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 September 30, 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 ____

The number of shares outstanding of the registrant's classes of common stock as of November 5, 1999:

Title of Class	Shares Outstanding
Common Stock, $0.001 par value	6,086,554

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

This Quarterly Report on Form 10-Q contains historical information and forward-looking statements. Forward-looking statements 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 in future periods to differ from the discussions of future performance included 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-Months Ended September 30		For the Nine-Months Ended September 30	
	1999	1998	1999	1998
Net sales	$16,110	$15,977	$46,083	$59,489
Cost of products sold	14,210	13,141	41,111	48,940
Selling and administrative expenses	1,007	1,149	2,991	3,625
Operating income	893	1,687	1,981	6,924
Other income (expenses), net	(170)	(129)	(496)	(54)
Income before taxes	723	1,558	1,485	6,870
Income taxes	268	576	550	2,542
Net income	$ 455	$ 982	$ 935	$ 4,328
Earnings per common share				
Basic	$ 0.07	$ 0.16	$ 0.15	$ 0.69

Diluted	$ 0.07	$ 0.16	$ 0.15	$ 0.68

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

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

CONSOLIDATED CONDENSED BALANCE SHEETS
(Dollars in Thousands)

	September 30, 1999 (Unaudited)	December 31, 1998
ASSETS		
Current assets		
Cash and cash equivalents	$ 296	$ 1,437
Accounts receivable (less allowance for doubtful accounts of $403 and $358)	11,376	8,843
Inventory	17,157	16,182
Other current assets	1,646	1,980
Total current assets	30,475	28,442
Property, plant and equipment, net	37,002	35,710
Other assets	285	298
Total assets	$67,762	$64,450
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Trade accounts payable and bank overdrafts	$ 6,889	$ 4,311
Current portion of long-term debt	1,829	1,117
Accrued employment costs	801	957
Other current liabilities	420	228
Total current liabilities	9,939	6,613
Long-term debt	10,752	11,841
Deferred taxes	4,518	3,431
Total liabilities	25,209	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 and 0 shares issued and outstanding	--	--
Common Stock, par value $.001 per share; 10,000,000 shares authorized; 6,325,254 and 6,320,036 shares issued	6	6
Additional paid-in capital	25,813	25,787
Retained earnings	18,185	17,250
Treasury Stock at cost; 235,700 and 75,000 common shares held	(1,451)	(478)
Total stockholders' equity	42,553	42,565
Total liabilities and stockholders' equity	$67,762	$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 Nine-Months Ended September 30	
	1999	1998
Cash flow from operating activities:		
Net income	$ 935	$ 4,328

Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	1,549	1,049
Deferred taxes	1,087	1,125
Changes in assets and liabilities:		
Accounts receivable, net	(2,533)	2,537
Inventory	(975)	(1,538)
Trade accounts payable and bank overdrafts	2,578	(2,245)
Accrued employment costs	(156)	(341)
Other, net	523	(1,506)
Net cash provided by operating activities	3,008	3,409
Cash flow from investing activities:		
Capital expenditures	(2,825)	(11,083)
Net cash used in investing activities	(2,825)	(11,083)
Cash flow from financing activities:		
Borrowings from long-term debt	--	9,346
Proceeds from issuance of Common Stock	26	215
Net borrowing under revolving line of credit	285	(1,562)
Long-term debt payments	(662)	(278)
Deferred financing costs	--	(49)
Purchase of Treasury Stock	(973)	--
Net cash provided by (used in) financing activities	(1,324)	7,672
Net decrease in cash and cash equivalents	(1,141)	(2)
Cash and cash equivalents at beginning of period	1,437	177
Cash and cash equivalents at end of period	$ 296	$ 175
Supplemental disclosure of cash flow information:		
Interest paid (net of capitalization)	$ 560	$ 145
Income taxes paid	$ 158	$ 2,485

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- and nine-month periods ended September 30, 1999 and 1998, balance sheets as of September 30, 1999 and December 31, 1998, and statements of cash flows for the nine-month periods ended September 30, 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 year 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 results of operations and of cash flows for the periods ended September 30, 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 September 30	For the Nine-Months Ended September 30

	1999	1998	1999	1998
Weighted average number of shares of Common Stock outstanding	6,097,417	6,315,450	6,121,108	6,307,387
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	0	0	68,237
Weighted average number of shares of Common Stock outstanding, as adjusted	6,097,417	6,315,450	6,121,108	6,375,624

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

	September 30, 1999	December 31, 1998
Raw materials and supplies	$ 2,237	$ 2,358
Semi-finished steel products	12,044	11,152
Operating materials	2,876	2,672
Total inventory	$17,157	$16,182

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

	September 30, 1999	December 31, 1998
Land and land improvements	$ 1,033	$ 822
Buildings	2,914	2,591
Machinery and equipment	36,728	31,903
Construction in progress	1,121	3,655
	41,796	38,971
Accumulated depreciation	(4,794)	(3,261)
Property, plant and equipment, net	$37,002	$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 Condition and Results of Operations

RESULTS OF OPERATIONS

Net sales by product line and cost of products sold for the three- and nine-month periods ended September 30, 1999 and 1998 were as follows (dollars in thousands):

	For the Three-Months Ended September 30		For the Nine-Months Ended September 30	
	1999	1998	1999	1998
Net sales				
Stainless steel	$13,555	$12,393	$37,813	$44,085
Tool steel	1,347	1,292	4,282	5,985
High temperature alloy steel	447	631	1,649	3,276
Conversion services	365	784	1,507	3,324

Other	396	877	832	2,819
Total net sales	$16,110	$15,977	$46,083	$59,489
Cost of products sold				
Raw materials	6,004	5,717	16,665	22,669
Other	8,206	7,424	24,446	26,271
Total cost of products sold	14,210	13,141	41,111	48,940
Selling and administrative Expenses	1,007	1,149	2,991	3,625
Operating income	$ 893	$ 1,687	$ 1,981	$ 6,924

THREE-AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 1999 AS COMPARED TO THE SIMILAR PERIODS IN 1998

The increase in net sales for the three-month period ended September 30, 1999 as compared to the similar period in 1998 is primarily due to higher shipments of reroller products and power generation products, which was partially offset by lower shipments of aerospace products and reduced levels of conversion services. The decrease in net sales for the nine-month period ended September 30, 1999 as compared to the similar period in 1998 reflects decreased shipments within each product line primarily due to imports. The Company shipped approximately 10,625 and 10,594 tons for the three-month periods ended September 30, 1999 and 1998, respectively, and 32,108 and 38,854 tons for the nine-month periods ended September 30, 1999 and 1998.

Costs of products sold, as a percentage of net sales, was 88.2% and 82.2% for the three-month periods ended September 30, 1999 and 1998, respectively, and was 89.2% and 82.3% for the nine-month periods ended September 30, 1999 and 1998, respectively. The increase is primarily attributed to the lower pricing resulting from foreign competition described above, increased raw material costs and increased energy costs. Mechanical problems at the Bridgeville bar mill during the three-month period ended March 31, 1999 and start-up costs incurred at the Bridgeville round bar facility also contributed to the increased production costs for the first nine months of 1999.

Selling and administrative costs decreased $142,000 for the three-month period ended September 30, 1999 as compared to September 30, 1998 and decreased $634,000 for the nine-month period ended September 30, 1999 as compared to September 30, 1998. The 1999 decrease is primarily due to lower charges to the cash incentive plans, sales commissions and insurance costs.

Other income (expense), net decreased $41,000 in the three-month period ended September 30, 1999 as compared to the three-month period ended September 30, 1998 and decreased $442,000 in the nine-month period ended September 30, 1999 as compared to the nine-month period ended September 30, 1998. The decreases were primarily due to interest expense associated with increased borrowings. In addition, other income (expense), net for

the nine-month period ended September 30, 1998 included the benefit of 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-and nine-month periods ended September 30, 1999 and 1998 was 37.0%.

FINANCIAL CONDITION

The Company has financed its 1999 operating activities to date 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 3.1:1 at September 30, 1999. The percentage of debt to capitalization was 23% at December 31, 1998 and at September 30, 1999. The decrease in the ratio of current assets to current liabilities is primarily due to an increase in accounts payable, an increase in the current portion of long-term debt and the repurchase of Common Stock. The Company repurchased 163,700 shares of Common Stock at an average price of $6.04 per share during the nine-month period ended September 30, 1999. The Company is authorized to repurchase an additional 76,300 shares.

The Company's capital expenditures approximated $2.8 million for the nine-month period ended September 30, 1999, which primarily related to the completion of the round bar finishing facility located at the Bridgeville facility. At September 30, 1999, the Company had outstanding purchase commitments in addition to the expenditures incurred to date of approximately $0.5 million. These expenditures are expected to be funded substantially from internally generated funds and additional borrowings. As of September 30, 1999, the Company had $6.2 million available for borrowings under a revolving line of credit with PNC Bank.

The Company anticipates that it will continue to fund its 1999 working capital requirements, its capital expenditures and the stock repurchase program primarily from funds generated from operations and borrowings under its credit facility. 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

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 not corrected as of September 30, 1999. Therefore, the Company believes that its internal systems will be Year 2000 compliant in all material respects.

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 an interrupted supply of orders from the Company's customers. In order to assess the state of readiness, surveys sent to all major vendors and customers confirmed that efforts to become Year 2000 compliant are, at a minimum, in process. The Company is continuing to monitor the progress of its significant customers and suppliers and will implement it's contingency plans, if necessary.

OUTLOOK

The Company anticipates that its 1999 fourth quarter sales will be higher than 1999 third quarter sales due to increased demand and higher selling prices resulting from the pass through of higher raw material costs. An improved sales mix caused by increased demand for power generation products and the successful implementation of several initiatives to improve the Company's production capabilities for bar mill products are expected to improve the Company's results in the 1999 fourth quarter in comparison to the prior 1999 quarters.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

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. The Company filed no reports on Form 8-K for the quarter ended

September 30, 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: November 5, 1999 /s/ Clarence M. McAninch

Clarence M. McAninch
President and Chief Executive Officer

Date: November 5, 1999 /s/ Richard M. Ubinger

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

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE SEPTEMBER 30, 1999 FINANCIAL STATEMENTS INCLUDED IN THE COMPANY'S FORM 10-Q AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FORM 10-Q.
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