



NEWS RELEASE

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BAYOU STEEL CORPORATION

FOR IMMEDIATE RELEASE

BAYOU STEEL CORPORATION REPORTS **THIRD QUARTER EARNINGS**

LaPlace, Louisiana (August 3, 2000) --- Bayou Steel Corporation (AMEX:BYX) reported consolidated net income of \$0.1 million on sales of \$49 million for the third fiscal quarter. For the nine months ended June 30, 2000, the Company reported net income of \$0.9 million on sales of \$157 million. The quarterly and nine month results compare with net income of \$1.4 million on sales of \$55 million, and net income of \$5.0 million on sales of \$152 million, respectively, in the prior fiscal year.

Year to date shipments and average selling prices are improved over the same period last year, although this improving trend was reversed in the third quarter by a resurgence of imports into Bayou Steel's product line. "There was evidence of solid demand for our products in the first six months and particularly the first quarter of this fiscal year -- average selling prices and shipments were both up as we believed the steel market was recovering from the unprecedented level of imports last year. In the third quarter, cheap imports again flooded the market causing similar results as experienced last year with our customers replacing orders for domestic steel with readily available imports at greatly reduced prices," stated Jerry Pitts, President and Chief Operating Officer. "Recognizing the deteriorating market situation, mills canceled price increases scheduled to take effect in the third fiscal quarter and started reducing prices to move inventories," Pitts continued.

With Bayou Steel's rolling mills producing at capacity, inventory levels have increased. "We have temporarily reduced operations at our rolling mills in order to reduce inventory levels. We shifted our rolling mill in Louisiana from a seven-day work week to five days and did the same at Tennessee subsequent to quarter end," stated Pitts. Operationally, Bayou Steel's two rolling mills have performed well throughout the year with each on track to set record productivity rates while exceeding combined production last year to date by 13%. "We anticipate that the reduction in operations will not impact productivity rates but we do expect a temporary decrease in overall production," stated Pitts.

Pitts added, "We expect scrap prices to drop marginally in the next several months and then stabilize. This should help to reduce the pressure on our operating margin brought about by expected lower selling prices over the same period."

The capital improvements installed in the Louisiana melt shop in fiscal 1999 are beginning to influence production. However, higher cost in the melt shop resulting in part to the cost of natural gas and electricity has so far outweighed the benefits derived from the improvements. The high cost of energy is expected to continue, at least, through the summer.

Pitts then commented, "During the fourth quarter, we expect to initiate an organizational effectiveness process aimed at achieving operational enhancements and increased cost efficiencies. This type of critical analysis and improvement process is part of our operational culture and is performed on a periodic basis. While we have been guaranteed that this program will provide certain benefits beginning in the next fiscal year and extending thereafter,

the initial cost will likely be incurred in this coming quarter and negatively impact fourth fiscal quarter reported earnings. We are optimistic that long-term cost efficiencies will only be enhanced by this process.”

Working capital continues to be very strong at \$108 million as of the end of the third fiscal quarter. The Company’s strong cash position has been affected by the build up of inventory. At quarter end, the Company maintained \$13 million invested in high-quality, short-term instruments. “Our invested cash together with our untapped \$50 million line of credit gives us \$63 million in liquidity. We do expect to convert inventory into cash over the next couple of months. These liquidity and working capital positions, along with the recent acquisition and cancellation of warrants to purchase 822,422 shares of common stock, should enhance our ability to take advantage of potential growth opportunities. We remain focused on improving our competitive position by continuing to drive our cost reduction process, expanding our scrap procurement and processing functions, and expanding our strategic electronic data interchange and vendor managed inventory relationships. We continue to be bullish on our business to business (B2B) technology capabilities in creating value for both customers and Bayou,” Pitts concluded.

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.

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.

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

	(Unaudited)		(Unaudited)	
	Three Months Ended		Nine Months Ended	
	June 30,		June 30,	
	2000	1999	2000	1999
Net sales	\$ 49,245	\$ 54,825	\$ 157,098	\$ 152,128
Gross margin	4,223	6,216	13,818	20,151
Operating profit	2,493	4,447	8,486	14,835
Income before income tax	180	2,140	1,428	7,715
Provision for income tax *	63	750	500	2,701
Net income	\$ 117	\$ 1,390	\$ 928	\$ 5,014
Earnings before interest, taxes, depreciation & amortization (EBITDA)	\$ 5,645	\$ 6,598	\$ 17,453	\$ 21,655
Basic earnings per share	0.01	0.11	0.07	0.39
Shape shipment tons	146,165	174,025	472,325	466,421
Average selling price per ton	\$ 333	\$ 312	\$ 328	\$ 322

* Income taxes are primarily noncash due to the Company’s net operating loss carryforward position.