



Universal Stainless Reports Continued Improvement in Fourth Quarter of 2009

Sales Increase 5.5% from 2009 Third Quarter to \$26.7 Million 4Q09 EPS is \$0.14, including \$0.06 of Import Duties, vs. EPS of \$0.05 in 3Q09 Backlog Resumes Growth

BRIDGEVILLE, Pa., Jan. 27, 2010 -- Universal Stainless & Alloy Products, Inc. (Nasdaq:USAP) reported today that sales for the fourth quarter of 2009 were \$26.7 million compared with \$57.1 million in the fourth quarter of 2008 and \$25.3 million in the third quarter of 2009.

Net income for the fourth quarter was \$956,000 or \$0.14 per diluted share compared with \$1.2 million or \$0.18 per diluted share in the fourth quarter of 2008 and \$312,000 or \$0.05 per diluted share in the third quarter of 2009. Import duties received in the 2009 and 2008 fourth quarters were \$551,000 and \$599,000, respectively, both amounts equivalent to \$0.06 per diluted share.

Cash flow from operations for the fourth quarter of 2009 totaled \$2.5 million compared with \$5.8 million in the fourth quarter of 2008 and \$10.0 million in the third quarter of 2009. Cash flow decreased in the quarter due to the slowing rate of reduction in managed working capital because of improving shipment volume and order entry. In addition, capital expenditures were \$2.1 million including \$1.8 million for a melt shop upgrade project, which remains on budget.

For the full year of 2009, sales were \$124.9 million and the Company incurred a net loss of \$3.0 million or \$0.44 per share. The net loss included a negative tax adjustment in the second quarter of \$742,000, equivalent to \$0.11 per diluted share, and unusual charges related to economic conditions in the first quarter of \$3.6 million, equivalent to \$0.53 per diluted share after-tax. Before the tax adjustment and unusual charges, the Company's net income for 2009 was \$1.4 million or \$0.20 per diluted share. In 2008, the Company had record sales of \$235.1 million and net income was \$14.0 million, or \$2.05 per diluted share.

President and CEO Dennis Oates commented: "The fourth quarter of 2009 was marked by early-stage recovery in demand. Our order entry improved each month in the quarter, and resulted in the first sequential increase in our backlog since the third quarter of 2008. In total, our year-end backlog was \$36 million, an increase of 8% from September 30.

"The sequential growth in fourth quarter 2009 sales and tons shipped resulted from a 50% increase in our shipments to service centers, consistent with indications that service centers have generally finished inventory destocking. Sales of tool steel plate tripled and aerospace sales improved modestly.

"Our profitability improved over the third quarter of 2009 due to higher shipment volumes, cost savings being realized from recent capital projects and process improvements, and improved cycle times.

"There is widespread belief among our customers that 2010 will be better than 2009, but the level of caution accompanying their optimism is high. Therefore, we currently expect further recovery in market demand to be gradual."

Segment Review

For the fourth quarter of 2009, the Universal Stainless & Alloy Products segment had sales of \$23.1 million and operating income of \$509,000, yielding an operating margin of 2.2% of sales. This compares with sales of \$53.1 million and operating income of \$1.9 million, or 3.5% of sales, in the fourth quarter of 2008. In the third quarter of 2009, sales were \$21.7 million and operating income was \$60,000, or 0.3% of sales.

Segment sales declined 57% from the fourth quarter of 2008 primarily due to a 48% decrease in tons shipped. Shipments to rerollers, forgers and service centers declined substantially from the 2008 fourth quarter offsetting a strong increase in shipments to OEMs. Segment sales increased 7% from the third quarter of 2009 on 11% more tons shipped, reflecting higher shipments to service centers, especially of tool steel plate, and to forgers.

The Dunkirk Specialty Steel segment recorded sales of \$8.5 million and operating income of \$227,000 for the fourth quarter of 2009, yielding an operating margin of 2.7% of sales. This compares with sales in the fourth quarter of 2008 of \$11.4 million and an operating loss of \$1.3 million, which included a \$248,000 charge for the relocation of the round bar finishing line to Dunkirk from Bridgeville and a \$385,000 increase to the segment's LCM reserve. In the third quarter of 2009, sales were \$8.5 million and operating income was \$397,000, or 4.7% of sales.

Dunkirk's sales declined 25% from the fourth quarter of 2008 on 3% fewer tons shipped due to product mix and lower

surcharges. Dunkirk's sales were level with the third quarter of 2009 on a 3% increase in tons shipped.

Webcast

A simultaneous webcast of the Company's conference call discussing the fourth quarter of 2009, scheduled at 10:00 a.m. (Eastern) today, will be available on the Company's website at www.univstainless.com, and thereafter archived on the website through the end of the first quarter of 2010.

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 rollers, forgers, service centers, original equipment manufacturers and wire redrawers. More information is available at 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 | | For the Year Ended | |
|-------------------------------------|-----------------------|-----------|--------------------|------------|
| | December 31, | | December 31, | |
| | 2009 | 2008 | 2009 | 2008 |
| | ---- | ---- | ---- | ---- |
| Net Sales | | | | |
| Stainless steel | \$ 20,037 | \$ 44,340 | \$ 98,069 | \$ 172,222 |
| Tool steel | 3,385 | 7,887 | 9,413 | 39,046 |
| High-strength low alloy steel | 1,560 | 2,427 | 9,235 | 11,936 |
| High-temperature alloy steel | 1,184 | 1,678 | 5,567 | 7,931 |
| Conversion services | 330 | 427 | 1,203 | 1,941 |
| Other | 176 | 381 | 1,420 | 2,030 |
| | ----- | ----- | ----- | ----- |
| Total net sales | 26,672 | 57,140 | 124,907 | 235,106 |
| Cost of products sold | 23,374 | 54,092 | 117,901 | 204,929 |
| Selling and administrative expenses | 2,562 | 2,524 | 11,663 | 11,085 |
| | ----- | ----- | ----- | ----- |
| Operating income (loss) | 736 | 524 | (4,657) | 19,092 |
| Interest expense | (19) | (24) | (89) | (105) |
| Other income | 559 | 694 | 695 | 911 |
| | ----- | ----- | ----- | ----- |

| | | | | |
|--|-----------|-----------|------------|-----------|
| Income (loss) before taxes | 1,276 | 1,194 | (4,051) | 19,898 |
| Income tax provision (benefit) | 320 | (37) | (1,093) | 5,948 |
| Net income (loss) | \$ 956 | \$ 1,231 | \$ (2,958) | \$ 13,950 |
| Earnings (loss) per share | | | | |
| - Basic | \$ 0.14 | \$ 0.18 | \$ (0.44) | \$ 2.08 |
| Earnings (loss) per share | | | | |
| - Diluted | \$ 0.14 | \$ 0.18 | \$ (0.44) | \$ 2.05 |
| Weighted average shares of Common Stock outstanding | | | | |
| Basic | 6,769,130 | 6,727,727 | 6,755,560 | 6,706,535 |
| Diluted | 6,815,853 | 6,781,712 | 6,755,560 | 6,801,203 |

MARKET SEGMENT INFORMATION

| | For the Quarter Ended | | For the Year Ended | |
|-------------------------------------|-----------------------|----------------------|----------------------|----------------------|
| | December 31, 2009 | December 31, 2008 | December 31, 2009 | December 31, 2008 |
| Net Sales | | | | |
| Service centers | \$ 11,313 | \$ 20,979 | \$ 50,355 | \$110,889 |
| Forgers | 8,652 | 18,092 | 39,821 | 52,551 |
| Rerollers | 2,270 | 11,649 | 12,174 | 41,660 |
| Original equipment manufacturers | 2,913 | 3,968 | 16,089 | 18,955 |
| Wire redrawers | 1,018 | 1,662 | 3,845 | 7,129 |
| Conversion services | 330 | 427 | 1,203 | 1,941 |
| Other | 176 | 363 | 1,420 | 1,981 |
| Total net sales | \$ 26,672 | \$ 57,140 | \$124,907 | \$235,106 |
| Tons shipped | 6,172 | 11,681 | 28,182 | 45,679 |

BUSINESS SEGMENT RESULTS

Universal Stainless & Alloy Products Segment

| | For the Quarter Ended | | For the Year Ended | |
|-------------------------------|-----------------------|----------------------|----------------------|----------------------|
| | December 31, 2009 | December 31, 2008 | December 31, 2009 | December 31, 2008 |
| Net Sales | | | | |
| Stainless steel | \$ 14,318 | \$ 36,233 | \$ 71,670 | \$121,612 |
| Tool steel | 3,311 | 7,768 | 9,146 | 37,631 |
| High-strength low alloy steel | 271 | 925 | 3,017 | 3,881 |
| High-temperature alloy steel | 347 | 661 | 1,988 | 2,977 |
| Conversion services | 217 | 296 | 763 | 1,278 |
| Other | 166 | 351 | 1,391 | 1,875 |
| Intersegment | 4,456 | 6,880 | 20,344 | 37,384 |

| | | | | |
|-------------------------------------|--------|----------|------------|-----------|
| | ----- | ----- | ----- | ----- |
| Total net sales | 23,086 | 53,114 | 108,319 | 206,638 |
| Material cost of sales | 9,882 | 32,215 | 49,592 | 114,930 |
| Operation cost of sales | 11,005 | 17,375 | 52,656 | 68,415 |
| Selling and administrative expenses | 1,690 | 1,673 | 8,467 | 7,613 |
| | ----- | ----- | ----- | ----- |
| Operating income (loss) | \$ 509 | \$ 1,851 | \$ (2,396) | \$ 15,680 |
| | ===== | ===== | ===== | ===== |

Dunkirk Specialty Steel Segment

| | | | | |
|-------------------------------------|-----------------------|------------|--------------------|-----------|
| | For the Quarter Ended | | For the Year Ended | |
| | December 31, | | December 31, | |
| | 2009 | 2008 | 2009 | 2008 |
| | ---- | ---- | ---- | ---- |
| Net Sales | | | | |
| Stainless steel | \$ 5,719 | \$ 8,107 | \$ 26,399 | \$ 50,610 |
| Tool steel | 74 | 119 | 267 | 1,415 |
| High-strength low alloy steel | 1,289 | 1,502 | 6,218 | 8,055 |
| High-temperature alloy steel | 837 | 1,017 | 3,579 | 4,954 |
| Conversion services | 113 | 131 | 440 | 663 |
| Other | 10 | 30 | 29 | 155 |
| | ----- | ----- | ----- | ----- |
| | 8,042 | 10,906 | 36,932 | 65,852 |
| Intersegment | 475 | 492 | 1,659 | 3,712 |
| | ----- | ----- | ----- | ----- |
| Total net sales | 8,517 | 11,398 | 38,591 | 69,564 |
| Material cost of sales | 4,904 | 8,031 | 24,567 | 44,215 |
| Operation cost of sales | 2,514 | 3,843 | 13,089 | 18,465 |
| Selling and administrative expenses | 872 | 851 | 3,196 | 3,472 |
| | ----- | ----- | ----- | ----- |
| Operating income (loss) | \$ 227 | \$ (1,327) | \$ (2,261) | \$ 3,412 |
| | ===== | ===== | ===== | ===== |

CONSOLIDATED BALANCE SHEET

| | | |
|----------------------------------|--------------|--------------|
| | December 31, | December 31, |
| | 2009 | 2008 |
| | ---- | ---- |
| Assets | | |
| Cash | \$ 42,349 | \$ 14,812 |
| Accounts receivable, net | 17,028 | 33,057 |
| Inventory, net | 41,322 | 63,222 |
| Other current assets | 9,344 | 8,239 |
| | ----- | ----- |
| Total current assets | 110,043 | 119,330 |
| Property, plant & equipment, net | 70,085 | 62,626 |
| Other assets | 1,586 | 988 |
| | ----- | ----- |
| Total assets | \$ 181,714 | \$ 182,944 |
| | ===== | ===== |

Liabilities and Stockholders' Equity

| | | |
|--|------------|------------|
| Trade accounts payable | \$ 7,783 | \$ 19,350 |
| Outstanding checks in excess of bank balance | 734 | 540 |
| Accrued employment costs | 1,178 | 3,795 |
| Current portion of long-term debt | 2,223 | 403 |
| Other current liabilities | 553 | 421 |
| | ----- | ----- |
| Total current liabilities | 12,471 | 24,509 |
| Long-term debt | 10,823 | 1,046 |
| Deferred taxes | 14,049 | 11,689 |
| Other liabilities | 145 | -- |
| | ----- | ----- |
| Total liabilities | 37,488 | 37,244 |
| Stockholders' equity | 144,226 | 145,700 |
| | ----- | ----- |
| Total liabilities and stockholders' equity | \$ 181,714 | \$ 182,944 |
| | ===== | ===== |

CONSOLIDATED STATEMENT OF CASH FLOW DATA

For the Year Ended December 31,

| | 2009 | 2008 |
|--|------------|-----------|
| | ---- | ---- |
| Cash flows provided by operating activities: | | |
| Net income (loss) | \$ (2,958) | \$ 13,950 |
| Adjustments to reconcile to net cash provided by operating activities: | | |
| Depreciation and amortization | 4,859 | 4,167 |
| Loss on retirement of fixed assets | 84 | 402 |
| Deferred income tax | 1,853 | 558 |
| Stock based compensation expense | 1,058 | 838 |
| Tax benefit from share-based payment arrangements | (86) | (529) |
| Changes in assets and liabilities: | | |
| Accounts receivable, net | 16,029 | (5,556) |
| Inventory, net | 21,900 | 2,350 |
| Trade accounts payable | (11,567) | 5,367 |
| Accrued employment costs | (2,617) | (1,512) |
| Current income tax, net | (1,613) | (1,491) |
| Other, net | 764 | (874) |
| | ----- | ----- |
| Cash flow provided by operating activities | 27,706 | 17,670 |
| | ----- | ----- |
| Cash flow used in investing activities: | | |
| Proceeds from sale of fixed assets | 60 | -- |
| Capital expenditures | (12,394) | (12,905) |
| | ----- | ----- |
| Cash flow used in investing activities | (12,334) | (12,905) |
| | ----- | ----- |
| Cash flows provided by financing activities: | | |
| Long-term debt issuance | 12,000 | -- |
| Long-term debt repayments | (403) | (387) |
| Net change in outstanding checks in excess of bank | | |

| | | |
|--|-----------|----------|
| balance | 194 | (1,524) |
| Deferred financing costs | (84) | -- |
| Proceeds from issuance of common stock | 372 | 781 |
| Tax benefit from share-based payment arrangements | 86 | 529 |
| | ----- | ----- |
| Cash flow provided by (used in) financing activities | 12,165 | (601) |
| | ----- | ----- |
| Net cash flow | \$ 27,537 | \$ 4,164 |
| | ===== | ===== |

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