with Mr. Comerford's retirement, the Company recorded costs in the amount of $1.1 million as a charge to expense in the third quarter of fiscal 2018.

Impact of the Tax Cuts and Jobs Act on Deferred Tax Assets

On December 22, 2017, the Tax Cuts and Jobs Act (the "Act") was signed into law. Among other changes is a permanent reduction in the federal corporate income tax rate from 35% to 21%, which the Company expects will positively impact the Company's future effective tax rate and after-tax earnings in the United States. As a result of the Act, the Company's blended rate for fiscal 2018 is 24.5%. The Company may also be affected by certain other aspects of the Act, including, without limitation, provisions regarding repatriation of accumulated foreign earnings and deductibility of capital expenditures. The Company is in the process of determining the effect, if any, those provisions will have on the Company's financial results, and there can be no assurance of whether such additional effects will be positive or negative.

As a result of the reduction in the corporate income tax rate, the Company was required to revalue its net deferred tax asset to account for the future impact of lower corporate tax rates on this deferred amount and record any change in the value of such asset as a one-time non-cash charge on its income statement. This resulted in a discrete tax expense adjustment of $18.2 million which increased the Company's reported net loss for the first nine months of fiscal 2018.

Expansion of LaPorte, Indiana Operations

The Company announced on May 2, 2016 its decision to expand and streamline its distribution footprint by investing in new plant and equipment at its processing facility located in LaPorte, Indiana. In connection with the expansion, the Company has relocated its service center operations in Lebanon, Indiana to LaPorte. The project began in the first quarter of fiscal 2016 and was substantially completed by the end of the first quarter of fiscal 2018. During the first nine months of fiscal 2018, the Company expensed $1.5 million for costs related to the relocation, including but not limited to, physical relocation costs, employee retention costs and duplicate lease costs.

Volumes, Competition and Pricing

Overall volumes increased slightly to 4.8 million pounds in the third quarter of fiscal 2018 compared sequentially to the second quarter's 4.7 million pounds. Similar to the second quarter, solid volume increases in product shipped into the aerospace and chemical processing markets were partially offset by lower volume shipped into the industrial gas turbine market. The Company continues to increase utilization of its new cold-finished sheet and coil capability. The production rate for cold-finishing over the first nine months of fiscal 2018 was 17% higher than the same period of fiscal 2017. Volume shipped to the aerospace industry was 2.6 million pounds, which is a 19.8% increase over last fiscal year's third quarter and a 2.6% increase sequentially over the second quarter of fiscal 2018. In addition, volume shipped into the chemical processing market continues to improve, showing positive signs of a market recovery, with 1.0 million pounds shipped, an 18.6% increase over last fiscal year's third quarter, and a 1.8% increase sequentially over the second quarter of fiscal 2018. Specialty application projects shipped into the CPI market were at a moderately better level in the third quarter of fiscal 2018 compared to the second quarter. Conversely, volume shipped in the industrial gas turbine market declined to 0.6 million pounds, which is 38.5% lower than last fiscal year's third quarter, and 2.8% lower sequentially than the second quarter of fiscal 2018, as this market continues to suffer from weak demand particularly from the large industrial OEM customers. The overall volume of 4.8 million pounds in the third quarter of fiscal 2018 is still below the threshold of 5 million pounds which the Company expects would alleviate margin headwinds from unfavorable fixed costs absorption.

The product average selling price per pound in the third quarter of fiscal 2018 was $22.53, which is a 13.3% increase over last fiscal year's third quarter, and a 1.1% increase sequentially over the second quarter of fiscal 2018. The year-over-year increase was driven by moderately higher shipments of high-value specialty application projects, the effect of announced price increases and increases under many of the Company's long-term agreements with customers according to periodic adjustment clauses relating to the market price of certain raw materials, primarily nickel.

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

Net Revenue and Gross Profit Margin Performance:

Comparison by Quarter of Net Revenues, Gross Profit Margin and Gross Profit Margin Percentage for Fiscal 2017 and 2018

	Quarter Ended						
(dollars in thousands)	December 31, 2016	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017	March 31, 2018	June 30, 2018
Net Revenues	$ 93,355	$ 103,112	$ 97,977	$ 100,765	$ 89,693	$ 110,206	$ 113,114
Gross Profit Margin	$ 10,487	$ 9,788	$ 3,662	$ 5,773	$ 7,010	$ 11,452	$ 13,270
Gross Profit Margin %	11.2 %	9.5 %	3.7 %	5.7 %	7.8 %	10.4 %	11.7 %

The gross profit margins and gross profit margin percentage continued to recover in the third quarter of fiscal 2018 with gross margin dollars at $13.3 million and gross margin percentage at 11.7%, both higher than the previous six quarters. Improvement was largely attributable to better product mix, higher volumes and stronger pricing levels. Going into the fourth quarter, the previous headwind to margins, related to shipments of lower-value orders from the backlog that were taken in prior quarters, is expected to be largely alleviated.

Backlog

	Quarter Ended						
	December 31, 2016	March 31, 2016	June 30, 2017	September 30, 2017	December 31, 2017	March 31, 2018	June 30, 2018
Backlog[1]							
Dollars (in thousands)	$ 167,286	$ 170,848	$ 180,922	$ 177,300	$ 205,718	$ 212,312	$ 220,596
Pounds (in thousands)	6,795	6,960	7,496	6,453	8,073	7,764	7,646
Average selling price per pound	$ 24.62	$ 24.55	$ 24.14	$ 27.48	$ 25.48	$ 27.35	$ 28.85
Average nickel price per pound							
London Metals Exchange[2]	$ 5.00	$ 4.64	$ 4.05	$ 5.10	$ 5.18	$ 6.08	$ 6.85

(1) The Company defines backlog to include firm commitments from customers for delivery of product at established prices. There are orders in the backlog at any given time which include prices that are subject to adjustment based on changes in raw material costs, which can vary from approximately 30% - 50% of the orders. Historically, approximately 75% of the backlog orders have shipped within nine months and approximately 90% have shipped within 12 months. The backlog figures do not reflect that portion of the business conducted at service and sales centers on a spot or “just-in-time” basis.

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

Backlog was $220.6 million at June 30, 2018, an increase of $8.3 million, or 3.9%, from $212.3 million at March 31, 2018. Backlog pounds decreased during the third quarter of fiscal 2018 by 1.5%, primarily due the shipment of certain special projects. The average selling price increased to $28.85 per pound at June 30, 2018 from $27.35 per pound at March 31, 2018 reflecting the widespread price increases that took effect in the second quarter of fiscal 2018 and a higher-value mix of products. Aerospace, chemical processing and other markets had higher order entry levels, as compared to the prior quarter. The average market price for nickel increased during the third quarter by 12.7%

Quarterly Market Information

	Quarter Ended						
	December 31, 2016	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017	March 31, 2018	June 30, 2018
Net revenues (in thousands)							
Aerospace	$ 45,784	$ 49,536	$ 46,895	$ 50,300	$ 46,839	$ 59,033	$ 59,646
Chemical processing	19,128	18,081	15,017	18,241	13,356	21,148	21,364
Industrial gas turbines	14,593	17,827	14,731	14,372	13,421	11,755	11,866
Other markets	8,429	9,923	14,379	10,472	9,238	12,724	14,863
Total product revenue	87,934	95,367	91,022	93,385	82,854	104,660	107,739
Other revenue	5,421	7,745	6,955	7,380	6,839	5,546	5,375
Net revenues	$ 93,355	$ 103,112	$ 97,977	$ 100,765	$ 89,693	$ 110,206	$ 113,114
Shipments by markets (in thousands of pounds)							
Aerospace	2,017	2,322	2,207	2,301	2,023	2,578	2,645
Chemical processing	605	771	858	929	687	1,000	1,018
Industrial gas turbines	1,039	1,403	1,011	1,015	876	640	622
Other markets	316	350	501	472	332	479	498
Total shipments	3,977	4,846	4,577	4,717	3,918	4,697	4,783
Average selling price per pound							
Aerospace	$ 22.70	$ 21.33	$ 21.25	$ 21.86	$ 23.15	$ 22.90	$ 22.55
Chemical processing	31.62	23.45	17.50	19.64	19.44	21.15	20.99
Industrial gas turbines	14.05	12.71	14.57	14.16	15.32	18.37	19.08
Other markets	26.67	28.35	28.70	22.19	27.83	26.56	29.85
Total product (product only; excluding other revenue)	22.11	19.68	19.89	19.80	21.15	22.28	22.53
Total average selling price (including other revenue)	23.47	21.28	21.41	21.36	22.89	23.46	23.65

Results of Operations for the Three Months Ended June 30, 2017 Compared to the Three Months Ended June 30, 2018

The following table sets forth certain financial information as a percentage of net revenues for the periods indicated and compares such information between periods.

	Three Months Ended June 30,				Change	
	2017		2018		Amount	%
Net revenues	$ 97,977	100.0 %	$ 113,114	100.0 %	$ 15,137	15.4 %
Cost of sales	94,315	96.3 %	99,844	88.3 %	5,529	5.9 %
Gross profit	3,662	3.7 %	13,270	11.7 %	9,608	262.4 %
Selling, general and administrative expense	10,564	10.8 %	13,686	12.1 %	3,122	29.6 %
Research and technical expense	941	1.0 %	1,018	0.9 %	77	8.2 %
Operating income (loss)	(7,843)	(8.0)%	(1,434)	(1.3)%	6,409	(81.7)%
Interest income	(54)	(0.1)%	(18)	(0.0)%	36	(66.7)%
Interest expense	234	0.2 %	228	0.2 %	(6)	(2.6)%
Income (loss) before income taxes	(8,023)	(8.2)%	(1,644)	(1.5)%	6,379	(79.5)%
Provision for (benefit from) income taxes	(4,056)	(4.1)%	(2,357)	(2.1)%	1,699	(41.9)%
Net income (loss)	$ (3,967)	(4.0)%	$ 713	0.6 %	$ 4,680	(118.0)%

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.

By market	Three Months Ended June 30, 2017	Three Months Ended June 30, 2018	Change Amount	Change %
Net revenues (dollars in thousands)				
Aerospace	$ 46,895	$ 59,646	$ 12,751	27.2 %
Chemical processing	15,017	21,364	6,347	42.3 %
Industrial gas turbine	14,731	11,866	(2,865)	(19.4)%
Other markets	14,379	14,863	484	3.4 %
Total product revenue	91,022	107,739	16,717	18.4 %
Other revenue	6,955	5,375	(1,580)	(22.7)%
Net revenues	$ 97,977	$ 113,114	$ 15,137	15.4 %
Pounds by market (in thousands)				
Aerospace	2,207	2,645	438	19.8 %
Chemical processing	858	1,018	160	18.6 %
Industrial gas turbine	1,011	622	(389)	(38.5)%
Other markets	501	498	(3)	(0.6)%
Total shipments	4,577	4,783	206	4.5 %
Average selling price per pound				
Aerospace	$ 21.25	$ 22.55	$ 1.30	6.1 %
Chemical processing	17.50	20.99	3.49	19.9 %
Industrial gas turbine	14.57	19.08	4.51	31.0 %
Other markets	28.70	29.85	1.15	4.0 %
Total product (excluding other revenue)	19.89	22.53	2.64	13.3 %
Total average selling price (including other revenue)	$ 21.41	$ 23.65	$ 2.24	10.5 %

Net Revenues. Net revenues were $113.1 million in the third quarter of fiscal 2018, an increase of 15.4% from $98.0 million in the same period of fiscal 2017. Volume was 4.8 million pounds in the third quarter of fiscal 2018, an increase of 4.5% from 4.6 million pounds in the same period of fiscal 2017. The increase in volume was primarily due to an increase in shipments into the aerospace and chemical processing markets during the third quarter of fiscal 2018, partially offset by a decrease in shipments to the industrial gas turbine market due to continued weak demand. The product-sales average selling price was $22.53 per pound in the third quarter of fiscal 2018, an increase of 13.3% from $19.89 per pound in the same period of fiscal 2017. The product-sales average selling price increased primarily due to higher raw material market prices and other pricing considerations, which increased average selling prices per pound by approximately $2.76, partially offset by a lower value mix, which decreased product average selling price per pound by approximately $0.12.

Sales to the aerospace market were $59.6 million in the third quarter of fiscal 2018, an increase of 27.2% from $46.9 million in the same period of fiscal 2017, due to a 19.8% increase in volume, combined with a 6.1% increase in average selling price per pound. The increase in volume is primarily driven by an increase in the new engine platform sales combined with the Company's enhanced capacity from the cold-finishing capital investment. The average selling price per pound increase reflects an increase in market prices of raw materials and other pricing considerations, which increased average selling price per pound by approximately $3.40, partially offset by a lower value product mix, which decreased average selling price per pound by approximately $2.10.

Sales to the chemical processing market were $21.4 million in the third quarter of fiscal 2018, an increase of 42.3% from $15.0 million in the same period of fiscal 2017, due to an 18.6% increase in volume combined with a 19.9% increase in average selling price per pound. The increase in volume reflects a strengthening of project shipments. The increase in average selling price per pound largely reflects a higher value product mix combined with higher market prices of raw materials and other pricing considerations, which increased average selling price per pound by approximately $2.76 and $0.73 respectively.

Sales to the industrial gas turbine market were $11.9 million in the third quarter of fiscal 2018, a decrease of 19.4% from $14.7 million for the same period of fiscal 2017, due to a decrease of 38.5% in volume, partially offset by an increase in average selling price per pound of 31.0%, or $4.51. The decrease in volume is primarily due to a decreased level of business in this market from weak demand particularly from the large industrial OEM customers. The increase in average selling price per pound largely reflects a change in market prices of raw materials and other pricing considerations combined with a higher value product mix, which increased average selling price per pound by approximately $4.26 and $0.25, respectively.

Sales to other markets were $14.9 million in the third quarter of fiscal 2018, an increase of 3.4% from $14.4 million in the same period of fiscal 2017. Although volume was flat, there was an increase in average selling price per pound of 4.0%. The average selling price per pound increase reflects higher market raw material prices and other pricing considerations, which increased average selling price per pound by approximately $1.64, partially offset by a lower-value product mix, which decreased average selling price per pound by $0.49.

Other Revenue. Other revenue was $5.4 million in the third quarter of fiscal 2018, a decrease of 22.7% from $7.0 million in the same period of fiscal 2017. The decrease is due primarily to decreased toll conversion.

Cost of Sales. Cost of sales was $99.8 million, or 88.3% of net revenues, in the third quarter of fiscal 2018 compared to $94.3 million, or 96.3% of net revenues, in the same period of fiscal 2017. Cost of sales in the third quarter of fiscal 2018 increased by $5.5 million as compared to the same period of fiscal 2017 due to higher raw material costs, partially offset by better manufacturing absorption.

Gross Profit. As a result of the above factors, gross profit was $13.3 million for the third quarter of fiscal 2018, an increase of $9.6 million from the same period of fiscal 2017. Gross margin as a percentage of net revenue increased to 11.7% in the third quarter of fiscal 2018 as compared to 3.7% in the same period of fiscal 2017.

Selling, General and Administrative Expense. Selling, general and administrative expense was $13.7 million for the third quarter of fiscal 2018, an increase of $3.1 million from the same period of fiscal 2017. This increase is primarily attributable to two events that took place during the quarter. First, expense of $1.5 million was recorded related to certain legal and due-diligence costs incurred in a strategic acquisition initiative that reached late stage negotiations, but ultimately did not result in an executed purchase agreement. Second, expense of $1.1 million was recorded related to the retirement of the Company's Chief Executive Officer. The additional higher spend was also attributable to higher management incentive compensation expense of $0.9 million, offset by lower foreign exchange gains of $0.7. As a result of the above-mentioned charges, selling, general and administrative expense as a percentage of net revenues increased to 12.1% for the third quarter of fiscal 2018 compared to 10.8% for the same period of fiscal 2017.

Research and Technical Expense. Research and technical expense was $1.0 million, or 0.9% of revenue, for the third quarter of fiscal 2018, similar to the expense in the same period of fiscal 2017.

Operating Income/(Loss). As a result of the above factors, operating loss in the third quarter of fiscal 2018 was $(1.4) million compared to operating loss of $(7.8) million in the same period of fiscal 2017.

Income Taxes. Income tax benefit was $(2.4) million in the third quarter of fiscal 2018, a difference of $1.7 million from the third quarter of fiscal 2017, driven by a $1.8 million favorable tax benefit resulting from an increase in the year to date effective tax rate.

Net Income/(Loss). As a result of the above factors, net income in the third quarter of fiscal 2018 was $0.7 million, a difference of $4.7 million from net loss of $(4.0) million in the same period of fiscal 2017.

Results of Operations for the Nine Months Ended June 30, 2017 Compared to the Nine Months Ended June 30, 2018

	Nine Months Ended June 30,				Change	
	2017		2018		Amount	%
Net revenues	$ 294,444	100.0 %	$ 313,013	100.0 %	$ 18,569	6.3 %
Cost of sales	270,507	91.9 %	281,281	89.9 %	10,774	4.0 %
Gross profit	23,937	8.1 %	31,732	10.1 %	7,795	32.6 %
Selling, general and administrative expense	31,417	10.7 %	36,740	11.7 %	5,323	16.9 %
Research and technical expense	2,875	1.0 %	2,871	0.9 %	(4)	(0.1)%
Operating income (loss)	(10,355)	(3.5)%	(7,879)	(2.5)%	2,476	(23.9)%
Interest income	(155)	(0.1)%	(53)	(0.0)%	102	(65.8)%
Interest expense	639	0.2 %	687	0.2 %	48	7.5 %
Income (loss) before income taxes	(10,839)	(3.7)%	(8,513)	(2.7)%	2,326	(21.5)%
Provision for (benefit from) income taxes	(4,310)	(1.5)%	15,368	4.9 %	19,678	(456.6)%
Net income (loss)	$ (6,529)	(2.2)%	$ (23,881)	(7.6)%	$ (17,352)	265.8 %

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.

	Nine Months Ended June 30,		Change	
By market	**2017**	**2018**	**Amount**	**%**
Net revenues (dollars in thousands)				
Aerospace	$ 142,215	$ 165,518	$ 23,303	16.4 %
Chemical processing	52,226	55,868	3,642	7.0 %
Industrial gas turbine	47,151	37,042	(10,109)	(21.4)%
Other markets	32,731	36,825	4,094	12.5 %
Total product revenue	274,323	295,253	20,930	7.6 %
Other revenue	20,121	17,760	(2,361)	(11.7)%
Net revenues	$ 294,444	$ 313,013	$ 18,569	6.3 %
Pounds by market (in thousands)				
Aerospace	6,546	7,246	700	10.7 %
Chemical processing	2,234	2,705	471	21.1 %
Industrial gas turbine	3,453	2,138	(1,315)	(38.1)%
Other markets	1,167	1,309	142	12.2 %
Total shipments	13,400	13,398	(2)	— %
Average selling price per pound				
Aerospace	$ 21.73	$ 22.84	$ 1.11	5.1 %
Chemical processing	23.38	20.65	(2.73)	(11.7)%
Industrial gas turbine	13.66	17.33	3.67	26.9 %
Other markets	28.05	28.13	0.08	0.3 %
Total product (excluding other revenue)	20.47	22.04	1.57	7.7 %
Total average selling price (including other revenue)	$ 21.97	$ 23.36	$ 1.39	6.3 %

Net Revenues. Net revenues were $313.0 million in the first nine months of fiscal 2018, an increase of 6.3% from $294.4 million in the same period of fiscal 2017. Volume was consistent period-over-period as shipments totaled 13.4 million pounds in the first nine months of fiscal 2018 and the same period of fiscal 2017. The product-sales average selling price was $22.04 per pound in first nine months of fiscal 2018, an increase of 7.7% from $20.47 per pound in the same period of fiscal 2017. The product-sales average selling price increased as a result of higher market raw material prices and other pricing considerations, combined with a higher-value product mix, which increased product average selling price per pound by approximately $1.04 and $0.53, respectively.

Sales to the aerospace market were $165.5 million in the first nine months of fiscal 2018, an increase of 16.4% from $142.2 million in the same period of fiscal 2017, due to a 5.1%, or $1.11, increase in average selling price per pound combined with a 10.7% increase in volume. The increase in volume reflects the increase in new engine platform sales combined with the Company’s enhanced capacity from the cold-finishing capital investment. The average selling price per pound increase reflects a change in market prices of raw materials and other pricing considerations, which increased average selling price per pound by approximately $1.13, partially offset by a slightly lower-value mix, which decreased average selling price per pound by approximately $0.02.

Sales to the chemical processing market were $55.9 million in the first nine months of fiscal 2018, an increase of 7.0% from $52.2 million in the same period of fiscal 2017, due to a 21.1% increase in volume, partially offset by an 11.7%, or $2.73, decrease in average selling price per pound. Base volumes and special projects increased in the first nine months of fiscal 2018 as compared to the same period of fiscal 2017. The average selling price per pound decrease reflects a lower-value product mix combined with a change in market prices of raw materials and other pricing considerations, which decreased average selling price per pound by approximately $2.69 and $0.04, respectively.

Sales to the industrial gas turbine market were $37.0 million in the first nine months of fiscal 2018, a decrease of 21.4% from $47.2 million for the same period of fiscal 2017, due to a decrease of 38.1% in volume, partially offset by a 26.9%, or $3.67, increase in average selling price per pound. The decrease in volume was primarily due to weak demand, along with a lower level of ingot orders shipped in the first nine months of fiscal 2018 compared to the same period of fiscal 2017. The increase in average selling price per pound primarily reflects a change to a higher-value product mix and higher market raw material prices and other pricing considerations, which increased average selling price per pound by approximately $1.92 and $1.75, respectively.

Sales to other markets were $36.8 million in the first nine months of fiscal 2018, an increase of 12.5% from $32.7 million in the same period of fiscal 2017, due to a 12.2% increase in volume and an increase of 0.3%, or $0.08, in average selling price per pound. The increase in volume was primarily due to increases in sales to the flue-gas desulfurization market. The increase in average selling price reflects higher market raw material prices and other pricing considerations, which increased average selling price per pound by approximately $1.59, partially offset by a lower-value product mix, which decreased average selling price per pound by approximately $1.51.

Other Revenue. Other revenue was $17.8 million in the first nine months of fiscal 2018, a decrease of 11.7% from $20.1 million in the same period of fiscal 2017. The decrease was due primarily to decreased toll conversion.

Cost of Sales. Cost of sales was $281.3 million, or 89.9% of net revenues, in the first nine months of fiscal 2018 compared to $270.5 million, or 91.9% of net revenues, in the same period of fiscal 2017. This $10.8 million increase was primarily due to a higher-value product mix and costs associated with relocating the Lebanon service center to LaPorte as previously announced.

Gross Profit. As a result of the above factors, gross profit was $31.7 million for the first nine months of fiscal 2018, an increase of $7.8 million from the same period of fiscal 2017. Gross profit as a percentage of net revenue increased to 10.1% in the first nine months of fiscal 2018 as compared to 8.1% in the same period of fiscal 2017.

Selling, General and Administrative Expense. Selling, general and administrative expense was $36.7 million for the first nine months of fiscal 2018, an increase of $5.3 million from the same period of fiscal 2017. The significant drivers of the increase in the first nine months of fiscal 2018 included two events that took place during the third quarter of fiscal 2018. First, expense of $1.5 million was recorded related to certain legal and due diligence costs incurred in a strategic acquisition initiative that reached late stage negotiations but ultimately did not result in an executed purchase agreement. Second, expense of $1.1 million was recorded related to the retirement of the Company's Chief Executive Officer. The additional higher spend was attributable to higher management incentive compensation expense of $2.1 million and higher foreign exchange losses of $0.5 million. As a result of the above-mentioned charges, selling, general and administrative expense as a percentage of net revenues increased to 11.7% for the first nine months of fiscal 2018 compared to 10.7% for the same period of fiscal 2017.

Research and Technical Expense. Research and technical expense was $2.9 million, or 0.9% of revenue, for the first nine months of fiscal 2018, compared to a similar amount in the same period of fiscal 2017.

Operating Income/(Loss). As a result of the above factors, operating loss in the first nine months of fiscal 2018 was $(7.9) million compared to an operating loss of $(10.4) million in the same period of fiscal 2017.

Income Taxes. Income tax expense was $15.4 million in the first nine months fiscal 2018, a difference of $19.7 million from a benefit of $4.3 million in the same period of fiscal 2017. The higher tax expense for the first nine months of fiscal 2018 as compared to the same period of fiscal 2017 is primarily attributable to the passage of the Tax Reform and Jobs Act during fiscal 2018, which required the Company to revalue its deferred tax assets based on the lowering of the statutory tax rate of 35% to 21% (24.5% in fiscal 2018). See "Impact of the Tax Cuts and Jobs Act on Deferred Tax Assets" and Note 4 to the condensed consolidated financial statements in the Form 10-Q for the second quarter of fiscal 2018 for additional discussion of the expected impact of the Tax Cuts and Jobs Act. Also, as the Company's annual estimated effective tax rate projected for fiscal 2018 is highly sensitive to changes in estimates of total ordinary income (loss) by jurisdiction, the Company recorded tax expense using the actual effective tax rate for the nine months ended June 30, 2018 compared to the use of the estimated annual effective tax rate for the nine months ended June 30, 2017.

Net Income/(Loss). As a result of the above factors, net loss for the first nine months of fiscal 2018 was $(23.9) million, an increase in loss of $17.4 million from net loss of $(6.5) million in the same period of fiscal 2017.

Working Capital

As a result of an increase in backlog and increased sequential revenues, working capital increased. Controllable working capital, which includes accounts receivable, inventory, accounts payable and accrued expenses, was $284.7 million at June 30, 2018, an increase of $25.5 million, or 9.8%, from $259.1 million at September 30, 2017. This increase resulted primarily from inventory increasing $27.2 million and accounts receivable increasing $5.2 million, partially offset by accounts payable and accrued expenses increasing by $6.9 million during the first nine months of fiscal 2018. This resulted in a decrease in cash of $31.7 million over the first nine months of fiscal 2018. Cash collections are expected to increase with the higher third quarter sales and inventory is expected to be reduced. As a result, cash balances are expected to improve over the fourth quarter of fiscal 2018.

Liquidity and Capital Resources

Comparative cash flow analysis

During the first nine months of fiscal 2018, the Company's primary source of cash was cash on-hand. At June 30, 2018, the Company had cash and cash equivalents of $14.6 million compared to $46.3 million at September 30, 2017. Of that amount, the Company had cash and cash equivalents of $13.0 million held by foreign subsidiaries in various currencies.

Net cash used in operating activities in the first nine months of fiscal 2018 was $(13.2) million compared to net cash provided by operating activities of $11.8 million in the first nine months of fiscal 2017. The cash used in operating activities during the first nine months of fiscal 2018 was driven by increases in controllable working capital (inventory, accounts receivable, accounts payable and accrued expenses) of $24.4 million in the first nine months of fiscal 2018 compared to cash used in controllable working capital of $0.7 million during the same period of fiscal 2017. These factors were partially offset by lower cash tax payments of $1.4 million during the first nine months of fiscal 2018 compared to $3.4 million during the same period of fiscal 2017.

Net cash used in investing activities was $9.8 million in the first nine months of fiscal 2018, which was lower than cash used in investing activities during the same period of fiscal 2017 of $14.1 million, as a result of decreased additions to property, plant and equipment, as the Company completed its capacity expansion in sheet manufacturing.

Net cash used in financing activities in the first nine months of fiscal 2018 of $8.6 million included $8.3 million of dividend payments and approximately $0.2 million of stock repurchases made to satisfy taxes in relation to the vesting of restricted stock, which is comparable to the prior year.

Future sources of liquidity

The Company's sources of liquidity for the remainder of fiscal 2018 are expected to consist primarily of cash generated from operations, cash on-hand and, if needed, borrowings under the U.S. revolving credit facility. At June 30, 2018, the Company had cash of $14.6 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 a borrowing base formula and certain reserves. Management believes that the resources described above will be sufficient to fund planned capital expenditures and working capital requirements over the next twelve months.

U.S. Revolving Credit Facility

The Company and Wells Fargo Capital Finance, LLC ("Wells Fargo") entered into a Third Amended and Restated Loan and Security Agreement (the "Amended Agreement") with certain other lenders with an effective date of July 14, 2011. On July 7, 2016, the Company amended the agreement to, among other things, extend the term through July 7, 2021 and reduce unused line fees and certain administrative fees. The maximum revolving loan amount under the Amended Agreement is $120.0 million, subject to a borrowing base formula and certain reserves. The Amended Agreement permits an increase in the maximum revolving loan amount from $120.0 million up to an aggregate amount of $170.0 million at the request of the borrowers. Borrowings under the U.S. revolving credit facility bear interest, at the Company's option, at either Wells Fargo's "prime rate", plus up to 0.75% per annum, or the adjusted Eurodollar rate used by the lender, plus up to 2.0% per annum. As of June 30, 2018, the U.S. revolving credit facility had a zero balance.

The Company must pay monthly, in arrears, a commitment fee of 0.20% per annum on the unused amount of the U.S. revolving credit facility total commitment. For letters of credit, the Company must pay 1.5% per annum on the daily outstanding balance of all issued letters of credit, plus customary fees for issuance, amendments and processing.

The Company is subject to certain covenants as to fixed charge coverage ratios and other customary covenants, including covenants restricting the incurrence of indebtedness, the granting of liens and the sale of assets. The covenant pertaining to fixed charge coverage ratios is only effective in the event the amount of excess availability under the revolver is less than 10.0% of the maximum credit revolving loan amount. The Company is permitted to pay dividends and repurchase common stock if certain financial metrics are met (most of which do not apply in the case of regular quarterly dividends less than $20.0 million in the aggregate in a year and repurchases in connection with the vesting of shares of restricted stock). As of June 30, 2018, the most recent required measurement date under the Amended Agreement, management believes the Company was in compliance with all applicable financial covenants under the Amended Agreement. 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 ("TIMET") to secure the performance of the Company's obligations under a Conversion Services Agreement with TIMET (see discussion of TIMET at Note 7 in the Company's Notes to Consolidated Financial Statements in this Quarterly Report on Form 10-Q). The U.S. revolving credit facility is also secured by a pledge of a 65% equity interest in each of the Company's direct foreign subsidiaries.

Future uses of liquidity

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

- Funding operations;
- Capital spending;
- Dividends to stockholders; and
- Pension and postretirement plan contributions.

Capital investment in the first nine months of fiscal 2018 was $9.8 million, and the forecast for capital spending in fiscal 2018 is approximately $12.0 million.

Contractual Obligations

The following table sets forth the Company's contractual obligations for the periods indicated, as of June 30, 2018:

	Payments Due by Period				
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 Years**	**3-5 Years**	**More than 5 years**
			(in thousands)		
Credit facility fees[1]	$ 860	$ 280	$ 490	$ 90	$ —
Operating lease obligations	4,365	2,169	2,023	173	—
Capital and finance lease obligations	18,061	1,017	1,992	2,027	13,025
Raw material contracts (primarily nickel)	22,062	22,062	—	—	—
Capital projects and other commitments	8,267	8,267	—	—	—
Pension plan[2]	90,714	5,500	21,725	20,392	43,097
Non-qualified pension plans	705	95	190	190	230
Other postretirement benefits[3]	50,000	5,000	10,000	10,000	25,000
Environmental post-closure monitoring	633	104	112	121	296
Total	$ 195,667	$ 44,494	$ 36,532	$ 32,993	$ 81,648

(1) As of June 30, 2018, 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.

(2) The Company has a funding obligation to contribute $90,714 to the domestic pension plan. These payments will be tax deductible. All benefit payments under the domestic pension plan are provided by the plan and not the Company.

(3) Represents expected post-retirement benefits only based upon anticipated timing of payments.

New Accounting Pronouncements

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

Critical Accounting Policies and Estimates

The Company's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Assumptions and estimates were based on the facts and circumstances known at June 30, 2018. However, future events rarely develop exactly as forecasted and the best estimates routinely require adjustment. The accounting policies discussed in Item 7 of the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2017 are considered by management to be the most important to an understanding of the financial statements because their application places the most significant demands on management's judgment and estimates about the effect of matters that are inherently uncertain. These policies are also discussed in Note 2 of the consolidated financial statements included in Item 8 of that report. There have been no material changes to that information since the end of fiscal 2017.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

As of June 30, 2018, there were no material changes in the market risks described in "Quantitative and Qualitative Disclosures about Market Risk" in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2017.

Item 4. Controls and Procedures

The Company has performed, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, an evaluation of the effectiveness and the design and operation of the Company's disclosure controls and procedures (as defined by Exchange Act rules 13a-15(e) and 15d-15(e)) pursuant to Rule 13a-15(b) of the Exchange Act as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of June 30, 2018.

There were no changes in the Company's internal control over financial reporting during the quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II OTHER INFORMATION

Item 6. Exhibits

Exhibits. See Index to Exhibits.

INDEX TO EXHIBITS

Exhibit Number	Description
3.1	Second Restated Certificate of Incorporation of Haynes International, Inc. (incorporated by reference to Exhibit 3.1 to the Haynes International, Inc. Registration Statement on Form S-1, Registration No. 333-140194).
3.2	Amended and Restated By-Laws of Haynes International, Inc., as amended through February 28, 2018 (incorporated by reference to Exhibit 3.2 to the Haynes International, Inc. Quarterly Report on Form 10-Q for the second quarter ended March 31, 2018)
4.1	Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.01 to the Haynes International, Inc. Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2009).
10.1**	Employment Agreement, dated as of June 1, 2018, by and between the Company and Michael L. Shor.
10.2**	Resignation and General Release Agreement, dated as of May29, 2018, by and between the Company and Mark M. Comerford.
31.1**	Rule 13a-14(a)/15d-4(a) Certification of Chief Executive Officer
31.2**	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
32.1*	Section 1350 Certifications
101	The following materials from the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2016 formatted in Extensible Business Reporting Language (XBRL): (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Operations; (iii) the Consolidated Statements of Comprehensive Income (Loss); (iv) the Consolidated Statements of Cash Flows; and (v) related notes.

*Furnished not filed.
** Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HAYNES INTERNATIONAL, INC.

/s/ Mike Shor
Mike Shor
President and Chief Executive Officer
Date: August 2, 2018

/s/ Daniel Maudlin
Daniel Maudlin
Vice President — Finance and Chief Financial Officer
Date: August 2, 2018

INTERIM EXECUTIVE EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement") is made and entered into as of June 1, 2018 (the "Effective Date"), by and between HAYNES INTERNATIONAL, INC., a Delaware corporation (the "Company"), and MICHAEL L. SHOR ("Executive").

In consideration of the mutual covenants and understandings hereinafter set forth, the parties agree as follows:

1. Employment. Executive shall render his services as Interim President and Chief Executive Officer at the direction of the Company's Board of Directors at the offices of the Company in Kokomo, Indiana or at such other location or locations as may be mutually agreed upon by and between the Company and the Executive from time to time. Executive agrees to devote his full business time and attention to the rendering of his services hereunder and to use his best efforts to promote and further the business, reputation and good name of the Company. Executive also agrees to fully and faithfully comply with all lawful instructions, directions, requests, rules, regulations, policies and principles made or issued from time to time by the Company. It is mutually understood that unless otherwise agreed by the parties, Executive's employment as President and Chief Executive Officer is on an interim basis, and that during the Term of this Agreement the Company will be conducting a search for the President and Chief Executive Officer position, and Executive shall provide substantive assistance in that process.

2. Term and Termination. This Agreement will automatically terminate upon the election by the Company's Board of Directors of a successor to the position of President and Chief Executive Officer, if not earlier terminated pursuant to the terms of this Agreement. This Agreement may be extended by the mutual agreement of the parties. This Agreement will automatically terminate in the event of Executive's death or Disability (as defined in the Company's 2016 Equity Incentive Plan (the "Plan")). The parties acknowledge and agree that Executive shall be employed by the Company on an "at-will" basis. The parties understand and agree that Executive may be removed as an officer and terminated from employment by the Board of Directors or may resign from employment, in either case with or without cause. Executive agrees to provide at least 30 days' written notice of his intention to resign before such resignation will becomes effective. Termination of this Agreement shall constitute termination of employment and termination of employment shall constitute termination of this Agreement. References in this Agreement to either termination of the Agreement or termination of employment shall encompass both.

3. Compensation and Benefits. As full and complete compensation for Executive's services, the Company shall pay Executive the compensation and provide the benefits described in this Section.

a. Base Salary. The Company shall pay Executive a base salary during the period of employment pursuant to this Agreement at an annual rate of $400,000 ("Base Salary"). The Board of Directors may review Executive's Base Salary from time to time and shall have the right, in their sole discretion, to increase such Base Salary. The term "Base Salary" shall refer to the Base Salary as it may be increased by the Board of Directors

b. Bonus. Executive shall be eligible to participate in the Company's 2018 Management Incentive Plan ("MIP") subject to the terms and conditions thereof with a target bonus of $250,000 to be earned based on the achievement of the performance objectives previously determined by the Compensation Committee for the Company's 2018 fiscal year; provided that the amount of such bonus paid to Executive shall be pro-rated based on the number of months Executive serves as interim President and Chief Executive Officer; and provided, further, that Executive shall not be eligible for any bonus amount in excess of the pro-rated target bonus, regardless of the performance of the Company or the achievement of the performance metrics under the MIP at a level greater than target. The bonus, if any, shall be paid in a single sum payment at the same time as the Company pays bonuses under the MIP.

c. Equity Awards. As of the Effective Date, the Company shall grant the Executive 5,000 shares of restricted stock and a non-qualified stock option to acquire 15,000 shares of the Company's Common Stock (the "Equity Awards"). The Equity Awards shall be granted pursuant to the Plan. The shares of restricted stock shall vest on the earliest of (i) the first anniversary of the Effective Date, (ii) the date Executive's successor as President and Chief Executive Officer is appointed by the Company's Board of Directors and (iii) the date of Executive's death or Disability (as defined in the Plan) (such earliest date, the "Vesting Date"). The stock option shall vest and become exercisable on the Vesting Date. Each Equity Award shall have the additional terms set forth in the award agreement relating to the same.

d. Reimbursement of Expenses. The Company agrees to reimburse Executive for reasonable business-related expenses incurred in the performance of Executive's duties under this Agreement, in accordance with Company policies and procedures. Until such time, if ever, that Executive relocates to Kokomo, Indiana, the Company shall reimburse Executive for reasonable travel-related expenses incurred by Executive in commuting to and from Kokomo, Indiana and for expenses incurred by Executive for housing while in Kokomo, Indiana.

e. Benefit Plans and Programs. To the extent permitted by applicable law and consistent with the applicable plan documents (which shall, in all cases, govern), Executive (and where applicable, his plan-eligible dependents) will be eligible to participate in such benefit plans and programs, insurance arrangements, 401(k) retirement plans, disability, health, and dental plans or arrangements, including any modifications of same, maintained by the Company for the benefit of its employed executives (or for an executive population which includes its employed executives), subject to the eligibility requirements and other terms and conditions of those plans and programs.

f. No Other Compensation. Executive agrees and understands that he is not entitled to any additional or other compensation or benefits of any kind, except as specifically provided for in this Agreement.

g. Withholding. The Company shall have the right to, and this Agreement shall operate as written consent to, deduct and withhold from the compensation payable to Executive any amounts required or authorized to be deducted and withheld under: (i) the provisions of any statute, regulation, ordinance, order or any amendment thereto, heretofore or hereafter enacted; or (ii) pursuant to any benefit plan, requiring or authorizing the withholding or deduction from compensation.

4. Non-Disclosure and Assignment of Intellectual Property.

a. Proprietary Information. Executive understands that the Company possesses and will possess Proprietary Information which is important to its business. For purposes of this Agreement, "Proprietary Information" is information (whether conveyed orally or in writing) that has been or will be developed, created, or discovered by or on behalf of the Company, or which became or will become known by, or was or is conveyed to the Company, which has commercial value in the Company's Business. Executive understands that his employment creates a relationship of confidence and trust between Executive and the Company with respect to Proprietary Information. At all times, both during his employment with the Company and after its termination, Executive will keep in confidence and trust and will not use or disclose any Proprietary Information or anything relating to it without the prior written consent of the Company's Board of Directors, except as may be necessary and appropriate in the ordinary course of performing his duties to the Company.

b. Company Trade Secret Information. Executive hereby understands and agrees that Executive will, at all times, conform his conduct to the requirements of the Indiana Trade Secrets Act, I.C. 24-2-3-1, et seq. Executive will not misappropriate (e.g., use or disclose to any third party) any trade secret of the Company. Executive recognizes that the penalties for a trade secret violation include disgorgement of profits, payment of royalties, compensatory damages, punitive damages, and attorneys' fees. Executive understands that upon termination of employment with the Company for any reason, Executive will continue to be prohibited at any time thereafter from misappropriating any trade secret of the Company.

c. Company Materials. Executive understands that the Company possesses or will possess "Company Materials" which are important to its business. For purposes of this Agreement, "Company Materials" are documents or other media or tangible items that contain or embody Proprietary Information or any other information concerning the business, operations or plans of the Company, or its subsidiaries or affiliates, whether such documents have been prepared by Executive or by others. All Company Materials shall be the sole property of the Company. Executive agrees that during his employment with the Company, he will not remove any Company Materials from the business premises of the Company or deliver any Company Materials to any person or entity outside the Company, except as Executive is required to do in connection with performing the duties of his employment. Executive further agrees that, immediately upon the termination of his employment for any reason, or during his employment if so requested by the Company, he will return all Company Materials, apparatus, equipment and other physical property, or any reproduction of such property, excepting only (i) his personal copies of records relating to his compensation; and (ii) his copy of this Agreement.

d. Intellectual Property. Executive agrees and understands that all Proprietary Information and all right, title and interest in and to patents, patent rights, copyright rights, mask work rights, trade secret rights, and other intellectual property and proprietary rights anywhere in the world (collectively, "Rights") in connection therewith shall be the sole property of the Company. Executive hereby assigns to the Company any Rights he may have or may hereafter acquire in such Proprietary Information. Executive agrees that all Inventions which he makes, conceives, reduces to practice or develops (in whole or in part, either alone or jointly with others) during his employment shall be the sole property of the Company to the maximum extent permitted by law and Executive hereby assigns such Inventions and all Rights therein to the Company, and acknowledges the same as constituting "work for hire." The Company shall be the sole owner of all Rights in connection therewith.

Executive agrees to perform, during and after his employment, all acts deemed necessary or desirable by the Company to permit and assist it, in evidencing, perfecting, obtaining, maintaining, defending and enforcing Rights and/or his assignment with respect to such Inventions in any and all countries as long as all such acts are truthful, and are done solely at the Company's expense. Such acts may include, without limitation, execution of documents and assistance or cooperation in legal proceedings. If such acts are requested after employment, Executive shall be entitled to reasonable compensation for his time and expenses as determined and approved in advance by the Company. Executive hereby irrevocably designates and appoints the Company and its duly authorized officers and agents, as his agents and attorneys-in-fact, with full power of substitution, to act for and on Executive's behalf to execute and file any documents and to do all other lawfully permitted acts to further the above purposes with the same legal force and effect as if executed by Executive.

Any assignment of copyright hereunder includes all rights of paternity, integrity, disclosure and withdrawal and any other rights that may be known as or referred to as "moral rights" (collectively, "Moral Rights"). To the extent such Moral Rights cannot be assigned under applicable law and to the extent the following is allowed by the laws in the various countries where Moral Rights exist, Executive hereby waives such Moral Rights and consents to any action of the Company that would violate such Moral Rights in the absence of such consent. Executive will confirm any such waivers and consents from time to time as requested by the Company.

5. Non-Solicitation.

a. Agreement Not to Solicit Customers. Executive shall not, during the Restricted Period, directly or indirectly, contact, solicit or communicate with Company Customers for the purpose of: (i) diverting or influencing or attempting to divert any business of the Company to any Competitor; (ii) providing Competitive Products; or (iii) otherwise interfering in any fashion with the business or operations being conducted by the Company as of the Executive's employment termination date. Additionally, Executive shall not, during the Restricted Period, directly or indirectly sell or distribute Competitive Products to or accept business for Competitive Products from any Company Customers. The restrictions set forth in this Section 5.a. narrowly and reasonably apply only to (1) those Customers to which the Company has provided any services or sold any products at any time in the twelve (12) month period immediately preceding the termination of the Executive's employment with the Company; (2) those Customers with whom the Executive had any direct contact or indirect (through supervisory duties) contact relating to the provision of services or products provided or sold by the Company, at any time in the twelve (12) month period immediately preceding the termination of Executive's employment with the Company; and/or (3) those Customers about which Executive had access to any Confidential Information at any time in the twelve (12) month period immediately preceding the termination of Executive's employment with the Company.

b. Anti-Raiding Agreement. During the Restricted Period, the Executive shall not, directly or indirectly hire, employ or engage any employee or independent contractor of the Company, or solicit, seek to solicit, induce, bring about, influence, promote, facilitate, or encourage any such employee or independent contractor of the Company to leave the Company to join a Competitor.

c. Extension of Restricted Period for Breach. In the event of a breach of this Agreement by Executive, the Restricted Period shall be extended automatically by the period of the breach.

d. Definitions. As used in this Agreement, the following capitalized terms have the meanings indicated below.

i. "Company Products" means (1) products consisting of high-performance nickel-based and cobalt-based alloys for use in high-temperature and corrosion applications; (2) seamless titanium tubing for use in aerospace applications; (3) high-performance alloy wire and welding consumables; and (4) other alloy products offered by the Company to its Customers at the time of the termination of Executive's employment with the Company.

iii. "Competitive Products" means (1) products consisting of high-performance nickel-based and cobalt-based alloys for use in high-temperature and corrosion applications; (2) such other alloy products offered by Company to its Customers regarding which products Executive was performing any executive, managerial, supervisory and/or financial services for or on behalf of the Company, at the time of the termination of Executive's employment with the Company; and (3) any other alloy products which are the same or substantially similar to Company Products, are competitive with Company Products and are in the same categories as the Company Products.

iv. "Competitor" means any individual or entity engaged in the business (in whole or in part) of developing, manufacturing, distribution or sale of high-performance alloys which shall be included in Company's Business, in any such case that are the same or substantially similar as those offered by the Company to its Customers as of the date on which Executive's employment with the Company terminates.

v. "Customer" means any and all persons and entities to whom the Company sold or distributed any products or services, or to whom its products were distributed or sold at any time during the twelve (12) months prior to at the time of the termination of Executive's employment with the Company.

vi. "Restricted Period" means the period of time during the term of Executive's employment with the Company and for a period of twelve (12) months immediately following the termination of his employment, regardless of the reason the employment relationship terminates.

e. Modification of Restrictions by Court. If a court of competent jurisdiction determines that any of the foregoing restrictions are too broad or otherwise unreasonable under applicable law, including with respect to the Restricted Period, any of the definitions used in Section 5.d. of this Agreement, and/or the scope of any restricted activity, the court is hereby requested and authorized by the parties hereto to revise the foregoing restrictions to include the maximum restrictions allowed under the applicable law, including application of so-called "blue pencil" revisions. This Agreement shall remain in full force and effect following the termination of the Executive's employment.

f. Enforcement. The Executive expressly agrees that breach of the restrictions of this Agreement would result in irreparable injuries to the Company, and that the Company's remedies at law for any breach or threat of breach by him of the provisions of this Agreement will be inadequate, and that the Company shall be entitled to seek an injunction or injunctions (including temporary restraining orders, preliminary and/or permanent injunctions, as the case may be) to prevent breaches of this Agreement and to enforce specifically the terms and provisions thereof, in addition to any other remedy to which the Company may be entitled at law or equity. Company shall also be entitled to recover from Executive all costs, expenses and reasonable attorneys' fees incurred by the Company in seeking enforcement of this Agreement and in collecting damages (if any) for the breach by Executive of this Agreement. The Company's remedies are cumulative, and the Company shall also be entitled to seek any other relief and remedies available to it under applicable law. Any claim or cause of action by Executive against the Company shall not constitute a defense to the enforcement of the restrictions and covenants set forth in this Agreement and shall not be used to prohibit the Company from seeking or receiving injunctive relief. Executive shall also provide a copy of this Agreement, or a complete summary of the restriction of this Agreement, to any person or entity that employs or attempts to employ Executive during the Restricted Period.

g. Reasonable Restrictions. Executive acknowledges that the restrictions specified herein are reasonable in view of the nature of the business in which Company is engaged, Executive's level of compensation and position of trust and confidence, and Executive's knowledge of the Company's business and operations. Executive hereby agrees that regardless of the actual date employment commences, this covenant is supported by consideration consisting of continued employment.

h. No Conflict with Obligation to Third Parties. Executive represents that his performance of all the terms of this Agreement will not breach any non-competition agreement or other agreement requiring him to keep in confidence proprietary information acquired by Executive in confidence or in trust prior to his employment with the Company. Executive has not entered into, and will not enter into, any agreement either written or oral in conflict herewith or in conflict with his employment with the Company.

6. **Non-Disparagement.** Executive agrees that at no time after the termination of his employment (for any reason, including resignation) will Executive engage in any conduct or make any statement of a disparaging, derogatory or defamatory nature regarding the Company, its employees, customers, vendors, or Board of Directors. The Company agrees that at no time after the termination of Executive's employment (for any reason, including his resignation) will Company make any statement of a disparaging, derogatory or defamatory nature regarding the Executive. The foregoing obligations of the parties under this Section 6 shall not apply to any true statement necessarily made to enforce any legal or contractual right or obligation of one party as against the other, or to defend any claim made against one party by the other that a legal or contractual obligation has been breached.

7. **Continuing Cooperation.** Executive agrees that, for a period of thirty (30) calendar days following the termination of his employment for any reason, he will respond in a timely and effective manner to questions or requests for assistance received from the Company with regard to any matters within his knowledge or areas of responsibility during his employment with the Company. Executive further agrees that, as to any matters currently pending, or which arise relating to his employment with the Company, he will cooperate with the Company and its attorneys in connection with any proceeding involving the Company before a court, an administrative agency, governmental organization, or an arbitrator.

8. **Notices.** All notices and other communications required or permitted hereunder shall be in writing (which may include facsimile and email) and shall be deemed to have been duly given when delivered (if by hand delivery, facsimile or email) or when mailed, certified or registered mail, return receipt requested and postage prepaid: if to the Company, at the address set forth for the Company on the signature page hereof and, if to Executive, at such address as shall be used by the Company for payroll records purposes as on file with the Company, or at such other address as may be expressly specified by the Company or Executive to be used for purposes of this Agreement by way of notice provided in accordance with this Section 8.

9. **Applicable Law.** This Agreement is made pursuant to and shall be governed exclusively by and construed exclusively in accordance with the laws of Indiana, notwithstanding the choice of law provisions of the venue where the action is brought, where the violation occurred, or where Executive may be located. Any action to enforce, challenge or construe the terms or making of this Agreement to recover for its breach shall be litigated exclusively in a state or federal court located in Indianapolis, Indiana, except that Company may elect, at its sole discretion, to litigate the action in the county or state where any breach by Executive occurred or where Executive can be found. Executive acknowledges and agrees that this jurisdiction, venue and governing law provision is an essential provision of this Agreement and Executive hereby waives any defense of lack of personal jurisdiction, improper venue or *forum non conveniens*.

10. **Entire Agreement; Modification; Consents and Waivers.** This Agreement contains the entire agreement of the parties with respect to the subject matter hereof and supersedes any and all prior agreements or understandings, written or oral, between the parties with respect to the subject matter hereof. Except as set forth herein or as modified by a court of competent jurisdiction pursuant to the blue pencil doctrine or otherwise, no other interpretation, change, termination or waiver of or extension of time for performance under any provision of this Agreement shall be binding upon any party unless in writing and signed by the party intended to be bound thereby. Except as otherwise provided in this Agreement, no waiver of or other failure to exercise any right under or default or extension of time for performance under any provision of this Agreement shall affect the right of any party to exercise any subsequent right under or otherwise enforce said provision or any other provision hereof or to exercise any right or remedy in the event of any other default, whether or not similar.

11. **Severability.** If any one or more of the provisions contained in this Agreement shall for any reason, whether by application of existing law or law which may develop after the date of this Agreement, be determined by a court of competent jurisdiction to be invalid, void or unenforceable, the parties hereby jointly agree that the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

12. **Assignment; Counterparts.** Executive may not assign this Agreement or any of his rights hereunder without the prior written consent of the Company. The Company's rights and obligations under this Agreement shall be assigned by the Company to any successor entity, including as incident to the sale, transfer, by merger or otherwise, of all or substantially all of the business or assets of the Company. In the event of any such assignment by the Company, all rights and obligations of the Company hereunder shall inure to the benefit of the assignee. This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

13. **Survival.** The provisions of Sections 4 through 16 of this Agreement shall survive any expiration or termination of this Agreement and the termination of Executive's employment.

14. **Construction of Agreement**. The parties hereby confirm and agree that in interpreting this Agreement, the language should not be strictly construed against either party. Instead, the language of the Agreement should be interpreted consistent with the ordinary and reasonable meaning of the words used.

[Signatures on Next Page]

EXECUTIVE HAS READ THIS AGREEMENT, UNDERSTANDS IT, AND VOLUNTARILY AGREES TO BE BOUND BY ITS TERMS. EXECUTIVE HAS HAD ADEQUATE OPPORTUNITY TO CONSULT WITH LEGAL COUNSEL OR OTHER ADVISORS BEFORE SIGNING THIS AGREEMENT. EXECUTIVE SHOULD READ AND INITIAL EVERY PAGE OF THIS AGREEMENT.

IN WITNESS WHEREOF, the parties hereto have executed this Employment Agreement as of the date first above written.

HAYNES INTERNATIONAL, INC.

By: */s/ Janice W. Gunst*
Janice W. Gunst
Vice President-General Counsel &
Corporate Secretary

Address for notices:

Haynes International, Inc.
1020 West Park Avenue
Kokomo, IN 46904
Attn: General Counsel
Fax: (765) 456-6985
Email: jgunst@haynesintl.com

By: */s/ Michael L. Shor*
Michael L. Shor

Exhibit 10.2

RESIGNATION AND GENERAL RELEASE AGREEMENT

This Resignation and General Release Agreement ("Agreement") is made and entered into by and between Mark M. Comerford ("Executive") and Haynes International, Inc., a Delaware corporation (the "Company").

WHEREAS, Executive has been employed with the Company pursuant to an Employment Agreement dated September 8, 2008, as amended ("Employment Agreement");

WHEREAS, Executive has advised the Board of Directors of the Company of his intention to resign from his positions as an officer and director of the Company and each of its subsidiaries at which he holds any such position;

WHEREAS, the Employment Agreement does not provide for the payment of severance benefits by the Company to the Executive in the event of his resignation; and

WHEREAS, in recognition of Executive's years of dedicated service to the Company and in exchange for a release by Executive of all claims that he may have against the Company and its directors, officers, employees, shareholders and other persons and entities and his confirmation that he is bound by the restrictive covenants set forth in the Employment Agreement, the Company has agreed to provide Executive with certain severance benefits as set forth herein;

NOW, THEREFORE, in exchange for the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which the parties hereby acknowledge, the parties agree as follows:

Section 1. Resignation and Retirement. Executive resigns from all positions he currently holds as an officer or director of the Company or any of its subsidiaries, including without limitation his positions as President and Chief Executive Officer and a member of the Board of Directors of the Company, effective as of May 29, 2018 (the "Resignation Date"). Executive will remain an employee of the Company until his retirement on September 30, 2018 (the "Separation Date"). Between the Resignation Date and the Separation Date, Executive shall serve as an advisor to the Chief Executive Officer of the Company and shall have such duties and devote such time and attention to the affairs of the Company as determined by the Chief Executive Officer of the Company. Between the Resignation Date and the Separation Date, Executive shall be entitled to receive his base salary at the same rate as in effect on the Resignation Date and will continue to participate in the employee health and welfare benefit plans offered by the Company to its employees, subject to the terms and conditions of such plans. By remaining employed until September 30, 2018, Executive and his spouse will be eligible to participate in the Haynes International, Inc. Medical Plan for Retirees, subject to the terms and conditions of such plan. After the Resignation Date, Executive shall not participate in the Company's Management Incentive Plan or any other incentive compensation plan offered by the Company and shall not be entitled to any compensation other than the Annual Salary provided for in this Section 1 with respect to his service as an employee from the Resignation Date through the Separation Date.

Section 2. Severance Benefits.

(a) On the first regular Company payroll date following the Separation Date, the Company shall pay to Executive in accordance with the Company's existing payroll practices that portion of Executive's current Annual Salary (as defined in the Employment Agreement) which has been earned but not paid as of the Separation Date and shall reimburse Executive for any reimbursable business expenses incurred by Executive with the prior approval of the Chief Executive Officer of the Company through the Separation Date, but not theretofore reimbursed.

(b) The parties anticipate that Executive will have an additional period of employment with the Company after the Resignation Date of this Agreement and Executive wishes to provide a full release to the Company for all claims and actions through the Resignation Date. Accordingly, Executive understands and agrees that he will receive the below-described Severance Benefits only if: (x) his employment is not terminated for Cause (as defined in the Employment Agreement Section 1(e)(ii) sub-paragraphs (ii), (iv) or (v)) prior to the Separation Date; (y) he signs and returns to the Company the Reaffirmation of Resignation, Retirement and Release Agreement (the "Reaffirmation"), attached hereto and incorporated herein as Exhibit B; and (z) he does not exercise the revocation right described in the Reaffirmation. Provided, however, that if Executive dies or suffers a Disability (as defined in the Employment Agreement) which would prevent his execution of the Reaffirmation between the period of his Resignation Date and Separation Date, the Reaffirmation may be executed by his authorized Power of Attorney (in the case of a Disability) or the authorized personal representative of his estate. If Executive meets the foregoing conditions to payment of the Severance Benefits, the Company shall pay or provide to Executive the following payments and benefits (collectively, the "Severance Benefits"):

(i) Cash payment of $417,825.00 in respect of Executive's Target Bonus (as defined in the Employment Agreement) for fiscal 2018 to be paid in accordance with the Company's existing payroll practices on the first regular Company payroll date following the date the Reaffirmation becomes effective (such effective date, the "Reaffirmation Effective Date");

(ii) Cash payment of $961,730.00, representing eight months of Executive's current Annual Salary plus his Target Bonus, to be paid by the Company in 20 equal monthly installments commencing in October 2018 following the Reaffirmation Effective Date and ending in May 2020, with each installment to be paid in accordance with the Company's existing payroll practices on a regular Company payroll date on or prior to the last day of the applicable month, which payments shall be subject to, contingent upon, and compensation for Executive's compliance with the provisions of the non-competition and non-solicitation provisions as set forth in the Employment Agreement, which provisions are incorporated by reference herein and made a part hereof as if such provisions were set forth herein;

(iii) Executive shall be entitled to exercise the 114,433 stock options held by Executive that are vested and exercisable on the Resignation Date and set forth on Exhibit A until the earlier of November 30, 2018 or the expiration date of such stock options; all stock options that are not vested by their terms as of the Resignation Date shall be forfeited effective immediately following the resignation of Executive's positions as an officer and director of the Company on the Resignation Date;

(iv) The Company agrees to accelerate the vesting of a pro rata portion (based on service by the Executive from the grant date through the Resignation Date) of the time-based restricted shares granted to Executive (A) in November 2015 under the Company's 2009 Restricted Stock Plan and (B) in November 2016 under the Company's 2016 Incentive Compensation Plan, in each case that are held by Executive on the Resignation Date as set forth on Exhibit A (collectively, the "Accelerated Time-Based Shares") from the vesting dates set forth in the applicable award agreements to the Reaffirmation Effective Date; provided, that, (x) all time-based restricted shares granted to Executive in November 2015 and November 2016 that are not Accelerated Time-Based Shares and (y) all time-based restricted shares granted to Executive in November 2017 shall be forfeited by Executive effective immediately following the resignation of Executive's positions as an officer and director of the Company on the Resignation Date; and

(v) The Company agrees to permit Executive to retain his existing interest in a pro rata portion (based on service by the Executive from the grant date through the Resignation Date) of (A) the performance-based restricted stock granted to Executive in November 2015 under the Company's 2009 Restricted Stock Plan and (B) the performance shares granted to Executive in November 2016 under the Company's 2016 Incentive Compensation Plan, in each case that are held by Executive on the Resignation Date as set forth on Exhibit A (collectively, the "Retained Performance-Based Shares"); provided, that, (x) all shares of performance-based restricted stock granted to Executive in November 2015 that are not Retained Performance-Based Shares, (y) all performance shares granted to Executive in November 2016 that are not Retained Performance-Based Shares and (z) all performance shares granted to Executive in November 2017 shall be forfeited by Executive effective immediately following the resignation of Executive's positions as an officer and director of the Company on the Resignation Date; the Retained Performance-Based Shares shall remain subject to the conditions and restrictions, including the achievement of performance targets, set forth in the respective awards and shall vest and be delivered to Executive, if at all, at the same time, under the same terms and subject to the same limitations and conditions set forth in the applicable plan and award agreement that would have obtained if Executive were still employed on the date the Performance Awards are paid or distributed.

For the avoidance of doubt, all stock options, restricted stock and other equity awards held by Executive but not vested by their terms as of the Resignation Date that are not described in this Section 2 shall be forfeited effective immediately following the resignation of Executive's positions as an officer and director of the Company on the Resignation Date.

Section 3. Timing of Payment and Release.

(a) As a condition of receiving from the Company the payments and benefits provided for in Section 2(b) of this Agreement, which Executive otherwise would not be entitled to receive, Executive must execute (and not revoke) this Agreement. Executive acknowledges that he has been advised in writing to consult with an attorney prior to executing this Agreement. All payments made to Executive hereunder shall be subject to appropriate payroll deductions and other withholdings required by law. In the event of Executive's death or Disability (as defined in the Employment Agreement), any payment to be made as part of the Severance Benefits that remains unpaid as of the date of death or Disability shall be paid to Executive's estate or spouse, as the case may be, at the same times and subject to the same terms and conditions as otherwise provided herein.

(b) This Agreement shall be construed to comply with Section 409A of the Internal Revenue Code of 1986, as amended ("Code Section 409A") or an exemption from the application of Code Section 409A. Notwithstanding anything set forth in this Agreement, no amount payable pursuant to or as provided in this Agreement which constitutes a "deferral of compensation" within the meaning of Code Section 409A shall be paid unless and until Executive has incurred a "separation from service" within the meaning of Code Section 409A. Any payments under this Agreement that may be excluded from Code Section 409A either as separation pay due to an involuntary separation from service or as a short-term deferral shall be excluded from Code Section 409A to the maximum extent possible. For purposes of Code Section 409A, to the extent the payment is determined to constitute "nonqualified deferred compensation" within the meaning of Code Section 409A, each installment payment provided under this Agreement shall be treated as a separate payment. Further, to the extent Executive is a "specified employee" within the meaning of Code Section 409A as of the date of Executive's separation from service, no amount which constitutes nonqualified deferred compensation which is payable on account of Executive's separation from service shall be paid to Executive before the date which is the first day of the seventh month after the date of Executive's separation from service or, if earlier, the date of Executive's death following such separation from service. The aggregate of any payments that would otherwise have been paid before such date shall be paid to the Participant in a lump sum on such date and thereafter, any remaining payments shall be paid without delay in accordance with their original schedule.

(c) In consideration of the Company's agreement to the payment of the Severance Benefits set forth in Section 2 above and the other good and valuable consideration indicated herein, Executive (for himself and his personal representatives, heirs and assigns) RELEASES AND FOREVER DISCHARGES the Released Parties (as defined below) from any and all claims (including, but not limited to, claims for attorneys' fees), demands, losses, grievances, damages, injuries (whether personal, emotional or other), agreements, actions, promises or causes of action (known or unknown) which he now has or may later discover or which may hereafter exist against the Released Parties, in connection with or arising directly or indirectly out of or in any way related to any and all matters, transactions, events or other things occurring prior to the date hereof, including all those arising out of or in connection with his employment or former employment with the Company, or arising out of any events, facts or circumstances which either preceded or flowed from the termination of his employment, or which occurred during the course of Executive's employment with the Company or incidental thereto or arising out of any other matter or claim of any kind whatsoever and whether pursuant to common law, statute, ordinance, regulation or otherwise. Claims or actions released herein include, but are not limited to, those based on allegations of wrongful discharge, failure to represent, fraud, defamation, promissory estoppel, and/or breach of contract; those alleging discrimination on the basis of race, color, sex, religion, national origin, age, disability or handicap under Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act of 1967 ("ADEA"), the Rehabilitation Act of 1973, the Equal Pay Act of 1963, the Americans with Disabilities Act of 1990, the Civil Rights Act of 1991, the Family and Medical Leave Act of 1993, the Fair Labor Standards Act (all as amended) or any other federal, state or local law, ordinance, rule or regulation; and those arising under the Executive Retirement Income Security Act of 1974, all as amended (except for qualified retirement or other benefit plans from which Executive is entitled under the terms of such plans to receive future benefits). Executive agrees and understands that any claims he may have under the aforementioned statutes or any other federal, state or local law, ordinance, rule, regulation or common law are effectively waived by this Agreement. No claims under the ADEA arising after the execution of this Agreement are waived hereby.

(d) The parties understand and agree that, as used in this Agreement, "Released Parties" means Haynes International, Inc. and its subsidiaries and all of their respective past and present officers, directors, shareholders, employees, trustees, agents, parent companies, subsidiaries, partners, members, affiliates, principals, insurers, any and all employee benefit plans (and any fiduciary of such plans) sponsored by the aforesaid entities, and each of them, and each entity's predecessors, successors, and assigns, and all other entities, persons, firms, or corporations liable or who might be claimed to be liable, none of whom admit any liability to Executive, but all of whom expressly deny any such liability.

(e) Except as specifically provided in Section 2 and this Section 3 or required under applicable law, Executive will not be eligible to receive any salary, bonus or other compensation or benefits with respect to any periods after the Separation Date; provided, however, Executive shall have the right to receive all compensation and benefits to which he is entitled under any benefit plans of the Company to the extent he is fully vested as of the Resignation Date pursuant to the terms and conditions of such employee benefit plans.

Section 4. Covenant Not to Sue.

(a) Executive understands that by signing this Agreement, Executive is agreeing that Executive has not and will not file any claims or lawsuits against the Released Parties with any court or government agency with the exception that this Agreement will not release (i) any non-waivable rights Executive has, including any claims that arise after the Resignation Date or the Reaffirmation Effective Date, as applicable; (ii) actions, or rights arising under or to enforce the terms of this Agreement; and/or (iii) vested benefits under any retirement or pension plan and/or deferred compensation plan. Further, if

Executive is requested to participate in any lawsuit, other proceeding, or investigation against any of the Released Parties, Executive agrees to immediately notify the Company. The Parties specifically agree that, to the extent Executive may have any non-waivable rights to file or participate in a claim, lawsuit, or charge against any of the Released Parties, such as with the Equal Employment Opportunity Commission (EEOC), the National Labor Relations Board (NLRB), the Department of Labor (DOL), the Occupational Safety and Health Administration (OSHA), or other government agency, Executive is not giving up such right nor is Executive giving up Executive' s right to participate truthfully in any EEOC, NLRB, DOL, OSHA, or other government agency investigation. However, even if Executive has a right to file or participate in a claim, lawsuit, or charge against any of the Released Parties, Executive agrees that, except for non-waivable claims, Executive shall not obtain, and hereby waives Executive' s right to, any relief of any kind from such a claim or charge.

(b) As to any actions or claims that would not be released because of the invalidity or unenforceability of this Agreement, Executive understands and agrees that, except as prohibited by law, if he asserts or brings any such actions or claims against the Company, he must repay to the Company the Severance Benefits provided to him pursuant to this Agreement, with legal interest. Executive and the Company agree that by executing this Agreement, Executive has waived any claim (administrative or otherwise) he may have under, among other things, the ADEA. If Executive files a charge alleging a violation of the ADEA with any administrative agency or challenges the validity of this waiver and release of any claim he might have had under the ADEA, he will be required to repay to the Company the Severance Benefits provided by it pursuant to this Agreement, or pay to the Company any other monetary amounts (such as attorneys' fees and/or damages), as a condition precedent to filing such a claim, only if and to the extent the recovery of any such amounts by the Company is otherwise authorized by law. This Agreement is not to be interpreted by either party or by any third party as an effort to interfere with the protected right to file a charge or participate in an investigation or proceeding under the ADEA.

Section 5. Acknowledgment of No Wages or Payments Owed. Executive and the Company agree that the Company has paid or will pay Executive all salary, benefits and compensation of any nature (including any and all accrued but unused vacation time), due and owing in accordance with the payroll schedule in existence at the time of this Agreement. No additional salary, benefits, or compensation of any nature is payable unless specifically provided for herein.

Section 6. Non-disparagement. In consideration of receipt of the Severance Benefits and the promises made by the Company in this Agreement, Executive agrees not to make any false, negative or disparaging remarks or comments to any person and/or entity about the Company; make any statement that may subject the Company to potential embarrassment, humiliation or any other negative consequence; or make any public statement, including but not limited to, any statement to the media or to any Company employee, regarding the separation of his employment with the Company, except as specifically approved by the Board of Directors. For its part, the Company's agrees that its current directors, officers, and senior leadership team (those holding the title of "Vice President") will not make any false or disparaging remarks or comments to any person and/or entity about Executive, including, but not limited to, not making any statement to the media, internal Company communication, formal or informal, and externally in print or electronic media, except as agreed in, or consistent with, the press release referenced below. The Company and Executive acknowledge and agree that nothing in this Section 6 shall be construed to prohibit any truthful statements made in response to any legal process, required governmental testimony or filings, or administrative or arbitral proceedings (including, without limitation, depositions in connection with such proceedings). The Company and Executive shall mutually agree upon the form of a press release announcing Executive's resignation.

Section 7. Continued Cooperation. Executive agrees that, during the period in which Executive is receiving any of the Severance Benefits set forth in Section 2, Executive shall respond, within a reasonable amount of time, to inquiries that the Company may have from time to time so long as such continued cooperation does not pose a conflict of interest with regard to any work or services performed by Executive for third parties that is not in violation of this Agreement or the terms of the Employment Agreement incorporated herein.

Section 8. Return of Property; Termination of Perquisites. Executive hereby certifies that, on or prior to the date hereof, he has returned to the Company, all of the Company’s property in Executive’s possession or control, including, but not limited to, any cell phone, computer, equipment, keys, access cards or fobs, passwords, portable computer drives and documents (electronic or hard copy). On or after the Resignation Date, the Company shall remove all Company information from Executive’s cell phone, laptop and iPad and thereafter shall return the cell phone, laptop and iPad to Executive and shall transfer to Executive the telephone number associated with his cell phone. All perquisites provided by the Company to Executive shall terminate and no longer be provided or paid for by the Company as of the Resignation Date.

Section 9. Confidentiality, Restrictive Covenants and Assignment of Inventions. Executive acknowledges and agrees that his covenants and obligations and the rights and remedies of the Company regarding confidentiality, restrictive covenants and the assignment of inventions in Sections 2, 3, 4, 5(a), 5(b), 5(c) and 5(i) of the Employment Agreement continue in full force and effect and such obligations are incorporated herein by reference as if fully set forth; provided that the Restricted Period (as defined in Section 3(c)(v) of the Employment Agreement) with respect thereto shall be the period of time during Executive’s employment by the Company plus a period of 20 months from the Separation Date. The Company acknowledges that Executive’s position as a member of the Board of Directors of Global Advanced Metals Pty Ltd does not violate Executive’s obligations under this Section 9.

Section 10. Entire Agreement. This Agreement, including the sections of the Employment Agreement incorporated by reference herein as provided in Section 9 hereof, sets forth the entire agreement between the parties hereto and supersedes the Employment Agreement (including, but limited to Sections 1(e) and 1(f) of the Employment Agreement) and any other prior agreements or understandings between the parties. Executive acknowledges that Executive has not relied on any representations, promises, or agreements of any kind made to Executive in connection with Executive’ s decision to accept this Agreement, except for those set forth in this Agreement.

Section 11. Amendment; Waiver. This Agreement may not be modified, altered or changed except in writing and signed by all parties hereto. Any waiver by Executive or the

Company of a breach of any of the provisions of this Agreement must be in writing and shall not operate or be construed as a waiver of any of the rights and privileges of Executive or the Company under this Agreement or of any subsequent breach.

Section 12. Severability. The provisions of this Agreement are severable, and should any provision be declared invalid or not enforceable, the remaining provisions of the Agreement shall not be affected thereby unless such reading shall operate to deprive a party of the overall benefit of the bargain as agreed to herein.

Section 13. Attorney Fees. Executive agrees that he will be solely and individually responsible for compensating any attorney(s) for any services they have rendered to or for him in connection with the review of this Agreement or any other matters whatsoever.

Section 14. Non-Admission of Liability. It is understood and agreed that the Company has denied and continues to deny that it is liable to Executive on any theory, and that nothing in this Agreement, including, but not limited to, the payment of the Severance Benefits and other valuable consideration set forth in Section 1 hereof, constitutes an admission by the Company of any fact, damage or liability to Executive on any theory.

Section 15. Other Acknowledgments. Executive hereby represents and certifies that Executive: (a) has carefully read all of this Agreement; (b) has been given a fair opportunity to discuss and negotiate the terms of this Agreement by and through legal counsel; (c) understands the provisions of this Agreement; (d) has determined that it is in his best interest to enter into this Agreement; (e) has not been influenced to sign this Agreement by any statement or representation by Company or any of its representatives not contained in this Agreement; and (f) enters into this Agreement knowingly and voluntarily.

Section 16. Successors and Assigns. Executive shall not assign or transfer any of his rights or obligations under this Agreement to any individual or entity. The Company may assign its rights hereunder to any of its affiliates or to any individual or entity who or that shall acquire or succeed to, by operation of law, or otherwise, all or substantially all of the assets of the Company or the Company's business. All provisions of this Agreement are binding upon, shall inure to the benefit of, and are enforceable by or against, the parties and their respective heirs, executors, administrators or other legal representatives and successors and permitted assigns.

Section 17. Governing Law; Jurisdiction. The laws of the State of Indiana shall govern the validity, performance, enforcement, interpretation, and other aspects of this Agreement, notwithstanding any state's choice of law provisions to the contrary. The parties intend the provisions of this Agreement to supplement, but not displace, their respective obligations and responsibilities under the Indiana Uniform Trade Secrets Act. Any proceeding to enforce, interpret, challenge the validity of, or recover for the breach of any provision of, this Agreement shall be filed in the courts of the State of Indiana or the United States District Court sitting in Indianapolis, Indiana, and the parties hereto expressly waive any and all objections to personal jurisdiction, service of process or venue in connection therewith.

Section 18. Right to Revoke Agreement. The parties hereby acknowledge and agree that Executive will have 21 calendar days to review this Agreement and that this Agreement may be revoked by Executive within 7 calendar days after he signs it. This Agreement shall not be effective or enforceable until the 7 calendar-day revocation period has expired. Furthermore, the offer to make the Severance Benefits to Executive and provide the other benefits and consideration set forth herein, shall expire and be deemed automatically withdrawn by the Company if not accepted and this Agreement signed within 21 calendar days. The parties acknowledge and agree that any modification to this Agreement proposed or agreed to by the parties shall not restart the 21 calendar day period noted above.

Section 19. No Impact on Indemnification or Insurance Rights. Nothing in this Agreement shall impair or otherwise affect (a) Executive's rights to exculpation from liability, indemnification and advancement of expenses provided to former directors and officers of the Company under the Company's Second Restated Certificate of Incorporation and Amended and Restated By-laws, as amended (collectively, the "Charter Documents"), or (b) any insurance coverage provided to former directors and officers of the Company under the Company's director's and officer's insurance policies in force from time to time; provided that nothing in this Agreement shall prevent the Company from amending its Charter Documents or amending or canceling any such insurance policies in any respect; and provided, further, that the Company shall not be required to maintain any specified level of such insurance coverage.

[Signatures on next page]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date(s) set forth below.

HAYNES INTERNATIONAL, INC.

By:	/s/ Mark M. Comerford	By:	/s/ Michael Shor
	Mark M. Comerford		Michael Shor
			Chairman of the Board
Date:	May 27, 2018	Date:	May 29, 2018

Exhibit A
To
Resignation and General Release Agreement

Summary of Equity Awards

Exercisable Stock Options

Grant Date	Number of Shares	Exercise Price	Expiration Date
10/01/08	20,000	$46.83	10/01/18
11/24/10	8,800	$40.26	11/24/20
11/25/11	7,000	$55.88	11/25/21
11/20/12	12,600	$47.96	11/20/22
11/26/13	15,000	$52.78	11/26/23
11/25/14	27,000	$46.72	11/25/24
11/24/15	18,400	$37.75	11/24/25
11/22/16	5,633	$40.86	11/22/26
Total	114,433		

Accelerated Time-Based Shares

Grant Date	Number of Accelerated Time-Based Shares
11/24/15	5,444
11/22/16	3,845

Retained Performance-Based Shares

Grant Date	Number of Retained Performance-Based Shares*
11/24/15	5,444
11/22/16	3,390

*Performance-based equity reflects shares at target performance.

Exhibit B
To
Resignation and General Release Agreement

To be signed on Executive's last day of employment.

Reaffirmation of Resignation and General Release Agreement

1. I, the undersigned, hereby reaffirm the terms of the Resignation and General Release Agreement, dated May 29, 2018 ("Release Agreement") previously entered into between Haynes International, Inc. (the "Company") and me, which agreement is hereby incorporated by reference into this Reaffirmation of Resignation and General Release Agreement ("Reaffirmation"). I hereby reaffirm that I have complied with all the terms of the Release Agreement and that I will continue to do so. I also reaffirm and agree to all the terms of the Release Agreement. This Reaffirmation shall not apply to rights or claims that may arise after the date the parties sign this document.

2. By signing this Reaffirmation, I acknowledge that I have read it and understand it. I understand that I am giving up rights and possible legal and/or administrative claims by signing it. I agree to all of the terms and conditions contained in the Release Agreement. I am aware of my right to consult an attorney before signing this Reaffirmation and I acknowledge that the Company has advised me that I should do so, and that I have done so.

3. I understand that I have previously been given at least twenty-one (21) calendar days to consider whether I wish to sign this Affirmation. I understand that I have seven (7) calendar days after signing this Reaffirmation to revoke my release of claims under the Age Discrimination in Employment Act and the Older Workers Benefit Protection Act pursuant to this Reaffirmation. I have signed this Reaffirmation knowingly and voluntarily.

4. I also understand that if I exercise my right not to sign this Reaffirmation or my right to revoke this Reaffirmation, I will not receive the Severance Benefits described in the Release Agreement, but will instead receive the total gross amount of $10.00 in consideration of my execution of the Release Agreement.

____________________________________ Date: September 30, 2018
Mark Comerford

HAYNES INTERNATIONAL, INC.

____________________________________ Date: ___________, 2018
Signature

____
Title

____
Printed Name

Exhibit 31.1

CERTIFICATIONS

I, Michael L. Shor, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Haynes International, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: August 2, 2018

/s/ MICHAEL L. SHOR

Michael L. Shor

President and Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Daniel W. Maudlin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Haynes International, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: August 2, 2018

/s/ DANIEL W. MAUDLIN

Daniel W. Maudlin

Vice President of Finance and

Chief Financial Officer

Exhibit 32.1

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

I, Daniel W. Maudlin, the Vice President Finance and Chief Financial Officer of Haynes International, Inc., certify that (i) the Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2018 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Haynes International, Inc. as of the dates and for the periods set forth therein.

/s/ DANIEL W. MAUDLIN
Daniel W. Maudlin
Vice President Finance and
Chief Financial Officer

August 2, 2018
Date

I, Michael, L. Shor, the President and Chief Executive Officer of Haynes International, Inc., certify that (i) the Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2018 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Haynes International, Inc. as of the dates and for the periods set forth therein.

/s/ MICHAEL L. SHOR
Michael, L. Shor
President and Chief Executive Officer

August 2, 2018
Date