



BAYOU STEEL CORPORATION
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NEWS RELEASE

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BAYOU STEEL CORPORATION FISCAL 2000 RESULTS **CRISIS IN STEEL INDUSTRY RESULTS IN ADVERSE IMPACT**

LaPlace, Louisiana (December 5, 2000) Bayou Steel Corporation (AMEX:BYX) reported a net loss of \$5.6 million or \$0.43 per share on sales of \$202 million for the year ended September 30, 2000. This compares with net income of \$6.1 million or, \$0.47 per share on sales of \$206 million in the prior fiscal year. The Company reported a fourth quarter net loss of \$6.5 million compared to net income of \$1.1 million in the prior fiscal year fourth quarter.

President and Chief Operating Officer Jerry Pitts said, "Bayou Steel Corporation has undertaken measures to ensure stability while addressing current market challenges of foreign dumped steel and the significantly increasing cost of energy. We believe we are positioned to contend with the severe market conditions that have already forced several steel mills into bankruptcy and put others in very tenuous positions." The President of the Steel Manufacturers Association, Thomas Danjczek, had recently advised the industry that the magnitude of the trade crisis is creating havoc. Pitts said that Bayou Steel has adopted aggressive cash sensitive and cost reduction measures to help the Company weather current conditions.

Foreign dumping of steel has plunged prices --- from \$373 per ton in April 1998, a record fiscal year for the Company, to a seven-year low of \$295 per ton in September 2000. Bayou Steel, along with 77 other domestic steel companies, recently called upon Capitol Hill to take broad and comprehensive action against the flood of imported steel. The steel industry seeks "clear public recognition that once again there is a crisis devastating the domestic steel industry" and, in response, asked the administration to "immediately impose meaningful restraints on steel imports from offending non-WTO countries."

Sharply higher electricity and natural gas prices, up \$3 million from a year ago, also had a major impact on Bayou Steel's operating results, as they have for the entire industry. Energy prices raised the Company's conversion cost by about 4% over the prior year. The Steel Manufacturers Association cited, "extreme price volatility in spot energy and ancillary service markets, as well as seriously degraded reliability," as primary causes of high energy costs.

Pitts detailed the situation, reporting that, "By almost any operating measure, Bayou Steel is an efficient producer of steel. Despite internal measures, record dumping of foreign steel in the third and fourth quarters of fiscal 2000 created an oversupply industry-wide. As inventories reached record levels, the selling price plummeted. The average selling price decreased \$38 per ton in our fourth quarter compared to our immediately preceding quarter."

"With this adverse oversupply, shipments were flat in the fourth quarter compared to the third quarter of this year --- and down almost 20,000 tons or 12% from the fourth quarter of fiscal 1999. The decrease in selling prices in the fourth quarter, down nearly 12%, was offset by a marginal decrease in the scrap price, down 2%, yielding a substantial squeeze in margins." Through its scrap division, Mississippi River Recycling, Bayou Steel is producing 11% more scrap in 2000 vs 1999 in an ongoing effort to control and reduce the cost of its primary raw material.

Pitts added, "Management continues to see softness in both orders and pricing, a situation which is exacerbated by the high inventory levels carried by customers and competitors. In order to effectively manage inventory levels, we recently further reduced production at our Louisiana facility. This, coupled with soaring prices of electricity and natural gas, is expected to keep manufacturing costs high over the near term."

As of September 30, 2000, Bayou Steel has an unused revolving credit facility and over \$17 million of cash invested in short term, high quality instruments. Regarding the Company's liquidity, Pitts said, "We are focused on maintaining a positive cash stream. Cash is being raised by selling down inventory." The Company reduced its mode of operation subsequent to year end to liquidate excessive inventory levels and provide positive cash flow.

In fiscal 2000, the Company completed a two-year program to upgrade the capacity and efficiency of its melting operations. "With the learning curve associated with this significant capital program behind us, Bayou is poised to reap the benefits of its melt shop upgrade program. This should help to offset some of the impact of the industry market conditions. Capital spending over the next twelve months will be directed towards maintenance projects --- with some spending in the second fiscal quarter of 2001 on a long lead time project to upgrade certain equipment in our Tennessee rolling mill," Pitts continued.

In the fourth quarter of fiscal 2000, Bayou undertook another major project designed to improve operating efficiencies and effectiveness at its facilities. "Our operational effectiveness project is designed to focus inwardly, stressing the need to manage our capital and human resources by creating a 'high velocity' work culture. We believe that the long-term benefits will make us a stronger, more competitive business and advance Bayou towards the corporate goal of being a low cost provider of high quality structural and merchant bar steel products," Pitts concluded.

Regarding the outlook for next year, Pitts closed by saying, "In contrast to the current poor market conditions, the second half of fiscal 2001 should be stronger than the first half. The strong US dollar, customer inventory drawdowns, high energy prices, and a slowing of the global economy will continue to impact the earlier part of the year. The dramatic steps being taken now will put Bayou Steel in a position to benefit from future improvements in the market."

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; changes in the selling price of the Company's finished products or the purchase price of steel scrap; competitive products and pricing, as well as fluctuations in supply (caused by imports or additional domestic capacity) or demand; changes in the price of supplies, power and natural gas; cost overruns or start-up problems; 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 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. The Company's products are used for a wide range of commercial and industrial applications, including the construction and maintenance of petrochemical plants, barges and light ships, railcars, trucks and trailers, rack systems, tunnel and mine support products, joists, sign and guardrail posts for highways, power and radio transmission towers, and bridges. Bayou Steel's customers include steel service centers, distributors, original equipment manufacturers and fabricators.

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

	(Audited)		(Unaudited)	
	Year Ended		Three Months Ended	
	September 30,		September 30,	
	2000	1999	2000	1999
Net sales	\$ 202,498	\$ 206,373	\$ 45,399	\$ 54,246
Gross margin	10,890	25,576	(2,928)	5,425
Operating profit (loss)	3,839	18,421	(4,647)	3,586
Income (loss) before income tax	(5,577)	9,349	(7,005)	1,634
(Provision) credit for income tax	0	(3,272)	500	(570)
Net income (loss)	(5,577)	6,077	(6,505)	1,064
Earnings before interest, taxes, depreciation and amortization	15,200	28,562	(2,253)	6,907
Earnings (loss) per share	(0.43)	.47	(0.50)	.08
Shape shipment tons	623,583	637,366	151,258	170,945
Average selling price per ton	\$ 320	\$ 320	\$ 295	\$ 312