



Universal Stainless Reports Record Earnings for 3rd Quarter; Earnings and EBITDA reach \$0.38 and \$0.75 per share, respectively; Company book value per share totals \$8.97; Company reports business outlook

BRIDGEVILLE, Pa., Oct. 18, 2001 -- Universal Stainless & Alloy Products, Inc. (Nasdaq:USAP) today announced that net income for the third quarter ended September 30, 2001 increased to \$2.3 million, or \$0.38 per diluted share. This represents a 62% improvement over reported third quarter 2000 net income, as described below. Earnings before interest, taxes, depreciation and amortization (EBITDA) in the 2001 third quarter were \$4.6 million, equivalent to \$0.75 per diluted share, the second consecutive quarter of record EBITDA. Sales rose 12% to \$23.3 million in the third quarter of 2001 compared to \$20.8 million in the third quarter of 2000.

Commenting on these results, President and CEO Mac McAninch stated: "The record third quarter earnings surpassed our initial expectations as a result of substantial growth in sales to OEM, forger and service center customers, which rose 54%, 30% and 14%, respectively, compared to the prior year third quarter. This strong growth is attributable to the Company's strategy to pursue attractive niches within the power generation, aerospace and petrochemical markets. Our record-breaking EBITDA and net income reflect the positive effect of pursuing higher value added products as well as our efficient operating structure."

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. Therefore, the results for the quarter ended December 31, 2000 include revenues from sales made in the quarter as well as collections on sales made in prior quarters. The financial results, before and after the effect of SAB 101 on 2000 results, are as follows:

	Quarter Ended September 30, 2000			
	Quarter Ended September 30, 2001	As Previously Reported	Accounting Change Adjustment	As Adjusted
Net sales	\$23,344,000	\$20,809,000	\$(2,222,000)	\$18,587,000
EBITDA	\$ 4,588,000	\$ 3,302,000	\$ (293,000)	\$ 3,009,000
Net income	\$ 2,330,000	\$ 1,438,000	\$ (164,000)	\$ 1,274,000
Earnings per diluted share	\$ 0.38	\$ 0.24	\$ (0.03)	\$ 0.21

	Nine-months Ended September 30, 2000			
	Nine-months Ended September 30, 2001	As Previously Reported	Accounting Change Adjustment	As Adjusted
Net sales	\$68,836,000	\$57,910,000	\$ (3,031,000)	\$54,879,000
EBITDA	\$11,700,000	\$ 8,419,000	\$ (1,081,000)	\$ 7,338,000
Income before cumulative effect of accounting				

change	\$ 5,750,000	\$ 3,700,000	\$ (676,000)	\$ 3,024,000
Cumulative effect of accounting change			\$ (1,546,000)	\$(1,546,000)
Net income	\$ 5,750,000	\$ 3,700,000	\$ (2,222,000)	\$ 1,478,000
Earnings per diluted share	\$ 0.94	\$ 0.61	\$ (0.37)	\$ 0.24

Business Outlook

Mr. McAninch continued: "Discussions with our power generation customers suggest demand will remain strong in 2002. The addition of a new Electro-Slag Remelt furnace will allow us to focus on increasing our share of this important market. Demand for aerospace specialty steel products will reflect the announced cutbacks in commercial aircraft production resulting from the tragic events of September 11, which may be partially replaced by military requirements. The economic fallout of those events has also resulted in lower oil prices, which may cause a reduction in domestic drilling for oil. While this could reduce the demand for specialty steel from the petrochemical industry, the Company expects to benefit from lower energy costs. Despite these challenges, we believe the high quality of our products and customer focus will enable us to win an increasing share of what will be very competitive aerospace and petrochemical markets as well as enhance our strong position in power generation."

Fourth Quarter Projection

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 fourth quarter of 2001 will be between \$18 and \$22 million, versus sales of \$18.0 million reported 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. However, due to current business conditions, certain customers may request the delivery of their ordered products to be delayed to 2002. The fourth quarter estimate reflects this uncertainty.

Mr. McAninch concluded, "Universal Stainless was founded seven years ago in a period of economic uncertainty. We have flourished since then because we have worked with our customers to ensure their success as well as our own. This will continue to be our mission and strategy no matter what challenges our economy and industry face. It is the basis for our deep confidence in the future of our Company."

Webcast

A simultaneous Webcast of the Company's conference call discussing the 2001 third quarter results and the fourth 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. A telephone replay of the conference call will be available beginning at 12:00 noon (EDT) today and continuing through 12:00 midnight (EDT) on October 26. It can be accessed by dialing 706-645-9291, passcode 1969185. This is a toll call.

About Universal Stainless & Alloy Products, Inc.

Universal Stainless & Alloy Products, Inc. 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 rerollers, 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, 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,	
	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	(138)	(233)	(479)	(686)
Other income (expense)	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
Basic earnings per share:				
Income before cumulative effect of accounting change	\$ 0.38	\$ 0.21	\$ 0.95	\$ 0.50
Net income	\$ 0.38	\$ 0.21	\$ 0.95	\$ 0.24
Diluted earnings per share:				
Income before cumulative effect of accounting change	\$ 0.38	\$ 0.21	\$ 0.94	\$ 0.50
Net income	\$ 0.38	\$ 0.21	\$ 0.94	\$ 0.24

Weighted average shares of Common Stock outstanding	=====	=====	=====	=====
Basic	6,084,231	6,076,839	6,082,244	6,073,973
	=====	=====	=====	=====
Diluted	6,110,667	6,081,727	6,101,758	6,078,094
	=====	=====	=====	=====
Tons shipped	11,932	11,561	35,256	32,110
	=====	=====	=====	=====
EBITDA	\$ 4,588	\$ 3,009	\$ 11,700	\$ 7,338
	=====	=====	=====	=====

CONSOLIDATED BALANCE SHEET DATA
(Dollars in thousands)

	September 30, 2001	December 31, 2000
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Current assets	\$40,740	\$34,063
Property, plant & equipment, net	41,245	39,090
Other assets	497	594
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	\$82,482	\$73,747
	=====	=====
Current liabilities	\$14,178	\$10,505
Long-term debt	6,940	8,199
Deferred taxes	6,908	6,276
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Total liabilities	28,026	24,980
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Stockholders' equity	54,456	48,767
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	\$82,482	\$73,747
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