TABLE OF CONTENTS

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

[x] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended January 31, 2002

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: 333-18019

WCI STEEL, INC.

(Exact name of registrant as specified in its charter)

Ohio	**34-1585405**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1040 Pine Ave., S.E., Warren, Ohio	**44483-6528**
(Address of principal executive offices)	(Zip Code)

(330) 841-8302

(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. Note: The Registrant files pursuant to an indenture, but is not otherwise subject to Section 13 or 15(d) filing requirements.

[ ] Yes [X] No

As of March 6, 2002, the registrant had 100 shares of its common stock, no par value, $.01 stated value, outstanding.

WCI STEEL, INC. AND SUBSIDIARIES

INDEX

PART I FINANCIAL INFORMATION

PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

WCI STEEL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except per share amount)

	January 31, 2002	October 31, 2001
	(Unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,816	$ 32,244
Accounts receivable, less allowance for doubtful accounts of $3,100	44,972	48,875
Inventories	94,367	87,075
Prepaid expenses and other current assets	5,371	1,049
Total current assets	146,526	169,243
Property, plant and equipment, net	192,913	193,453
Intangible pension asset, net	37,962	39,556
Other assets, net	4,144	4,361
Total assets	$ 381,545	$ 406,613
LIABILITIES and SHAREHOLDER'S EQUITY		
Current liabilities		
Current portion of long-term debt	$ 1,359	$ 536
Accounts payable	42,475	45,939
Accrued liabilities	75,721	77,679
Total current liabilities	119,555	124,154
Long-term debt, excluding current portion	310,447	301,111
Postretirement health care benefits	119,885	117,719
Pension benefits	28,606	35,000
Other liabilities	10,042	10,063
Total liabilities	588,535	588,047
Shareholder's equity (deficit)		
Preferred stock, par value $1,000 per share, 5,000 shares authorized, none issued	—	—
Common stock, no par value, stated value $.01 per share, 40,000,000 shares authorized, 100 shares issued and outstanding	—	—
Additional paid-in capital	279	279
Accumulated deficit	(207,269)	(181,713)
Total shareholder's equity (deficit)	(206,990)	(181,434)
Commitments and contingencies	—	—
Total liabilities and shareholder's equity (deficit)	$ 381,545	$ 406,613

See accompanying notes to consolidated financial statements.

WCI STEEL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands)
(Unaudited)

	Three months ended January 31, 2002	2001
Net sales	$ 89,604	$ 98,191
Operating costs and expenses		
Cost of products sold	99,454	102,040
Depreciation and amortization	4,711	5,705
Selling, general and administrative expenses	3,384	5,821
Unusual charges	—	—
	107,549	113,566
Operating income (loss)	(17,945)	(15,375)
Other income (expense)		
Interest expense	(8,051)	(7,985)
Interest and other income (expense), net	440	(9,150)
	(7,611)	(17,135)
Income (loss) before income taxes	(25,556)	(32,510)
Income tax (benefit) expense	—	—
Net income (loss)	$ (25,556)	$ (32,510)

See accompanying notes to consolidated financial statements.

WCI STEEL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

	Three months ended January 31,	
	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$(25,556)	$(32,510)
Adjustment to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	4,711	4,966
Amortization of deferred maintenance costs	—	739
Amortization of financing costs	338	323
Postretirement health care benefits	2,166	2,948
Pension benefits	1,473	2,019
Provision for losses on accounts receivable	—	2,050
Asset impairment and other charges	—	10,484
Other	33	32
Cash provided (used) by changes in certain assets and liabilities		
Accounts receivable	3,903	428
Inventories	(7,292)	(802)
Prepaid expenses and other assets	(4,474)	(3,152)
Accounts payable	(3,464)	(3,520)
Accrued liabilities	(8,231)	(6,784)
Other liabilities	(21)	580
Net cash provided (used) by operating activities	(36,414)	(22,199)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property, plant and equipment	(4,173)	(2,197)
Net cash used by investing activities	(4,173)	(2,197)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net change in long-term debt	10,159	(31)
Net cash provided (used) by financing activities	10,159	(31)
Net increase (decrease) in cash and cash equivalents	(30,428)	(24,427)
Cash and cash equivalents at beginning of year	32,244	89,478
Cash and cash equivalents at end of period	$ 1,816	$ 65,051
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 15,208	$ 15,155
Cash paid for income taxes	—	—

See accompanying notes to consolidated financial statements.

NOTE 1 : BASIS OF PRESENTATION

WCI Steel, Inc. (Company or WCI) is a wholly-owned subsidiary of Renco Steel Holdings, Inc. (Renco Steel) and an indirect wholly-owned subsidiary of The Renco Group, Inc. (Renco). The financial information included herein is unaudited; however, such information reflects all adjustments (consisting solely of normal recurring adjustments) which are, in the opinion of management, necessary for a fair statement of results for the interim periods. The results of operations for the three months ended January 31, 2002 are not necessarily indicative of the results to be expected for the full year.

These interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Form 10-K for the fiscal year ended October 31, 2001.

NOTE 2 : INVENTORIES

Inventories are stated at the lower of cost or market. Cost is determined by the last-in, first-out (LIFO) method. Market value is determined based on expected selling price of each product. Inventories consist of the following:

	January 31, 2002	October 31, 2001
	(Unaudited)	
	(Dollars in Thousands)	
Raw materials	$33,887	$33,542
Finished and semi-finished product	60,386	53,438
Supplies	94	95
	94,367	87,075
Less LIFO reserve	—	—
	$94,367	$87,075

NOTE 3 : LONG-TERM DEBT

Long-term debt consists of the following:

	January 31, 2002	October 31, 2001
	(Unaudited)	
	(Dollars in Thousands)	
Senior Secured Notes with interest at 10% payable semi-annually, due 2004	$300,000	$300,000
Revolving Credit Facility (Revolver) with interest at prime rate plus 1.5% (6.25% at January 31, 2002) payable monthly	10,209	—
Other	1,597	1,647
	311,806	301,647
Less current portion of long-term debt	1,359	536
	$310,447	$301,111

The $300 million 10% Senior Secured Notes due 2004 (Senior Secured Notes) are secured by a second priority lien on substantially all of the existing property, plant and equipment of the Company which will become a first priority lien when all of the 10.5% Senior Notes due 2002 (Senior Notes) are extinguished ($0.3 million currently outstanding). A Voluntary Employee Beneficiaries Association trust fund, established to hold Company contributions to fund postretirement health care and life insurance obligations for the benefit of hourly employees, also holds a second priority lien on the security for the Senior Secured Notes, which lien will remain a second priority lien even if the lien in favor of the Senior Secured Notes becomes a first priority lien.

The Company has a $100,000,000 Revolver secured by inventories and receivables and subject to eligibility requirements, as defined, reduced by any outstanding letters of credit. The Revolver is subject to a monthly service fee of $15,000 and an annual commitment fee of 0.5% of the unused balance up to $60,000,000 payable monthly. There were borrowings of $10,209,000 outstanding under the Revolver as of January 31, 2002. The Revolver, which expires December 29, 2003, also provides for up to an aggregate amount of $20,000,000 in letters of credit. The Company had borrowing availability of $64,785,000 based on eligible inventory and receivables net of $10,209,000 borrowings outstanding and $14,900,000 in letters of credit outstanding or committed at January 31, 2002 and subject to a $25 million minimum borrowing availability covenant as discussed below. The Revolver is subject to a penalty of $250,000 if terminated before October 31, 2003.

The Company’s Revolver and Senior Secured Notes contain certain financial and other covenants, including maintenance of specified levels of net worth as defined, working capital, and debt service and limitations on capital expenditures. Additional covenants limit the incurrence of additional indebtedness, payments affecting subsidiaries, transactions with affiliates, sale/leaseback transactions, impairment of security interest, consolidations, mergers and transfer of the Company’s assets. On January 25, 2002 the Company and its lenders under the Revolver agreed to amend the loan agreement to require the Company to maintain a minimum net worth, as defined, of not less than the following for each period indicated: negative $225 million through January 31, 2002, negative $240 million from February 1, 2002 through

April 30, 2002, negative $255 million from May 1, 2002 through July 31, 2002, and negative $260 million on August 1, 2002 and thereafter. In addition, the Company is required to maintain minimum borrowing availability under the Revolver of $25 million. This amendment also changes the interest charged from prime rate to prime rate plus 1.5% which is currently 6.25%. The Company is permitted to declare and pay dividends, and make other transactions with affiliates provided no condition of default exists or will exist, and the accumulated amount of such transactions is no greater than fifty percent (50%) of the consolidated net income as defined (less 100% of any consolidated net loss) earned for periods subsequent to October 31, 1996 when taken as a single accounting period less management fees paid to Renco in excess of $1,200,000 annually for the same period. Under these agreements, there were no amounts available for dividends and other transactions with affiliates at January 31, 2002.

NOTE 4 : ENVIRONMENTAL MATTERS and OTHER CONTINGENCIES

In common with much of the steel industry, the Company’s facilities are located on sites that have been used for heavy industrial purposes for decades. The Company is and will continue to be subject to numerous federal, state and local environmental laws and regulations governing, among other things, air emissions, waste water discharge and solid and hazardous waste management. The Company has made and intends to continue to make the necessary expenditures for environmental remediation and compliance with environmental laws and regulations. Environmental laws and regulations continue to change and have generally become more stringent, and the Company may be subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have a material adverse effect on the Company’s financial condition and results of operations.

The Company is subject to a consent decree as a result of a civil action instituted by the Department of Justice (DOJ), on behalf of the Environmental Protection Agency (EPA). The consent decree requires the Company to complete certain supplemental environmental projects estimated to cost $1.8 million that will be expended by late 2002. These projects include sediment removal from the Mahoning River at an estimated remaining cost of $0.8 million and the installation of a liner for a surface impoundment estimated to cost approximately $1.0 million. The consent decree also provides for stipulated penalties in the event of noncompliance which the Company does not believe will be material.

As a condition of a previous Resource Conservation and Recovery Act (RCRA) operating permit, the Company is required to undertake a corrective action program with respect to historical material handling practices at the Warren facility. The Company has completed the initial phase of the first investigation step of the corrective action program, the RCRA Facility Investigation (RFI), and has submitted its report to the EPA. The Company and the EPA agreed that additional sampling would be required to complete a full RFI which is expected to be completed by the end of 2003. The RFI workplan identifies thirteen historical solid waste management units to be investigated. The final scope of corrective action required to remediate any contamination that may be present at or emanating from the Warren facility is dependent upon the completion and findings of the RFI and the development and approval of a corrective action program. Accordingly, the Company is unable at this time to estimate the final cost of the corrective action program or the period over which such costs may be incurred and there can be no assurance that any such corrective action program would not have a material adverse effect on the operating results or financial condition of the Company.

On January 23, 1996, two retired employees instituted an action against the Company and the United Steelworkers of America (USWA) in the United States District Court for the Northern District of Ohio alleging in substance that certain distributions made by the Company to employees and benefit plans violated certain agreements, the Employee Retirement Income Security Act (ERISA), the National Labor Relations Act (NLRA) and common law. On July 31, 1997, the court granted the Company's motion to dismiss this action and entered judgement in favor of the Company and the USWA. The Plaintiffs filed an appeal regarding the court's decision to dismiss, which was heard in June 1998. In March 1999, the appellate court upheld the dismissal of the claims under ERISA and common law, but reversed the dismissal of the NLRA claim and remanded to the district court for further proceedings. On October 9, 2000 the court granted the Company's motion to dismiss this action and entered judgement in favor of the Company and the USWA. The plaintiffs filed an appeal regarding the court's decision to dismiss. The Federal Appeals Court has scheduled oral arguments for April 23, 2002.

In addition to the above-described matters, the Company is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its business. A liability has been established for an amount, which the Company believes is adequate, based on information currently available, to cover the costs to resolve the above described matters, including remediation, if any, except for any costs of corrective action that may result from the RFI for which no estimate can currently be made. The outcome of the above described matters could have a material adverse effect on the future operating results of the Company in a particular quarter or annual period; however, the Company believes that the effect of such matters will not have a material adverse effect on the Company's consolidated financial position.

NOTE 5: OTHER MATTERS

WCI has experienced a significant increase in its order intake rate and backlog beginning in December 2001 which has resulted from the expectation of lower imports due to the pending Section 201 investigation, the recent closure of a competitor, a conclusion to inventory reductions by customers and the beginning of an economic recovery. WCI's order backlog was approximately 250,000 tons at January 31, 2002 compared to 135,000 tons at October 31, 2001. With the increasing order entry rate and backlog, the Company and most other flat rolled steel producers announced price increases effective during the second calendar quarter 2002 totaling $50 per ton on hot-rolled, $30 per ton on cold-rolled, and $20 per ton on galvanized products. Due to these factors, the Company expects shipping volume in the second quarter 2002 to be approximately 315,000 tons and the third quarter 2002 to be approximately 330,000 tons. WCI expects net sales per ton shipped to be flat in the second quarter compared to the first quarter with net selling prices rising and being offset by lower revenue from steam sales to the LTV coke plant adjacent to WCI's facility. Net sales per ton shipped are expected to increase by approximately $25 in the third quarter compared to the second quarter. In addition, WCI expects cost of products sold per ton to decline approximately 7% in the second quarter compared to the first quarter as capacity utilization increases and inventory valuation reserves are reduced. Despite these improvements, WCI expects to incur a significant net loss during fiscal 2002 for which WCI believes it has adequate availability of cash resources to maintain operations through at least fiscal 2002. However, if the volume or price increases expected to be realized during the second and third quarters of fiscal 2002 are not realized or sustained for the balance of fiscal 2002, it is likely that WCI will not have adequate availability under its existing financing arrangements and will require additional sources of financing. WCI cannot assure that it has the ability to obtain such additional financing, or what the terms of any additional financing might be. Failure to obtain additional financing in these circumstances would likely have a material adverse effect on WCI's operations. For periods beyond fiscal 2002, further price improvements will be necessary for the Company to have sufficient cash resources to maintain its operations.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

RESULTS OF OPERATIONS

Three months ended January 31, 2002 compared to the three months ended January 31, 2001

Net sales for the three months ended January 31, 2002 were $89.6 million on 244,818 tons shipped, representing an 8.7% decrease in net sales and a 3.3% increase in tons shipped compared to the three months ended January 31, 2001. Shipping volume for the three months ended January 31, 2002 was slightly higher than the comparable period in 2001 but was 13.9% lower when compared to the prior quarter ended October 31, 2001 as the steel market continued to suffer from the effects of a weak economy. Net sales per ton shipped decreased 11.6% to $366 for the three months ended January 31, 2002 compared to $414 for the three months ended January 31, 2001, with net selling prices down 8.5%. Shipments of custom carbon, alloy and electrical steels accounted for 46.4% of total shipments for the three months ended January 31, 2002 compared to 52.3% the three months ended January 31, 2001.

The table below shows the Company's product mix for the three months ended January 31, 2002 and January 31, 2001.

	Net Tons Shipped		Percent of Total	
	Three Months Ended January 31,		Three Months Ended January 31,	
	2002	2001	2002	2001
CUSTOM PRODUCTS:				
Hot Rolled	69,744	76,963	28.5%	32.5%
Cold Rolled	6,061	4,049	2.5%	1.7%
Coated products	37,670	42,883	15.4%	18.1%
Total Custom Products	113,475	123,895	46.4%	52.3%
Total Commodity Products	131,343	113,128	53.6%	47.7%
Total Steel Products	244,818	237,023	100.0%	100.0%

The following table sets forth the percentage of WCI's net tons shipped to various markets for the three months ended January 31, 2002 and January 31, 2001.

Customer Category	Three Months Ended January 31, 2002	2001
Conversion / further processing	57.8%	52.1%
Steel service centers	14.3%	22.2%
Construction	12.2%	11.4%
Electrical equipment	4.6%	4.9%
Direct automotive	5.2%	5.1%
Other	5.9%	4.3%
Total	100.0%	100.0%

Gross margin (loss) *(sales less cost of products sold)* was ($9.9) million for the three months ended January 31, 2002 compared to gross margin (loss) of ($3.8) million for the three months ended January 31, 2001. The decrease in gross margin reflects the lower transaction prices discussed above partially offset by lower production costs resulting from a higher production volume and its effect on fixed operating costs per ton. Production volume for the three months ended January 31, 2002 was approximately 77% of operating capacity compared to approximately 63% for the three months ended January 31, 2001.

Operating income (loss) was ($17.9) million, or ($73) per ton, for the three months ended January 31, 2002 compared to operating income (loss) of ($15.4) million, or ($65) per ton, for the three months ended January 31, 2001. The increase in operating loss reflects the lower gross margin discussed above offset somewhat by lower depreciation expense and bad debt expense. The operating loss for the 2001 period included a charge of $2.1 million to establish a reserve for amounts due from a financially distressed steel company. Excluding this charge, the operating loss was ($13.3) million, or ($56) per ton for the three months ended January 31, 2001.

Interest and other income (expense), net was $0.4 million for the three months ended January 31, 2002 compared to ($9.2) million for the three months ended January 31, 2001. In the 2001 period WCI recorded a charge of $10.5 million to write down the carrying value of Acme Metals, Inc. 10.875% Senior Unsecured Notes owned by WCI. Interest income was $46,000 for the three months ended January 31, 2002 compared to interest income of $1.2 million for the three months ended January 31, 2001. The decrease in interest income was due primarily to lower cash balances for the three months ended January 31, 2002 compared to the three months ended January 31, 2001.

As a result of the items discussed above, the Company had a loss before taxes of $25.6 million for the three months ended January 31, 2002 compared to a loss before taxes of $32.5 million for the three months ended January 31, 2001.

Effective November 1, 1998, the Company was designated as a qualified subchapter S subsidiary by Renco. Accordingly, the Company is generally not subject to income taxes.

Liquidity and Capital Resources

WCI’s liquidity requirements result from capital investments, working capital requirements, postretirement health care and pension funding, interest expense and, to a lesser extent, principal payments on its indebtedness. The Company’s primary sources of liquidity as of January 31, 2002 consisted of cash and cash equivalents of $1.8 million and available borrowing under its $100 million revolving credit agreement (Revolver).

The Revolver has a maximum borrowing limit of $100 million, is secured by inventories and receivables and subject to eligibility requirements, as defined therein, and expires on December 29, 2003. As of January 31, 2002, the Company had borrowing availability of $65.5 million based on eligible inventories and receivables net of $10.2 million borrowings outstanding and $14.9 million in letters of credit outstanding or committed and subject to a $25 million minimum borrowing availability covenant.

Cash from Operations

Cash provided (used) by operating activities was ($36.4) million for the three months ended January 31, 2002 compared to ($22.2) million for the three months ended January 31, 2001. The decreased operating cash flow for the 2002 period compared to the 2001 period resulted primarily from a decrease in income before taxes (after adjusting the 2001 period loss to exclude non-recurring, non-cash charges) and changes in working capital.

Capital Expenditures

Capital expenditures were $4.2 million and $2.2 million for the three months ended January 31, 2002 and January 31, 2001, respectively. Capital expenditures are expected to be approximately $9 million for all of fiscal 2002. At January 31, 2002, the Company had commitments for capital expenditures of approximately $1.8 million.

Debt Covenants

The Revolver and the indenture governing WCI's 10% Senior Secured Notes due 2004 contain numerous covenants and prohibitions that limit the financial activities of the Company, including requirements that the Company satisfy certain financial ratios and limitations on the incurrence of additional indebtedness. On January 25, 2002 the Company and its lenders under the Revolver agreed to amend the loan agreement to require the Company to maintain a minimum net worth, as defined, of not less than the following for each period indicated: negative $225 million through January 31, 2002, negative $240 million from February 1, 2002 through April 30, 2002, negative $255 million from May 1, 2002 through July 31, 2002, and negative $260 million on August 1, 2002 and thereafter. In addition, the Company is required to maintain minimum availability under the Revolver of $25 million. The ability of the Company to meet its debt service requirements and to comply with such covenants will be dependent upon future operating performance and financial results of the Company, which will be subject to financial, economic, political, competitive and other factors affecting the Company, many of which are beyond its control.

Dividends

The Company paid no dividends and was not permitted to do so under the Senior Secured Notes indenture during the three months ended January 31, 2002. The Company does not expect to be permitted to pay dividends for the foreseeable future based on limitations under the Senior Secured Notes indenture.

Defined Benefit Pension Plan

The Company has a defined benefit pension plan (DBP) which covers substantially all bargained for employees. The Company expects to contribute approximately $29.6 million, $26.3 million and $21.1 million to the DBP during 2002, 2003 and 2004, respectively, which is expected to satisfy the minimum funding requirements of ERISA for those periods. This funding reflects the results of the actuarial valuation completed as of November 1, 2001. Due primarily to the reduction in the offset from the frozen defined contribution plan resulting from adverse investment experience and from changes in the status of plan participants different from assumptions the Company's projected benefit obligation increased from $98.7 million as reported in the Company's 10-K as of October 31, 2001 to $114.9 million and caused an increase in the minimum funding. The Company contributed $7.2 million, $4.2 million and $6.7 million to the DBP during the fiscal years ended October 31, 2001, 2000 and 1999, respectively.

Accounting Standards

In July 2001, the Financial Accounting Standards Board (FASB) issued Statement No. 142, *Goodwill and Other Intangible Assets.* Statement 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of Statement 142. The Company adopted Statement 142 effective November 1, 2001. The adoption of Statement 142 did not have a material effect on either financial position or results of operation.

In August 2001, the FASB issued Statement No. 143, *Accounting for Asset Retirement Obligations.* Statement 143 applies to legal obligations associated with the retirement of certain long-lived assets. It requires companies to record the fair value of the liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the company capitalizes a cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, the company either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. Statement 143 is required to be adopted in fiscal years beginning after June 15, 2002. WCI has not yet determined the effect, if any, that adopting Statement 143 will have on future earnings and financial position.

In August 2001, the FASB issued Statement No. 144, *Accounting for Impairment or Disposal of Long-Lived Assets.* This statement establishes a single accounting model for long-lived assets to be disposed of by sale and provides additional implementation guidance for assets to be held and used and assets to be disposed of other than by sale. WCI adopted the Statement effective November 1, 2001. There was no financial implication related to the adoption of Statement No. 144, and the guidance will be applied on a prospective basis.

Outlook

During the last four years steel imports into the U.S. have adversely affected shipping volume and has contributed significantly to the depressed pricing environment in the current market. During this period, WCI and the steel industry have filed various trade cases against hot-rolled and cold-rolled carbon steel flat products from various countries (certain of which are pending before the ITC) in response to this increase in imports. While various duties have been imposed on these products from certain countries, to date these duties have been ineffective in reducing overall steel imports to the U.S.

As a result of the distortion of steel supply created by the surge of imports of flat rolled steel products and the lower demand for steel products during 2001 due to the slumping economy, competition has intensified in the Company's high carbon and alloy product markets, particularly from minimills. This increased competition has influenced the pricing structure of these products and has reduced the premium WCI is currently able to receive on these products compared to commodity products.

In response to the surging imports, in June 2001 the U.S. Trade Representative, at the direction of President Bush, requested an investigation by the International Trade Commission under Section 201 of the Trade Act of 1974 to determine whether steel is being imported into the U.S. in such quantities as to be a substantial cause of serious injury to the U.S. steel industry. This request included the investigation of carbon and alloy flat rolled products among other products. On October 22, 2001 the ITC determined that the requisite injury had been demonstrated related to carbon and alloy slabs, hot-rolled, cold-rolled and coated products. These determinations pertain to imports from all countries except Canada. On December 19, 2001 the ITC forwarded its remedy recommendations to President Bush.

On March 5, 2002 President Bush issued his remedy regarding the Section 201 investigation. This remedy includes a tariff rate quota on carbon and alloy slabs of 30% in excess of 5.4 million tons per year adjusting over a three year period to 18% on imports in excess of 6.4 million tons and a 30% tariff on hot-rolled, cold-rolled and coated sheet and strip declining over a three year period to 18%. These remedies pertain to imports from all countries except Canada, Mexico, Jordan, Israel and certain developing countries and is expected to be effective on or about March 20, 2002.

For the longer term, the shipping levels and realized selling prices of WCI products will be influenced by the levels of imported steel, the strength of the manufacturing sector of the domestic economy and production capacity changes by domestic competitors. Domestic flat rolled steel production capacity has been reduced by the closing of seven producers during the past two years with total hot strip mill capacity of 16.7 million tons. This has contributed to the recent increase in order intake discussed below. The impact of this closed capacity may be reversed if the facilities are restarted as has frequently happened with idled steel capacity in the past.

WCI has experienced a significant increase in its order intake rate and backlog beginning in December 2001 which has resulted from the expectation of lower imports due to the pending Section 201 investigation, the recent closure of a competitor, a conclusion to inventory reductions by customers and the beginning of an economic recovery. WCI’s order backlog was approximately 250,000 tons at January 31, 2002 compared to 135,000 tons at October 31, 2001. With the increasing order entry rate and backlog, the Company and most other flat rolled steel producers announced price increases effective during the second calendar quarter 2002 totaling $50 per ton on hot-rolled, $30 per ton on cold-rolled, and $20 per ton on galvanized products. Due to these factors, the Company expects shipping volume in the second quarter 2002 to be approximately 315,000 tons and the third quarter 2002 to be approximately 330,000 tons. WCI expects net sales per ton shipped to be flat in the second quarter compared to the first quarter with net selling prices rising and being offset by lower revenue from steam sales to the LTV coke plant adjacent to WCI’s facility. Net sales per ton shipped are expected to increase by approximately $25 in the third quarter compared to the second quarter. In addition, WCI expects cost of products sold per ton to decline approximately 7% in the second quarter compared to the first quarter as capacity utilization increases and inventory valuation reserves are reduced. Despite these improvements, WCI expects to incur a significant net loss during fiscal 2002 for which WCI believes it has adequate availability of cash resources to maintain operations through at least fiscal 2002. However, if the volume or price increases expected to be realized during the second and third quarters of fiscal 2002 are not realized or sustained for the balance of fiscal 2002, it is likely that WCI will not have adequate availability under its existing financing arrangements and will require additional sources of financing. WCI cannot assure that it has the ability to obtain such additional financing, or what the terms of any additional financing might be. Failure to obtain additional financing in these circumstances would likely have a material adverse effect on WCI’s operations. For periods beyond fiscal 2002, further price improvements will be necessary for the Company to have sufficient cash resources to maintain its operations.

Forward-Looking Statements

This report includes “forward-looking statements” which involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and other important factors include, among others: general economic and business conditions; demand for Company products; changes in industry capacity and levels of imports of steel or steel products; outcome of Section 201 investigation; industry trends, including product pricing; competition; currency fluctuations; the loss of any significant customers; availability of qualified personnel; major equipment failures; changes in, or the failure or inability to comply with, government regulation, including, without limitation, environmental regulations; and the outcome of legal matters. These forward-looking statements speak only as of the date of this report. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein to reflect any change in the Company’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to commodity price risk with respect to natural gas and zinc. The Company uses forward purchase contracts to manage the volatility related to the exposure. No contracts are entered into for speculative purposes. The Company’s market risk has not changed materially from that reported in the Company’s 10-K for the fiscal year ended October 31, 2001.

PART II — OTHER INFORMATION

WCI STEEL, INC.

ITEM 1. LEGAL PROCEEDINGS

For information as to the environmental matters and as to the employee litigation described in the Company's Form 10-K for the year ended October 31, 2001, see Part I, Item 3.

ITEM 6. EXHIBITS and REPORTS ON FORM 8-K

(a) Exhibits:

None

(b) Reports on Form 8-K:

None

WCI STEEL, INC.

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.

WCI STEEL, INC.
(registrant)

Date: March 7, 2002

/S/ JOHN P. JACUNSKI

John P. Jacunski
Vice President and Chief Financial Officer
(principal financial officer)