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, 2001

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, 2001, there were 6,081,228 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 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, 2001	2000
Net sales	$ 21,259	$ 17,770
Cost of products sold	17,121	14,727
Selling and administrative expenses	1,558	1,102
Operating income	2,580	1,941
Interest expense and other financing costs	(181)	(222)
Other income (expense), net	20	16
Income before taxes	2,419	1,735
Income taxes	907	607
Income before cumulative effect of accounting change	1,512	1,128
Cumulative effect of accounting change, net of tax	--	(1,546)
Net income (loss)	$ 1,512	$ (418)
EARNINGS PER COMMON SHARE		
Basic		
Income before cumulative effect of accounting change	$ 0.25	$ 0.19
Cumulative effect of accounting change, net of tax	--	(0.26)

Net income (loss)	$ 0.25	$ (0.07)
Diluted		
Income before cumulative effect of accounting change	$ 0.25	$ 0.19
Cumulative effect of accounting change, net of tax	--	(0.26)
Net income (loss)	$ 0.25	$ (0.07)

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

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

CONSOLIDATED CONDENSED BALANCE SHEETS
(Dollars in Thousands)

	March 31, 2001 (Unaudited)	December 31, 2000
ASSETS		
Current assets		
Cash and cash equivalents	$ 116	$ 1,109
Accounts receivable (less allowance for doubtful accounts of $207 and $192)	14,613	12,819
Inventory	21,012	18,788
Other current assets	1,473	1,347
Total current assets	37,214	34,063
Property, plant and equipment, net	39,939	39,090
Other assets	598	594
Total assets	$ 77,751	$ 73,747
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Trade accounts payable	$ 6,640	$ 5,624
Outstanding checks in excess of bank balance	1,367	1,445
Current portion of long-term debt	1,803	1,808
Accrued employment costs	1,519	1,297
Other current liabilities	1,184	331
Total current liabilities	12,513	10,505
Long-term debt	8,468	8,199
Deferred taxes	6,491	6,276
Total liabilities	27,472	24,980
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; 6,339,128 shares issued	6	6
Additional paid-in capital	25,888	25,888
Retained earnings	25,929	24,417
Treasury Stock at cost; 257,900 common shares held	(1,544)	(1,544)
Total stockholders' equity	50,279	48,767
Total liabilities and stockholders' equity	$ 77,751	$ 73,747

The accompanying notes are an integral part of these consolidated 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, 2001	2000
Cash flows from operating activities:		
Net income (loss)	$ 1,512	$ (418)
Cumulative effect of accounting change	---	1,546
Adjustments to reconcile to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	641	561
Deferred taxes	215	207
Changes in assets and liabilities:		
Accounts receivable, net	(1,794)	12,113
Inventory	(2,224)	(15,332)
Accounts payable	1,016	1,502
Accrued employment costs	222	319
Other, net	719	357
Net cash provided by operating activities	307	855
Cash flows from investing activities:		
Capital expenditures	(1,486)	(995)
Net cash used in investing activities	(1,486)	(995)
Cash flows from financing activities:		
Proceeds from long-term debt	136	---
Long-term debt repayment	(458)	(455)
Borrowings under revolving line of credit	1,989	---
Repayments under revolving line of credit	(1,403)	---
Decrease in outstanding checks in excess of bank balance	(78)	(4)
Net cash provided by (used in) financing activities	186	(459)
Net decrease in cash	(993)	(599)
Cash and cash equivalents at beginning of period	1,109	868
Cash and cash equivalents at end of period	$ 116	$ 269
Supplemental disclosure of cash flow information:		
Interest paid (net of amount capitalized)	$ 211	$ 96
Income taxes paid	$ 690	$ 178

The accompanying notes are an integral part of these consolidated 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, 2001 and 2000, balance sheets as of March 31, 2001 and December 31, 2000, and statements of cash flows for the three-month periods ended March 31, 2001 and 2000 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, 2000. 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, 2001 and December 31, 2000 and the consolidated results of operations and of cash flows for the three-month periods ended March 31, 2001 and 2000, and are not necessarily indicative of the results to be expected for the full year.

2) In the fourth quarter of 2000, the Company adopted the provisions of the Securities and Exchange Commission's (SEC) Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" (SAB 101). As a result of the adoption, the Company's statements of operations and cash flows for the 2000 first quarter have been restated to include the effect of conforming to SAB 101. Previously reported net sales and net income for the first quarter of 2000 were $18,089,000 and $896,000, respectively. 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.

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-month periods ended March 31, 2001	2000
Weighted average number of shares of Common Stock outstanding	6,081,228	6,072,516
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	9,667	3,568
Weighted average number of shares of Common Stock outstanding, as adjusted	6,090,895	6,076,084

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

	March 31, 2001	December 31, 2000
Raw materials and supplies	$ 1,981	$ 1,695
Semi-finished and finished steel products	15,922	13,916
Operating materials	3,109	3,177
Total inventory	$ 21,012	$ 18,788

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

	March 31, 2001	December 31, 2000
Land and land improvements	$ 822	$ 822
Buildings	3,937	3,889
Machinery and equipment	41,779	39,838
Construction in progress	1,808	2,311
	48,346	46,860
Accumulated depreciation	(8,407)	(7,770)
Property, plant and equipment, net	$ 39,939	$ 39,090

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, 2000.

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

RESULTS OF OPERATIONS

During 2000, the Company adopted the provisions of the Securities and Exchange Commission's (SEC) Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements." The application of the SEC's guidance to the language contained in the Company's Standard Terms and Conditions of Sale existing at the time of adoption required the Company to defer revenue until cash was collected, even though risk of loss passed to the buyer at time of shipment. This had the effect of deferring certain sale transactions previously recognized in 1999 into 2000. During the fourth quarter of 2000, the Company modified its Standard Terms and Conditions of Sale to more closely reflect the substance of its sale transactions, which resulted in revenue being recorded at the time of shipment rather than when cash was received. Because this did not occur until the fourth quarter, the revenue and cost information for the first quarter of 2000 relates to cash collections. In order to facilitate analysis of the Company's results of operations, amounts in the table below summarize revenue and cost information based on shipments made by the Company in the respective quarter, rather than cash collected for 2000. Such amounts are then reconciled to reported amounts as necessary (dollars in thousands):

	For the Three-month periods ended March 31, 2001	2000
Net sales		
Stainless steel	$ 17,423	$ 14,565
Tool steel	1,517	2,227
High-strength low alloy steel	609	559
High temperature alloy steel	665	367
Conversion services	871	340
Other	174	31
Net sales on shipments	21,259	18,089
Effect of accounting change	---	(319)
Total net sales	21,259	17,770
Cost of products sold		
Raw materials	6,242	6,589
Other	10,879	8,814
Total cost of products shipped	17,121	15,403
Effect of accounting change	---	(676)
Total cost of products sold	17,121	14,727
Selling and administrative expenses	1,558	1,102
Operating income from shipments	2,580	1,584
Effect of accounting change	---	357
Operating income	$ 2,580	$ 1,941

Three-month period ended March 31, 2001 as compared to the similar period in 2000

The increase in net sales for the three-month period ended March 31, 2001 as compared to the similar period in 2000 reflects increased shipments to the forging and OEM markets which primarily serve the aerospace, petrochemical and power generation industries. This increase was partially offset by lower shipments of stainless steel commodity products and tool steel products as a result of increased imports and the slowing economy. The Company shipped approximately 11,000 tons during the three-month period ended March 31, 2001 compared to approximately 10,800 tons during the three-month period ended March 31, 2000.

Cost of products shipped, as a percent of net sales on shipments, was 80.5% and 85.2% for the three-month periods ended March 31, 2001 and 2000, respectively. This decrease is primarily due to the impact of the mix of products shipped. Natural gas costs increased by more that $800,000 in the first quarter of 2001 in comparison to the first

quarter of 2000 because of higher rates. The natural gas surcharge, which took effect with shipments beginning on February 1, 2001, offset approximately $150,000 of this increased cost.

Selling and administrative expenses increased by $456,000 from the year-ago period and included a $190,000 obligation to its former Vice President of

Operations, as well as increased business insurance of $60,000 and employment costs related to the Company's improved business conditions.

Interest expense and other financing costs decreased from $222,000 for the three-month period ended March 31, 2000 to $181,000 for the three-month period ended March 31, 2001 primarily due to a reduction in debt levels between the two periods.

The effective income tax rate utilized in the three-month periods ended March 31, 2001 and 2000 was 37.5% and 35%, respectively. The effective income tax rate utilized in the current period reflects the anticipated effect of the Company's permanent tax deductions against expected income levels in 2001.

FINANCIAL CONDITION

The Company has financed its operating activities during the three-month period ended March 31, 2001 through cash flows from operations, cash on hand, borrowings from the PNC Line and capitalized leases. At March 31, 2001, working capital approximated $24.7 million, as compared to $23.5 million at December 31, 2000. The ratio of current assets to current liabilities decreased from 3.2:1 at December 31, 2000 to 3.0:1 at March 31, 2001. The decrease in the ratio of current assets to current liabilities is primarily due to a decrease in cash, which was used to fund debt payments and an increase in liabilities to fund operations. The debt to capitalization ratio was 17% at March 31, 2001 and December 31, 2000.

The Company's capital expenditures approximated $1.5 million for the three-month period ended March 31, 2001 which primarily related to the purchase of a new electro slag remelt furnace and the installation of the billet grinder and Oliver plate saw at the Bridgeville facility. At March 31, 2001, the Company had outstanding purchase commitments in addition to the expenditures incurred to date of approximately $2.2 million. These expenditures are expected to be funded substantially from internally generated funds and additional borrowings. As of March 31, 2001, the Company had $5.9 million available for borrowings under a revolving line of credit with PNC Bank.

There were no shares of Common Stock repurchased by the Company during the three-month period ended March 31, 2001. The Company is authorized to repurchase an additional 57,100 shares of Common Stock as of March 31, 2001.

The Company anticipates that it will fund its 2001 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.

2001 Outlook

The Company estimates that its sales for the second quarter of 2001 will be within the range of $20 to $24 million, representing an increase over the prior year period sales of $19 million. Diluted earnings per share for the second quarter of 2001 are currently projected to range from $0.23 to $0.28. The following factors were considered in developing these estimates:

- The Company's backlog approximated $35 million on March 31, 2001 as compared to $21 million on December 31, 2000. The mix of orders booked for delivery in the second quarter by market segment is in line with the 2001 first quarter shipments.

- The Company believes that the high level of demand for its forging and OEM products will continue throughout 2001, while orders for its commodity and tool steel products are expected to remain at existing levels due to current economic conditions and imports.

- The higher rates for natural gas and the need to assess a surcharge are expected to continue. The Company's second quarter estimates also take into account possible electrical and natural gas curtailments throughout the summer months.

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, 2000.

Part II. OTHER INFORMATION

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

a. Exhibits - none.

b. No reports on Form 8-K were filed during the first quarter of 2001.

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 10, 2001	/s/ C. M. McAninch Clarence M. McAninch President, Chief Executive Officer and Director (Principal Executive Officer)
Date:	May 10, 2001	/s/ Richard M. Ubinger Richard M. Ubinger Vice President of Finance, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)