



NEWS RELEASE

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BAYOU STEEL CORPORATION

FOR IMMEDIATE RELEASE

BAYOU STEEL CORPORATION ANNOUNCES FIRST QUARTER PROFITS

LaPlace, Louisiana (January 29, 1999) --- Bayou Steel Corporation (AMEX:BYX) reported consolidated income of \$2.6 million (\$0.20 basic earnings per share) on net sales of \$47.4 million for the first quarter of fiscal 1999 (ended December 31, 1998). This compares with income applicable to common shareholders of \$3.9 million (\$0.30 basic earnings per share) on net sales of \$66.3 million for the same period of fiscal 1998. The \$1.3 million decrease was essentially due to a change in an income tax valuation allowance. Aside from the substantial non-cash provision for income taxes, the financial results compare favorably with those of the prior year quarter in terms of gross profit and operating income.

While the impact of foreign steel dumping is now being felt industry wide, Bayou Steel's profits remained strong as a result of decreased costs and increased productivity and efficiency. The Company was able to realize 99% of the operating profit of the prior year quarter on net sales that were \$18.9 million leaner. Jerry Pitts, President and Chief Operating Officer said, "Scrap costs were at their lowest level in recent years as a result of the same market conditions that drove shipments and prices down. This raw material pricing, along with the productivity and efficiency of our operations, has produced a favorable quarterly operating profit similar to last year despite both pricing and shipment declines. Productivity at both rolling mills was the best in the Company's history. The operations in Tennessee continue to improve, having just recorded its best conversion cost since start-up."

Direct competition from imports began to impact the Company late in the first quarter. This competition, along with the customers' high inventory levels, caused price reductions in an effort to stimulate shipments from the domestic mills. Pitts explained, "The economic prosperity of the past several years led to a situation in which our steel service center customers were more comfortable with increased inventories. That is no longer the case. And, the volume of inexpensive imports both in and out of our product range has exacerbated this situation. The service centers are attempting to reduce inventories below the high levels built up over the past several years, given that low priced imports have now resulted in a series of price reductions from domestic mills."

Pitts elaborated, "The changed market conditions required us to make adjustments for one industry price decrease during the quarter in addition to a price decrease announced by a major competitor subsequent to quarter-end. We expect next quarter's metal margin to be slightly higher than the second quarter of last year but lower than the first quarter. We believe that the underlying demand for our products is strong and we see no economic indicators to the contrary. Shipments, however, are expected to remain sluggish for the next several months as our customers reduce their inventories."

"We also have a very pro-active capital program planned over the next few years to address changing market conditions and reduce cost and further improve our competitiveness. Cash on hand of \$26 million, our \$50 million bank facility, and the discretionary nature of many of the projects give us significant flexibility in the event that the slow down in the economy is more protracted than anticipated," Pitts commented.



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This release contains certain forward looking statements regarding the outlook for the Company's short-term financial results. Such forward looking statements are subject to risks and uncertainties and actual results could differ materially from those projected. Such risk and uncertainties include but are not limited to, general business and economic conditions; internal and external year 2000 compliance matters; competitive products and pricing, as well as fluctuations in supply (caused by imports) or demand; and potential equipment malfunctions. Any forward looking statements contained in this document speak only as of the date hereof, and the Company disclaims any intent or obligation to update such forward looking statements.

Bayou Steel Corporation operates a steel minimill which produces light structural steel products. Located on the Mississippi River in LaPlace, Louisiana, the Company operates three stocking locations along the inland waterway system near Pittsburgh, Chicago, and Tulsa. Its wholly owned subsidiary, Bayou Steel Corporation (Tennessee), produces merchant bar and bar shapes, and consists of a rolling mill and warehousing operation. These products are shipped to steel service centers, distributors, original equipment manufacturers and fabricators. The common stock of Bayou Steel Corporation is traded on the American Stock Exchange under the symbol "BYX".

FINANCIAL HIGHLIGHTS

(In Thousands, Except Per Share Data, Shipments and Selling Price)

	(Unaudited)	
	Quarter Ended	
	December 31,	
	1998	1997
Net sales	\$ 47,415	\$ 66,348
Gross profit	8,016	8,138
Operating income	6,378	6,598
Income before income tax	3,985	4,601
Provision for income tax*	<u>1,395</u>	<u>94</u>
Net income	\$ 2,590	\$ 4,507
Earnings before interest, taxes, depreciation and amortization	\$ 8,286	\$ 8,322
Basic earnings per share:		
Before income tax	0.31	0.36
Net income	0.20	0.35
Applicable to Common Shareholders	0.20	0.30
Shape Shipment Tons	135,543	183,261
Average selling price per ton	\$ 342	\$ 356

* Reflects the non-cash impact of an adjustment to an income tax valuation allowance taken in the prior year. Accordingly, the impact of statutory income tax rates is reflected in fiscal 1999 results.