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 March 31, 1999

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 April 30, 1999, there were 6,102,536 outstanding shares of the Registrant's Common Stock, $.001 par value.

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 and Year 2000 readiness, 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.

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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 March 31, 1999	1998
Net sales	$14,488	$22,349
Cost of products sold	12,961	18,467
Selling and administrative expenses	1,014	1,140
Operating income	513	2,742
Other income (expense), net	(146)	133
Income before taxes	367	2,875
Income taxes	136	1,064
Net income	$231	$1,811

Earnings per common share		
Basic	$0.04	$0.29
Diluted	$0.04	$0.28

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

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

CONSOLIDATED CONDENSED BALANCE SHEETS
(Dollars in Thousands)

	March 31, 1999 (Unaudited)	December 31, 1998
ASSETS		
Current assets		
Cash and cash equivalents	$ 501	$ 1,437
Accounts receivable (less allowance for doubtful accounts of $373 and $358)	10,502	8,843
Inventory	16,121	16,182
Other current assets	1,065	1,980
Total current assets	28,189	28,442
Property, plant and equipment, net	36,931	35,710
Other assets	298	298
Total assets	$65,418	$64,450
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Trade accounts payable and bank overdrafts	$ 5,802	$ 4,311
Current portion of long-term debt	1,470	1,117
Accrued employment costs	655	957
Other current liabilities	315	228
Total current liabilities	8,242	6,613
Long-term debt	11,502	11,841
Deferred taxes	3,753	3,431
Total liabilities	23,497	21,885
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; 6,320,036 shares issued	6	6
Additional paid-in capital	25,787	25,787
Retained earnings	17,481	17,250
Treasury Stock at cost; 217,500 and 75,000 common shares held	(1,353)	(478)
Total stockholders' equity	41,921	42,565
Total liabilities and stockholders' equity	$65,418	$64,450

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

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

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

	For the Three-month period ended March 31, 1999	1998
Cash flow from operating activities:		

Net income	$231	$1,811
Adjustments to reconcile to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	480	345
Deferred taxes	322	400
Changes in assets and liabilities:		
Accounts receivable, net	(1,659)	(2,410)
Inventory	61	(775)
Trade accounts payable and bank overdrafts	1,491	837
Other, net	696	330
Net cash provided by operating activities	1,622	538
Cash flow from investing activities:		
Capital expenditures	(1,697)	(4,315)
Net cash used in investing activities	(1,697)	(4,315)
Cash flow from financing activities:		
Proceeds from issuance of long-term debt	--	4,080
Net borrowing under revolving line of credit	117	156
Long-term debt payments	(103)	(84)
Proceeds from issuance of Common Stock	--	181
Deferred financing costs	--	(48)
Purchase of Treasury Stock	(875)	--
Net cash provided by (used in) financing activities	(861)	4,285
Net increase(decrease) in cash	(936)	508
Cash and cash equivalents at beginning of period	1,437	177
Cash and cash equivalents at end of period	$501	$685
Supplemental disclosure of cash flow information:		
Interest paid (net of amount capitalized)	$105	$29
Income taxes paid	$3	$80

The accompanying notes are an integral part of these 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-month periods ended March 31, 1999 and 1998, balance sheets as of March 31, 1999 and December 31, 1998, and statements of cash flows for the three-month periods ended March 31, 1999 and 1998 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 period ended December 31, 1998. 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 March 31, 1999 and December 31, 1998 and the consolidated results of operations and of cash flows for the three-month periods ended March 31, 1999 and 1998, and are not necessarily indicative of the results to be expected for the full year.

2) In 1998, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 131, "Disclosures about Segments of an Enterprise and Related Information." SFAS No. 131 requires that all public companies report information about operating segments in annual financial statements and requires that those companies report selected information about operating segments in interim financial reports. Operating segments are determined utilizing the "management approach" which is based on the way the chief operating decision maker organizes segments within a company for making operating decisions and assessing performance. The Company operates as a single segment, and as such, no additional financial disclosure has been presented in the Company's interim financial statements.

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-Months Ended March 31	
	1999	1998

Weighted average number of shares of Common Stock outstanding	6,163,314	6,295,508
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	0	143,173
Weighted average number of shares of Common Stock outstanding, as adjusted	6,163,314	6,438,681

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

	March 31, 1999	December 31, 1998
Raw materials and supplies	$2,515	$2,358
Semi-finished steel products	10,929	11,152
Operating materials	2,677	2,672
Total inventory	$16,121	$16,182

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

	March 31, 1999	December 31, 1998
Land and land improvements	$1,024	$822
Buildings	2,667	2,591
Machinery and equipment	35,752	31,903
Construction in progress	1,225	3,655
	40,668	38,971
Accumulated depreciation	(3,737)	(3,261)
Property, plant and equipment, net	$36,931	$35,710

6) 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, 1998.

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

RESULTS OF OPERATIONS

An analysis of the Company's operations for the three-month periods ended March 31, 1999 and 1998 is as follows (dollars in thousands):

	For the Three-Month Period Ended March 31,	
	1999	1998
Net sales		
Stainless steel	$11,875	$15,686
Tool steel	1,457	2,984

High temperature alloy steel	646	1,334
Conversion services	473	1,324
Other	37	1,021
Total net sales	$14,488	$22,349
Cost of products sold		
Raw materials	4,963	8,716
Other	7,998	9,751
Total cost of products sold	12,961	18,467
Selling and administrative expenses	1,014	1,140
Operating income	$513	$2,742

Three-month period ended March 31, 1999 as compared to the similar period in 1998

The decrease in net sales for the three-month period ended March 31, 1999 as compared to the similar period in 1998 reflects decreased shipments within each product line primarily due to increased imports. The Company shipped approximately 10,160 tons during the three-month period ended March 31, 1999, compared to 14,564 tons during the three-month period ended March 31, 1998. The decrease in net sales and shipments resulted from lower selling prices due to price competition created by increased import levels.

Cost of products sold, as a percent of net sales, was 89.5% and 82.6% for the three-month periods ended March 31, 1999 and 1998, respectively. This increase is primarily due to the impact of lower pricing described above, increased scrap costs and increased production costs as a result of operating at lower levels. Mechanical problems at the Bridgeville Bar Mill, which have been substantially corrected, contributed to the lower operating levels experienced during the three-month period ended March 31, 1999. Selling and administrative expenses remained relatively constant between 1998 and 1999.

Other income (expense), net decreased by $279,000 in the three-month period ended March 31, 1999 as compared to the three-month period ended March 31, 1998 primarily due to the interest expense associated with increased borrowings. In addition, the March 31, 1998 results were impacted by a $200,000 government grant received in connection with the expansion of operations at the Bridgeville facility.

The effective income tax rate utilized in the three-month periods ended March 31, 1999 and 1998 was 37.0%.

FINANCIAL CONDITION

The Company has financed its operating activities during the first quarter of 1999 through cash flows from operations and cash on hand at the beginning of the period. The ratio of current assets to current liabilities decreased from 4.3:1 at December 31, 1998 to 3.4:1 at March 31, 1999. The percentage of debt to capitalization ratio increased from 23% at December 31, 1998 to 24% at March 31, 1999. These changes are primarily due to the repurchase of 142,500

shares of Common Stock at an average price of $6.14 per share during the three-month period ended March 31, 1999. At March 31, 1999, the Company is authorized to repurchase an additional 97,500 shares of its Common Stock.

The Company's capital expenditures approximated $1.7 million for the three-month period ended March 31, 1999, which primarily related to the completion of the round bar finishing facility located at the Bridgeville facility. At March 31, 1999, the Company had outstanding purchase commitments in addition to the expenditures incurred to date of approximately $0.3 million. These expenditures are expected to be funded substantially from internally generated funds and additional borrowings. As of March 31, 1999 the Company has $5.0 million available for borrowings until June 30, 1999 under the PNC Term Loan and $6.4 million available for borrowings under the PNC Revolving Line of Credit.

The Company anticipates that it will fund its 1999 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.

Year 2000 Readiness Disclosure

The following statements are provided pursuant to the provisions of the Year 2000 Information and Readiness Disclosure Act of 1998.

Since inception in August 1994, the Company has been engaged in a program to modernize and replace its computerized production control and management information systems. Although not the primary purpose of the program, the new systems were designed to avoid any Year 2000 problems that might otherwise arise. In addition, the Company has identified and tested all other critical pieces of equipment and has not identified any non-compliance issues internally. Therefore, the Company believes that its internal systems will be Year 2000 compliant in all material respects without incurring significant expenditures. Any expenditures will be financed with cash from operations.

The Company currently believes the most significant impact of the Year 2000 issue could be an interrupted supply of goods and services from the Company's vendors and interrupted supply of orders from the Company's customers. In order to assess the state of readiness, surveys were sent to all major vendors and customers to determine the current status of their Year 2000 evaluation. Responses have been received from approximately 83 percent of these vendors and customers in which each respondent has confirmed that efforts to become Year 2000 compliant are, at a minimum, in process. Due to the uncertainties associated with the ability of critical vendors and customers to resolve any known or unknown Year 2000 compliance issues, the Company may experience a material adverse effect on future results of operations if such issues are not resolved. While no contingency plans have been established at the present time, the Company is assessing areas which require contingency planning and expects to have necessary contingency plans in place by September 30, 1999.

1999 Outlook

The Company's results for the 1999 second quarter will continue to be affected by imports, especially in the sale of products to service centers. The recently reported drop-off of imports, the announcement of price increases on shipments of stainless steel products and an increase in the Company's backlog are expected to generate improved results in the second half of 1999.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES 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, 1998.

Part II. OTHER INFORMATION

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

a. Exhibits

    27.1 Financial Data Schedule

b. No reports on Form 8-K were filed during the first quarter of 1999.

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: May 12, 1999

/s/ Clarence M. McAninch

Clarence M. McAninch
President and Chief Executive Officer

Date: May 12, 1999

/s/ Richard M. Ubinger

Richard M. Ubinger
Chief Financial Officer and Treasurer
(Principal Accounting Officer)

<ARTICLE> 5
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This schedule contains summary financial information extracted from the March 31, 1999 Financial Statements included in the Company's Form 10-Q and is qualified in its entirely by reference to such Form 10-Q.
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