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, 1997

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)

Securities registered pursuant to Section 12(b) of the Act:
None

Securities registered pursuant to Section 12(g) of the Act:

Title of Class
Common Stock, par value $0.001 per share

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 October 31, 1997, there were 6,287,290 shares of the Registrant's Common Stock issued and outstanding.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

THIS QUARTERLY REPORT ON FORM 10-Q CONTAINS HISTORICAL INFORMATION AND FORWARD-LOOKING STATEMENTS. STATEMENTS LOOKING FORWARD IN TIME 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 THAT MAY CAUSE THE COMPANY'S ACTUAL RESULTS IN FUTURE PERIODS TO BE MATERIALLY DIFFERENT FROM ANY 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-Months Ended September 30 1997	1996	For the Nine-Months Ended September 30 1997	1996
Net sales	$ 22,081	$ 16,708	$ 61,661	$ 43,882
Cost of products sold	17,539	13,005	49,012	35,336
Gross profit	4,542	3,703	12,649	8,546
Selling and administrative expenses	1,223	1,184	3,665	3,558
Operating income	3,319	2,519	8,984	4,988
Other income (expenses), net	(61)	(15)	(77)	89
Income before taxes	3,258	2,504	8,907	5,077
Income taxes	1,205	952	3,296	1,929

Net Income	$ 2,053	$ 1,552	$ 5,611	$ 3,148
Earnings per share (Note 2)				
Primary	$ 0.33	$ 0.25	$ 0.89	$ 0.50
Fully diluted	$ 0.31	$ 0.25	$ 0.87	$ 0.50

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, 1997 (Unaudited)	December 31, 1996
ASSETS		
Current Assets		
Cash and cash equivalents	$ 471	$ 4,219
Accounts receivable (less allowance for doubtful accounts of $283 and $238)	15,621	9,409
Inventory (Note 3)	15,173	9,784
Prepaid Expenses	654	629
Total current assets	31,919	24,041
Property, plant and equipment, net (Note 4)	21,989	17,810
Other assets	288	247
Total assets	$54,196	$42,098
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Trade accounts payable	$ 8,670	$ 5,415
Bank overdrafts	605	442
Current portion of long-term debt	333	260
Accrued employment costs	1,683	1,403
Other current liabilities	1,188	540
Total current liabilities	12,479	8,060
Long-term debt	4,334	2,534
Deferred taxes	1,249	1,007
Total liabilities	18,062	11,601
Commitments and contingencies (Note 5)	--	--
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	6	6

share; 10,000,000 shares authorized; 6,287,290 and 6,283,734 shares issued and outstanding		
Additional paid-in capital	25,477	25,451
Retained earnings	10,651	5,040
	-------	-------
Total stockholders' equity	36,134	30,497
	-------	-------
Total liabilities and stockholders' equity	$54,196	$42,098
	=======	=======

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	
	1997	1996
	----	----
Cash flow from operating activities:		
Net income	$ 5,611	$ 3,148
Adjustments to reconcile to net cash used by operating activities:operating activities:		
Depreciation and amortization	786	351
Deferred taxes	242	--
Changes in assets and liabilities:		
Accounts receivable, net	(6,212)	(4,937)
Inventory	(5,389)	(3,780)
Accounts payable and bank overdrafts	3,418	3,252
Accrued employment costs	280	793
Other, net	557	593
	--------	--------
Net cash used by operating activities	(707)	(580)
	--------	--------
Cash flow from investing activities:		
Capital expenditures	(4,928)	(8,124)
	--------	--------
Net cash used by investing activities	(4,928)	(8,124)
	--------	--------
Cash flow from financing activities:		
Proceeds from issuance of long-term debt	500	600
Proceeds from issuance of Common Stock	26	--
Net borrowing under revolving line of credit	1,585	--
Long-term debt payments	(212)	(90)
Deferred financing costs	(12)	(25)
	--------	--------
Net cash provided by financing activities	1,887	485
	--------	--------
Net decrease in cash and cash equivalents	(3,748)	(8,219)
Cash and cash equivalents at beginning of period	4,219	10,038
	--------	--------
Cash and cash equivalents at end of period	$ 471	$ 1,819
	========	========

Supplemental disclosure of cash flow information:		
Interest paid	$ 151	$ 52
Income taxes paid	$ 2,762	$ 938

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

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

1) Universal Stainless & Alloy Products, Inc. (the "Company"), was incorporated in 1994 for the principal purpose of acquiring substantially all of the idled equipment and related assets located at the Bridgeville, Pennsylvania, production facility of Armco, Inc. in August 1994.

The accompanying unaudited, consolidated condensed financial statements of operations for the three- and nine-month periods ended September 30, 1997 and 1996, balance sheets at September 30, 1997 and December 31, 1996, and statements of cash flows for the nine-month periods ended September 30, 1997 and 1996 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, 1996. 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, 1997 and 1996, and are not necessarily indicative of the results to be expected for the full year.

2) Primary earnings per share are computed by dividing net income by the weighted average number of shares of Common Stock outstanding. Fully diluted earnings per share are computed by dividing net income by the weighted average number of shares of Common Stock outstanding adjusted for the assumed exercise of stock options and warrants and the proceeds used to acquire common stock at period-end market values. The reconciliation of the weighted average number of shares of Common Stock outstanding utilized for the earnings per share computations are as follows:

	For the Three-Months Ended September 30 1997	1996	For the Nine-Months Ended September 30 1997	1996
Weighted average number of shares of Common Stock outstanding	6,287,290	6,270,000	6,284,932	6,270,000
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	237,416	5,914	138,532	12,982

Weighted average number of shares of Common Stock outstanding, as adjusted	6,524,706	6,275,914	6,423,464	6,282,982
	===========	===========	===========	===========

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

	SEPTEMBER 30, 1997	DECEMBER 31, 1997
Raw materials and supplies	$ 3,004	$ 1,715
Semi-finished steel products	10,281	6,205
Operating materials	1,888	1,864
	-------	-------
Total inventory	$15,173	$ 9,784
	=======	=======

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

	SEPTEMBER 30, 1997	DECEMBER 31, 1996
Land and land improvements	$ 715	$ 674
Buildings	1,553	1,248
Machinery and equipment	19,914	12,726
Construction in progress	1,286	3,898
	--------	--------
	23,468	18,546
Accumulated depreciation	(1,479)	(736)
	--------	--------
Property, plant and equipment, net	$ 21,989	$ 17,810
	========	========

5) The Company has reviewed the status of its environmental contingencies and believes there are no significant changes from that disclosed in Form 10-K for the year ended December 31, 1996.

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, 1997 and 1996 were as follows (dollars in thousands):

	For the Three-Months Ended September 30		For the Nine-MonthsEnded September 30	
	1997	1996	1997	1996
Net sales				
Stainless steel	$16,140	$13,562	$46,507	$34,071
Tool steel	3,051	1,617	7,426	5,977
Conversion services	1,213	966	3,504	2,696
Other	1,677	563	4,224	1,138
Total net sales	$22,081	$16,708	$61,661	$43,882
Cost of products sold				
Raw materials	8,925	6,747	25,113	17,727
Other	8,614	6,258	23,899	17,609
Total cost of products sold	17,539	13,005	49,012	35,336
Gross profit	$ 4,542	$ 3,703	$12,649	$ 8,546

THREE- AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 1997 COMPARED TO THREE- AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 1996

The increase in net sales for the three-and nine-month periods ended September 30, 1997 as compared to the similar periods in 1996 reflects increased shipments to all of the Company's market segments. Increased shipments to forgers for the 1997 year-to-date period are a result of the higher demand from the aerospace sector and the introduction of new products. The Company's growing service center customer base generated increased shipments of plate products during the three-month period ended September 30, 1997. This increase was partially offset by lower selling prices in the stainless steel area due to imports.

Cost of products sold, as a percent of net sales, was 79.4% and 77.8% for the three-month periods ended September 30, 1997 and 1996, respectively, and was 79.5% and 80.5% for the nine-month periods ended September 30, 1997 and 1996, respectively. The increase for the three-month period is primarily due to the lower selling prices in the stainless steel area noted above. The decrease for the nine-month period is primarily due to an improved sales mix. Cost savings achieved through completed capital improvements favorably impacted both the three-and nine-month periods ended September 30, 1997 as compared to the similar periods in 1996.

Selling and administrative expenses increased from $1,184,000 and $3,558,000 in the three-and nine-month periods ended September 30, 1996 to $1,223,000 and $3,665,000 in the three-and nine-month periods ended September 30, 1997. The increase primarily related to the addition of personnel as a result of the continued growth of the Company's business, partially offset by lower insurance costs.

Other income (expense), net decreased by $46,000 and $166,000, respectively, for the three- and nine-month periods ended September 30, 1997, as compared to the three-and nine-month periods ended September 30, 1996. The decrease is primarily related to a decrease in interest income earned on cash available for investment and an increase in interest expense due to increased borrowings. The Company used available cash and borrowings under government loans to fund capital expenditures incurred during 1996 and 1997. In addition, the Company utilized a portion of its $6.5 million revolving line of credit during the three and nine-month periods ended September 30, 1997 to fund working capital needs.

The effective income tax rate utilized in the three- and nine-month periods ended September 30, 1997 and 1996 was 37.0% and 38.0%, respectively. The lower effective income tax rate in the 1997 period reflects a lower effective state tax rate, net of the federal benefit, and is consistent with the ultimate effective income tax rate utilized for the year ended December 31, 1996.

FINANCIAL CONDITION

The Company has financed its 1997 activities to date primarily through cash flows from operations, borrowings and cash on hand at the beginning of the period. The ratio of current assets to current liabilities decreased from 3.0:1 at December 31, 1996 to 2.6:1 at September 30, 1997, primarily due to continued growth of the Company's business and the funding of capital expenditures during 1997.

Accounts receivable, net increased by $6.2 million for the nine-month period ended September 30, 1997 as compared to an increase of $4.9 million for the nine-month period ended September 30, 1996. Inventory increased by $5.4 million for the nine-month period ended September 30, 1997 as compared to an increase of $3.8 million for the nine-month period ended September 30, 1996. Accounts payable and bank overdrafts increased by $3.4 million for the nine-month period ended September 30, 1997 as compared to an increase of $3.3 million for the nine-month period ended September 30, 1996. Each of these increases can be primarily attributed to the continued growth of the business.

The Company's capital expenditures approximated $4.9 million for the nine-month period ended September 30, 1997, which primarily related to the completion of the 1995-96 capital expenditures program and the installation of the 12-inch bar mill. At September 30, 1997, the Company has outstanding purchase commitments in addition to the expenditures incurred to date of approximately $2.4 million.

In October 1997, the Company announced its intent to spend approximately $11 million for the purchase and installation of heat treating and processing equipment to completely finish 2-inch to 6-inch round bar product. The new equipment is scheduled to be operational by the end of the second quarter of 1998. The Company has received commitments for debt financing to fund this project.

In April 1997, the Company executed loan documents in connection with the issuance of a $500,000 loan from the Commonwealth of Pennsylvania's Machinery and Equipment Loan Fund. On May 1, 1997, the Company extended its $6.5 million Working Capital Agreement with PNC Bank ("PNC Line") to April 2000. In addition, the amendment reduced the annual interest rate charged on the unpaid principal balance from PNC Bank's prime rate plus 0.25% to PNC Bank's prime rate. The annual interest rate may be further reduced based on the Company maintaining certain financial ratios. At September 30, 1997, the Company borrowed $1.6 million under its PNC Line.

The Company anticipates that it will be able to fund its 1997 working capital requirements and its capital expenditures primarily from funds generated by 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.

OUTLOOK

The demand for products from the aerospace sector, the introduction of new products and the positive impact of the Company's capital expenditure programs continue to generate improved results of operation. In the 1997 fourth quarter, the Company believes that its operating results should benefit from shipments of semi-finished product from the 12-inch bar mill. The Company believes that the impact of the bar mill, complemented by the addition of the finished round bar products, should generate further growth in 1998.

NEW ACCOUNTING PRONOUNCEMENTS

In February 1997, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 128, "Earnings per Share", which establishes standards for computing and presenting earnings per share information for periods ending after December 15, 1997. The Company does not believe that the adoption of this statement will materially effect its earnings per share disclosures.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a. Exhibits

27.1 Financial Data Schedule

b. Reports on Form 8-K

The following reports on Form 8-K were filed during the third quarter of 1997:

None

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 14, 1997	/s/ Clarence M. McAninch
	Clarence M. McAninch President and Chief Executive Officer
Date: November 14, 1997	/s/ Richard M. Ubinger
	Richard M. Ubinger Chief Financial Officer, Principal Accounting Officer and Treasurer

<ARTICLE> 5

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Financial Data Schedule for Univeral Stainless Alloy Products, Inc.
For the Period Ended September 30, 1997

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