



UNIVERSAL STAINLESS
& ALLOY PRODUCTS, INC.

Investor Presentation

November 2008

Nasdaq: USAP
www.univstainless.com





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Safe Harbor

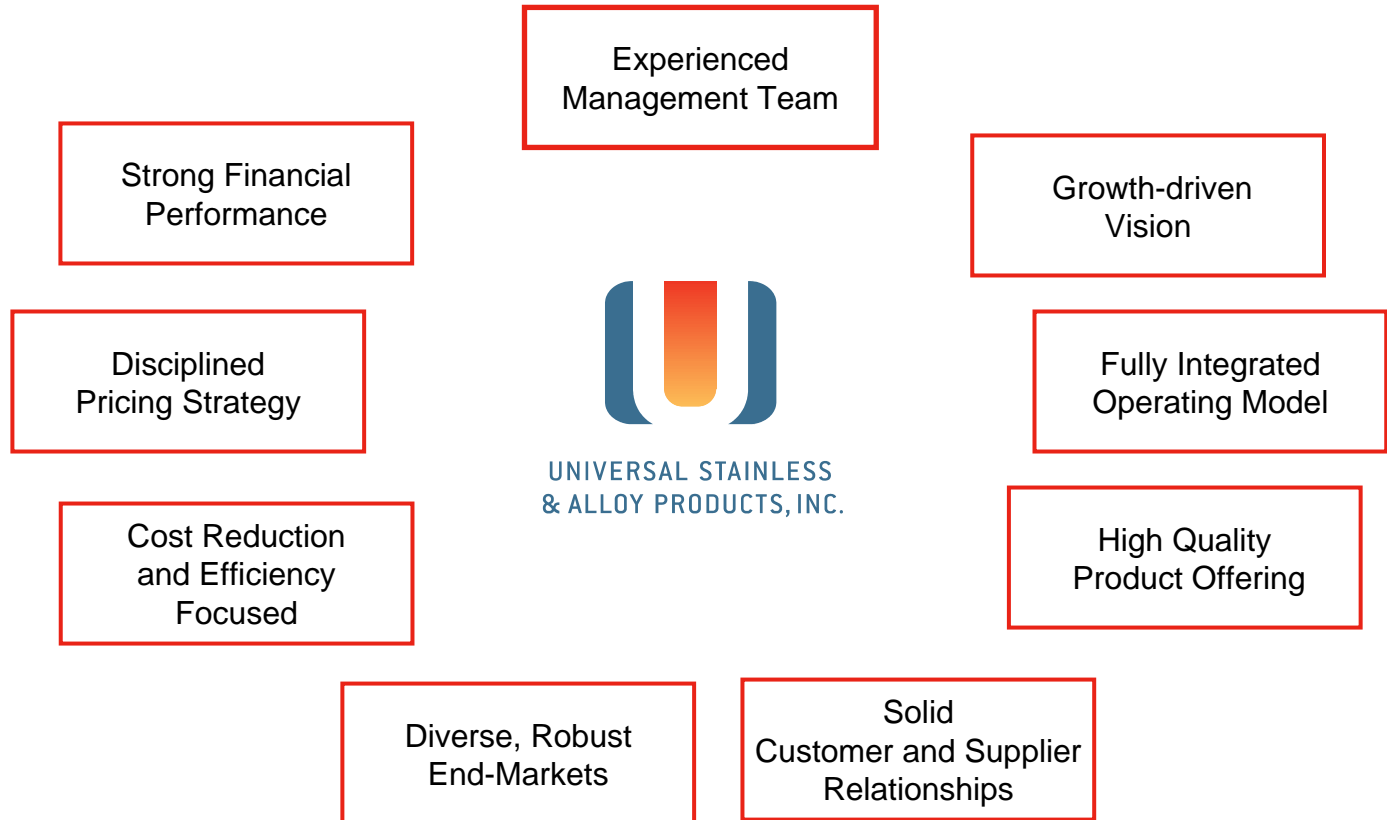
Forward looking statements have been provided pursuant to the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. They involve known and unknown risks and uncertainties that may cause the Company’s actual results in future periods to be materially different from any future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

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

- Purchase price = \$3.7 million; CapEx to date: \$66 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

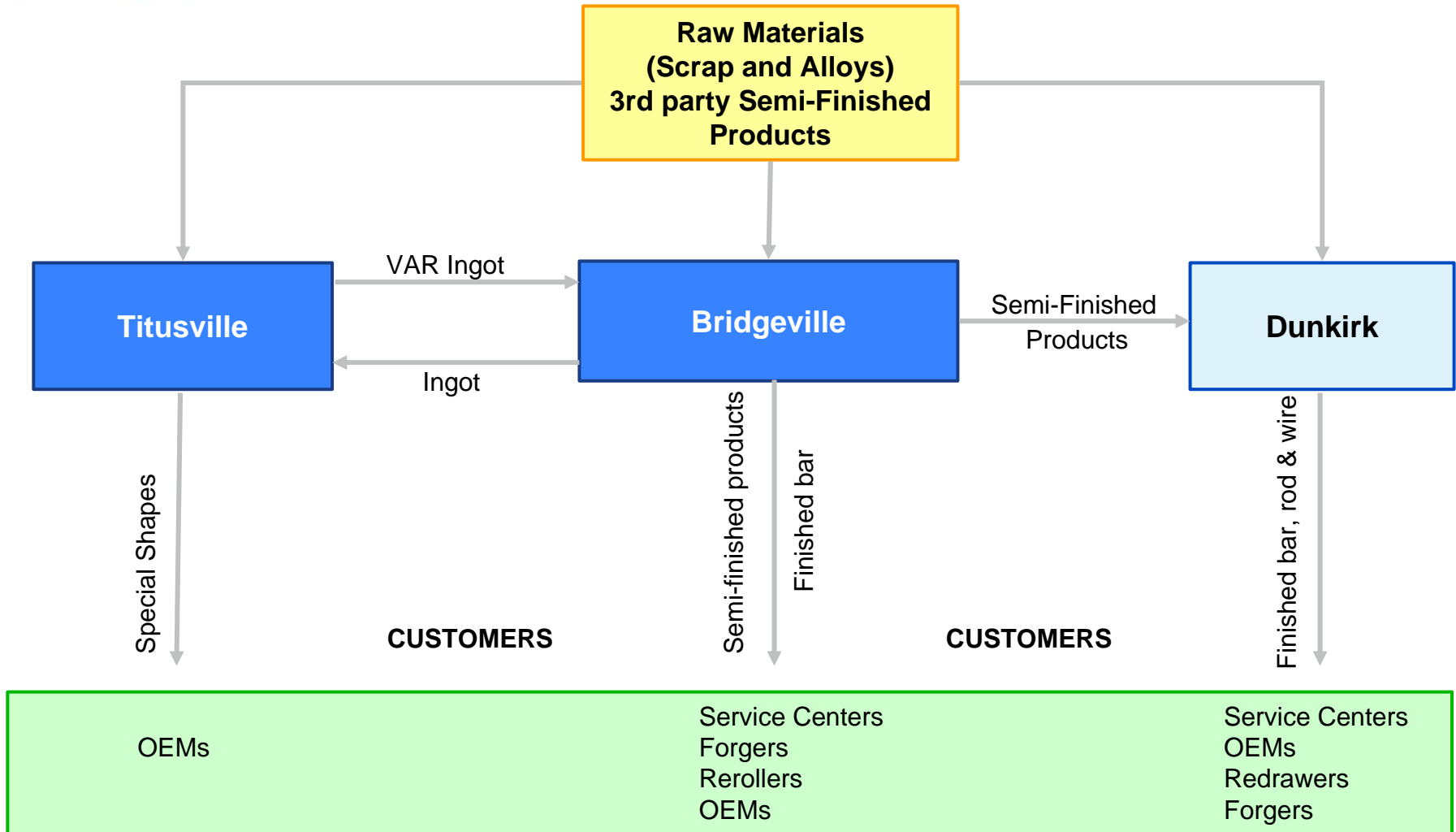
2002 - Acquired idled finished steel facility in **Dunkirk**, NY

- Purchase price = \$4.1 million; CapEx to date: \$20 million
- Transformed company into fully integrated manufacturer of specialty steel products

After transfer of round bar finishing line from Bridgeville to Dunkirk



Fully Integrated Operations





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High-Quality Products

Semi-Finished



Ingots



Reroll or Forging Billet



Plate

Bridgeville

Finished



Special Shapes

Titusville

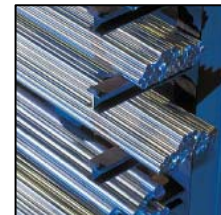


Forged Bar

Bridgeville



Bloom Bar



Bar

Dunkirk



Rod and Wire



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Recent Events

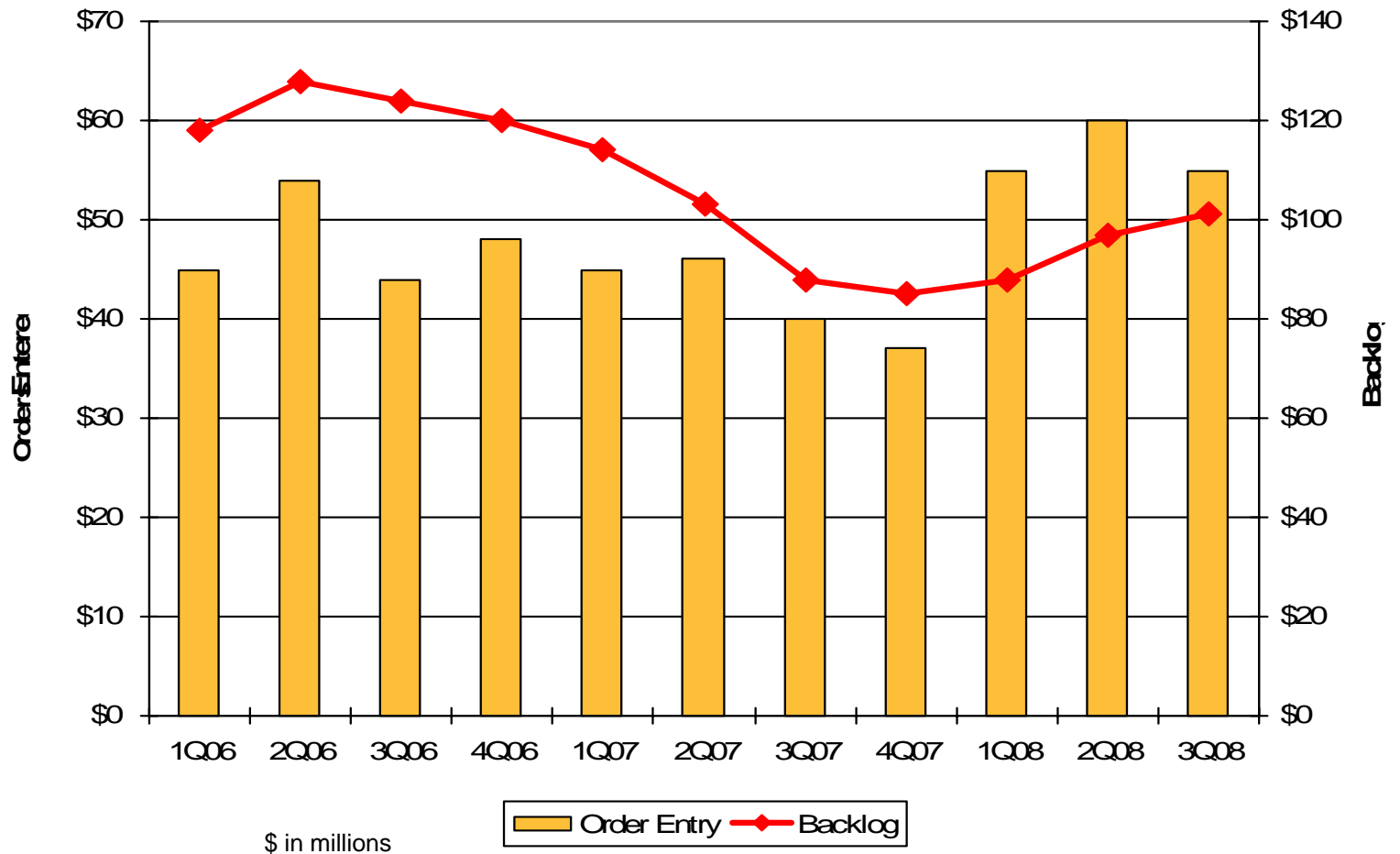
- **INTERNAL**
 - ✓ 5-year contract with Bridgeville employees
 - Delayed \$6M of September shipments
 - ✓ Dunkirk high temperature annealing facility operational
 - ✓ Bar finishing facility relocated to Dunkirk
 - Testing underway
- **EXTERNAL**
 - ✓ Boeing settlement with machinists
 - ✓ Declining material prices due to economic slowdown
 - ✓ Financial market credit crisis
 - No immediate impact on USAP
 - No material impact disclosed to-date by USAP customers



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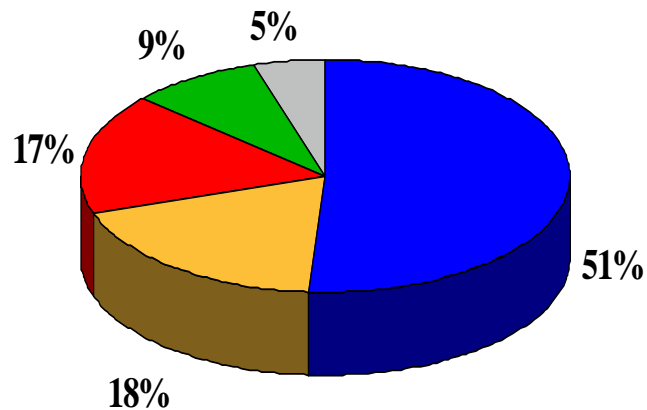
Record Order Entry in 2008





Customer Mix

% of LTM Revenues



■ Service Centers ■ Forgers ■ Rerollers ■ OEM ■ Other

Service Center

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

Forger

- Purchase semi-finished products for forging applications

Reroller

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

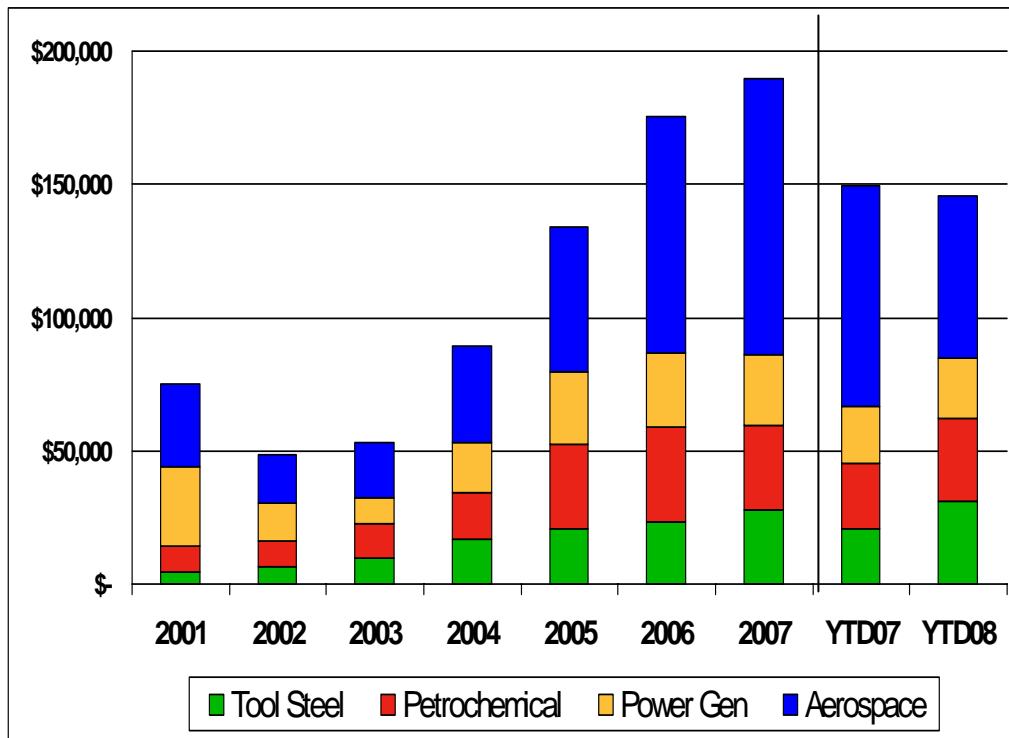
OEM

- Purchase finished bar products for direct manufacturing applications



End Market Diversity

Estimated End Market Sales*



Aerospace (LTM: 34%)

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

Power Generation (LTM: 13%)

- Major supplier of feedstock for gas and steam turbine blades

Petrochemical (LTM: 17%)

- Materials used in highly corrosive environments

Heavy Manufacturing (LTM: 18%)

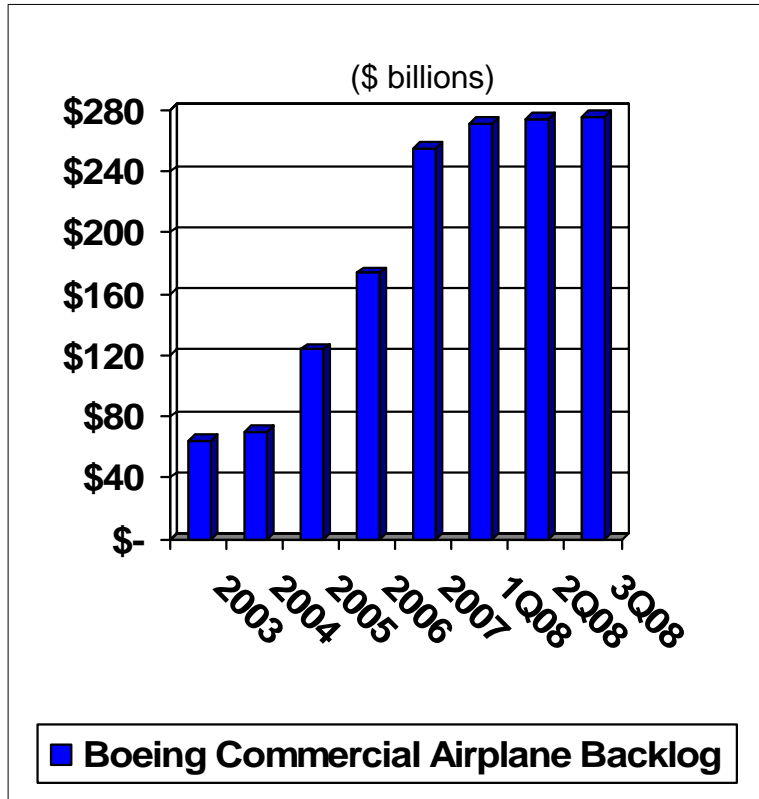
- Tool and die making

* Estimates based on grades shipped



Aerospace Market Outlook

Boeing – Commercial Aircraft



*Source: Boeing

POSITIVES:

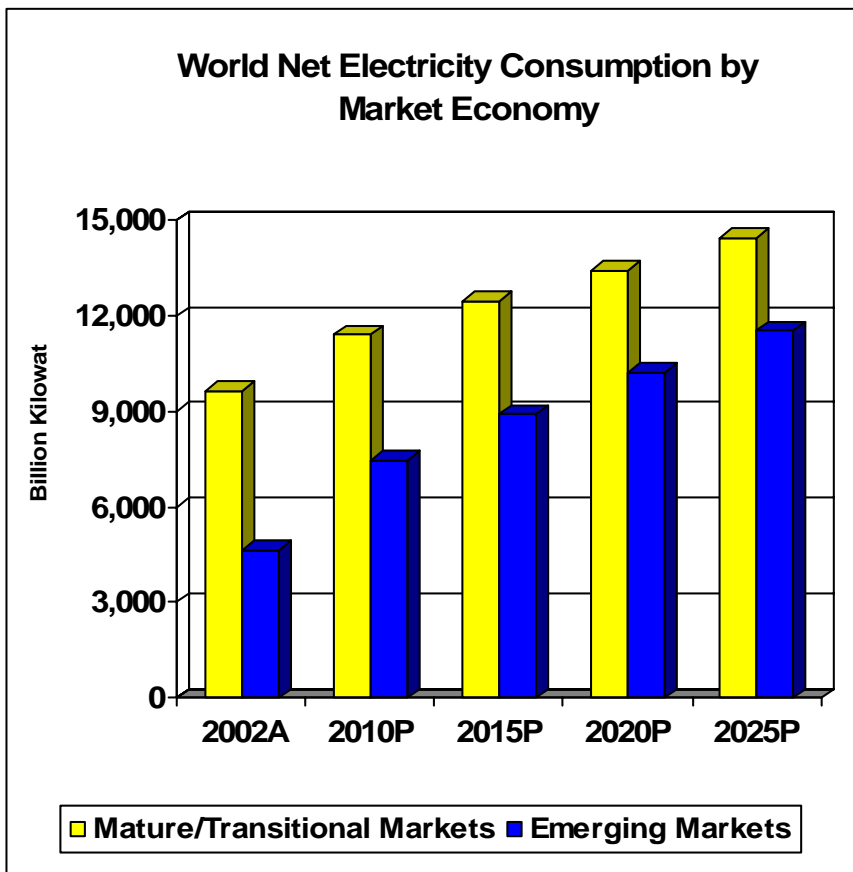
- Record backlog is 8X BCA annual revenues
- Diverse by region, type, customer
- ~10% is U.S. airlines
- In Q3, 2 cancellations, 80 deferrals, all aircraft reassigned
- Machinists back to work
- AA announces order for 787s on Oct. 15

NEGATIVES:

- Tight credit, but diverse aircraft funding sources include EX-IM bank, overseas banks, lessors, BCC, sovereign funds
- Effect of worldwide recession unknown



Power Generation Market Outlook

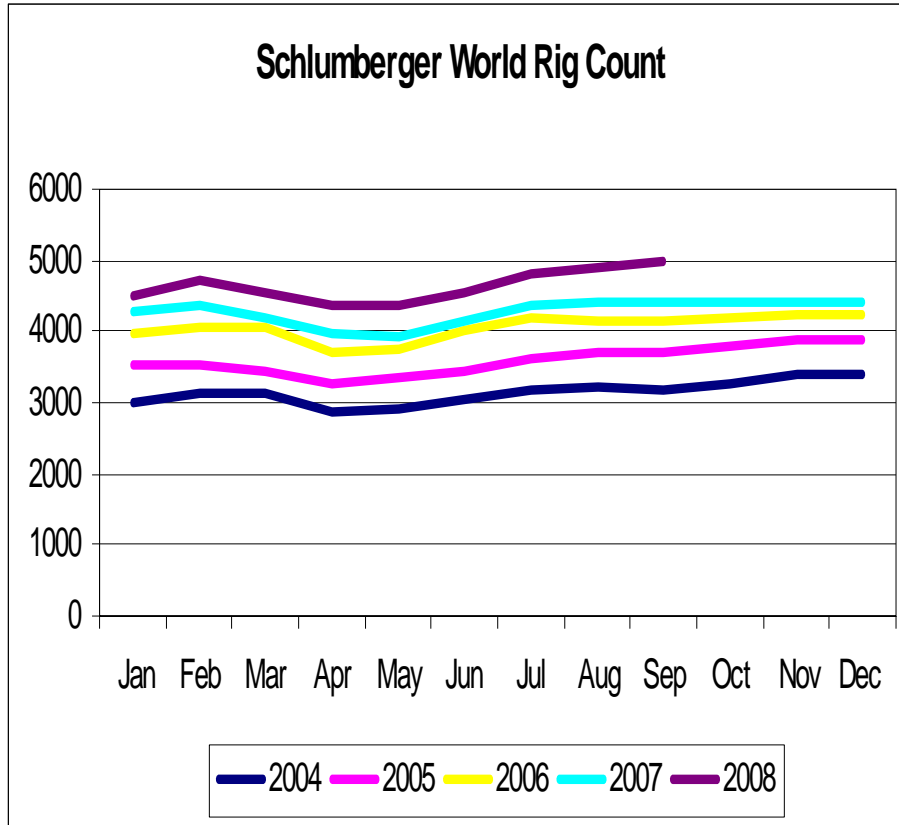


Source: US Department of Energy

- **Essential to emerging economies**
- **Long-term infrastructure projects underway**
- **Typically funded by governments and sovereign wealth**
- **GE reported 33 new turbines ordered in 3Q08, 7 for projects in U.S.**



Petrochemical Market Outlook



POSITIVES:

- USAP's new focus on oil & gas producing results
- Added salesperson in Texas to establish direct presence in oil patch
- Long-term outlook positive due to inadequate current supply, decrease in reserve replacement ratios

NEGATIVES:

- Economic weakness, especially in U.S., and natural gas supplies, may have short-term impact on new drilling



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Heavy Equipment Market Outlook

POSITIVES:

- **Retooling continues**
- **Continued demand expected in mining and energy outside U.S., in emerging market infrastructure, and machinery demand in Middle East**

NEGATIVES:

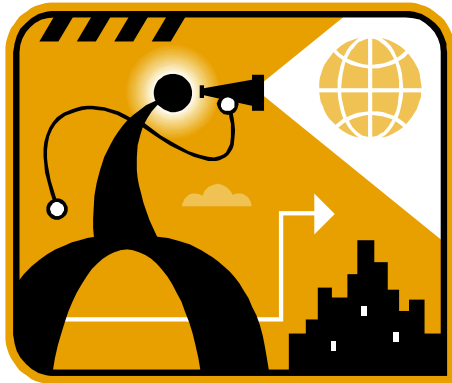
- **Economic weakness in U.S. and Europe**
- **Tight credit**



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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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Strategy



- **Seize opportunities for profitable growth in growing niche markets, globally**
- **Build strong, collaborative relationships with our customers by increasing their competitiveness and growth**
- **Focus relentlessly on waste elimination**
- **Invest capital consistently and prudently**
- **Maintain a productive alliance with our employees and suppliers**



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Pursue Profitable Growth: Accelerate Sales

- **Further penetration of existing end markets**
 - Power Gen
 - Tool steel
 - Expand range of products - Several product trials continue
 - New steel grades
 - New product forms
- **Enter new market niches**
 - Oil and Gas
- **Establish USAP in international markets**
 - Long-term process of partnering with customers
 - Meetings continue domestically and abroad



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Pursue Profitable Growth: Increase Responsiveness to Customers / 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



Invest Capital Prudently

Increase Melt Shop Productivity

- State-of-the-art furnace shell
 - Door/shell burners
 - Oxygen injection system
 - Automated refractory gunning system
- New scrap transfer and ladle preheating systems
- New automation package

Expand Production Capabilities

- Installed high temperature annealing system in Dunkirk
- Add finishing equipment and annealing capacity in Bridgeville

Reduce Cycle Times and Lower Costs

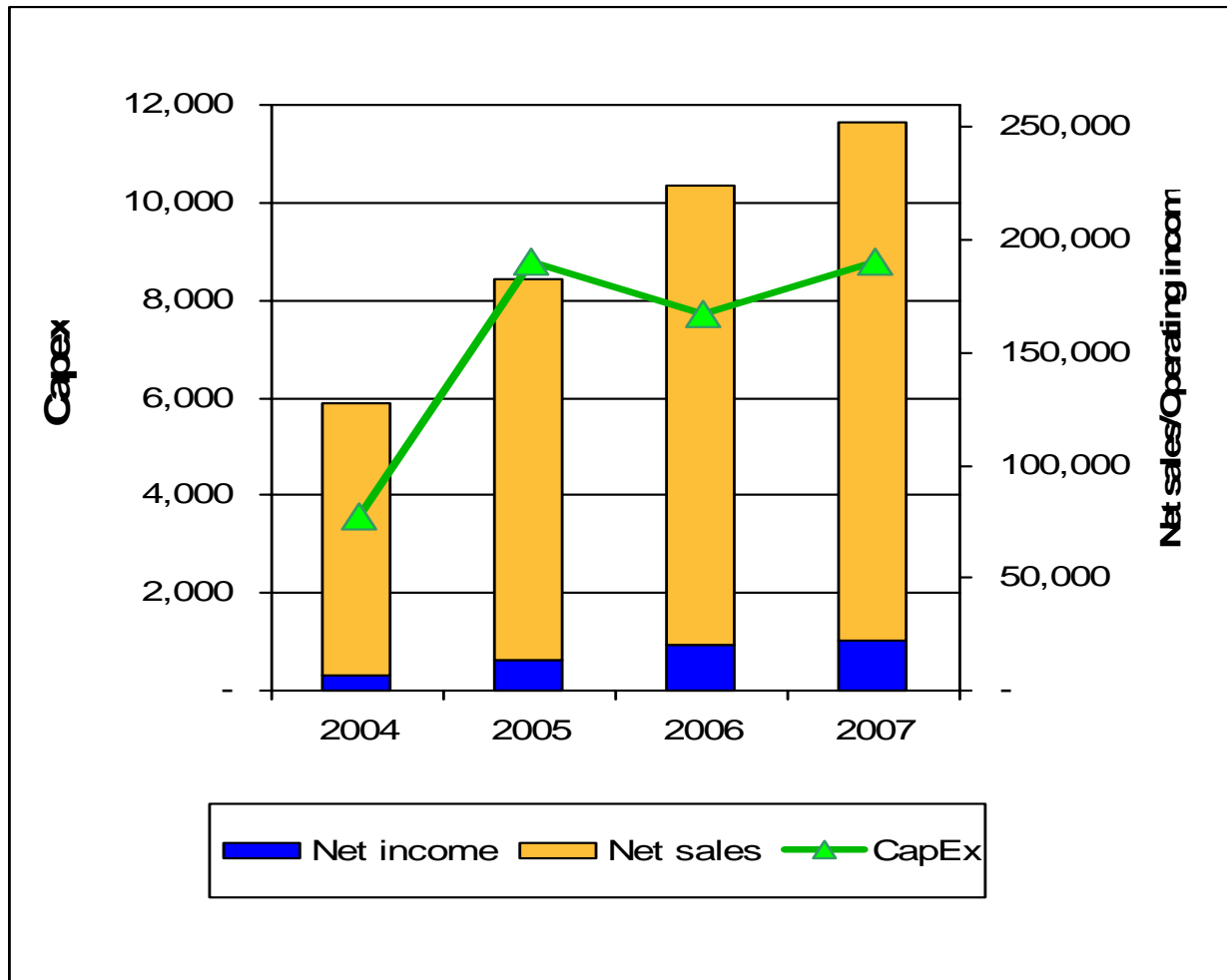
- Relocate Bridgeville round bar finishing operation to Dunkirk



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Four Years of Record Results + Investment for Growth





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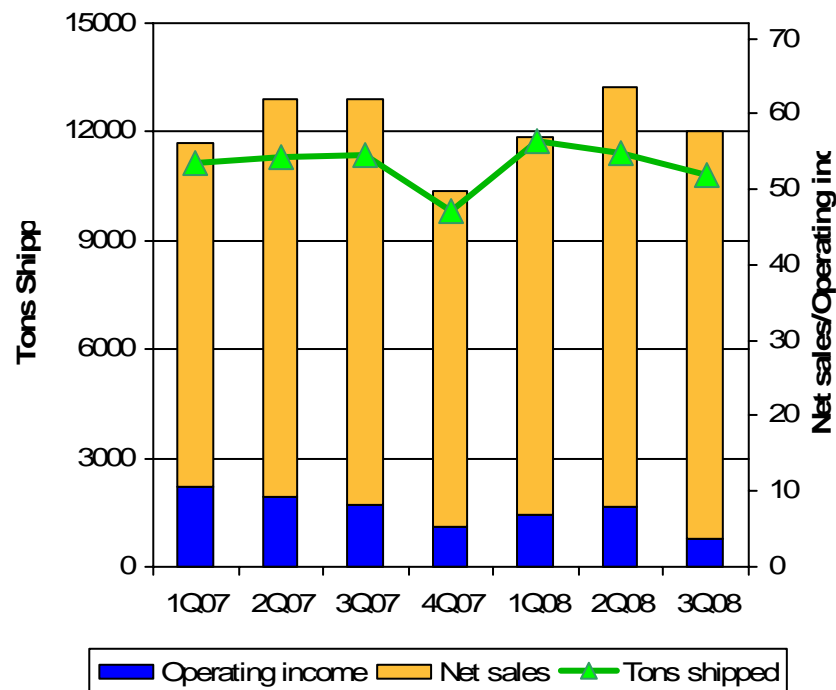
Financial Results

Nine-Months ended September 30,
(\$ in millions, except EPS)

	<u>2008</u>	<u>2007</u>	<u>Change</u>
CONSOLIDATED:			
Net sales	\$ 178.0	\$ 180.3	-1.3%
Operating income	\$ 18.6	\$ 28.0	-33.7%
Diluted EPS	\$ 1.87	\$ 2.67	-30.0%
USAP SEGMENT:			
Net sales	\$ 153.5	\$ 159.2	-3.6%
Operating income	\$ 13.8	\$ 17.3	-19.9%
DSS SEGMENT:			
Net sales	\$ 58.2	\$ 63.0	-7.7%
Operating income (ex. relocation charge)	\$ 5.3	\$ 10.6	-49.6%

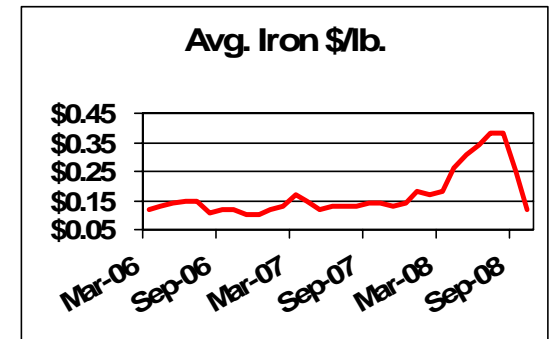
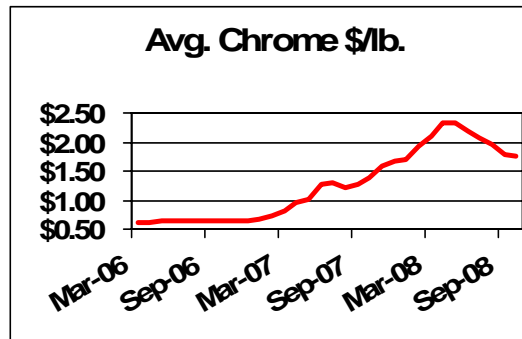
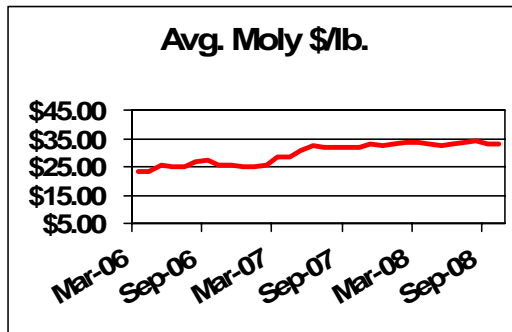
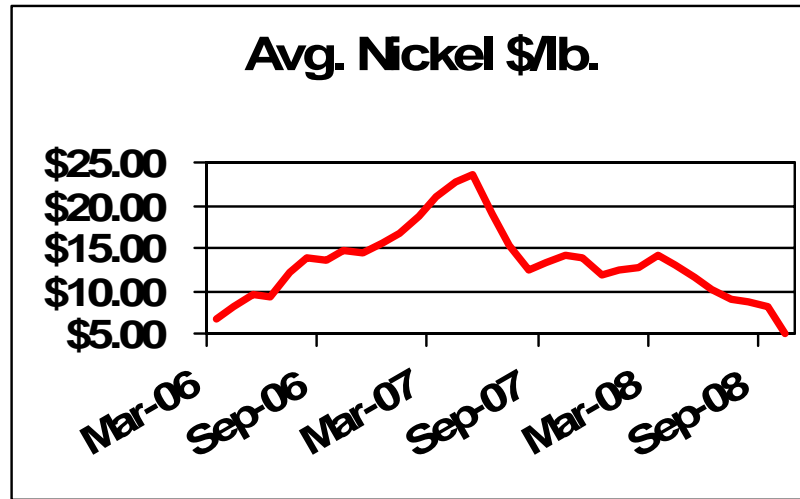
Note: Segment results include intersegment sales

Consolidated Quarterly Results
(\$ in millions)





Raw Material Cost Volatility

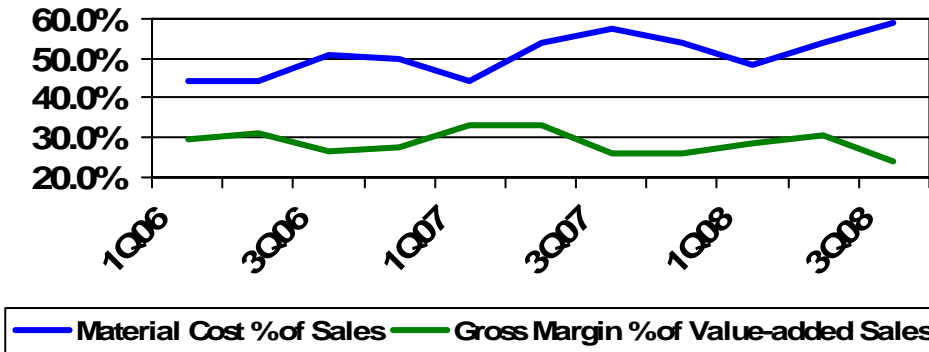


Sources: LME, Ryan's Notes and American Metal Market

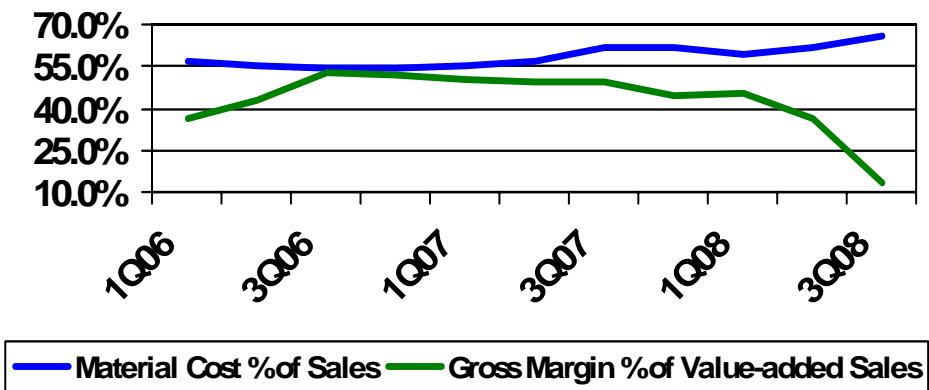


Segment Analysis

USAP Segment



DSS Segment



Pricing Components

•Base Price

- Generate adequate return for reinvestment

•Raw Material Surcharge

- Offset the impact of raw material price fluctuations

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)	9/30 2008	12/31 2007
Working capital	\$94.4	\$85.9
Net assets	\$142.3	\$130.3
RONA	12.3%	17.0%
Debt/Total Cap	1.1%	1.4%
Equity/Share	\$21.43	\$19.46

2008 Working Capital Highlights

- **Cash: \$13.6M vs. \$10.6M**
- **A/R: \$33.9M vs. \$27.5M**
 - Less than the last 60 days of sales
- **Inventory, net of non-debt current liabilities - \$41.4M vs. \$42.7M**

RONA exceeds cost of capital

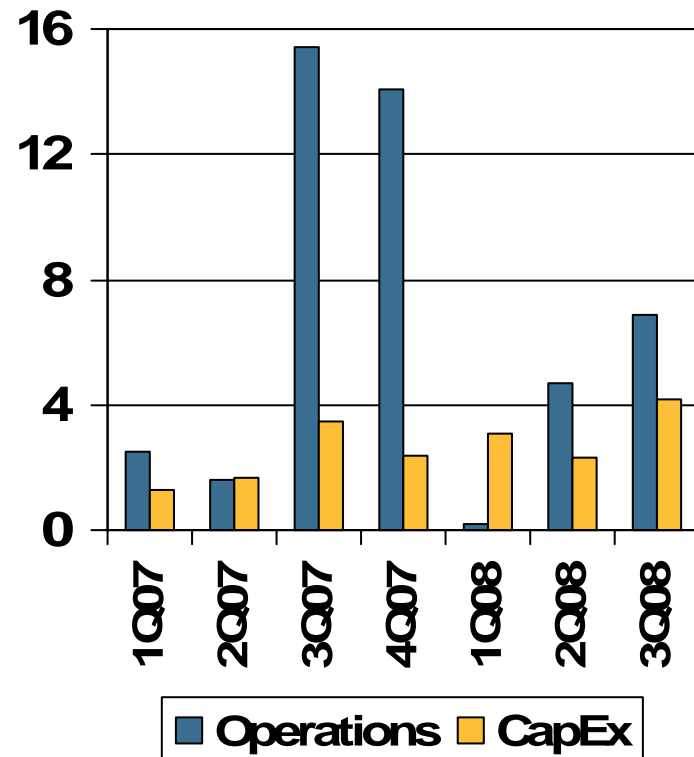
- RONA = Operating income after tax/
Prior 4 quarter average of net assets
- Net assets = Total assets – Cash –
Current Liabilities



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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Summary

