

Bridgeville, PA 15017

(Address of principal executive offices, including zip code)

(412) 257-7600

(Registrant's 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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of April 28, 2014, there were 7,061,033 shares of the Registrant's common stock outstanding.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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Part I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in Thousands, Except Per Share Information)

(Unaudited)

	Three months ended March 31,	
	2014	2013
Net sales	\$ 46,667	\$ 49,135
Cost of products sold	40,607	44,489
Gross margin	6,060	4,646
Selling, general and administrative expenses	4,628	4,479
Operating income	1,432	167
Interest expense and other financing costs	(863)	(689)
Other income, net	4	28
Income (loss) before income taxes	573	(494)
Provision (benefit) for income taxes	1,072	(534)
Net (loss) income	\$ (499)	\$ 40
Net (loss) income per common share - Basic	\$ (0.07)	\$ 0.01
Net (loss) income per common share - Diluted	\$ (0.07)	\$ 0.01
Weighted average shares of common stock outstanding		
Basic	7,014,836	6,924,131
Diluted	7,014,836	7,063,703

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

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UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

CONSOLIDATED BALANCE SHEETS

(Dollars in Thousands)

	March 31, 2014	December 31, 2013
	(Unaudited)	(Derived from audited statements)
ASSETS		
Current assets:		
Cash	\$ 93	\$ 307
Accounts receivable (less allowance for doubtful accounts of \$85 and \$84, respectively)	28,062	21,447
Inventory, net	91,178	82,593
Deferred income taxes	12,361	13,042
Other current assets	4,566	3,906
Total current assets	136,260	121,295
Property, plant and equipment, net	201,340	203,590
Goodwill	20,268	20,268
Other long-term assets	2,541	2,771
Total assets	\$ 360,409	\$ 347,924
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 26,737	\$ 14,288
Accrued employment costs	4,195	3,430
Current portion of long-term debt	3,000	3,000
Other current liabilities	1,054	1,023
Total current liabilities	34,986	21,741
Long-term debt	85,057	86,796
Deferred income taxes	42,584	42,532
Other long-term liabilities	668	397
Total liabilities	163,295	151,466

Commitments and contingencies (Note 6)

Stockholders' equity:

Senior preferred stock, par value \$0.001 per share; 1,980,000 shares authorized; 0 shares issued and outstanding	-	-
Common stock, par value \$0.001 per share; 20,000,000 shares authorized; 7,351,388 and 7,310,138 shares issued, respectively	7	7
Additional paid-in capital	50,843	49,688
Retained earnings	148,554	149,053
Treasury stock, at cost; 292,855 common shares held	(2,290)	(2,290)
Total stockholders' equity	197,114	196,458
Total liabilities and stockholders' equity	\$ 360,409	\$ 347,924

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

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOW

(Dollars in Thousands)

(Unaudited)

	Three months ended March 31,	
	2014	2013
Operating Activities:		
Net (loss) income	\$ (499)	\$ 40
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	4,208	4,272
Deferred income tax	733	(642)
Share-based compensation expense	525	494
Changes in assets and liabilities:		
Accounts receivable, net	(6,615)	(4,967)
Inventory, net	(8,990)	(2,611)
Accounts payable	12,449	10,008
Accrued employment costs	765	(975)
Income taxes	520	70
Other, net	(897)	(43)
Net cash provided by operating activities	2,199	5,646
Investing Activity:		
Capital expenditures	(1,322)	(3,624)
Cash used in investing activity	(1,322)	(3,624)
Financing Activities:		
Payments on revolving credit facility	(16,045)	(20,381)
Borrowings under revolving credit facility	15,056	18,387
Payment on term loan facility	(750)	-
Proceeds from the issuance of common stock	648	241
Payment of deferred financing costs	-	(475)
Net cash used in financing activities	(1,091)	(2,228)

Net decrease in cash	(214)	(206)
Cash at beginning of period	307	321
Cash at end of period	\$ 93	\$ 115

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

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UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Nature of Business and Basis of Presentation

Universal Stainless & Alloy Products, Inc., and its wholly-owned subsidiaries (“Universal”, “we”, “our” or the “Company”), manufacture and market semi-finished and finished specialty steel products, including stainless steel, nickel alloys, tool steel and certain other alloyed steels. Our manufacturing process involves melting, remelting, heat treating, hot and cold rolling, forging, machining and cold drawing of semi-finished and finished specialty steels. Our products are sold to service centers, forgers, rerollers, original equipment manufacturers and wire redrawers. Our customers further process our products for use in a variety of industries, including the aerospace, power generation, oil and gas and heavy equipment manufacturing industries. We also perform conversion services on materials supplied by customers.

The accompanying unaudited consolidated statements include the accounts of Universal Stainless & Alloy Products, Inc. and its subsidiaries and are prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) for interim financial reports and the instructions for Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, certain information and footnote disclosures normally included in financial statements prepared under U.S. GAAP have been condensed or omitted pursuant to such regulations. However, we believe that the disclosures are adequate to make the information presented not misleading. These consolidated financial statements should be read in conjunction with our most recently audited financial statements and the notes thereto included in our Annual Report on Form 10-K as filed with the Securities and Exchange Commission. In the opinion of management, the accompanying financial statements include all adjustments necessary to present a fair presentation of the consolidated financial statements for the periods shown. Interim results are not necessarily indicative of the operating results for the full fiscal year or any future period. The preparation of these financial statements in conformity with U.S. GAAP requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. Actual results may differ from our estimates. The consolidated financial statements include our accounts and the accounts of our wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated.

Certain prior year amounts have been reclassified to conform to the 2014 presentation.

Recently Adopted Accounting Pronouncements

In July 2013, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“ASU”) 2013-11 Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. We adopted ASU 2013-11 during the quarter ended March 31, 2014. The update does not have a material impact on our consolidated financial statements.

Note 2: Net (Loss) Income per Common Share

The following table sets forth the computation of basic and diluted net (loss) income per common share:

Three
months
ended