



NEWS RELEASE

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BAYOU STEEL CORPORATION

FOR IMMEDIATE RELEASE

BAYOU STEEL CORPORATION REPORTS **SECOND QUARTER RESULTS**

LaPlace, Louisiana (May 8, 2001) --- Bayou Steel Corporation (AMEX:BYX) reported a consolidated loss of \$10.5 million on sales of \$38.7 million for the second quarter of fiscal 2001. For the six months ended March 31, 2001, the Company reported a loss of \$19.2 million on sales of \$73.6 million. The quarterly and six month results compare with net income of \$0.1 million on sales of \$55.5 million, and net income of \$0.8 million on sales of \$107.9 million, respectively, in the prior fiscal year.

“The operating results for the quarter and year to date are more than disappointing. Bayou and the remainder of the steel industry are experiencing extremely difficult market conditions - - - even worse than the general recession in the early ‘90s. Due to an oversupply created by imports and fueled by an economic slowdown, we are experiencing a market in which selling prices are severely depressed and our customers are overstocked. This caused Bayou and other responsible mills to curtail production to manage inventory levels. The low selling price is exacerbated by unusually high fuel cost, higher fixed cost per ton due to reduced operations, and low shipments. All of these negative factors culminate in the worst quarterly loss in recent history,” President and Chief Operating Officer Jerry Pitts said.

Pitts continued, “Despite the sizable loss, Bayou Steel has continued to improve operationally, making us a more efficient and effective organization. First, as a result of an intense focus on our melting operation procedures, we achieved record high productivity during the quarter and near record low additive, alloy, and flux cost.” The productivity benchmark is particularly beneficial to the Company given the extreme energy prices during the quarter and projections that such pricing will continue into the summer months. “Second, aggregate fixed cost decreased \$1.6 million during the quarter compared to the same period last year as we are realizing the impact of cost control measures taken in the last eight to ten months. Third, we have been effective in reducing our variable cost per ton - excluding the fuel component - resulting in savings of \$400,000 this quarter compared to the second quarter last year,” Pitts concluded.

Regarding the financial strength of the Company, Pitts commented, “We recently entered into a new \$50 million revolving credit facility that provides ample liquidity and very flexible terms. Bayou is in an excellent position to endure this current market downturn and is poised to generate greater returns than in the past given our improved efficiencies when market conditions improve. Under this credit facility we currently have \$40 million in immediately available funds. This coupled with our cash on hand provides nearly \$50 million in liquidity.”

Pitts commented on the outlook stating, “We are doing everything possible to minimize losses by cutting cost, and to maximize cash through effective working capital management. We believe that Bayou will emerge as a highly effective manufacturer by employing the process implemented as part of our organizational effectiveness study. However, we believe that the current market condition - high inventories, low selling prices, low production and volatile

energy cost - will not abate over the next two quarters and we do not expect a significant turnaround until next year. Certainly, we believe that the expected losses over the remainder of fiscal 2001 will be more moderate than those experienced thus far as a result of our recent cost saving and efficiency improvements. As high inventory levels at our customers are reduced, we anticipate some small improvements in the market.”

Bayou Steel Corporation operates a steel minimill and a stocking warehouse on the Mississippi River in LaPlace, Louisiana which produces merchant bar and light structural steel products. Its wholly-owned subsidiary, Bayou Steel Corporation (Tennessee), produces merchant bar and bar shapes, and consists of a rolling mill and warehousing operation. The Company also operates three stocking locations along the inland waterway system near Pittsburgh, Chicago, and Tulsa where its products are inventoried. Bayou Steel’s customers include steel service centers, distributors, original equipment manufacturers and fabricators.

This release contains various "forward-looking" statements which represent the Company's expectation or belief concerning future events. The Company cautions that a number of important factors could, individually or in the aggregate, cause actual results to differ materially from those included in the forward-looking statements including, without limitation, the following: changes in the price of supplies, power, natural gas, or purchased billets; changes in the selling price of the Company's finished products or the purchase price of steel scrap; changes in demand due to imports or a general economic downturn; cost overruns or start-up problems with capital expenditures; weather conditions in the market area of the finished product distribution; unplanned equipment outages; and changing laws affecting labor, employee benefit costs and environmental and other governmental regulations. 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.

FINANCIAL HIGHLIGHTS

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

| | (Unaudited) | | (Unaudited) | |
|-------------------------------|---------------------------|--------------------|-------------------------|--------------------|
| | Three Months Ended | | Six Months Ended | |
| | March 31, | | March 31, | |
| | <u>2001</u> | <u>2000</u> | <u>2001</u> | <u>2000</u> |
| Net sales | \$ 38,671 | \$ 55,467 | \$ 73,574 | \$ 107,853 |
| Gross margin | (6,261) | 4,260 | (10,743) | 9,595 |
| Operating margin | (7,929) | 2,474 | (14,066) | 5,993 |
| Net income (loss) | \$ (10,549) | \$ 102 | \$ (19,200) | \$ 811 |
| Net income (loss) per share | (0.82) | 0.01 | (1.49) | 0.06 |
| Shape shipment tons | 139,059 | 164,607 | 260,559 | 326,160 |
| Average selling price per ton | \$ 276 | \$ 333 | \$ 278 | \$ 326 |