



Universal Stainless Reports Record Sales and EBITDA; EPS of \$0.31 Exceeds Second Quarter Forecast; Company Announces Outlook for Third Quarter

BRIDGEVILLE, Pa., July 19, 2001 -- Universal Stainless & Alloy Products, Inc. (Nasdaq:USAP) today announced that net income for the second quarter ended June 30, 2001 increased to \$1.9 million, or \$0.31 per diluted share. This represents a 40% improvement over net income reported before an accounting change affecting the prior year period as described below. Earnings before interest, taxes, depreciation and amortization (EBITDA) in the 2001 second quarter were \$3.9 million, equivalent to \$0.64 per diluted share, a record for the company. Sales also increased to a new company record of \$24 million in the second quarter of 2001 compared to \$19 million in the second quarter of 2000. Commenting on these results, President and CEO Mac McAninch stated, "Substantially increased sales to OEM and forging customers enabled us to exceed our internal earnings forecasts for the second quarter. We are gratified that direct sales to our OEM customers reached \$5.6 million, nearly triple last year's second quarter and 31% ahead of the 2001 first quarter. Recent capital investments enabled us to offer more value-added products and win new business and customers in this strategically important category. Forging product sales were \$5.4 million, up 39% from last year and 17% from the first quarter. The strength in both customer groups is due to continued high levels of demand in the power generation, aerospace and petrochemical markets."

Mr. McAninch continued, "I am pleased with the strength of our second quarter earnings despite current economic conditions. These conditions have negatively impacted certain steel industry customers. As a result, we more than doubled our bad debt reserve which was the primary cause for our increase in S&A expenses."

SAB 101 Adjustments

The financial results for the year-ago periods were adjusted to reflect the effect of conforming to the Securities and Exchange Commission's (SEC) Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" (SAB 101). 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. The financial results, before and after the effect of SAB 101 on 2000 results, are as follows:

	Quarter Ended June 30, 2000			
	Quarter Ended June 30, 2001	As Previously Reported	Accounting Change Adjustment	As Adjusted
Net sales	\$24,233,000	\$19,012,000	\$ (490,000)	\$18,522,000
EBITDA	\$ 3,875,000	\$ 2,955,000	\$(1,145,000)	\$ 1,810,000
Net income	\$ 1,908,000	\$ 1,366,000	\$ (744,000)	\$ 622,000
Earnings per diluted share	\$ 0.31	\$ 0.22	\$ (0.12)	\$ 0.10

	Six-months Ended June 30, 2000			
	Six-months Ended June 30, 2001	As Previously Reported	Accounting Change Adjustment	As Adjusted
Net sales	\$45,492,000	\$37,101,000	\$ (809,000)	\$36,292,000
EBITDA	\$ 7,112,000	\$ 5,117,000	\$ (788,000)	\$ 4,329,000
Income before cumulative effect of accounting				

change	\$ 3,420,000	\$ 2,262,000	\$ (512,000)	\$ 1,750,000
Cumulative effect of accounting change	---	---	\$(1,546,000)	\$(1,546,000)
Net income	\$ 3,420,000	\$ 2,262,000	\$(2,058,000)	\$ 204,000
Earnings per diluted share	\$ 0.56	\$ 0.37	\$ (0.34)	\$ 0.03

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 its sales for the third quarter of 2001 will be between \$20 and \$24 million, versus sales of \$19 million in the prior year period. Diluted earnings per share for the third quarter of 2001 are currently projected to range from \$0.27 to \$0.32, compared with \$0.24 reported in the third quarter of 2000 before the accounting adjustment described above. The following factors were considered in developing these estimates:

- The Company's backlog approximated \$40 million on June 30, 2001 as compared to \$35 million on March 31, 2001. The mix of orders booked for delivery in the third quarter by market segment is in line with the 2001 second quarter shipments.
- The Company believes that the high level of demand for its forging and OEM products will continue throughout 2001, while orders for its commodity and tool steel products are expected to remain at existing levels due to current economic conditions and imports.
- The Company experienced a total of eight electrical curtailments in the second quarter, but was successful in rescheduling all affected production. The Company's third quarter estimates also take into account possible electrical curtailments in the summer months. Natural gas prices declined in the second quarter and are expected to remain at those levels in the third quarter.

Mr. McAninch concluded, "The second quarter of 2001 continued to prove the effectiveness of our niche market strategy and our capital investments. We also must acknowledge the dedication of our employees as they met the challenges of energy curtailments and difficult industry conditions. Our confidence in the future rests on their efforts and our ongoing commitment to our customers."

Webcast

A simultaneous Webcast of the Company's conference call discussing the 2001 second quarter results and the third quarter outlook, scheduled at 10:00 a.m. (EDT) today, will be available on the Company's website at www.univstainless.com. The webcast also will be archived on the website.

About Universal Stainless & Alloy Products, Inc.

Universal Stainless & Alloy Products, Inc. headquartered in Bridgeville, Pa., manufactures and markets 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 and original equipment manufacturers, which primarily include the power generation and aerospace industries.

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 related to the financial viability of customers, risks associated with the manufacturing process and production yields, risks related to property, plant and equipment. 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 June 30,		For the Six-months Ended June 30,	
	2001	2000	2001	2000
Net sales	\$ 24,233	\$ 18,522	\$ 45,492	\$ 36,292
Cost of products sold	19,207	15,882	36,328	30,609
Selling and administrative expenses	1,816	1,433	3,374	2,535
Operating income	3,210	1,207	5,790	3,148
Interest expense	(160)	(231)	(341)	(453)
Other income (expense)	2	(19)	22	(3)
Income before taxes	3,052	957	5,471	2,692
Income taxes	1,144	335	2,051	942
Income before cumulative effect of accounting change	1,908	622	3,420	1,750
Cumulative effect of accounting change, net of tax	--	--	--	(1,546)
Net income as restated	\$ 1,908	\$ 622	\$ 3,420	\$ 204
Basic earnings per share:				
Income before cumulative effect of accounting change	\$ 0.31	\$ 0.10	\$ 0.56	\$ 0.29
Net income	\$ 0.31	\$ 0.10	\$ 0.56	\$ 0.03
Diluted earnings per share:				
Income before cumulative effect of accounting change	\$ 0.31	\$ 0.10	\$ 0.56	\$ 0.29
Net income	\$ 0.31	\$ 0.10	\$ 0.56	\$ 0.03
Weighted average shares of Common Stock outstanding				
Basic	6,081,274	6,072,564	6,081,251	6,072,540

Diluted	6,103,713	6,076,471	6,097,304	6,076,278
	=====	=====	=====	=====
Tons shipped	12,258	9,709	23,324	20,549
	=====	=====	=====	=====
EBITDA	\$ 3,875	\$ 1,810	\$ 7,112	\$ 4,329
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CONSOLIDATED BALANCE SHEET DATA
(Dollars in thousands)

	June 30, 2001	December 31, 2000
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Current assets	\$40,153	\$34,063
Property, plant & equipment, net	40,184	39,090
Other assets	501	594
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	\$80,838	\$73,747
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Current liabilities	\$14,279	\$10,505
Long-term debt	7,598	8,199
Deferred taxes	6,748	6,276
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Total liabilities	28,625	24,980
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Stockholders' equity	52,213	48,767
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	\$80,838	\$73,747

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