

FOR: **WEBCO INDUSTRIES, INC.**

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**For Immediate Release**

**WEBCO INDUSTRIES, INC. REPORTS FISCAL 2009  
FOURTH QUARTER AND YEAR-END RESULTS**

TULSA, Oklahoma, October 13, 2009 – Webco Industries, Inc. (OTC: WEBC) today reported results for its fourth quarter and fiscal year ended July 31, 2009.

For its fiscal 2009 fourth quarter, the Company reported a net loss of \$16,000, or a loss of \$0.02 per diluted share, compared to net income of \$5,345,000, or \$7.02 per diluted share, for the same quarter in fiscal 2008. Net sales for the fourth quarter of fiscal 2009 were \$56.0 million, a 40.5 percent decrease from the \$94.2 million of sales in last year's fourth quarter. Current quarter results included a \$1.3 million non-cash pre-tax gain in the value of interest rate swap contracts versus a non-cash pre-tax gain of \$0.3 million in the same quarter in fiscal 2008. The fourth quarter of fiscal 2008 included a \$0.5 million pre-tax charge for inventory reserves. Results for the current quarter continue to be negatively impacted by high cost inventories and sales prices which are based on the lower cost steel. In addition, the global economic crisis has affected business levels for most of our customers, resulting in reduced volumes.

For fiscal year 2009, the Company generated a net loss of \$2,919,000, or a loss of \$3.83 per diluted share, compared to net income of \$16,933,000, or \$22.28 per diluted share, for the same period in fiscal 2008. Net sales for fiscal year 2009 amounted to \$323.7 million, a 13.8 percent decrease from the \$375.7 million in sales for fiscal year 2008. The year's results were impacted by \$2.4 million of inventory reserve charges and \$5.0 million of non-cash pre-tax charges related to interest rate swaps. The prior fiscal year reflected net inventory reserve charges of \$0.5 million and a non-cash gain of \$0.6 million related to interest rate swaps. Results for the current fiscal year have been negatively impacted by the pricing and volume conditions that have affected the current and two preceding quarters.

F. William Weber, Webco's Chairman and Chief Executive Officer, commented, "Webco's business was negatively affected by precipitous declines in the cost of steel that

followed the onset of the global economic crisis in late calendar 2008. These declines have placed tremendous pressure on our sales prices, and therefore margins. Further, the global economic crisis and low consumer confidence eroded short-term demand as companies reduced inventories and costs to compensate for the softness in demand that affected downstream customers. Our primary emphasis in adjusting to the current environment has been to ensure we have adequate liquidity to run our business and to right-size the Company for the current level of operations. We reduced our inventories in order to create liquidity, reductions that have amounted to \$58.2 million since October 31, 2008. We have also reduced our costs and capital spending wherever possible during this time of transition in the economy to ensure that our cost structure is appropriate for current business levels. From October 31, 2008 to July 31, 2009, as a result of our inventory reductions and reduced spending, our outstanding debt has dropped \$47.6 million to \$44.9 million.”

Mr. Weber further added, “For the past nine months, we have been selling high cost inventories off of our balance sheet. We previously said the liquidation of high priced inventories could take three to four quarters to complete and currently believe the process could be largely completed in the fall of calendar year 2009, although residual effects of high priced inventories could negatively impact margins in periods after that time. Until the liquidation of high-priced inventories is complete, we expect to have depressed gross margins. We do not know when the economic environment will improve, but are hopeful that industry-wide inventory reductions will be completed and demand will improve by late 2009. Our focus remains on our long-term niche strategy, which we believe is appropriate even in this difficult economic environment.”

Gross profit for the fourth quarter of fiscal 2009 was \$0.9 million, or 1.5 percent of net sales, compared to \$14.8 million, or 15.7 percent of net sales, for the fourth quarter of fiscal 2008. Gross profit for fiscal year 2009 was \$18.8 million, or 5.8 percent of net sales, compared to \$50.5 million, or 13.4 percent of net sales, for fiscal year 2008. The current quarter and full year gross profit have been negatively impacted by selling from high cost inventories. The impact of these items has been offset by significant reductions in labor and overhead costs.

Selling, general and administrative expenses in the fourth quarter of fiscal 2009 were \$1.7 million, compared to \$6.0 million in the fourth quarter of the prior year. SG&A costs for fiscal year 2009 decreased to \$15.3 million, from the \$21.6 million reported for fiscal year 2008. SG&A expenses declined in the current quarter and full year due to cost reductions and lower employee profit sharing and bonuses related to current financial performance.

Interest expense was \$1.0 million and \$0.7 million in the current and prior year quarter, respectively. Interest expense for fiscal year 2009 and 2008 amounted to \$3.8 million and \$3.6 million, respectively. In the spring of 2008, the Company entered into a five-year swap arrangement that changed the variable interest rate for \$75 million of the Company's debt to a fixed rate, concluding that the fixed rates available for that period were preferred to the exposure to significant interest rate increases in the future. The global economic crisis that began in October 2008 has resulted in significant decreases in interest rates and therefore current rates are less than the swapped rates. Because of significant debt reductions, the \$75 million swap exceeds the outstanding long-term debt on which the interest rate was swapped. The Company records such interest rate swap contracts at fair market value, charging current earnings for changes in the value of the contracts. Monthly swap settlement payments, which began in October 2008, are recorded as interest expense and amounted to \$0.7 million and \$1.5 million in the current quarter and full fiscal year 2009, respectively. During the current and prior comparable quarter, fair value adjustments resulted in non-cash gains of \$1,286,000 and \$330,000, respectively. For fiscal year 2009, fair value adjustments resulted in non-cash charges of \$5.0 million versus non-cash gains of \$0.6 million in fiscal year 2008. At July 31, 2009, the Company had a liability of \$4.4 million related to the negative fair value of the interest rate swap contracts. Changes in Treasury yields over the swap period can have a significant impact on the valuation of the interest rate swap contracts.

Capital spending amounted to \$0.7 million for the fourth quarter of fiscal 2009 and \$9.0 million for the full fiscal year. During the remainder of this period of economic turmoil, we expect to keep capital spending as low as possible. We are hopeful that our business will support a higher level of capital spending in early fiscal 2010, as the Company desires to pursue several important opportunities.

Webco is a manufacturer and value added distributor of high-quality carbon steel, stainless steel and other metal tubular products designed to industry and customer specifications. Webco's tubing products consist primarily of pressure tubing and specialty tubing for use in durable and capital goods. Webco's long-term strategy involves the pursuit of niche markets within the metal tubing industry through the deployment of leading-edge manufacturing and information technology. Webco has four production facilities in Oklahoma and Pennsylvania and five value-added distribution facilities in Oklahoma, Texas, Illinois and Michigan, serving more than 1,000 customers throughout North America.

*Forward-looking statements: Certain statements in this release, including, but not limited to, those preceded by or predicated upon the words "anticipates," "appears," "believes,"*

*“can,” “considering,” “expects,” “hopes,” “plans,” “pursuing,” “should,” “would,” or similar words constitute “forward-looking statements.” Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company, or industry results, to differ materially from any future results, performance or achievements expressed or implied herein. Such risks, uncertainties and factors include the factors discussed above and, among others: general economic and business conditions, including the continuing global recession and disruptions in the global credit markets, competition from imports, changes in manufacturing technology, banking environment, including availability of adequate financing, monetary policy, raw material costs and availability, industry capacity, domestic competition, loss of significant customers and customer work stoppages, customer claims, technical and data processing capabilities, and insurance costs and availability. The Company assumes no obligation to update publicly such forward-looking statements, whether as a result of new information, future events or otherwise.*

- TABLES FOLLOW -

**WEBCO INDUSTRIES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

(Dollars in thousands, except per share data)

(Unaudited)

|   | Three Months Ended |                 | Year Ended        |                  |
|---|--------------------|-----------------|-------------------|------------------|
|   | July 31,           |                 | July 31,          |                  |
|   | <u>2009</u>        | <u>2008</u>     | <u>2009</u>       | <u>2008</u>      |
| Net sales                                   | \$ 56,038          | \$ 94,217       | \$ 323,680        | \$ 375,657       |
| Cost of sales                               | <u>55,171</u>      | <u>79,434</u>   | <u>304,842</u>    | <u>325,169</u>   |
| Gross profit                                | 867                | 14,783          | 18,838            | 50,488           |
| Selling, general & administrative           | <u>1,699</u>       | <u>6,038</u>    | <u>15,260</u>     | <u>21,641</u>    |
| Income (loss) from operations               | (832)              | 8,745           | 3,578             | 28,847           |
| Interest expense                            | 986                | 711             | 3,781             | 3,615            |
| Unrealized gain (loss) on interest contract | <u>1,286</u>       | <u>330</u>      | <u>(5,003)</u>    | <u>596</u>       |
| Income (loss) before income taxes           | (532)              | 8,364           | (5,206)           | 25,828           |
| Income tax expense (benefit)                | <u>(516)</u>       | <u>3,019</u>    | <u>(2,287)</u>    | <u>8,895</u>     |
| Net income (loss)                           | <u>\$ (16)</u>     | <u>\$ 5,345</u> | <u>\$ (2,919)</u> | <u>\$ 16,933</u> |
| Net income (loss) per common share:         |                    |                 |                   |                  |
| Basic                                       | <u>\$ (0.02)</u>   | <u>\$ 7.05</u>  | <u>\$ (3.83)</u>  | <u>\$ 22.37</u>  |
| Diluted                                     | <u>\$ (0.02)</u>   | <u>\$ 7.02</u>  | <u>\$ (3.83)</u>  | <u>\$ 22.28</u>  |
| Weighted average common shares              |                    |                 |                   |                  |
| outstanding:                                |                    |                 |                   |                  |
| Basic                                       | <u>763,000</u>     | <u>758,000</u>  | <u>762,000</u>    | <u>757,000</u>   |
| Diluted                                     | <u>763,000</u>     | <u>761,000</u>  | <u>762,000</u>    | <u>760,000</u>   |

**WEBCO INDUSTRIES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET HIGHLIGHTS**

(Dollars in thousands)  
(Unaudited)

|                                   | July 31,<br><u>2009</u> | July 31,<br><u>2008</u> |
|-----------------------------------|-------------------------|-------------------------|
| Accounts receivable, net          | \$ 21,156               | \$ 38,964               |
| Inventories, net                  | 91,322                  | 145,632                 |
| Other current assets              | <u>9,383</u>            | <u>8,613</u>            |
| Total current assets              | 121,861                 | 193,209                 |
| Net property, plant and equipment | 63,387                  | 62,628                  |
| Other long-term assets            | <u>4,836</u>            | <u>5,760</u>            |
| Total assets                      | <u>\$ 190,084</u>       | <u>\$ 261,597</u>       |
| Other current liabilities         | \$ 24,815               | \$ 65,802               |
| Current portion of long-term debt | <u>36,182</u>           | <u>61,261</u>           |
| Total current liabilities         | 60,997                  | 127,063                 |
| Long-term debt                    | 8,750                   | 11,458                  |
| Deferred income tax liability     | 12,094                  | 12,001                  |
| Total equity                      | <u>108,243</u>          | <u>111,075</u>          |
| Total liabilities and equity      | <u>\$ 190,084</u>       | <u>\$ 261,597</u>       |

**CASH FLOW DATA**

(Dollars in thousands)

(Unaudited)

|                                | Three Months Ended |                    | Year Ended       |                   |
|--------------------------------|--------------------|--------------------|------------------|-------------------|
|                                | July 31,           |                    | July 31,         |                   |
|                                | <u>2009</u>        | <u>2008</u>        | <u>2009</u>      | <u>2008</u>       |
| Net cash provided by (used in) |                    |                    |                  |                   |
| operating activities           | \$ <u>17,343</u>   | \$ <u>(10,101)</u> | \$ <u>47,010</u> | \$ <u>(9,862)</u> |
| Depreciation and amortization  | \$ <u>2,107</u>    | \$ <u>1,933</u>    | \$ <u>7,797</u>  | \$ <u>7,787</u>   |
| Capital expenditures           | \$ <u>709</u>      | \$ <u>4,149</u>    | \$ <u>9,039</u>  | \$ <u>12,350</u>  |