



Universal Stainless Reports Record Sales and Earnings for Third Quarter 2006

EPS Reaches \$0.86 on \$55 Million in Sales

BRIDGEVILLE, Pa., Oct. 19, 2006 -- Universal Stainless & Alloy Products, Inc. (Nasdaq:USAP) reported today that net income for the third quarter of 2006 rose 73% to a record \$5.7 million, or \$0.86 per diluted share, on a 28% increase in sales, which reached a record \$55.1 million. This compares with net income of \$3.3 million, or \$0.51 per diluted share, and sales of \$43.1 million reported in the third quarter of 2005.

Third quarter 2006 results exceeded the Company's forecast of diluted EPS of \$0.65 to \$0.70 and sales of \$45 to \$50 million.

Net income for the nine-month period ended September 30, 2006 rose 50% to a record \$14.2 million, or \$2.15 per diluted share, on a 16% increase in sales, which reached a record \$148.1 million. In the prior year period net income was \$9.5 million, or \$1.47 per diluted share, and sales were \$128.0 million.

President and CEO Mac McAninch commented: "Continued robust aerospace demand, coupled with strong petrochemical and power generation markets, enabled us to achieve record results for the third quarter of 2006. Sales were further accelerated by the rapid increase in the cost of nickel, a major component of stainless steel, which increased the prices of our products due to the effect of the surcharge mechanism. Our Dunkirk operation also benefited from continued workforce additions, the timing of feedstock procurement and effective cost management. As a result, Dunkirk's sales reached \$20 million and its operating margin rose to a record 19% of sales."

Mr. McAninch continued: "Our investment in a sixth vacuum-arc remelt (VAR) furnace and the addition of milling machines and a plate flattener in Bridgeville enabled us to take advantage of our market opportunity and work down some of our substantial backlog. We completed installation of a seventh VAR furnace ahead of schedule this summer and expect to see a full-quarter benefit in the first quarter of 2007."

Mr. McAninch concluded: "We remain optimistic about the balance of the year even though we expect to see the normal seasonal patterns come into play in December and have developed our forecast accordingly. We see favorable conditions in our end markets continuing into 2007 and beyond."

Segment Review

In the third quarter of 2006, the Universal Stainless & Alloy Products segment had record sales of \$47.2 million and operating income of \$4.0 million, yielding an operating margin of 9%. This compares with third quarter 2005 sales of \$40.0 million and operating income of \$4.0 million, or 10% of sales. In the second quarter of 2006, sales were \$45.7 million and operating income was \$5.8 million, or 13% of sales. The reduction in operating margin in the 2006 third quarter is primarily due to higher material costs incurred in comparison to prior quarters.

The 18% increase in sales from the 2005 third quarter reflects the contribution of the new vacuum-arc remelt furnace installed in December 2005 and additional milling machines and a plate flattener added in the 2006 first quarter. It also was due to higher product prices and a favorable product mix, including growth in shipments to forgers and of bar and plate products to service centers and OEMs. The 3% sales increase over the 2006 second quarter mainly reflected increased shipments of semi-finished product to rerollers and forgers and of bar products to service centers offset by lower shipments of tool steel plate to service centers.

The Dunkirk Specialty Steel segment reported record sales for the 2006 third quarter of \$19.8 million and record operating income of \$3.8 million, resulting in an operating margin of 19%. This compares with sales of \$14.0 million and operating income of \$1.8 million, or 13% of sales, in the third quarter of 2005. In the second quarter of 2006 sales were \$16.2 million and operating income of \$2.3 million, resulting in an operating margin of 14%.

Dunkirk's sales increased 42% over the 2005 third quarter and 23% over the 2006 second quarter. Operating income increased 117% from the prior year third quarter and rose 69% from the 2006 second quarter. The growth in sales and profitability was due to the previously mentioned factors, including the effect of the surcharge mechanism, workforce additions that helped increase throughput and effective cost management. In addition to increased sales to service centers and OEMs in the 2006 third quarter, Dunkirk's sales to redrawers rose substantially from the previous quarter due to a large shipment of rod product requiring special chemistry.

Business Outlook

The following statements are based on the Company's current expectations. These statements are forward-looking, and actual results may differ materially.

The Company estimates that fourth quarter 2006 sales will range from \$45 to \$50 million and that diluted EPS will range from \$0.70 to \$0.75. This compares with sales of \$42.0 million and diluted EPS of \$0.55 in the fourth quarter of 2005.

The following factors were considered in developing these estimates:

- The Company's total backlog at September 30, 2006 remained at high levels, approximating \$124 million compared to \$128 million at June 30, 2006.
- Despite continued strong end market demand, the Company expects normal year-end plant closings and inventory adjustments by its customers as well as trucking constraints to impact its sales company-wide. In line with this, sales from the Dunkirk Specialty Steel segment are expected to approximate \$17 million in the fourth quarter of 2006.

Webcast

A simultaneous Webcast of the Company's conference call discussing the third quarter of 2006 and the fourth quarter outlook, 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. A telephone replay of the conference call will be available beginning at 12:00 noon (Eastern) today and continuing through October 26th. It can be accessed by dialing 706-645-9291, passcode 7722080. This is a toll call.

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.

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 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. 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 Nine-Months Ended	
	September 30,		September 30,	
	2006	2005	2006	2005
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Net Sales				
Stainless steel	\$ 41,726	\$ 35,573	\$ 110,159	\$ 103,397
Tool steel	5,408	4,805	18,645	15,181
High-strength low				

alloy steel	4,529	1,506	10,322	4,270
High-temperature alloy steel	2,932	587	7,045	2,323
Conversion services	461	569	1,694	2,533
Other	54	57	201	275
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Total net sales	55,110	43,097	148,066	127,979
Cost of products sold	42,912	35,692	116,924	106,299
Selling and administrative expenses	3,038	2,043	8,173	6,335
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Operating income	9,160	5,362	22,969	15,345
Interest expense	(275)	(223)	(810)	(595)
Other income	2	--	6	63
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Income before taxes	8,887	5,139	22,165	14,813
Income tax provision	3,199	1,850	7,979	5,333
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Net income	\$ 5,688	\$ 3,289	\$ 14,186	\$ 9,480
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Earnings per share				
- Basic	\$ 0.88	\$ 0.52	\$ 2.21	\$ 1.49
	=====	=====	=====	=====
Earnings per share				
- Diluted	\$ 0.86	\$ 0.51	\$ 2.15	\$ 1.47
	=====	=====	=====	=====
Weighted average shares of Common Stock outstanding				
Basic	6,443,570	6,383,464	6,429,089	6,365,947
Diluted	6,615,784	6,490,056	6,596,787	6,469,953

MARKET SEGMENT INFORMATION

	For the Quarter Ended September 30,		For the Nine-Months Ended September 30,	
	2006	2005	2006	2005
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Net Sales				
Service centers	\$ 26,394	\$ 18,039	\$ 75,750	\$ 53,396
Rerollers	9,856	9,762	25,080	33,040
Forgers	10,614	8,572	25,035	22,742
Original equipment manufacturers	4,421	3,148	13,976	8,070
Wire redrawers	3,310	2,949	6,330	7,934
Conversion services	461	569	1,694	2,533
Other	54	58	201	264
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Total net sales	\$ 55,110	\$ 43,097	\$ 148,066	\$ 127,979
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Tons shipped	13,636	11,952	38,421	40,565
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BUSINESS SEGMENT RESULTS

Universal Stainless & Alloy Products Segment

	For the Quarter Ended		For the Nine-Months Ended	
	September 30,		September 30,	
	2006	2005	2006	2005
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Net Sales				
Stainless steel	\$ 28,342	\$ 23,551	\$ 74,353	\$ 68,864
Tool steel	4,852	4,569	17,466	14,723
High-strength low alloy steel	2,107	574	5,036	1,887
High-temperature alloy steel	931	507	2,690	2,235
Conversion services	321	466	1,243	2,122
Other	39	57	151	217
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	36,592	29,724	100,939	90,048
Intersegment	10,599	10,248	31,089	25,506
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Total net sales	47,191	39,972	132,028	115,554
Material cost of sales	24,055	20,876	61,809	59,156
Operation cost of sales	16,965	13,651	49,700	41,734
Selling and administrative expenses	2,124	1,428	5,679	4,324
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Operating income	\$ 4,047	\$ 4,017	\$ 14,840	\$ 10,340
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Dunkirk Specialty Steel Segment

	For the Quarter Ended		For the Nine-Months Ended	
	September 30,		September 30,	
	2006	2005	2006	2005
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Net Sales				
Stainless steel	\$ 13,384	\$ 12,022	\$ 35,806	\$ 34,533
Tool steel	556	236	1,179	458
High-strength low alloy steel	2,422	932	5,286	2,383
High-temperature alloy steel	2,001	80	4,355	88
Conversion services	140	103	451	411
Other	15	--	50	58
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	18,518	13,373	47,127	37,931
Intersegment	1,317	617	2,874	2,098
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Total net sales	19,835	13,990	50,001	40,029
Material cost of sales	10,847	8,190	27,756	21,746

Operation cost of sales	4,263	3,428	12,216	10,817
Selling and administrative expenses	914	615	2,494	2,011
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Operating income	\$ 3,811	\$ 1,757	\$ 7,535	\$ 5,455
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CONSOLIDATED BALANCE SHEET

	September 30, 2006 ----	December 31, 2005 ----
Assets		
Cash	\$ 614	\$ 620
Accounts receivable, net	37,784	27,963
Inventory	63,455	51,398
Deferred taxes	1,835	1,084
Other current assets	1,525	1,706
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Total current assets	105,213	82,771
Property, plant & equipment, net	49,381	45,761
Other assets	500	495
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Total assets	\$155,094	\$129,027
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Liabilities and Stockholders' Equity		
Trade accounts payable	\$ 18,345	\$ 12,579
Accrued employment costs	4,919	2,958
Deferred revenue	2,882	384
Outstanding checks in excess of bank balance	2,547	3,101
Current portion of long-term debt	2,414	1,555
Other current liabilities	2,037	530
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Total current liabilities	33,144	21,107
Bank revolver	7,153	6,117
Long-term debt	9,427	11,200
Deferred taxes	9,486	9,600
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Total liabilities	59,210	48,024
Stockholders' equity	95,884	81,003
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Total liabilities and stockholders' equity	\$155,094	\$129,027
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CONSOLIDATED STATEMENT OF CASH FLOW DATA
For the Nine-Month Period Ended September 30,

	2006 ----	2005 ----
Cash flows provided by operating activities:		

Net income	\$ 14,186	\$ 9,480
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	2,460	2,301
Loss on retirement of fixed assets	--	705
Deferred tax (decrease) increase	(879)	193
Stock based compensation expense	369	--
Tax benefit from exercise of stock options	--	173
Excess tax benefits from share-based payment arrangements	(179)	--
Changes in assets and liabilities:		
Accounts receivable, net	(9,821)	(4,530)
Inventory	(12,057)	(12,889)
Trade accounts payable	5,766	(32)
Deferred revenue	2,498	310
Accrued employment costs	1,961	1,466
Other, net	1,204	1,483
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Cash flow provided by operating activities	5,508	(1,340)
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Cash flow used in investing activities:		
Capital expenditures	(5,587)	(5,233)
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Cash flow used in investing activities	(5,587)	(5,233)
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Cash flows provided by financing activities:		
Revolving credit net borrowings	1,036	(197)
Proceeds from long-term debt	--	8,050
Deferred financing costs	--	(48)
Long-term debt repayments	(914)	(755)
Net change in outstanding checks in excess of bank balance	(554)	248
Proceeds from issuance of common stock	326	554
Excess tax benefits from share-based payment arrangements	179	--
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Cash flow provided by financing activities	73	7,852
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Net cash flow	\$ (6)	\$ 1,279
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