UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 30, 2001

OR

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from ______ to ______

Commission File Number 0-25032

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.
(Exact name of Registrant as specified in its charter)

DELAWARE	25-1724540
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

600 Mayer Street
Bridgeville, PA 15017
(Address of principal executive offices, including zip code)

(412) 257-7600
(Telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No _________

As of November 9, 2001, there were 6,073,405 outstanding shares of the Registrant's Common Stock, $.001 par value per share.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

This Quarterly Report on Form 10-Q contains historical information and forward-looking statements. Statements looking forward are included in this Form 10-Q pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. They involve known and unknown risks and uncertainties such as but not limited to expected market conditions that may cause the Company's actual results to differ from future performance suggested herein. In the context of forward-looking information provided in this Form 10-Q and in other reports, please refer to the discussion of risk factors detailed in, as well as the other information contained in, the Company's filings with the Securities and Exchange Commission during the past 12 months.

Part I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(Dollars in Thousands, Except Per Share Information)
(Unaudited)

	For the Three-month period ended September 30,		For the Nine-month period ended September 30,	
	2001	2000	2001	2000
Net sales	$23,344	$18,587	$68,836	$54,879
Cost of products sold	18,192	14,910	54,520	45,519
Selling and administrative expenses	1,301	1,271	4,675	3,806
Operating income	3,851	2,406	9,641	5,554
Interest expense and other financing costs	(138)	(233)	(479)	(686)
Other income (expense), net	15	(26)	37	(29)
Income before taxes	3,728	2,147	9,199	4,839
Income taxes	1,398	873	3,449	1,815
Income before cumulative effect of accounting change	2,330	1,274	5,750	3,024
Cumulative effect of accounting change, net of tax	--	--	--	(1,546)
Net income	$ 2,330	$ 1,274	$ 5,750	$ 1,478

EARNINGS PER COMMON SHARE

Basic

Income before cumulative effect of accounting change	$ 0.38	$ 0.21	$ 0.95	$ 0.50
Cumulative effect of accounting change, net of tax	--	--	--	(0.26)
Net income	$ 0.38	$ 0.21	$ 0.95	$ 0.24
Diluted				
Income before cumulative effect of accounting change	$ 0.38	$ 0.21	$ 0.94	$ 0.50
Cumulative effect of accounting change, net of tax	--	--	--	(0.26)
Net income	$ 0.38	$ 0.21	$ 0.94	$ 0.24

The accompanying notes are an integral part of these consolidated financial statements.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

CONSOLIDATED CONDENSED BALANCE SHEETS
(Dollars in Thousands)

	September 30, 2001 (Unaudited)	December 31, 2000
ASSETS		
Current assets		
Cash and cash equivalents	$ 2,420	$ 1,109
Accounts receivable (less allowance for doubtful accounts of $522 and $192)	15,932	12,819
Inventory	20,994	18,788
Other current assets	1,394	1,347
Total current assets	40,740	34,063
Property, plant and equipment, net	41,245	39,090
Other assets	497	594
Total assets	$82,482	$73,747
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Trade accounts payable	$ 6,513	$ 5,624
Outstanding checks in excess of bank balance	1,745	1,445
Current portion of long-term debt	1,840	1,808
Accrued employment costs	2,443	1,297
Other current liabilities	1,637	331
Total current liabilities	14,178	10,505
Long-term debt	6,940	8,199
Deferred taxes	6,908	6,276
Total liabilities	28,026	24,980
Commitments and contingencies	--	--
Stockholders' equity		
Senior Preferred Stock, par value $.001 per share; liquidation value $100 per share; 2,000,000 shares authorized; 0 shares issued and outstanding	--	--
Common Stock, par value $.001 per share; 10,000,000 shares authorized; 6,343,305 and 6,339,128 shares issued	6	6
Additional paid-in capital	25,914	25,888
Retained earnings	30,167	24,417
Treasury Stock at cost; 269,900 and 257,900 common shares held	(1,631)	(1,544)
Total stockholders' equity	54,456	48,767
Total liabilities and stockholders' equity	$82,482	$73,747

The accompanying notes are an integral part of these consolidated financial statements.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)
(Unaudited)

	For the Nine-month period ended September 30, 2001	2000
Cash flow from operating activities:		
Net income	$ 5,750	$ 1,478
Cumulative effect of accounting change	--	1,546
Adjustments to reconcile to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	2,036	1,820
Deferred taxes	632	927
Changes in assets and liabilities:		
Accounts receivable, net	(3,113)	12,113
Inventory	(2,206)	(17,810)
Accounts payable	889	579
Accrued employment costs	1,146	1,025
Other, net	1,343	867
Net cash provided by operating activities	6,477	2,545
Cash flows from investing activities:		
Capital expenditures	(4,178)	(3,250)
Net cash used in investing activities	(4,178)	(3,250)
Cash flows from financing activities:		
Proceeds from issuance of Common Stock	26	25
Borrowings under revolving line of credit	8,893	13,183
Repayments under revolving line of credit	(8,893)	(12,459)
Proceeds from long-term debt	32	--
Long-term debt repayment	(1,259)	(1,373)
Purchase of Treasury Stock	(87)	--
Increase in outstanding checks in excess of bank balance	300	764
Net cash provided by (used in) financing activities	(988)	140
Net increase (decrease) in cash	1,311	(565)
Cash and cash equivalents at beginning of period	1,109	868
Cash and cash equivalents at end of period	$ 2,420	$ 303
Supplemental disclosure of cash flow information:		
Interest paid (net of amount capitalized)	$ 330	$ 551
Income taxes paid	$ 2,174	$ 1,081

The accompanying notes are an integral part of these consolidated financial statements

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

NOTES TO THE UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

1) The accompanying unaudited, consolidated condensed financial statements of operations for the three- and nine-month periods ended September 30, 2001 and 2000, balance sheets as of September 30, 2001 and December 31, 2000, and statements of cash flows for the nine-month periods ended September 30, 2001 and 2000 have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, these statements should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2000. In the opinion of management, the accompanying unaudited, condensed consolidated financial statements contain all adjustments, all of which were of a normal recurring nature, necessary to present fairly, in all material respects, the consolidated financial position at September 30, 2001 and December 31, 2000 and the consolidated results of operations and of cash flows for the periods ended September 30, 2001 and 2000, and are not necessarily indicative of the results to be expected for the full year.

2) In the fourth quarter of 2000, the Company adopted the provisions of the Securities and Exchange Commission's (SEC) Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" (SAB 101). As a result of the adoption, the Company's statements of operations and cash flows for the three- and nine-month periods ended September 30, 2000 have been restated to include the effect of conforming to SAB 101. Previously reported net sales and net income for the three- and nine-month periods ended September 30, 2000 were $20,809,000 and $1,438,000, and $57,910,000

and $3,700,000, respectively. The application of the SEC's guidance to language in the Company's previous Standard Terms and Conditions of Sale required Universal Stainless to defer revenue recognition until cash was collected, even though risk of loss passed to the buyer at time of shipment. In the fourth quarter of 2000, management modified the Company's Standard Terms and Conditions of Sale to more closely reflect the substance of its sales transactions and permit the recognition of revenue on a basis consistent with past practices.

3) The reconciliation of the weighted average number of shares of Common Stock outstanding utilized for the earnings per common share computations are as follows:

	For the Three-month period ended September 30,		For the Nine-month period ended September 30,	
	2001	2000	2001	2000
Weighted average number of shares of Common Stock outstanding	6,084,231	6,076,839	6,082,244	6,073,973
Assuming exercise of stock options and warrants reduced by the number of shares which could have been purchased with the proceeds from exercise of such stock options and warrants	26,436	4,888	19,514	4,121
Weighted average number of shares of Common Stock outstanding, as adjusted	6,110,667	6,081,727	6,101,758	6,078,094

4) The major classes of inventory are as follows (dollars in thousands):

	September 30, 2001	December 31, 2000
Raw materials and supplies	$ 2,106	$ 1,695
Semi-finished and finished steel products	16,317	13,916
Operating materials	2,571	3,177
Total inventory	$20,994	$18,788

4) Property, plant and equipment consists of the following (dollars in thousands):

	September 30, 2001	December 31, 2000
Land and land improvements	$ 822	$ 822
Buildings and building improvements	4,504	3,889
Machinery and equipment	43,032	39,838
Construction in progress	2,680	2,311
	51,038	46,860
Accumulated depreciation	(9,793)	(7,770)
Property, plant and equipment, net	$41,245	$39,090

5) The Company has reviewed the status of its environmental contingencies and

believes there are no significant changes from that disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2000.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

During 2000, the Company adopted the provisions of the Securities and Exchange Commission's (SEC) Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements." The application of the SEC's guidance to the language contained in the Company's Standard Terms and Conditions of Sale existing at the time of adoption required the Company to defer revenue until cash was collected, even though risk of loss passed to the buyer at time of shipment. This had the effect of deferring certain sale transactions previously recognized in 1999 into 2000. During the fourth quarter of 2000, the Company modified its Standard Terms and Conditions of Sale to more closely reflect the substance of its sale transactions, which resulted in revenue being recorded at the time of shipment rather than when cash was received. Because this did not occur until the fourth quarter, the revenue and cost information for the three- and nine-month periods ended September 30, 2000 relates to cash collections. In order to facilitate analysis of the Company's results of operations, amounts in the table below summarize revenue and cost information based on shipments made by the Company in the respective quarter, rather than cash collected for 2000. Such amounts are then reconciled to reported amounts as necessary (dollars in thousands):

	For the Three-Month Period Ended September 30,		For the Nine-Month Period Ended September 30,	
	2001	2000	2001	2000
Net sales				
Stainless steel	$19,908	$17,110	$58,531	$47,279
Tool steel	1,028	1,794	3,393	6,049
High-strength low alloy steel	791	506	2,559	1,492
High temperature alloy steel	699	503	1,634	1,268
Conversion services	821	814	2,385	1,602
Other	97	82	334	220
Net sales on shipments	23,344	20,809	68,836	57,910
Effect of accounting change	--	(2,222)	--	(3,031)
Total net sales	23,344	18,587	68,836	54,879
Cost of products sold				
Raw materials	6,878	7,277	19,527	20,819
Other	11,314	9,562	34,993	26,650
Total cost of products shipped	18,192	16,839	54,520	47,469
Effect of accounting change	--	(1,929)	--	(1,950)
Total cost of products sold	18,192	14,910	54,520	45,519
Selling and administrative expenses	1,301	1,271	4,675	3,806
Operating income from shipments	3,851	2,699	9,641	6,635
Effect of accounting change	--	(293)	--	(1,081)
Operating income	$ 3,851	$ 2,406	$ 9,641	$ 5,554

Three- and nine-month periods ended September 30, 2001 as compared to the similar periods in 2000

The increase in net sales for the three- and nine-month periods ended September 30, 2001 as compared to the similar periods in 2000 reflects substantially increased shipments to OEM and forging markets. This increase is primarily due to continued high levels of demand in the power generation, aerospace and petrochemical markets. This increase was partially offset by lower shipments of stainless steel commodity products and tool steel products as a result of increased imports and the slowing economy. The Company shipped approximately 11,900 tons and 11,600 tons for the three-month periods ended September 30, 2001 and 2000, respectively, and 35,300 tons and 32,100 tons for the nine-month periods ended September 30, 2001 and 2000, respectively.

Cost of products shipped, as a percentage of net sales on shipments, was 77.9% and 80.9% for the three-month periods ended September 30, 2001 and 2000, respectively, and was 79.2% and 82.0% for the nine-month periods ended September 30, 2001 and 2000, respectively. This decrease is primarily due to the impact of the mix of products shipped partially offset by higher natural gas costs.

Selling and administrative expenses increased by $30,000 in the three-month period ended September 30, 2001 as compared to September 30, 2000 and increased by $869,000 for the nine-month period ended September 30, 2001 as compared to September 30, 2000. The year-to-date increase is primarily due to higher bad debt expense resulting from negative economic impacts on certain steel industry customers and increased employment and insurance costs related to the increased level of business.

Interest expense and other financing costs decreased by $95,000 in the three-month period ended September 30, 2001 as compared to the three-month period ended September 30, 2000 and decreased by $207,000 in the nine-month period ended September 30, 2001 as compared to the nine-month period ended September 30, 2000. The decreases were primarily due to a reduction in debt levels between the periods.

The effective income tax rate utilized in the three-month periods ended September 30, 2001 and 2000 was 37.5% and 41.1%, respectively. The effective income tax rate utilized in the nine-month periods ended September 30, 2001 and 2000 was 37.5%. During the three-month period ended September 30, 2000, the Company increased the estimated annual effective income tax rate from 35%, which was utilized through June 30, 2000, to 37.5%. The effective income tax rate utilized in the current period reflects the anticipated effect of the Company's permanent tax deductions against expected income levels in 2001.

FINANCIAL CONDITION

The Company has financed its 2001 operating activities through cash flows from operations, cash on hand, borrowings from the PNC revolving line of credit and capitalized leases. At September 30, 2001, working capital approximated $26.6 million, as compared to $23.6 million at December 31, 2000. The ratio of current assets to current liabilities decreased from 3.2:1 at December 31, 2000 to 2.9:1 at September 30, 2001. The decrease in the ratio of current assets to current liabilities is primarily due to the percentage increase in liabilities to fund operations exceeding the percentage increase in current assets. In addition, the Company repurchased 12,000 shares of Common Stock at an average price of $7.22 per share during the nine-month period ended September 30, 2001. The Company is authorized to repurchase an additional 45,100 shares of Common Stock as of September 30, 2001. The debt to capitalization was 13.9% at September 30, 2001 and 17% at December 31, 2000.

The Company's capital expenditures approximated $4.2 million for the nine-month period ended September 30, 2001, which primarily related to the purchase of a new electro-slag remelt furnace and the installation of the billet grinder and Oliver plate saw at the Bridgeville facility. At September 30, 2001, the Company had outstanding purchase commitments in addition to the expenditures incurred to date of approximately $1.2 million. These expenditures are expected to be funded substantially from internally generated funds and additional borrowings. As of September 30, 2001, the Company had $6.5 million available for borrowings under a revolving line of credit with PNC Bank.

The Company anticipates that it will fund its 2001 working capital requirements, its capital expenditures and the stock repurchase program primarily from funds generated from operations and borrowings. The Company's long-term liquidity requirements, including capital expenditures, are expected to be financed by a combination of internally generated funds, borrowings and other sources of external financing if needed.

2001 OUTLOOK

The Company estimates that its sales for the fourth quarter of 2001 will be between $18 and $22 million, versus sales of $18 million in the prior year period, before the accounting adjustment described above. Diluted earnings per share for the 2001 fourth quarter are currently projected to range from $0.22 to $0.27, compared with $0.22 reported in the fourth quarter of 2000 before the accounting adjustment. After the accounting adjustment, fourth quarter 2000 net sales were $33.5 million and diluted earnings per share were $0.59. The following factors were considered in developing these estimates:

- The Company's backlog approximated $30 million on September 30, 2001, below the backlog of $40 million reported as of June 30, 2001, but still at a strong level. The mix of orders booked for delivery in the fourth quarter by market segment reflects a shift to the OEM segment in comparison to 2001 third quarter shipments.

- The Company has not experienced any order cancellations since the terrorist attacks on September 11, 2001. However, due to current business conditions, certain customers may request that the delivery of their ordered products to be delayed to 2002. The fourth quarter estimate reflects this uncertainty.

On October 22, 2001, the U.S. International Trade Commission ("ITC") determined that imports of certain stainless steel and alloy tool steel products are seriously injuring the domestic specialty steel industry. This funding allows the President of the United States, under Section 201 of the 1974 Trade Act, to restrict imports or impose tariffs on some or all of the products at issue. At this time, the Company is unable to determine the potential impact of any such remedy that may be imposed on the Company's future results of operations.

NEW ACCOUNTING PRONOUNCEMENTS

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement No. 141, "Business Combinations" and Statement No. 142, "Goodwill and Other Intangible Assets". In August 2001, the FASB issued Statement No. 143, "Accounting for Asset Retirement Obligations". In October 2001, the FASB issued Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". These statements will be adopted in 2002 and are not expected to impact the Company's results of operations or financial condition.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company has reviewed the status of its market risk and believes there are no significant changes from that disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2000.

Part II. OTHER INFORMATION

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

a. Exhibits - none.

b. No reports on Form 8-K were filed during the third quarter of 2001.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

Date: November 9, 2001	/s/ C. M. McAninch
	Clarence M. McAninch President, Chief Executive Officer and Director (Principal Executive Officer)
Date: November 9, 2001	/s/ Richard M. Ubinger
	Richard M. Ubinger Vice President of Finance, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)