



UNIVERSAL STAINLESS
& ALLOY PRODUCTS, INC.

Investor Presentation

September 2009

Nasdaq: USAP
www.univstainless.com





UNIVERSAL STAINLESS
& ALLOY PRODUCTS, INC.



Safe Harbor

Forward looking statements have been provided pursuant to the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. They involve known and unknown risks and uncertainties that may cause the Company’s actual results in future periods to be materially different from any future performance suggested by this presentation. Please refer to the discussion of risk factors detailed in the Company’s filings with the SEC during the past 12 months.



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Company Overview

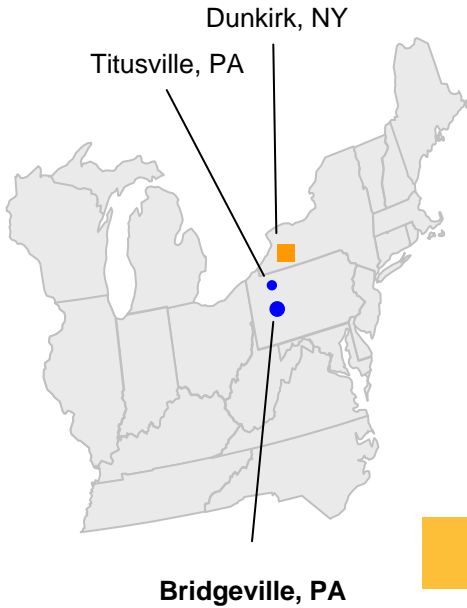
- **15-year focus on manufacturing quality specialty steel long and plate products for targeted and diverse niche markets**
- **Fully integrated operating model based on low fixed costs with focus on operational excellence**
- **Growth-driven vision based on providing unparalleled customer service**
- **Disciplined strategy execution and capital investment to optimize positioning for recovery**
- **Addressing current conditions through aggressive cost reduction, cash flow generation and balance sheet strength**
- **Management team with deep industry experience**



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High-Quality Products



Semi-Finished



Ingots



Reroll or Forging Billet



Plate

Bridgeville

Finished



Special Shapes

Titusville

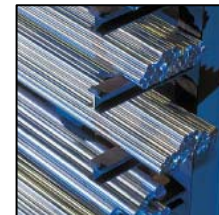


Forged Bar

Bridgeville



Bloom Bar



Bar

Dunkirk



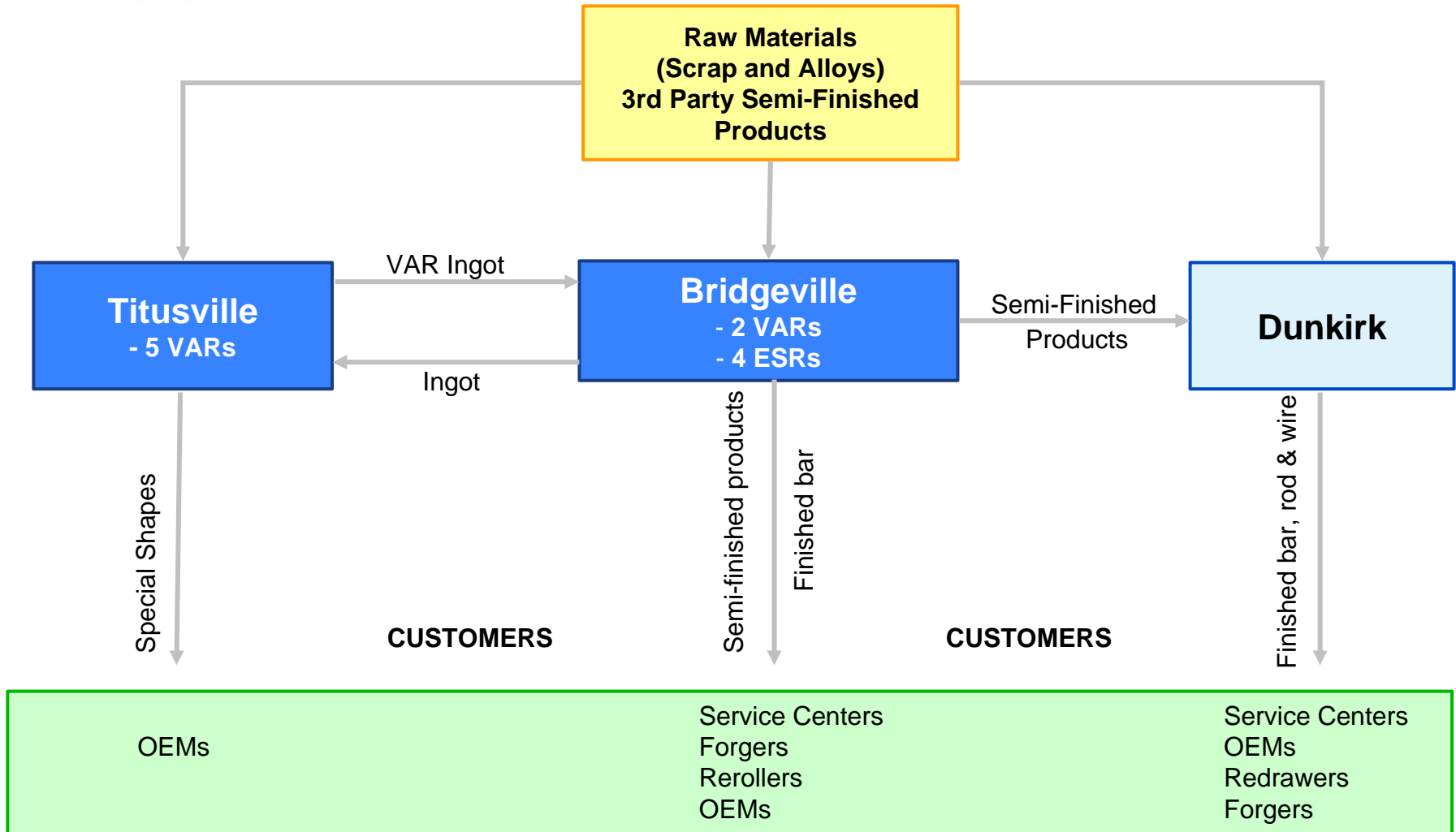
Rod and Wire



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Fully Integrated Operations

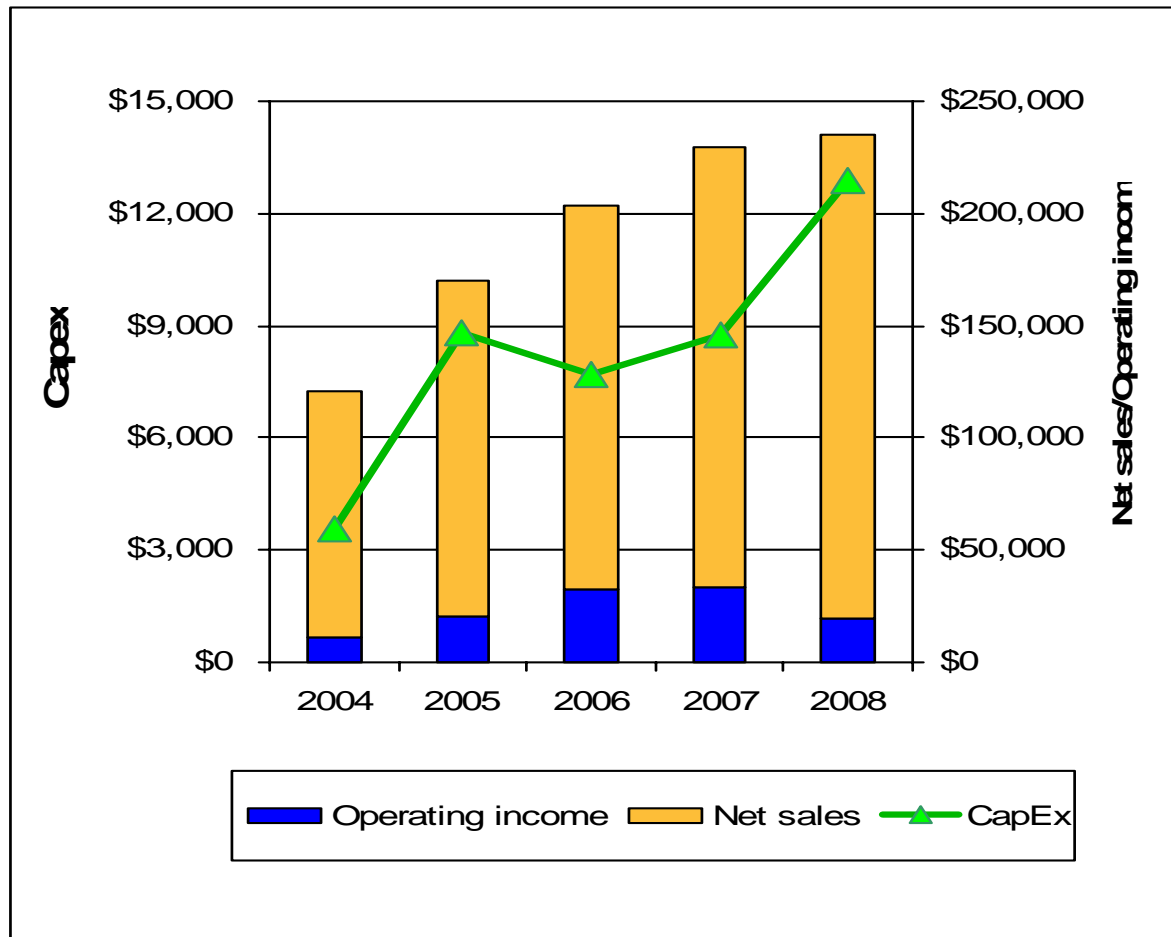




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Five Years of Record Sales + Capital Investment to Support Growth





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Economic Downturn Effects

➤ **Reduced Demand**

- Aerospace – Cancellations compounding build-schedule delays
- Power Generation – Some projects on hold due to financing constraints
- Petrochemical – Oil drilling curtailed
- Plate Products/Industrial Equipment – Retooling, especially automotive, nearly stopped

➤ **Restricted Purchasing**

- Aggressive de-stocking in the channel, especially by Service Centers and Rerollers
- Customers challenged by limited credit availability

➤ **Lower Raw Material Values**

- Reduced surcharges
- Reduced inventory valuation



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Strategy: Short Term

- **Weather the Storm**
 - **Tight Cost Control**
 - **Flexible Operating Plans**
 - **Reduce Working Capital**
 - **Conserve Cash**
- **But...Continue to Execute Plan**
 - **Provide Unparalleled Customer Service**
 - **Expand Market Penetration**
 - **Achieve Operation Excellence**
 - **Develop the Organization**
 - **Strategic Capital Investment**
- **Pounce on the Recovery**



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Positioning for Recovery: Execute Plan

Provide Unparalleled Customer Service

- Improve On-Time Delivery
- Shorten Lead Times
- Quicker Response Times

Expand Market Penetration

- Increase Market Share
 - Power Generation
 - Petro Chemical
 - Tool Steel
- Pursue International Opportunities
- AS 9100 Certified
- NADCAP Certification Pending



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Positioning for Recovery: Execute Plan

Achieve Operational Excellence

- Sharp Improvement in Safety
- Decrease Cycle Times
- Reduce Scrap Rates
- Increase Melt Shop Productivity
- Technical Experiments Yielding Cost & Quality Benefits

Develop the Organization

- Sales
- Operations
- Engineering
- Technical
- Board of Directors



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Positioning for Recovery: Plan Execution

Strategic Capital Investment

- Added Heat Treating Capability
- Relocated Bar Finishing Cell
- Expanded Milling Operations
- Upgraded Plate Finishing Facilities
- \$13M Melting Upgrade (M+) Project



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Strategy: Long Term - Resume and Accelerate Profitable Growth

- Capture Additional Share of Existing Customers
- Build New Customer Relationships
- Penetrate Underserved Markets
- Establish International Presence
- Expand Product Portfolio



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How Small Producers Will Thrive

- Speed
- Quality
- Customer/Market Selection
- Diverse Markets
- Product Profitability
- Process Improvement
- Prudent CAPEX
- Partner/JV
- Conservative Financial Structure



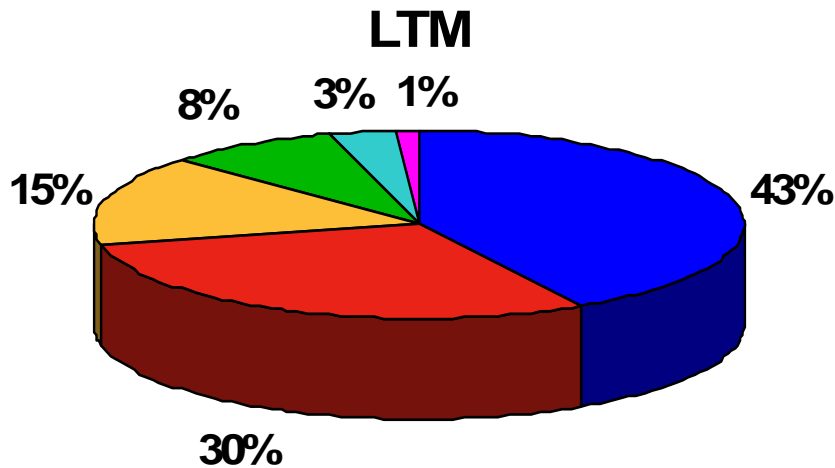
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FINANCIAL REVIEW



Economic Impact on Customer Mix



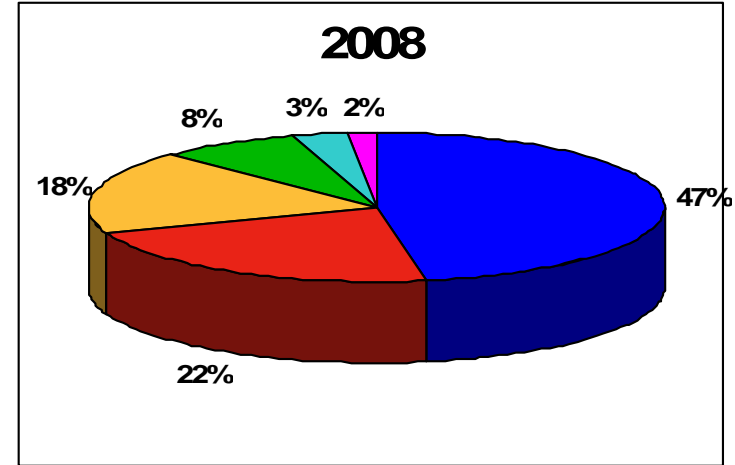
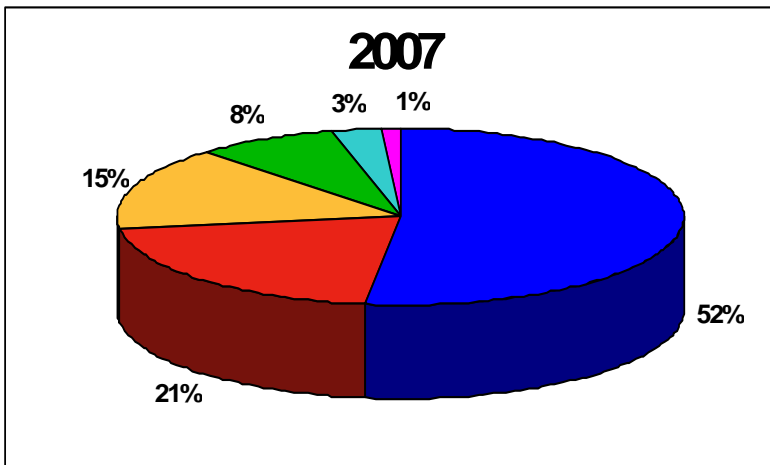
Service Centers - Purchase finished bar and tool steel plate to supply end markets

Forgers - Purchase semi-finished products for forging applications

Rerollers - Purchase semi-finished products to produce finished bar, rod, wire products

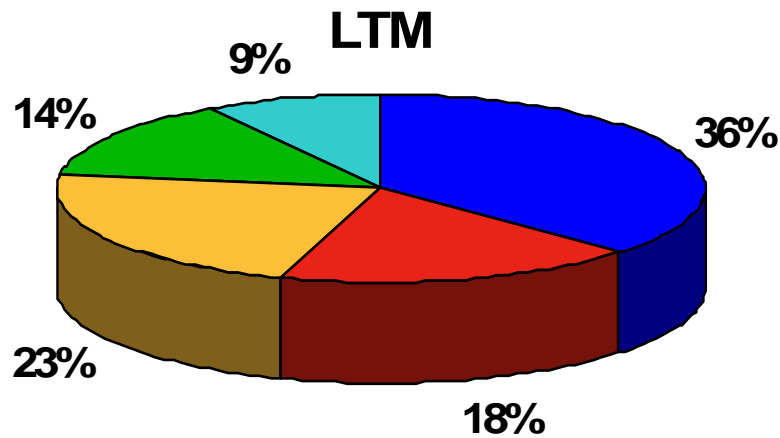
OEM - Purchase finished bar products for direct manufacturing applications

Redrawers - Purchase rod/wire products to produce finished rod/wire





Economic Impact on End Market Sales



Aerospace

➤ Landing gear components, fan casings, airfoils, flanges, fittings

Power Generation

➤ Major supplier of feedstock for gas and steam turbine blades

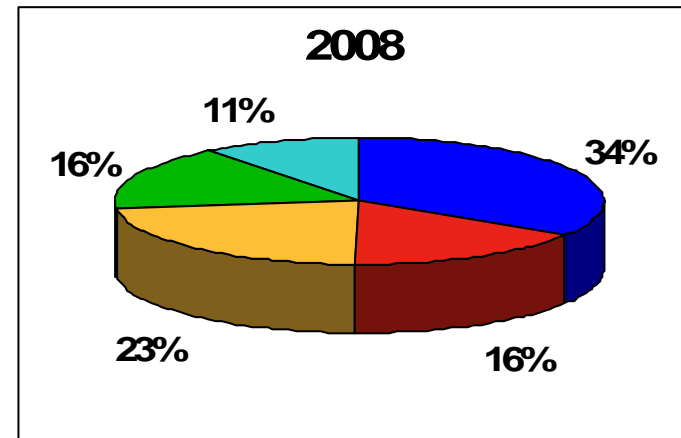
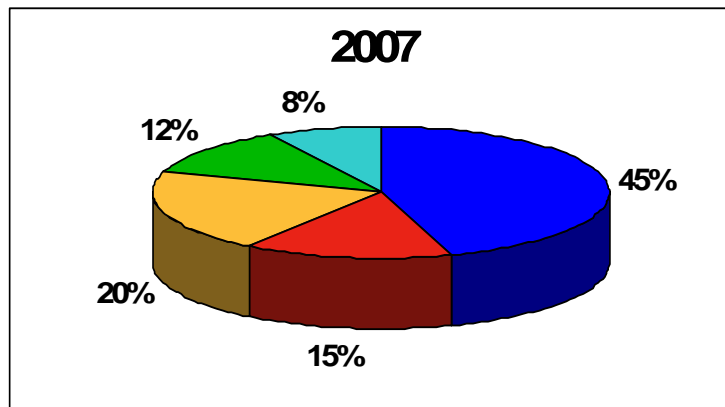
Petrochemical

➤ Materials used in highly corrosive environments

Service Center Plate

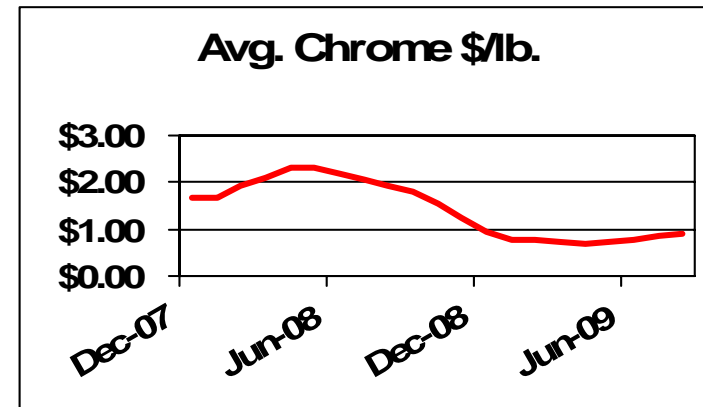
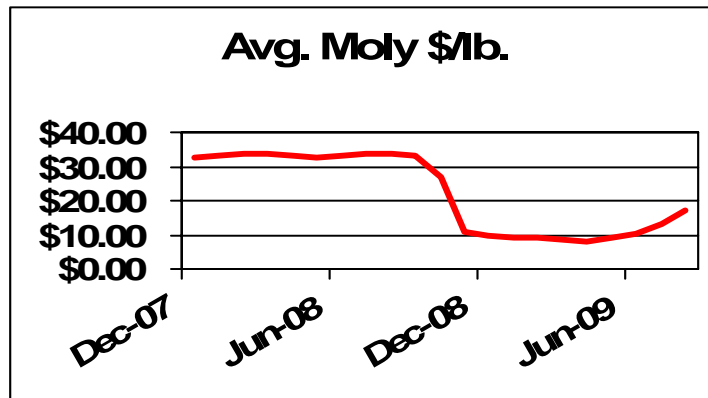
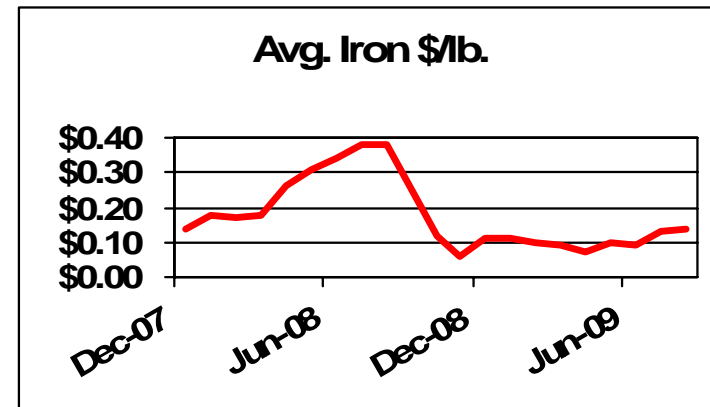
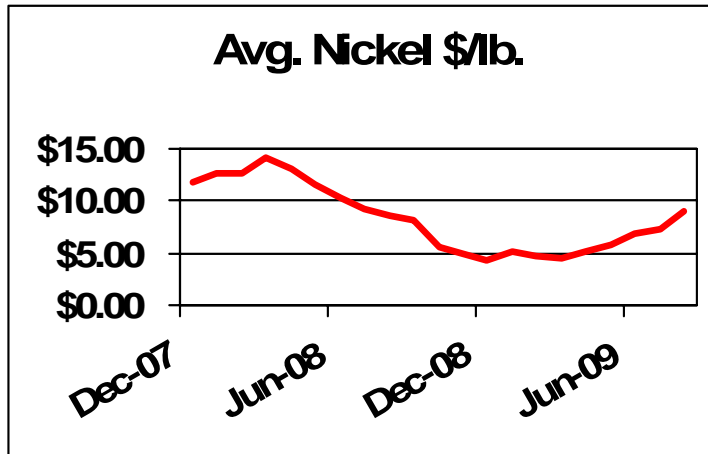
➤ Tool and die making

General Industrial





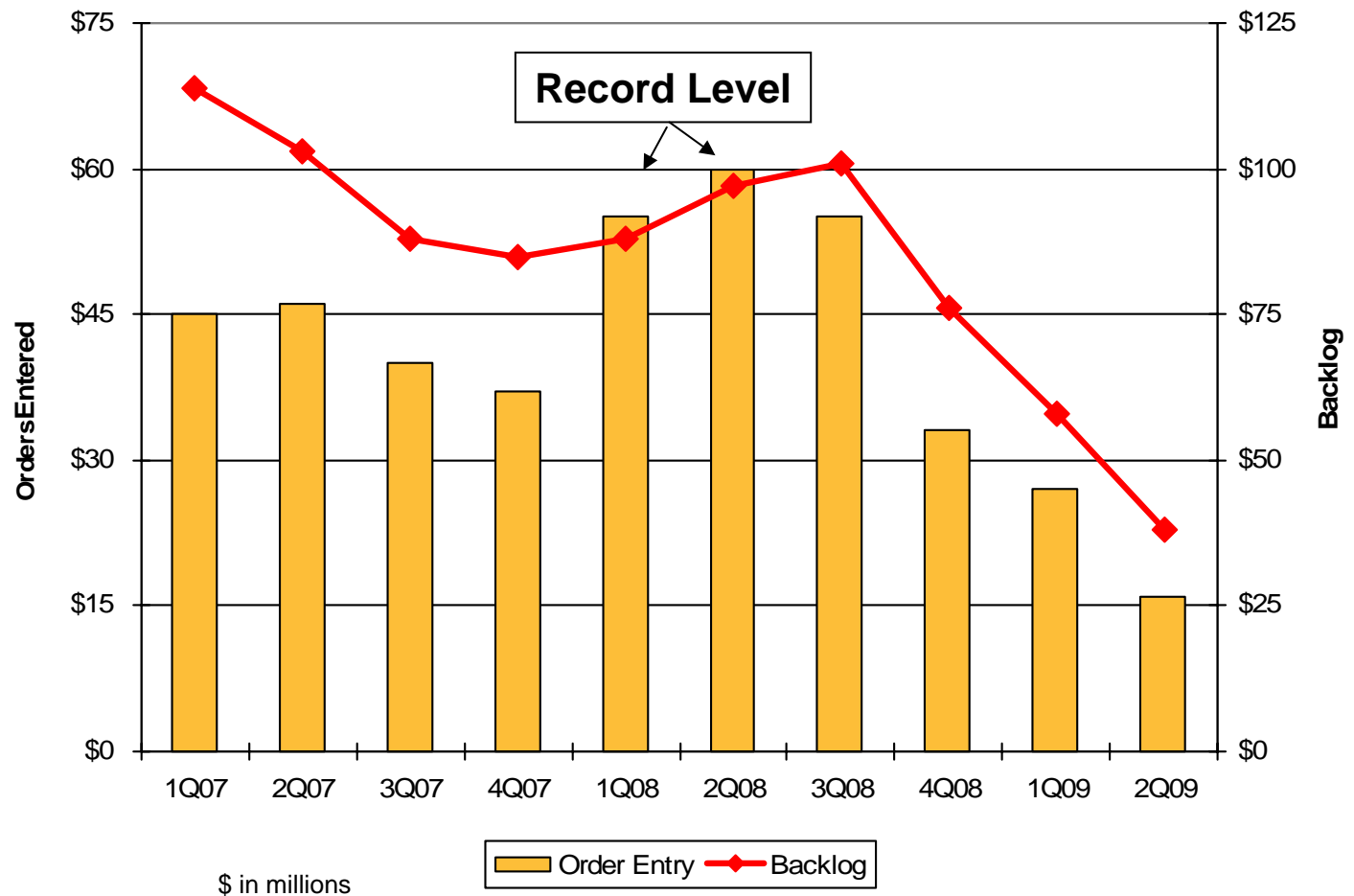
Economic Impact on Raw Material Values



Sources: LME, Ryan's Notes and American Metal Market



Economic Impact on USAP Order Entry





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Contingency Plan Implemented 1Q09

- **Objectives:**

- Aggressively reduce costs
- Adjust operating levels to market demand and credit conditions
- Generate cash

- **1Q09 results included a \$6.0 million pretax charge**

- \$1.9 million increase to bad debt reserve + \$0.5 million inventory reserve related to customer that ultimately filed bankruptcy
- \$1.5 million impact from 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
- \$0.2 million resulting from a 20% reduction in salaried employees

- **Result:**

- Returned to operating profitability in 2Q09 despite 27% lower sales than in 1Q09 and generated \$8.7 million positive free cash flow



Year-to-Date Financial Results

For the six-months ended	6/30/2009			6/30/2008
	As Reported	Unusual Charges	Adjusted	As Reported
Tons shipped	16,448		16,448	23,190
Sales	\$ 72,949		\$ 72,949	\$ 120,327
Operating income (loss)	(5,850)	5,976	126	14,821
Net income (loss)	(4,226)	4,314	88	9,993
EPS	\$ (0.63)	\$ 0.64	\$ 0.01	\$ 1.47
Capex	\$ 7,645		\$ 7,645	\$ 5,401
Free cash flow	\$ 7,647		\$ 7,647	\$ (468)

Unusual charges include a 2Q09 tax adjustment of \$742K, equivalent to \$0.11 per diluted share



2009 Balance Sheet

(\$ in millions)	June 2009	December 2008	June 2008
Cash	\$ 34.4	\$ 14.8	\$ 13.1
Accounts receivable	19.9	33.1	34.6
Inventory	45.2	63.2	72.4
Other current assets	9.7	8.2	5.6
Current assets	109.2	119.3	125.7
Fixed assets	67.9	62.6	57.4
Other	1.3	1.0	0.9
Total assets	\$ 178.4	\$ 182.9	\$ 184.0
Current liabilities	\$ 11.8	\$ 24.5	\$ 31.1
Long-term liabilities	\$ 24.3	\$ 12.7	\$ 11.6
Stockholders' equity	\$ 142.3	\$ 145.7	\$ 141.3



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In Summary...

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