



NEWS RELEASE

Financial: Richard J. Gonzalez, CFO-BSC
Phone: (985) 652-4900 Fax: (985) 652-0485
E-Mail Address: fna@bayousteel.com
Web Page: <http://www.bayousteel.com>
PO Box 5000, LaPlace LA 70069-1156

BAYOU STEEL CORPORATION

FOR IMMEDIATE RELEASE

BAYOU STEEL CORPORATION REPORTS **THIRD QUARTER RESULTS**

LaPlace, Louisiana (July 31, 2001) --- Bayou Steel Corporation (AMEX:BYX) reported a loss of \$7.5 million on sales of \$32.6 million for the third quarter of fiscal 2001. For the nine months ended June 30, 2001, the Company reported a loss of \$26.7 million on sales of \$106.2 million. The quarterly and nine month results compare with net income of \$0.1 million on sales of \$49.2 million, and net income of \$0.9 million on sales of \$157.1 million in the prior year respective periods.

Bayou Steel President and Chief Operating Officer Jerry Pitts said, "Operating results for the third fiscal quarter represented a \$3.1 million improvement over the second fiscal quarter in spite of the on-going difficult market conditions. Our average selling price stabilized during the quarter and, in fact, increased by \$4 per ton while net scrap cost decreased almost \$5 per ton providing modest relief to our severely depressed margins. However, continued excessive customer inventories combined with the soft underlying demand reflective of general economic conditions resulted in a 17% decrease in shipments from the depressed level experienced in the second quarter of this year. Though cheap imports have recently abated, the disproportionately high inventories at steel service centers are a result of positions taken over the past year."

"Our aggressive cost reduction and productivity enhancement program instituted earlier this year helped to offset some of the negative impacts of high energy prices and curtailed production. Our melt shop posted record productivity and yield as a direct result of these initiatives," Pitts continued. Compared to the third quarter of last fiscal year, the Company reduced production cost by approximately \$2.0 million as a result of these programs.

Commenting on Bayou Steel's liquidity, Pitts said, "Our revolving credit facility is untapped as of June 30, 2001. Under this facility we have \$40 million of borrowing capacity. This, coupled with our cost reduction programs, should ensure that Bayou will be able to endure these trying market conditions and ultimately emerge as a much more effective organization improving future performance."

The Company recently completed the installation of an \$8 million capital improvement program at its rolling mill in Tennessee. The new equipment was installed on time and within budget and represents the Company's continuing commitment to serving this market. "The new capital is an investment in our future and will enable us to not only significantly reduce cost but to improve reliability for our customers," Pitts commented.

Pitts concluded, "We expect some improvement in the fourth fiscal quarter due to several factors. First, we have begun to realize the benefits of an aggressive focus on cost control and productivity enhancement that will continue in future quarters. Second, a price increase was announced that will impact a small portion of our product line. This may be an indication that there may be some relief in the near term. Third, as a result of the liquidation of a competitor, we anticipate a modest improvement in shipments. Lastly, we expect power prices to be lower than the past two quarters."

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. 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 manufactures light structural and merchant bar products in LaPlace, Louisiana and Harriman, Tennessee. The Company also operates three stocking locations along the inland waterway system near Pittsburgh, Chicago, and Tulsa.

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

	(Unaudited)		(Unaudited)	
	Three Months Ended		Nine Months Ended	
	June 30,		June 30,	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Net sales	\$ 32,581	\$ 49,245	\$ 106,154	\$ 157,098
Gross margin	(2,826)	4,223	(13,569)	13,819
Operating margin	(4,637)	2,493	(18,703)	8,486
Net income (loss)	\$ (7,464)	\$ 117	\$ (26,665)	\$ 928
Net income (loss) per share	(0.58)	0.01	(2.07)	0.07
Shape shipment tons	115,421	146,165	375,980	472,325
Average selling price per ton	\$ 280	\$ 333	\$ 279	\$ 328