



Universal Stainless Reports Third Quarter Results

BRIDGEVILLE, Pa., Oct. 22, 2002 -- Universal Stainless & Alloy Products, Inc. (Nasdaq:USAP) today reported net income for the third quarter ended September 30, 2002 of \$191,000, or \$0.03 per diluted share, on sales of \$15.9 million. This compares with net income of \$2.3 million, or \$0.38 per diluted share, and sales of \$23.3 million in the year ago third quarter. The Company noted that the 2002 third quarter results include the effects of reducing its estimated annual effective income tax rate from 36.5% to 33%. This increased net income by \$113,000 or \$0.02 per share.

On September 17, the Company forecasted third quarter 2002 sales would be approximately \$15 to \$16 million and diluted earnings per share would approximate \$0.03.

Commenting on the quarter, President and CEO Mac McAninch stated: "We are fighting a tough battle against very soft economic and industry conditions, very competitive pricing pressures and the further shrinkage of demand from two important end markets, power generation and aerospace. Sales to those markets are down 52% and 65%, respectively from last year. Despite these challenges, we are making progress in developing our Dunkirk business, which reached \$1.5 million in sales in September and \$4.0 million for the third quarter, nearly double those of the second quarter. In addition, we are continuing to pursue capital projects that will expand the product categories Dunkirk can produce profitably."

Mr. McAninch continued, "We do not expect business conditions to improve for the balance of the year, although there are faint signs of a pickup in demand for the first quarter of 2003. Until such improvement is more visible, we are tightening our already stringent cost controls. We also are working closely with our customers to ensure our ability to respond quickly to all market opportunities that emerge."

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 fourth quarter 2002 sales will range from \$11 to \$15 million and that diluted earnings per share will range from a net loss of \$0.03 to a net profit of \$0.01. In the fourth quarter of 2001, sales were \$21.8 million and diluted earnings per share were \$0.31. The following factors were considered in developing these estimates:

- The Company's total backlog approximated \$18 million on September 30, 2002, as compared to \$21 million at June 30, 2002.
- Sales from Dunkirk are expected to approximate \$4 million in the fourth quarter of 2002, level with the third quarter. Cost improvement initiatives underway at Dunkirk are expected to continue reducing its level of operating losses.
- The hourly employees at the Company's Bridgeville facility continue to work under a day-to-day extension of the collective bargaining agreement while the two parties continue negotiations. That agreement between the Company and the United Steelworkers of America would have expired August 31. The fourth quarter estimate is dependent upon that extension continuing through the remainder of the quarter or the successful negotiation of a new contract.

Mr. McAninch concluded: "In these difficult times, we will rely on our customer-focused approach, lean operating structure and substantial financial strength to weather this storm."

At September 30, 2002, the Company's long-term debt to equity ratio was 13.1% and book value per share was \$9.69.

Webcast

A simultaneous Webcast of the Company's conference call discussing the 2002 third quarter results and the fourth 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, continuing through October 29. It can be accessed by dialing 706-645-9291, passcode 15553. 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 September 30,		For the Nine Months Ended September 30,	
	2002	2001	2002	2001
Net sales	\$ 15,919	\$ 23,344	\$ 54,937	\$ 68,836
Cost of products sold	14,180	18,192	46,999	54,520
Selling and administrative expenses	1,541	1,301	4,451	4,675
Operating income	198	3,851	3,487	9,641
Interest expense	(116)	(138)	(344)	(479)
Other income (expense)	39	15	101	37
Income before taxes	121	3,728	3,244	9,199
Income taxes	(70)	1,398	1,070	3,449
Net income	\$ 191	\$ 2,330	\$ 2,174	\$ 5,750
Earnings per share				
- Basic:	\$ 0.03	\$ 0.38	\$ 0.35	\$ 0.95
Earnings per share				
- Diluted:	\$ 0.03	\$ 0.38	\$ 0.35	\$ 0.94
Weighted average shares of Common				

Stock outstanding				
Basic	6,280,536	6,084,231	6,178,207	6,082,244
	=====	=====	=====	=====
Diluted	6,307,815	6,110,667	6,245,708	6,101,758
	=====	=====	=====	=====
Tons shipped	8,637	11,932	29,625	35,256
	=====	=====	=====	=====
EBITDA	\$ 1,047	\$ 4,588	\$ 5,898	\$ 11,700
	=====	=====	=====	=====

BUSINESS SEGMENT INFORMATION

Net sales

Universal Stainless & Alloy Products	\$ 15,211	\$ 23,344	\$ 53,731	\$ 68,836
Dunkirk Specialty Steel	3,983	--	6,362	--
Intersegment	(3,275)	--	(5,156)	--
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Consolidated net sales	\$ 15,919	\$ 23,344	\$ 54,937	\$ 68,836
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Operating income (loss)

Universal Stainless & Alloy Products	490	3,874	4,682	9,698
Dunkirk Specialty Steel	(291)	--	(1,173)	--
Corporate costs	(1)	(23)	(22)	(57)
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Total operating income	\$ 198	\$ 3,851	\$ 3,487	\$ 9,641
	=====	=====	=====	=====

CONSOLIDATED BALANCE SHEET DATA

(Dollars in thousands)

	September 30, 2002	December 31, 2001
Current assets	\$44,549	\$38,093
Property, plant & equipment, net	42,749	41,202
Other assets	716	151
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	\$88,014	\$79,446
	=====	=====
Current liabilities	\$11,594	\$ 9,438
Long-term debt	7,962	6,490
Deferred taxes	7,609	7,146
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Total liabilities	27,165	23,074
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Stockholders' equity	60,849	56,372
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	\$88,014	\$79,446
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