



Universal Stainless Reports Second Quarter Results In Line With Revised Forecast

BRIDGEVILLE, Pa., July 23, 2002 -- Universal Stainless & Alloy Products, Inc. (Nasdaq:USAP) today reported net income for the second quarter ended June 30, 2002 of \$777,000, or \$0.12 per diluted share, on sales of \$21.4 million. This compares with net income of \$1.9 million, or \$0.31 per diluted share, and sales of \$24.2 million in the year ago second quarter.

On June 25, the Company reduced its forecast for second quarter 2002 sales to approximately \$20 million and diluted earnings per share to a range of \$0.10 to \$0.12.

Commenting on the quarter, President and CEO Mac McAninch stated: "Despite solid sales performance in the second quarter, our gross margin and overall profitability were reduced by a shift in product mix due to a fall-off in demand for power generation products and a slow recovery in aerospace product sales. In fact, sales rose 22% over the 2002 first quarter, reflecting a 75% increase in reroll product sales, a 48% increase in tool steel sales and a \$2.2 million sales contribution from Dunkirk Specialty Steel, which became operational in mid-March. However, this growth was not sufficient to overcome the decline in the higher margin sales to OEMs and forgers originally anticipated, nor the shift in reroll sales to commodity products from higher margin non-commodity reroll products."

Mr. McAninch continued: "The balance of the year will continue to be challenging, with no immediate sign of improvement in power generation or commercial aircraft demand. Our focus will remain on reaching additional customers and new niche markets by capitalizing on the potential of our new Dunkirk subsidiary. We are expanding our sales team to help us achieve this objective and have hired an experienced specialty steel salesman for the Chicago area, the heart of our marketplace. In addition, we are reviewing our operating cost structure for opportunities to further reduce costs and are delaying the start of less essential capital expenditure projects planned for 2002 until market conditions improve."

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 third quarter 2002 results will be in line with those of the 2002 second quarter, with sales of approximately \$18 to \$22 million and diluted earnings per share of \$0.09 to \$0.14. In the third quarter of 2001, sales were \$23.3 million and diluted earnings per share were \$0.38. The following factors were considered in developing these estimates:

- The Company's total backlog approximated \$21 million on June 30, 2002, as compared to \$23 million at March 31, 2002.
- Sales to the Company's reroller customers are expected to remain strong, with commodity products again dominating the mix. Sales to the OEM and forger markets are expected to be lower than in the prior year period as a result of reduced demand from the power generation and aerospace industries. Service center sales are expected to rise, primarily resulting from the growth expected at Dunkirk Specialty Steel.
- Sales from Dunkirk are expected to reach approximately \$5 million in the third quarter, compared with \$2.2 million in the second quarter and \$206,000 in the first quarter of 2002. Dunkirk is expected to reduce its level of operating losses during the third quarter as it approaches its profitability threshold of \$2 million in monthly sales.
- The Company is continuing negotiations of a new labor agreement with its hourly employees at the Bridgeville facility to replace the existing agreement that expires August 31, 2002.

Mr. McAninch concluded: "Universal Stainless remains a company of substantial financial strength and operating discipline. With the timely addition and progress of Dunkirk Specialty Steel, we are well equipped to achieve solid performance in a period

of difficult conditions in our traditional markets."

Webcast

A simultaneous Webcast of the Company's conference call discussing the 2002 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, and thereafter archived on the Website. A telephone replay of the conference call will be available beginning at 12:00 noon (EDT) today, continuing through July 30. It can be accessed by dialing 706-645-9291, passcode 4891556. 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 acquisition of the Empire Specialty Steel assets and the successful start-up of Dunkirk Specialty Steel LLC, 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 associated with the negotiation of a new collective bargaining agreement with the hourly employees at the Bridgeville facility, and 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,	
	2002	2001	2002	2001
Net sales	\$ 21,422	\$ 24,233	\$ 39,018	\$ 45,492
Cost of products sold	18,574	19,207	32,819	36,328
Selling and administrative expenses	1,537	1,816	2,910	3,374
Operating income	1,311	3,210	3,289	5,790
Interest expense	(118)	(160)	(228)	(341)
Other income (expense)	31	2	62	22
Income before taxes	1,224	3,052	3,123	5,471
Income taxes	447	1,144	1,140	2,051
Net income	\$ 777	\$ 1,908	\$ 1,983	\$ 3,420
Earnings per share - Basic:	\$ 0.13	\$ 0.31	\$ 0.32	\$ 0.56

Earnings per share - Diluted:	\$ 0.12	\$ 0.31	\$ 0.32	\$ 0.56
Weighted average shares of Common Stock outstanding				
Basic	6,176,813	6,081,274	6,127,043	6,081,251
Diluted	6,294,737	6,103,713	6,214,655	6,097,304
Tons shipped	12,642	12,258	20,988	23,324
EBITDA	\$ 2,092	\$ 3,875	\$ 4,851	\$ 7,112

BUSINESS SEGMENT INFORMATION

Net sales				
Universal Stainless & Alloy Products	\$ 20,882	\$ 24,233	\$ 38,520	\$ 45,492
Dunkirk Specialty Steel	2,173	--	2,379	--
Intersegment	(1,633)	--	(1,881)	--
Consolidated net sales	\$ 21,422	\$ 24,233	\$ 39,018	\$ 45,492
Operating income (loss)				
Universal Stainless & Alloy Products	1,699	3,229	4,192	5,824
Dunkirk Specialty Steel	(376)	--	(882)	--
Corporate costs	(12)	(19)	(21)	(34)
Total operating income	\$ 1,311	\$ 3,210	\$ 3,289	\$ 5,790

CONSOLIDATED BALANCE SHEET DATA (Dollars in thousands)

	June 30, 2002	December 31, 2001
Current assets	\$46,626	\$38,093
Property, plant & equipment, net	41,492	41,202
Other assets	177	151
	\$88,295	\$79,446
Current liabilities	\$11,588	\$ 9,438
Long-term debt	8,440	6,490
Deferred taxes	7,609	7,146
Total liabilities	27,637	23,074

Stockholders' equity	60,658	56,372
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	\$88,295	\$79,446
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June Filingeri
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