Universal Stainless Reports First Quarter 2005 EPS of $0.45 on Record Sales of $43 Million

-- Backlog continues to grow --
-- Dunkirk registers another record quarter --

BRIDGEVILLE, Pa., April 21, 2005 -- Universal Stainless & Alloy Products, Inc. (Nasdaq:USAP) today reported record sales of $43.0 million for the first quarter of 2005 and net income of $2.9 million, or $0.45 per diluted share. This compares with sales of $21.3 million and net income of $227,000 or $0.04 per diluted share reported in the first quarter of 2004.

The 2005 first quarter results exceeded the Company's forecast of sales in the range of $35 to $40 million and diluted EPS of $0.35 to $0.40.

Commenting on the results, President and CEO Mac McAninch stated: "Our record first quarter sales were driven by the strength of our niche markets and by our investment in manufacturing capacity to respond to the continuing needs of our customers. Sales to our aerospace, power generation, petrochemical, and tool steel markets rose 20%, 5%, 56% and 2%, respectively, over the strong fourth quarter. Demand from those markets remains strong as reflected in our backlog, which has reached a record $88 million, and is comprised mainly of the remelted steel grades used by those markets. With our new capital equipment fully operational and improved process scheduling in place, we achieved an 11% increase in tons shipped over the prior quarter."

Mr. McAninch continued: "Sales at our Dunkirk facility reached a record $13.7 million and generated a record 14% operating margin. Capacity and process improvements in our Bridgeville and Titusville facilities enabled us to significantly increase the production of reroll billet feedstock shipped to Dunkirk, which is essential to Dunkirk's growth. Our customers have rewarded our progress in Dunkirk by placing a record $16 million in new orders during the 2005 first quarter."

Mr. McAninch added: "The increased first quarter volume company-wide, combined with the continuation of our cost recovery pricing initiatives, led to a 32% sequential improvement in operating income. Although some raw material costs have moderated, they remain volatile. Our surcharge pricing mechanism is in place to protect both our company and our customers as the year progresses. In 2005, we plan to judiciously implement additional base price increases necessary to offset higher manufacturing and energy costs and to support our capital investment program as we continue to focus on improving customer satisfaction."

Mr. McAninch concluded: "We had a very good start to 2005 due to strong market demand, hard-earned improvements in our operating processes, and the payback from our capital investment and price recovery initiatives. Our niche markets of aerospace, power generation and petrochemical, upon which we have built this Company, are showing positive growth trends for the balance of this year and beyond. We will continue to focus on better serving our customers during this period of high demand, while remaining focused on improving our efficiency."

Segment Review

In the first quarter of 2005, the Universal Stainless & Alloy Products segment had sales of $38.4 million and operating income of $2.7 million. First quarter results include the write-off of $342,000 of fixed assets in Bridgeville mainly for flat bar processing equipment resulting from the Company's decision to move all of its small flat bar production to the Dunkirk facility. This compares with sales of $18.8 million and operating income of $401,000 in the first quarter of 2004 and sales of $32.7 million and operating income of $2.3 million in the fourth quarter of 2004.

The doubling in sales compared with the 2004 first quarter reflected continued substantial growth in all customer categories. First quarter 2005 sales increased 17% over the prior quarter and operating income increased 17%, although a bad debt charge of $282,000 in the prior quarter lowered operating income for that period. A total of $110,000 of that debt was repaid in the first quarter and the reserve for it was reduced accordingly.

The Dunkirk Specialty Steel segment reported sales of $13.7 million and operating income of $1.9 million, which included a $184,000 write-off of an office building that was part of the original purchase of the Dunkirk assets from New York JDA. Efforts to sell the building have not materialized and there are no prospective buyers pursuing a purchase at this time. These results compare with sales of $6.7 million and operating income of $34,000 in the first quarter of 2004 and sales of $10.5 million and operating income of $1.2 million in the prior quarter.

Dunkirk's sales also doubled and its operating income dramatically improved over the first quarter of 2004. The 31% increase in first quarter sales over the prior quarter reflects a 24% increase in sales to services centers and a 73% increase in sales to wire redrawers. Operating income improved 50% over the prior quarter due to the higher sales volume and the benefit of increased selling prices and surcharges to offset higher material costs.

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 second quarter 2005 sales will range from $40 to $45 million and that diluted EPS will range from $0.40 to $0.45. This compares with sales of $29.0 million and diluted EPS of $0.25 in the second quarter of 2004.

The following factors were considered in developing these estimates:

- The Company's total backlog at March 31, 2005 approximated $88 million compared to $72 million at December 31, 2004 reflecting continued strength of the Company's niche markets - namely aerospace, power generation and petrochemical. However, the increase in backlog is substantially comprised of remelted steel products that will not ship until the 2005 third quarter and beyond due to remelt requirements.
- Tool steel sales are expected to remain ahead of last year as continued strength in the industrial manufacturing sector is expected to partially offset lower automotive production.
- The implementation of recent price increases was designed to allow the Company to offset continuing manufacturing cost increases as well as support future capital improvements designed to increase production levels and efficiency.
- Sales from the Dunkirk Specialty Steel segment are expected to approximate $14 million as service center demand remains strong and the Company expects to continue to add redrawer and end user customers.

Webcast

A simultaneous Webcast of the Company's conference call discussing the first quarter of 2005 and the second 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 April 28th. It can be accessed by dialing 706-645-9291, passcode 5386838. 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 original equipment manufacturers, service centers, forgers, rerollers 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 March 31, 2005	2004
Net Sales		
Stainless steel	$ 33,619	16,168
Tool steel	6,017	3,166
High-strength low alloy steel	1,122	861
High-temperature alloy steel	1,025	709
Conversion services	1,114	332
Other	122	71
Total net sales	43,019	21,307
Cost of products sold	36,410	19,344
Selling and administrative expenses	1,907	1,528
Operating income	4,702	435
Interest expense	(172)	(88)
Other income	60	8
Income before taxes	4,590	355
Income tax provision	1,652	128
Net income	$ 2,938	227
Earnings per share - Basic	$ 0.46	0.04
Earnings per share - Diluted	$ 0.45	0.04
Weighted average shares of Common Stock outstanding		
Basic	6,350,547	6,296,053
Diluted	6,468,475	6,336,034

MARKET SEGMENT INFORMATION

	For the Quarter Ended March 31, 2005	2004
Net Sales		
Service centers	$ 18,307	$ 9,906
Rerollers	12,028	4,070
Forgers	6,263	3,816
Wire redrawers	2,872	1,196
Original equipment manufacturers	2,324	1,934
Conversion services	1,114	332
Other	111	53
Total net sales	$ 43,019	$ 21,307
Tons shipped	15,230	9,087

BUSINESS SEGMENT RESULTS

Universal Stainless & Alloy Products Segment

	For the Quarter Ended March 31, 2005	2004
Net Sales		
Stainless steel	$21,777	$10,720
Tool steel	5,907	3,080
High-strength low alloy steel	393	413
High-temperature alloy steel	1,025	549
Conversion services	951	249
Other	117	46
	30,170	15,057
Intersegment	8,255	3,788
Total net sales	38,425	18,845
Material cost of sales	19,826	7,602
Operation cost of sales	14,779	9,811
Selling and administrative expenses	1,141	1,031
Operating income	$ 2,679	$ 401

Dunkirk Specialty Steel Segment

	For the Quarter Ended March 31, 2005	2004
Net Sales		
Stainless steel	$11,842	$5,448
Tool steel	110	86
High-strength low alloy steel	729	448
High-temperature alloy steel	--	160
Conversion services	163	83
Other	5	25
	12,849	6,250
Intersegment	818	495
Total net sales	13,667	6,745
Material cost of sales	7,114	3,477
Operation cost of sales	3,924	2,737
Selling and administrative expenses	766	497
Operating income	$ 1,863	$ 34

CONSOLIDATED BALANCE SHEET

	March 31, 2005	December 31, 2004
Assets		
Cash	$ 833	$ 241
Accounts receivable, net	29,352	24,562

Inventory	43,722	38,318
Other current assets	2,527	3,417
Total current assets	76,434	66,538
Property, plant & equipment, net	40,195	40,716
Other assets	578	586
Total assets	$117,207	$107,840

Liabilities and Stockholders' Equity

Accounts payable	$ 16,210	$ 11,666
Bank overdrafts	954	2,638
Accrued employment costs	1,977	1,830
Current portion of long-term debt	2,099	2,044
Other current liabilities	2,023	442
Total current liabilities	23,263	18,620
Bank revolver	10,442	8,635
Long-term debt	3,016	3,555
Deferred taxes	10,232	10,093
Total liabilities	46,953	40,903
Stockholders' equity	70,254	66,937
Total liabilities and stockholders' equity	$117,207	$107,840

CONSOLIDATED STATEMENT OF CASH FLOW DATA
For the Three-month Period Ended March 31,

	2005	2004
Cash flows from operating activities:		
Net income	$ 2,938	$ 227
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	769	786
Deferred taxes	539	21
Tax benefit from exercise of stock options	115	3
Changes in assets and liabilities:		
Accounts receivable, net	(4,790)	(2,535)
Inventory	(5,404)	(6,279)
Trade accounts payable	4,544	2,658
Accrued employment costs	147	703
Other, net	2,415	427
Cash flow from (due to) operating activities	1,273	(3,989)
Cash flow from investing activities:		
Capital expenditures	(584)	(174)
Cash flow due to investing activities	(584)	(174)
Cash flows from financing activities:		

Net borrowings under revolving line of credit	1,807	668
Repayments of long-term debt	(484)	(498)
Net change in bank overdrafts	(1,684)	(272)
Proceeds from issuance of common stock	264	42
Cash flow from (due to) financing activities	(97)	(60)
Net cash flow	$ 592	$(4,223)

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