



NEWS RELEASE

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PO Box 5000, LaPlace LA 70069-1156

BAYOU STEEL CORPORATION

FOR IMMEDIATE RELEASE

BAYOU STEEL CORPORATION REPORTS **FIRST QUARTER RESULTS**

LaPlace, Louisiana (February 5, 2002) --- Bayou Steel Corporation (AMEX:BYX) reported a loss of \$4.8 million on sales of \$29.8 million for its first quarter of fiscal 2002, a significant improvement from the first quarter of fiscal 2001 when the Company lost \$8.7 million on sales of \$34.9 million.

“Though we are never satisfied with a net loss, we are encouraged to see improvement,” stated Jerry Pitts, President and Chief Operating Officer. “As a result of our aggressive cost reduction and productivity enhancement initiatives, together with lower energy prices, the loss has been reduced to nearly half that of the first quarter last year and the immediate preceding quarter. This was accomplished despite a 15% reduction in revenue on decreased shipments and selling prices,” Pitts continued.

During the quarter the Company reduced conversion and period costs by over \$4 million compared to the first quarter of last year. These significant improvements enabled the Company to improve gross operating margin to nearly breakeven from a negative position in the first three months of last fiscal year. The 15% decrease in revenue was driven by a 12% decrease in shipments and a 3% decrease in the average selling price. “During the quarter a major competitor announced a price decrease that affected the vast majority of our product line. The change impacted our selling price about midway through the quarter and, despite its adverse impact, the aftermath of the September 11 terrorist attack, the economic recession, imports, and the seasonal drop in shipments, our operating margin was better than any of the last five quarters,” commented Pitts.

Prior to the price decrease, the Company was approaching operating cash breakeven (defined as net loss plus depreciation and amortization). Pitts said, “We continue to manage the Company towards operating cash breakeven. The liquidity afforded under our line of credit, presently about \$30 million, continues to provide the necessary resources as we move toward achieving this initial goal.” During the quarter, the Company realized favorable pricing in raw materials, electricity and natural gas; however, the average selling price remained at an extremely low level.

Commenting on the Company’s operations, Pitts stated, “We are implementing new sales and product strategies which are designed to expand our product offerings and penetrate new markets in order to increase revenue and capacity utilization while reducing fixed cost. We are confident that your Company possesses the personnel, technology, and culture to continue the gains in cost efficiency while improving sales performance in order to capitalize on these new markets and an eventual improving economy.”

Dumping of foreign steel and a slumping domestic economy continued to be the major factors driving operating results. "We are hopeful that the recent signs that the recession may be bottoming-out will bring better market conditions. In fact, January shipments have increased over the rate of the first quarter and a \$20 per ton price increase was announced by a major competitor. Although both of these factors are promising, we greet these signs with cautious optimism and will not relent until profitability is regained," Pitts concluded.

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

	(Unaudited)	
	Quarter Ended	
	December 31,	
	<u>2001</u>	<u>2000</u>
Net sales	\$ 29,757	\$ 34,903
Gross margin	(295)	(4,482)
Operating margin	(1,954)	(6,137)
Net loss	\$ (4,803)	\$ (8,651)
Net loss per share	\$ (0.37)	\$ (0.67)
Shipment tons	106,794	121,500
Average selling price per ton	\$ 274	\$ 283
	<u>(Unaudited)</u>	<u>(Audited)</u>
	<u>December 31,</u>	<u>September 30,</u>
	<u>2001</u>	<u>2001</u>
Working Capital	\$ 60,265	\$ 63,393
Debt to Equity	2.2 to 1	1.9 to 1
Liquidity ⁽¹⁾	\$ 30,000	\$ 41,000

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