



UNIVERSAL STAINLESS
& ALLOY PRODUCTS, INC.

Investor Presentation

August 2008

Nasdaq: USAP
www.univstainless.com





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Safe Harbor

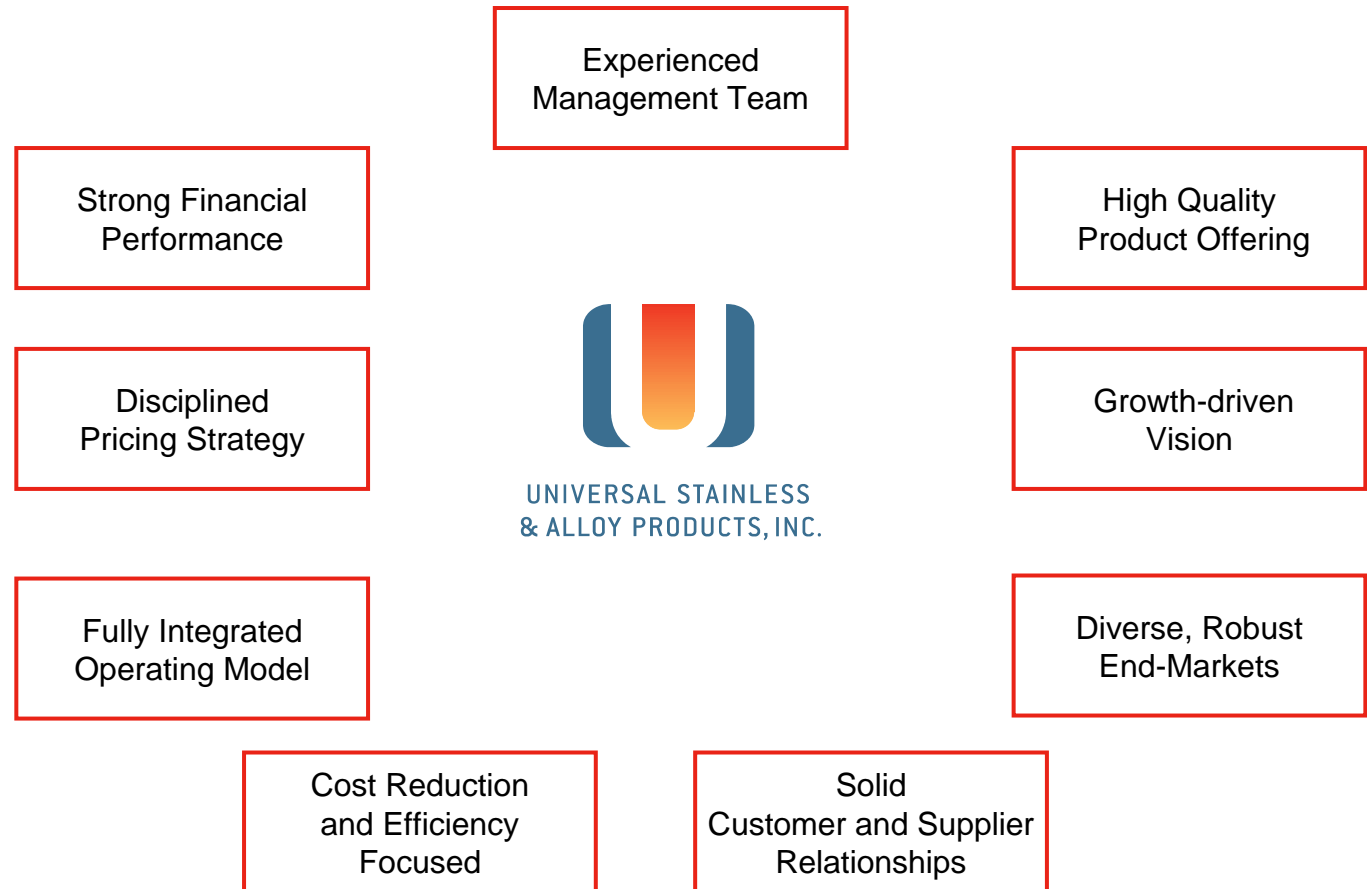
Forward looking statements have been provided pursuant to the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. They involve known and unknown risks and uncertainties that may cause the Company’s actual results in future periods to be materially different from any future 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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Key Company Attributes

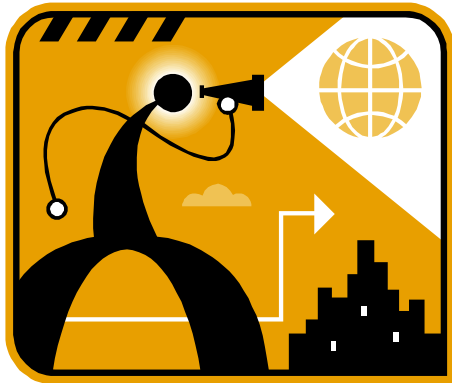




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Vision



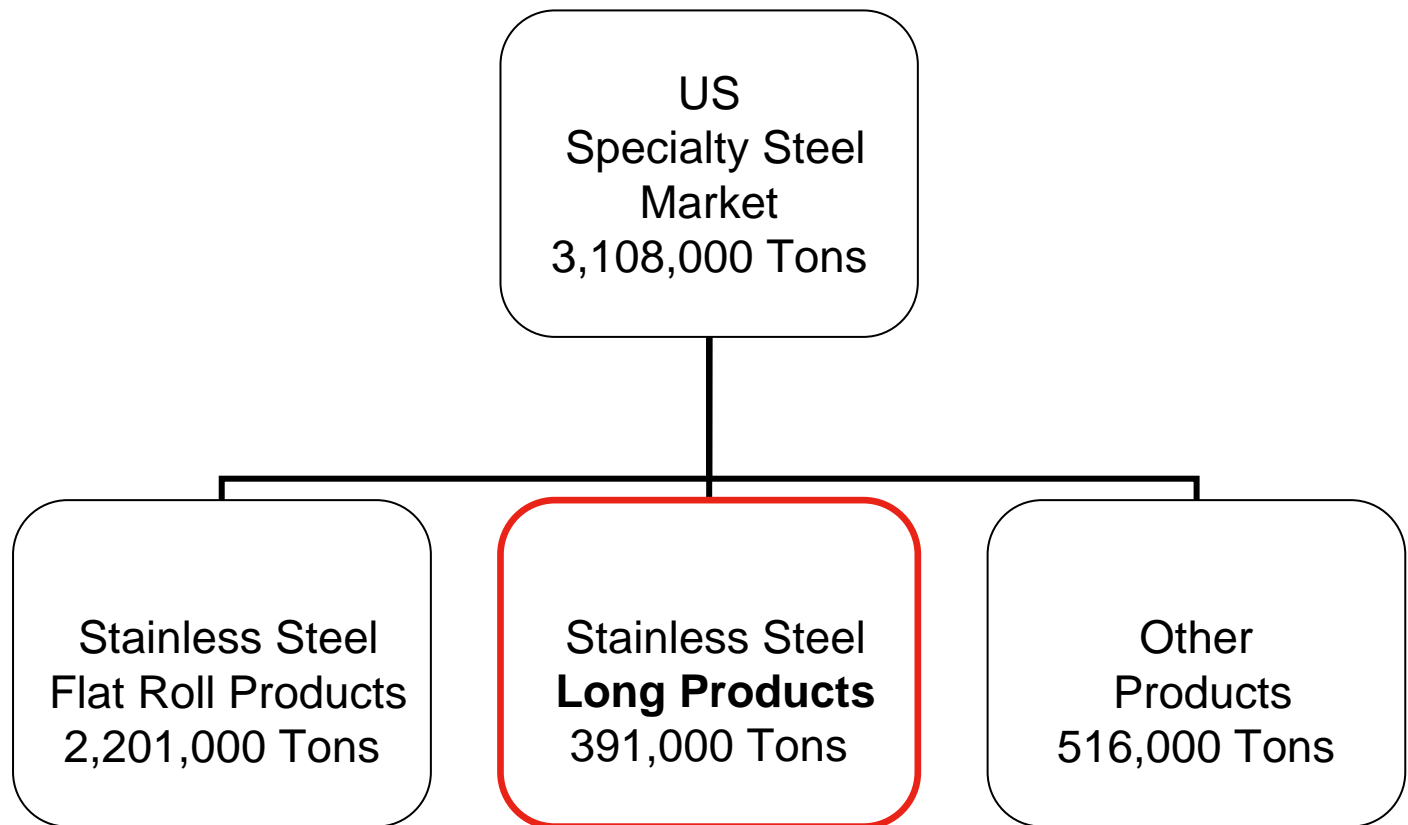
**To be a growth oriented,
low cost supplier
of high quality products
and services
to global niches of the
specialty metals market**



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Specialty Steel Overview



Source: SSINA



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Corporate Development

1994 - Acquired idled facility in **Bridgeville**, PA

- Purchase price = \$3.7 million; CapEx to date: \$72 million
- Established Company with capability for melting and rolling semi-finished specialty steel products



1995 - Acquired **Titusville**, PA operation

- Purchase price = \$1.8 million; CapEx to date: \$3 million
- Expanded production capability for the aerospace, power generation applications

2002 - Acquired idled finished steel facility in **Dunkirk**, NY

- Purchase price = \$4.1 million; CapEx to date: \$10 million
- Transformed company into fully integrated manufacturer of specialty steel products



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Product Overview

Semi-Finished



Ingots

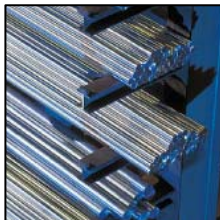


Reroll or Forging Billet



Plate

Finished



Bar



Special Shapes



Rod and Wire



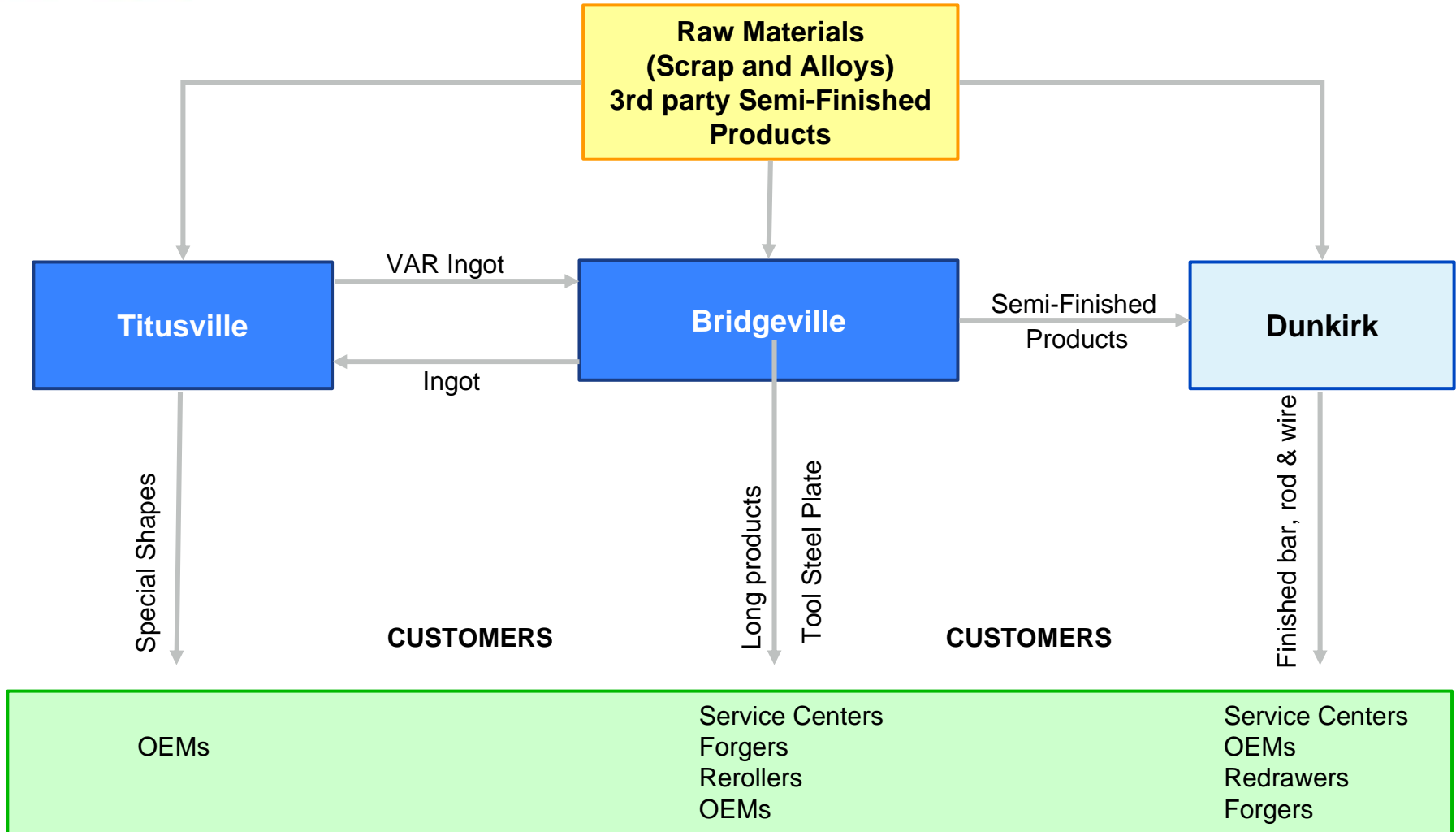
Forged Bar



Bloom Bar

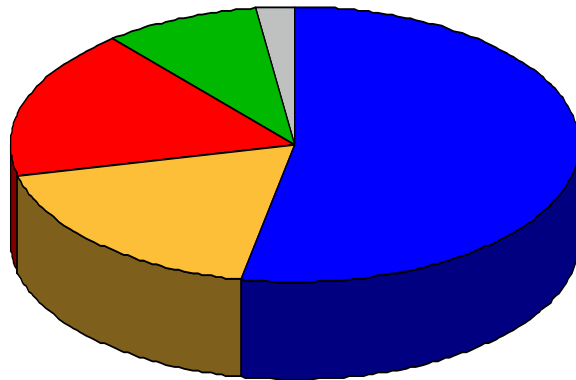


Operations Overview





Customer Mix



■ Service Centers ■ Forgers ■ Rerollers ■ OEM ■ Other

Service Center (LTM: 52%)

➤ Purchase finished bar and tool steel plate to supply end markets

Forger (LTM: 18%)

➤ Purchase semi-finished products for forging applications

Reroller (LTM: 17%)

➤ Purchase semi-finished products to produce finished bar, rod and wire products

OEM (LTM: 9%)

➤ Purchase finished bar products for direct manufacturing applications



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Customer Update & Outlook

■ Services Centers

- ✓ Remaining conservative in building inventory
- ✓ Finished bar RFQ activity remains moderate
- ✓ Tool steel plate backlog continues to grow
- ✓ General outlook is for 2H 2008 to be stronger than 1H 2008

■ Forgers

- ✓ Very Busy: Aerospace, Power Generation & Petrochemical
- ✓ Activity levels are high to keep up with demand
- ✓ Lead Times are critical to capture opportunities

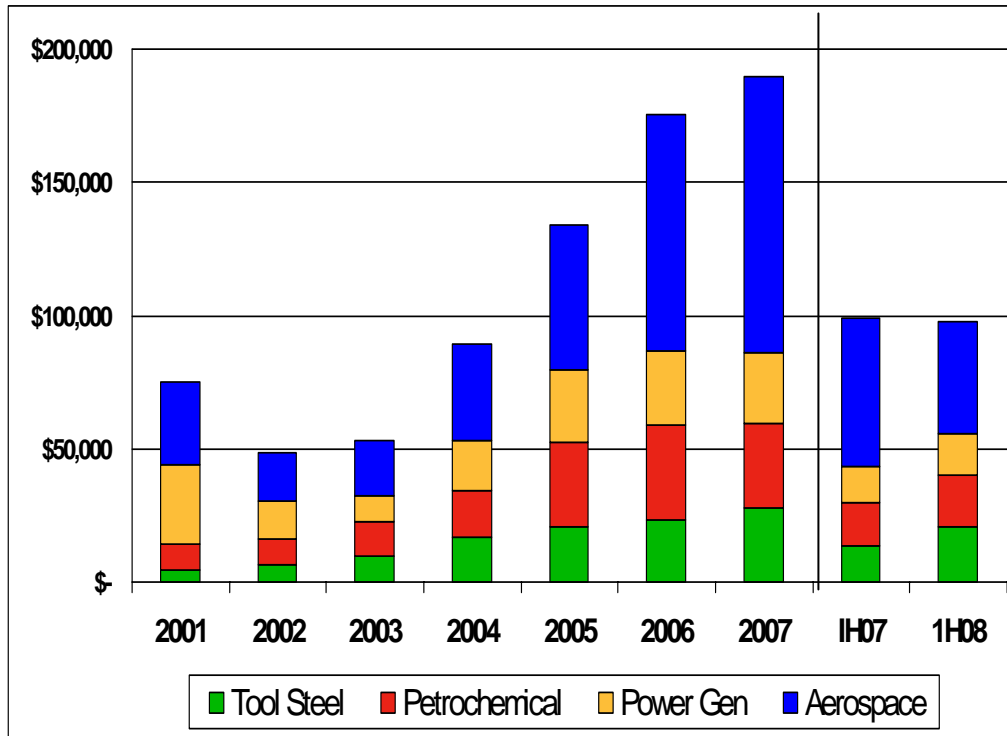


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End Market Diversity

Estimated End Market Sales*



Aerospace (LTM: 39%)

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

Power Generation (LTM: 13%)

- Major supplier of feedstock for gas and steam turbine blades

Petrochemical (LTM: 15%)

- Materials used in highly corrosive environments

Heavy Manufacturing (LTM: 15%)

- Tool and die making

* Estimates based on grades shipped



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End Market Outlook

Aerospace



**Record backlogs,
Strong delivery schedule through 2012**

Power Gen



**Essential to emerging economies,
Massive infrastructure projects underway**

Petrochemical



**Oil & gas drilling continues
Heightened focus of USAP sales effort**

Heavy Equipment



**Growth in emerging markets, in energy
and mining industries, retooling in auto,
offsetting other domestic softness**



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Strategy



- **Position USAP in growing global niche markets**
- **Build strong, collaborative relationships with our customers**
- **Increase our customers' competitiveness and growth**
- **Focus relentlessly on waste elimination**
- **Invest capital prudently**
- **Maintain a productive alliance with our employees and suppliers**
- **Seize opportunities for profitable growth**



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Accelerate Sales

- **Further penetration of existing end markets**
 - Power Gen
 - Tool steel
 - Expand range of products - Several product trials are underway
 - New steel grades
 - New product forms
- **Enter new market niches**
 - Oil and Gas
- **Establish USAP in international markets**
 - Current advantage from weak dollar
 - Longer-term process of partnering with customers to meet their needs



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Improve Customer Service

- **Improve operational efficiency**
 - Driving towards “Best in Class”
 - On-time delivery
 - Lead times
 - Eliminate waste
 - Establish rapid response teams to review/react to KPIs
 - Invest capital
 - Improve production cycle times
 - Expand product capabilities



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Invest Capital Prudently

\$3.5M high temperature annealing system in Dunkirk

- Eliminate current bottleneck

Relocate Bridgeville round bar finishing operation to Dunkirk

- Reduce cycle times and lower costs

Add finishing equipment and annealing capacity in Bridgeville

- Eliminate current bottleneck

Melt Shop improvements

- State-of-the-art furnace shell
- Add new capacitor bank
- Crane reliability
- Enhance information systems and product flow

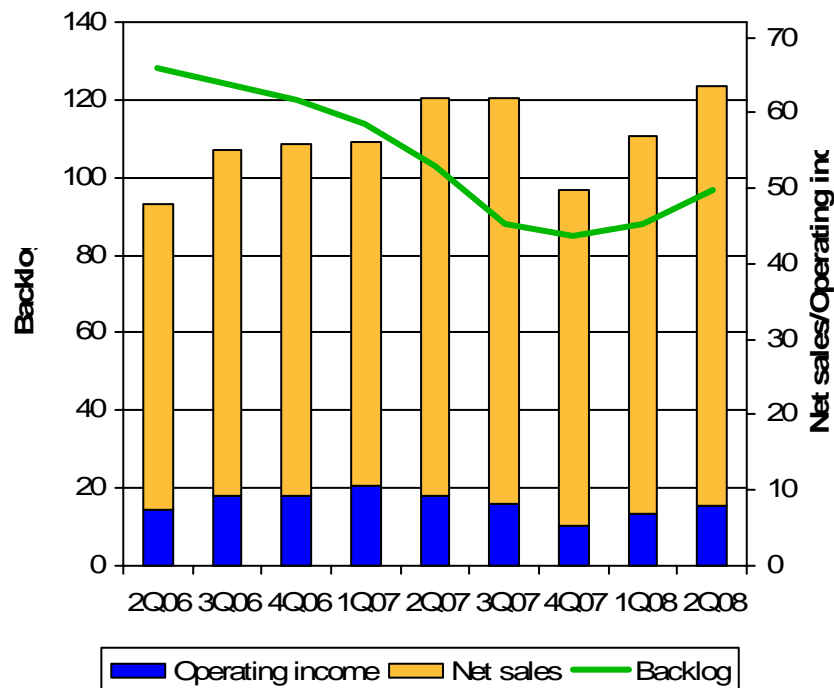


Financial Results

Six-Months ended June 30,
(\$ in millions, except EPS)

	<u>2008</u>	<u>2007</u>	<u>Change</u>
CONSOLIDATED:			
Net sales	\$ 120.3	\$ 118.3	1.7%
Operating income	\$ 14.8	\$ 19.9	-25.4%
Diluted EPS	\$ 1.47	\$ 1.87	-21.4%
USAP SEGMENT:			
Net sales	\$ 101.3	\$ 103.3	-1.9%
Operating income	\$ 10.6	\$ 13.0	-18.8%
DSS SEGMENT:			
Net sales	\$ 41.2	\$ 41.8	-1.3%
Operating income	\$ 4.9	\$ 7.5	-34.9%

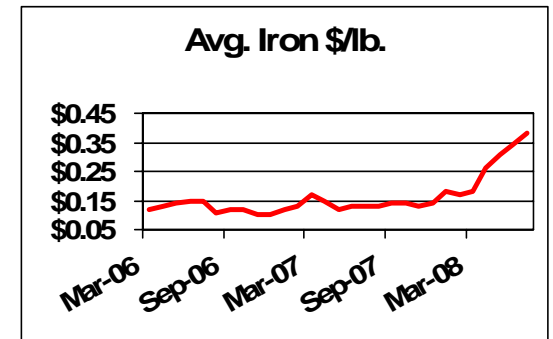
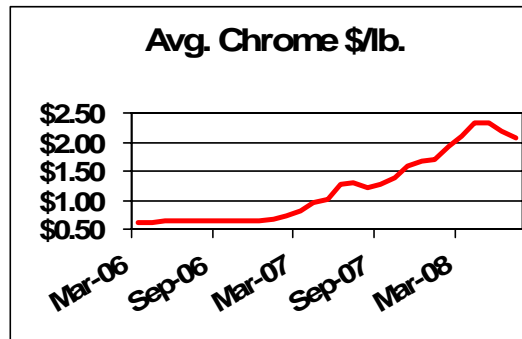
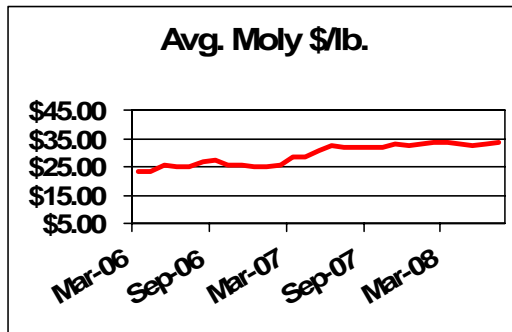
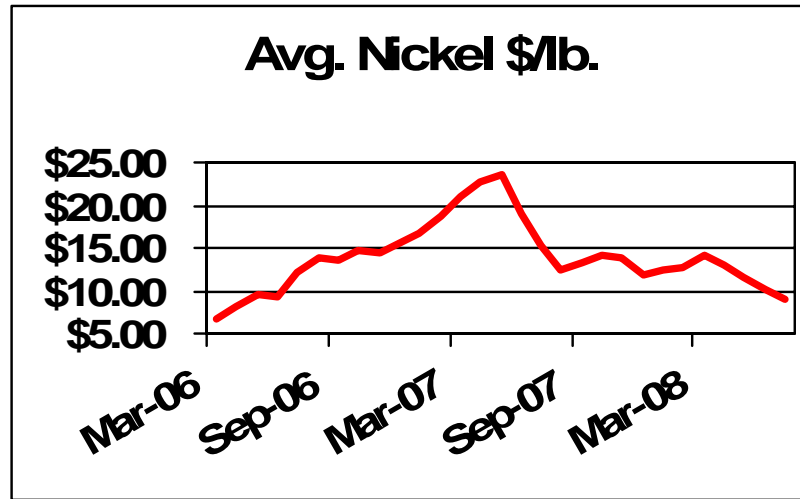
Consolidated Quarterly Results
(\$ in millions)



Note: Segment results include intersegment sales



Raw Material Cost Volatility

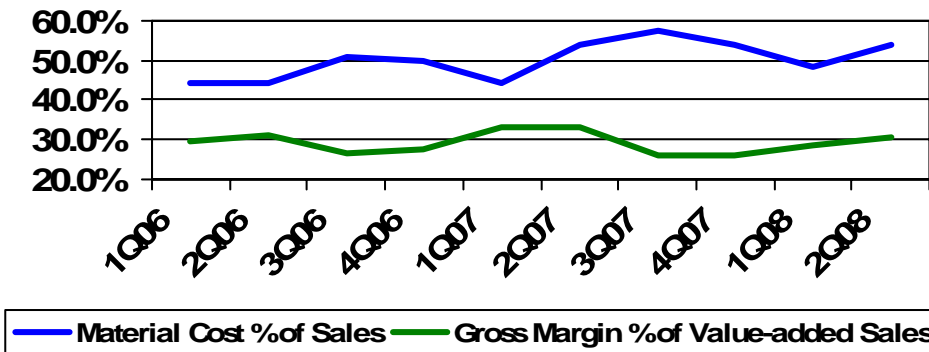


Sources: LME, Ryan's Notes and American Metal Market



Segment Analysis

USAP Segment



Pricing Components

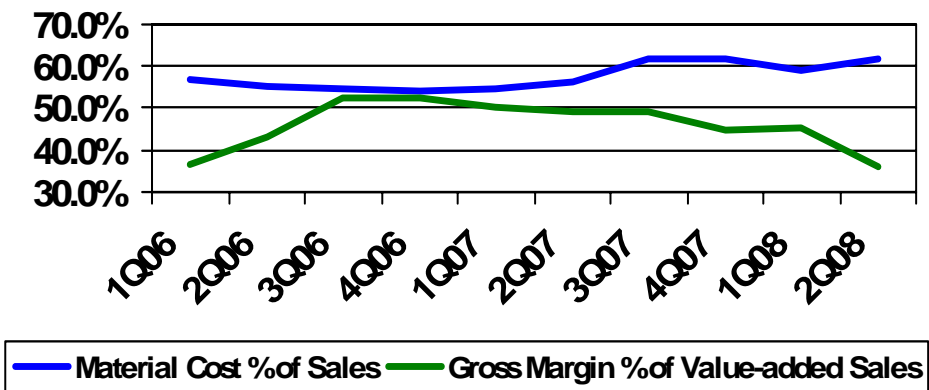
•Base Price

- Generate adequate return for reinvestment

•Raw Material Surcharge

- Offset the impact of raw material price fluctuations

DSS Segment



Gross Margin Targets:

- 30% for USAP segment
- 40% for DSS segment

(Gross margin % of sales, net of material costs – “Value-added sales”)



Balance Sheet Highlights

(\$ in M, except per share amounts)	6/30 2008	12/31 2007
Working capital	\$94.6	\$85.9
Net assets	\$139.8	\$130.3
RONA	14.6%	17.0%
Debt/Total Cap	1.2%	1.4%
Equity/Share	\$20.99	\$19.46

2008 Working Capital Highlights

- **Cash: \$10.8M vs. \$10.6M**
- **A/R: \$34.7M vs. \$27.5M**
 - Less than the last 60 days of sales
- **Inventory, net of non-debt current liabilities - \$39.2M vs. \$42.7M**

RONA exceeds cost of capital

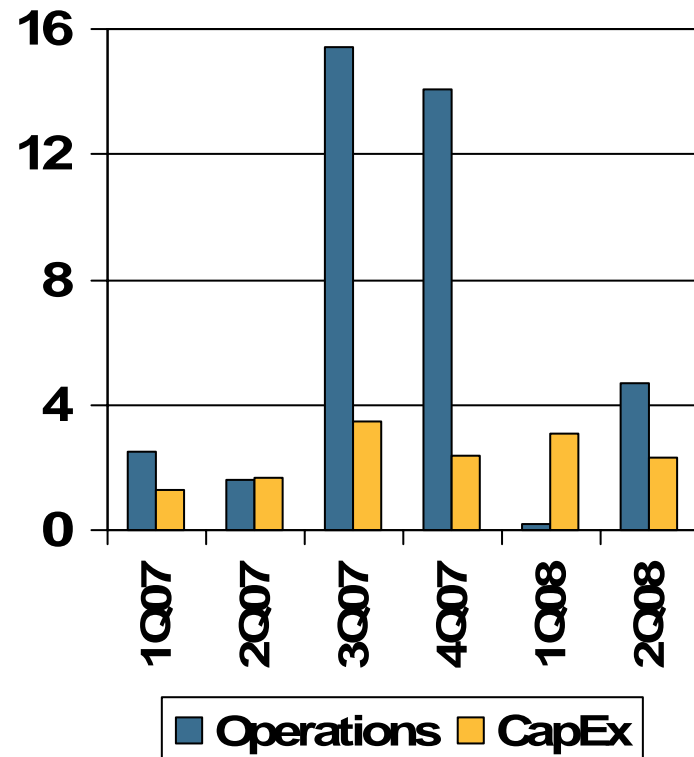
- RONA = Operating income after tax/
Prior 4 quarter average of net assets
- Net assets = Total assets – Cash –
Current Liabilities



Cash Flow Highlights

- **Increase in cash flow from operations in 3Q07 and 4Q07 due to:**
 - Reduced backlog/shipment volumes
 - Lower material costs
- **Reduction in 1Q08 operating cash flow due to:**
 - Increased working capital needs on higher sales volume and mix

Quarterly Cash Flow





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Reinvest Profit for Growth

