



## Universal Stainless Reports First Quarter 2009 Results

**Sales of \$42.2 Million in Line With Forecast, 26% Below 1Q08 On 18% Fewer Tons Shipped**

**Net Loss of \$3.8 Million Includes \$3.6 Million of Unusual Charges**

**Cash Flow From Operations Was \$2.6 Million in 1Q09**

**Cash On Hand Increased to \$25.8 Million vs. Total Debt of \$13.3 Million**

**First Phase of Melt Shop Project Completed On-Time and On-Budget**

BRIDGEVILLE, Pa., April 29, 2009 -- Universal Stainless & Alloy Products, Inc. (Nasdaq:USAP) reported today that sales for the first quarter of 2009 were \$42.2 million, which was at the high end of its forecast of \$32 million to \$42 million. This compares with sales of \$56.8 million in the first quarter of 2008.

The Company recorded a net loss for the first quarter of 2009 of \$3.8 million, or \$0.57 per diluted share, which included unusual charges of \$3.6 million equivalent to \$0.53 per share, after-tax, as detailed below. The Company announced on March 24 that the deepening recession and economic uncertainty would contribute to an expected loss for the quarter and include unusual charges. In the first quarter of 2008, the Company recorded net income of \$4.7 million, or \$0.70 per diluted share.

The first quarter of 2009 included the following unusual charges (totaling \$6.0 million pre-tax):

- \* \$1.9 million increase to the bad debt reserve due to the inability of a privately held service center customer to pay amounts owed on 2008 business and a related \$0.5 million increase to the inventory reserve;
- \* \$1.5 million due to a decline in raw material values and the consumption of high cost material during the quarter;
- \* \$1.0 million write-down of stock inventory;
- \* \$0.9 million attributed to the reduction of operating levels; and
- \* \$0.2 million resulting from a 20% reduction in salaried employees

Cash flow from operations remained positive in the first quarter of 2009 and totaled \$2.6 million. Capital expenditures were a near-record \$3.7 million including initial expenditures of \$2.5 million for the \$13 million melt shop upgrade project. At March 31, 2009, cash was \$25.8 million, working capital was \$100.6 million and long-term debt was \$12.9 million.

President and CEO Dennis Oates commented: "The persistence of very difficult economic and credit conditions in the first quarter of 2009 resulted in reduced market demand, significant de-stocking in the specialty steel supply channel and liquidity problems for several of our privately-held customers. We have executed plans to aggressively reduce costs, generate cash and adjust our operating levels to market realities.

"These actions are designed to improve our performance under current conditions and position us to seize opportunities when the markets recover. We continue to strengthen our organization with industry veterans through the addition of Bill Beible as Senior Vice President of Operations and the naming of Chris Ayers to our Board of Directors. Lastly, our strategic investment program is progressing on time and on budget. These investments are focused on reducing production cycle times, increasing customer service levels, improving material yields, reducing operating costs and enhancing working capital management."

Mr. Oates concluded: "Given the unprecedented uncertainty in our industry, we are not providing specific earnings guidance for the second quarter of 2009. We anticipate that second quarter sales will be below those of the first quarter of 2009 based on current low order entry and a decline in our backlog to \$58 million at March 31 from \$75 million at year-end. Our performance in the second quarter of 2009 is expected to be aided by our cost saving initiatives and better alignment of material costs to surcharges. We also expect to generate positive cash flow and maintain our strong balance sheet."

## Segment Review

For the first quarter of 2009, the Universal Stainless & Alloy Products segment had sales of \$36.7 million and an operating loss of \$3.9 million, including \$5.0 million of unusual charges. In the first quarter of 2008, sales were \$48.2 million and operating income was \$4.9 million, or 10% of sales. In the fourth quarter of 2008, sales were \$53.1 million and operating income of \$1.9 million, or 3% of sales.

Segment sales declined 24% from the first quarter of 2008 primarily due to a 19% decrease in tons shipped. Increased shipments to forgers and OEMs were offset by lower shipments to rerollers and to service centers, mainly of tool steel plate. Segment sales decreased 31% from the fourth quarter of 2008 on 19% fewer tons shipped.

The Dunkirk Specialty Steel segment recorded sales of \$11.4 million and an operating loss of \$2.5 million for the first quarter of 2009, including unusual charges of \$1.0 million. In the first quarter of 2008, sales were \$20.1 million and operating income was \$2.8 million, or 14% of sales. In the fourth quarter of 2008, sales were \$11.4 million and the operating loss of \$1.3 million, including a \$248,000 charge related to the relocation of the round bar finishing line to Dunkirk from Bridgeville.

Dunkirk's sales declined 43% from the first quarter of 2008 while tons shipped decreased 28% due to lower shipments to all customer categories and lower surcharges. Dunkirk's sales were level with the fourth quarter of 2008 while tons shipped increased 23%, with the benefit of a strong increase in shipments to service centers offset by lower surcharges.

## Webcast

A simultaneous Webcast of the Company's conference call discussing the first quarter of 2009, scheduled at 10:00 a.m. (Eastern) today, will be available on the Company's website at [www.univstainless.com](http://www.univstainless.com), and thereafter archived on the website.

## About Universal Stainless & Alloy Products, Inc.

Universal Stainless & Alloy Products, Inc., headquartered in Bridgeville, Pa., manufactures and markets a broad line of semi-finished and finished specialty steels, including stainless steel, tool steel and certain other alloyed steels. The Company's products are sold to rerollers, forgers, service centers, original equipment manufacturers and wire redrawers. More information is available at [www.univstainless.com](http://www.univstainless.com).

## Forward-Looking Information Safe Harbor

Except for historical information contained herein, the statements in this release are forward-looking statements that are made pursuant to the "safe harbor" provision of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve known and unknown risks and uncertainties that may cause the Company's actual results in future periods to differ materially from forecasted results. Those risks include, among others, risks associated with the receipt, pricing and timing of future customer orders, risks associated with significant fluctuations that may occur in raw material and energy prices, risks associated with the manufacturing process, labor and production yields, risks related to property, plant and equipment, and risks related to the ultimate outcome of the Company's current and future litigation and regulatory matters. The Company's actual results in future periods also may be impacted by various economic and market risk and uncertainties, many of which are beyond the Company's control. Certain of these risks and other risks are described in the Company's filings with the Securities and Exchange Commission (SEC) over the last 12 months, copies of which are available from the SEC or may be obtained upon request from the Company.

### UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

#### FINANCIAL HIGHLIGHTS

(Dollars in thousands, except per share information)

(Unaudited)

#### CONSOLIDATED STATEMENT OF OPERATIONS

|                               | For the Quarter Ended |           |
|-------------------------------|-----------------------|-----------|
|                               | March 31,             |           |
|                               | 2009                  | 2008      |
|                               | ----                  | ----      |
| Net Sales                     |                       |           |
| Stainless steel               | \$ 33,762             | \$ 42,028 |
| Tool steel                    | 3,329                 | 9,107     |
| High-strength low alloy steel | 2,743                 | 4,011     |
| High-temperature alloy steel  | 2,019                 | 1,146     |

|  |            |           |
|--|------------|-----------|
| Conversion services                                    | 304        | 525       |
| Other  | 29         | 28        |
|  | -----      | -----     |
| Total net sales  | 42,186     | 56,845    |
| Cost of products sold                                  | 43,864     | 46,779    |
| Selling and administrative expenses                    | 4,737      | 3,075     |
|  | -----      | -----     |
| Operating income (loss)                                | (6,415)    | 6,991     |
| Interest expense                                       | (24)       | (28)      |
| Other income   | 30         | 87        |
|  | -----      | -----     |
| Income (loss) before taxes                             | (6,409)    | 7,050     |
| Income tax (benefit) provision                         | (2,583)    | 2,327     |
|  | -----      | -----     |
| Net income (loss)                                      | \$ (3,826) | \$ 4,723  |
|  | =====      | =====     |
| Earnings (loss) per share - Basic                      | \$ (0.57)  | \$ 0.71   |
|  | =====      | =====     |
| Earnings (loss) per share - Diluted                    | \$ (0.57)  | \$ 0.70   |
|  | =====      | =====     |
| Weighted average shares of Common Stock<br>outstanding |            |           |
| Basic  | 6,732,284  | 6,663,213 |
| Diluted  | 6,761,436  | 6,771,482 |

#### MARKET SEGMENT INFORMATION

|                                  | For the Quarter Ended<br>March 31, |           |
|----------------------------------|------------------------------------|-----------|
|                                  | 2009                               | 2008      |
|                                  | ----                               | ----      |
| Net Sales                        |                                    |           |
| Service centers                  | \$ 17,532                          | \$ 29,234 |
| Forgers                          | 12,971                             | 9,018     |
| Rerollers                        | 6,004                              | 11,239    |
| Original equipment manufacturers | 4,399                              | 5,441     |
| Wire redrawers                   | 947                                | 1,369     |
| Conversion services              | 304                                | 525       |
| Other                            | 29                                 | 19        |
|                                  | -----                              | -----     |
| Total net sales                  | \$ 42,186                          | \$ 56,845 |
|                                  | =====                              | =====     |
| Tons shipped                     | 9,593                              | 11,767    |
|                                  | =====                              | =====     |

#### BUSINESS SEGMENT RESULTS

##### Universal Stainless & Alloy Products Segment

|                               | For the Quarter Ended<br>March 31, |           |
|-------------------------------|------------------------------------|-----------|
|                               | 2009                               | 2008      |
|                               | ----                               | ----      |
| Net Sales                     |                                    |           |
| Stainless steel               | \$ 25,995                          | \$ 27,310 |
| Tool steel                    | 3,208                              | 8,424     |
| High-strength low alloy steel | 1,015                              | 1,113     |
| High-temperature alloy steel  | 734                                | 569       |

|                                     |            |          |
|-------------------------------------|------------|----------|
| Conversion services                 | 188        | 357      |
| Other                               | 29         | 10       |
|                                     | -----      | -----    |
|                                     | 31,169     | 37,783   |
| Intersegment                        | 5,516      | 10,415   |
|                                     | -----      | -----    |
| Total net sales                     | 36,685     | 48,198   |
| Material cost of sales              | 20,266     | 23,339   |
| Operation cost of sales             | 16,460     | 17,790   |
| Selling and administrative expenses | 3,873      | 2,138    |
|                                     | -----      | -----    |
| Operating income (loss)             | \$ (3,914) | \$ 4,931 |
|                                     | =====      | =====    |

Dunkirk Specialty Steel Segment

For the Quarter Ended  
March 31,

|                                     | 2009       | 2008      |
|-------------------------------------|------------|-----------|
|                                     | ----       | ----      |
| Net Sales                           |            |           |
| Stainless steel                     | \$ 7,767   | \$ 14,718 |
| Tool steel                          | 121        | 683       |
| High-strength low alloy steel       | 1,728      | 2,898     |
| High-temperature alloy steel        | 1,285      | 577       |
| Conversion services                 | 116        | 168       |
| Other                               | --         | 18        |
|                                     | -----      | -----     |
|                                     | 11,017     | 19,062    |
| Intersegment                        | 365        | 988       |
|                                     | -----      | -----     |
| Total net sales                     | 11,382     | 20,050    |
| Material cost of sales              | 8,794      | 11,839    |
| Operation cost of sales             | 4,225      | 4,489     |
| Selling and administrative expenses | 864        | 937       |
|                                     | -----      | -----     |
| Operating income (loss)             | \$ (2,501) | \$ 2,785  |
|                                     | =====      | =====     |

CONSOLIDATED BALANCE SHEET

|                                  | March 31,<br>2009 | December 31,<br>2008 |
|----------------------------------|-------------------|----------------------|
|                                  | ----              | ----                 |
| Assets                           |                   |                      |
| Cash                             | \$ 25,781         | \$ 14,812            |
| Accounts receivable, net         | 29,190            | 33,057               |
| Inventory                        | 51,397            | 63,222               |
| Other current assets             | 10,973            | 8,239                |
|                                  | -----             | -----                |
| Total current assets             | 117,341           | 119,330              |
| Property, plant & equipment, net | 65,203            | 62,626               |
| Other assets                     | 1,365             | 988                  |
|                                  | -----             | -----                |
| Total assets                     | \$ 183,909        | \$ 182,944           |
|                                  | =====             | =====                |

| Liabilities and Stockholders' Equity         |            |            |
|--|------------|------------|
| Trade accounts payable                       | \$ 11,935  | \$ 19,350  |
| Outstanding checks in excess of bank balance | 790        | 540        |
| Accrued employment costs                     | 3,189      | 3,795      |
| Current portion of long-term debt            | 409        | 403        |
| Other current liabilities                    | 381        | 421        |
|  | -----      | -----      |
| Total current liabilities                    | 16,704     | 24,509     |
| Long-term debt                               | 12,940     | 1,046      |
| Deferred taxes                               | 12,033     | 11,689     |
| Other liabilities                            | 290        | --         |
|  | -----      | -----      |
| Total liabilities                            | 41,967     | 37,244     |
| Stockholders' equity                         | 141,942    | 145,700    |
|  | -----      | -----      |
| Total liabilities and stockholders' equity   | \$ 183,909 | \$ 182,944 |
|  | =====      | =====      |

#### CONSOLIDATED STATEMENT OF CASH FLOW DATA

For the Three-Month Period Ended March 31,

|  | 2009       | 2008     |
|--|------------|----------|
|  | ----       | ----     |
| Cash flows provided by operating activities:                           |            |          |
| Net income (loss)  | \$ (3,826) | \$ 4,723 |
| Adjustments to reconcile to net cash provided by operating activities: |            |          |
| Depreciation and amortization  | 1,164      | 982      |
| Loss on retirement of fixed assets                                     | --         | 286      |
| Deferred tax (decrease) increase                                       | (609)      | 91       |
| Stock based compensation expense                                       | 250        | 195      |
| Tax benefit from share-based payment arrangements                      | --         | (183)    |
| Changes in assets and liabilities:                                     |            |          |
| Accounts receivable, net   | 3,867      | (7,174)  |
| Inventory  | 11,825     | 37       |
| Trade accounts payable   | (7,415)    | 767      |
| Accrued employment costs   | (606)      | (1,669)  |
| Other, net   | (2,013)    | 2,153    |
|  | -----      | -----    |
| Cash flow provided by operating activities                             | 2,637      | 208      |
|  | -----      | -----    |
| Cash flow used in investing activities:                                |            |          |
| Capital expenditures   | (3,734)    | (3,092)  |
|  | -----      | -----    |
| Cash flow used in investing activities                                 | (3,734)    | (3,092)  |
|  | -----      | -----    |
| Cash flows used in financing activities:                               |            |          |
| Long-term debt issuance  | 12,000     | --       |
| Long-term debt repayments  | (100)      | (99)     |
| Net change in outstanding checks in excess of bank balance             | 250        | 2,740    |
| Deferred financing costs   | (84)       | --       |
| Proceeds from issuance of common stock                                 | --         | 207      |
| Tax benefit from share-based payment arrangements                      | --         | 183      |

|  |                          |                         |
|--|--------------------------|-------------------------|
| Cash flow used in financing activities | -----<br>12,066<br>----- | -----<br>3,031<br>----- |
| Net cash flow                          | \$ 10,969<br>=====       | \$ 147<br>=====         |

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