



### **Acme Metals Announces Third-Quarter, Nine-Month Results**

RIVERDALE, Ill., Oct. 23 /PRNewswire/ -- Acme Metals Incorporated (NYSE: AMI; TSE: AMK) reported a third quarter net loss of \$10.5 million, or \$0.91 per share, compared with net income of \$2.9 million, or \$0.25 per share, reported in the same period last year. For the nine-month period, Acme Metals posted a net loss of \$39.2 million, or \$3.37 per share, compared with net income of \$9.5 million, or \$0.82 per share, in 1996. The earnings decline in the quarter and nine months just ended primarily reflects an increase in net interest expense, depreciation and costs associated with the rampup of the new Compact Strip Production (CSP) facility as compared to the comparable periods last year.

The company's Steel Fabricating segment turned in another outstanding quarter with both sales and operating profit ahead of last year for the same period. The segment had operating income of \$7.3 million, up 37 percent from the third quarter last year, on sales of \$71 million for the quarter just ended.

The company's Steel Making segment results continued to be adversely affected, as Acme Steel Company continues to strive towards increasing shipments and reducing costs at its new CSP facility. The Steel Making segment had an operating loss of \$16.5 million on sales of \$68 million for the quarter just ended. Last year, the Steel Making segment had an operating loss of \$1.5 million on sales of \$82 million in the same three months. Consolidated net sales for the quarter just ended were \$115 million, down from \$125 million a year earlier. The falloff was mainly due to lower sales of non-flat rolled products and an unfavorable product mix of finished steel shipments from the new plant.

Consolidated net sales for the first nine months of 1997 totaled \$364 million, down from \$378 million in the same period last year. The nine-month decline in sales was due mainly to the same factors that affected the third quarter.

Acme Metals President and Chief Executive Officer Stephen D. Bennett commented, "Our Steel Fabricating segment had another solid quarter and nine months with improved operating results. I continue to be pleased with the performance of our fabricating businesses which nearly duplicated their record performances of the second quarter. Our Steel Making segment continues to be affected by the rampup of our new CSP facility. One factor contributing to

our performance in the third quarter was the production of over 40,000 tons of hot rolled steel which was not finished and shipped during the quarter." Included in the Steel Making segment loss were ongoing cost inefficiencies related to the rampup of the new facility as it operated at less than optimal capacity. Operating results also were adversely affected by lower margins reflecting an unfavorable product mix during the quarter compared to the prior year. Shipments of niche products from the new facility accounted for 20 percent of third quarter shipments, up from 13 percent in the second quarter.

Bennett continued, "In the second quarter, the challenge was the speed of initial product development of our various special steel grades. As I indicated in the second quarter press release, the task ahead was to refine the new equipment and our operating practices to process all our products on a consistent basis and in larger volumes. In the third quarter, we did improve output at the new CSP plant by over 45 percent as we utilized approximately 70 percent of the new facility's capacity. We also increased production of high carbon, HLSA and alloy products by over 190 percent, producing almost 40,000 tons of these grades, as we continued to improve the equipment and our operating procedures.

"Currently, our ability to produce hot rolled steel is outpacing our steel finishing capability, and we're dealing with this challenge. Shipments were hampered in part by the late equipment delivery and startup of the slitting operations at our new processing joint venture, NACME Steel Processing. The resulting reliance on other outside processors, plus the ongoing transition to our new management information system, were also factors which affected shipping capabilities."

ACME is working diligently to increase productivity, and slitter throughput has increased every month since the startup in June. Once this temporary bottleneck is removed, our lead times will improve allowing us to better serve our customers' requirements, and enabling us to obtain more commercial orders from our traditional niche customers."

As part of the continuing upgrade of the company's management information systems, in September, the Steel company implemented new production control, scheduling, and material management systems to encompass the steel finishing operations. Once fully operational, the new systems will integrate company-wide business processes and enhance the quality and speed of our customer service.

Bennett concluded, "Clearly, we have additional work ahead, and we continue to make progress. In capital projects of this magnitude and complexity it takes time to reach the planned production and cost performance and to achieve the expected benefits. I am confident we will reach that point. Our priorities are to continue to ramp up production, increase shipments, and achieve the expected benefits in cost reduction and expanded market opportunities. We must continue to improve our customer service by increasing our steel finishing capability and successfully integrating our new business systems. We remain excited about the opportunities created by our expanded technological and manufacturing capabilities."

Acme Metals Incorporated, through its operating subsidiaries, is a fully integrated producer of steel, steel strapping and strapping products, welded steel tubing, and auto and light truck jacks. Its common stock is traded on the New York Stock Exchange under the symbol AMI and on the Toronto Stock

Exchange under the symbol AMK.

ACME METALS INCORPORATED  
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

For the Three and Nine Months Ended September 28, 1997 and September 29, 1996  
(in thousands, except for weighted average shares outstanding  
and per share amounts)

Three Months	Nine Months				
1997	1996	1997	1996		
Net sales		\$115,250	\$125,174	\$364,051	\$378,307
Cost of products sold		114,964	108,829	367,237	333,260
Gross margin		286	16,345	(3,186)	45,047
Training and Pre-start-up -- Modernization Project		--	3,280	--	6,431
Selling and administrative expense		9,433	9,187	29,766	26,511
Operating income (loss)		(9,147)	3,878	(32,952)	12,105
Interest expense		(10,482)	(289)	(30,377)	(1,226)
Interest income		19	1,022	479	4,887
Other-net		(187)	155	(311)	43
Income (loss) before income taxes		(19,797)	4,766	(63,161)	15,809
Income tax provision (benefit)		(9,257)	1,907	(24,001)	6,324
Net income (loss)		\$ (10,540)	\$ 2,859	\$ (39,160)	\$ 9,485
PER COMMON SHARE:					
Net income (loss)		\$ (0.91)	\$ 0.25	\$ (3.37)	\$ 0.82
Weighted average shares outstanding					
		11,629,281	11,631,654	11,628,556	11,617,902

ACME METALS INCORPORATED  
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS  
September 28, 1997 and December 29, 1996  
(in thousands)

1997	1996		
ASSETS			
Current assets		\$164,343	\$182,837
Investments and other assets		72,938	62,187
Property, plant and equipment		560,410	560,725
Total assets		\$797,691	\$805,749
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities		\$94,591	\$115,940
Long term debt		354,388	310,085
Other long-term liabilities		19,157	13,026
Postretirement benefits other than pensions		97,193	93,247
Retirement benefit plans		10,497	12,750
Shareholders' equity		221,865	260,701
Total liabilities and shareholders' equity		\$797,691	\$805,749

ACME METALS INCORPORATED

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the Nine Months Ended September 28, 1997 and September 29, 1996  
(in thousands)

1997	1996		
Net cash (used) provided by operating activities		\$ (42,675)	26,569
Purchase of investments		(331)	(24,669)
Sales and/or maturities of investments		12,148	144,991
Investment in joint venture		--	(1,750)
Capital expenditures - Modernization Project		(19,771)	(155,725)
Capital expenditures - other		(11,704)	(19,007)
Net cash used for investing activities		(19,658)	(56,160)
Borrowings under revolving credit agreement		73,500	--
Repayments of revolving credit agreement		(38,000)	--
Issuance of long term debt, net of issuance cost		--	19,477
Other		324	312
Net cash provided by financing activities		35,824	19,789
Net decrease in cash and cash equivalents		(26,509)	(9,802)
Cash and cash equivalents at beginning of period		33,224	53,043
\$6,715	\$43,241		

Note: At the end of the third quarter of 1997 and 1996 accounts payable relating to the Modernization Project totaled \$10.1 million and \$3.1 million, respectively. Due to the non-cash nature of the capital expenditures they have been excluded from this Statement. At December 29, 1996 and December 31, 1995 accrued capital expenditures related to the Modernization Project totaled \$12.0 million and \$18.9 million, respectively.

ACME METALS INCORPORATED

UNAUDITED BUSINESS SEGMENT SALES AND OPERATING RESULTS  
For the Three and Nine Months Ended September 28, 1997 and September 29, 1996  
(in thousands, except for shipment and production statistics)

Three Months	Nine Months				
1997	1996	1997	1996		
Net Sales:					
Steel Making:					
Sales to unaffiliated					
customers		\$44,495	\$56,121	\$148,825	\$169,712
Intersegment sales		23,620	26,153	73,405	85,548
68,115	82,274	222,230	255,260		

Steel Fabricating:				
Sales to unaffiliated customers	70,755	69,053	215,226	208,595
Intersegment sales	221	491	798	1,190
70,976	69,544	216,024	209,785	
Eliminations	(23,841)	(26,644)	(74,203)	(86,738)
Total	\$115,250	\$125,174	\$364,051	\$378,307

Income (loss) from Operations:				
Steel Making	\$ (16,451)	\$ (1,469)	\$ (53,047)	\$ (3,545)
Steel Fabricating	7,304	5,347	20,095	15,650
Total	\$ (9,147)	\$ 3,878	\$ (32,952)	12,105

Depreciation:				
Steel Making	\$8,529	\$2,275	\$26,824	\$6,918
Steel Fabricating	990	881	2,916	2,813
Corporate	3	79	11	242
Total	\$9,522	\$3,235	\$29,751	\$9,973

Capital Expenditures:				
Steel Making	\$4,364	\$41,081	\$23,144	\$154,506
Steel Fabricating	2,553	2,079	6,388	4,411
Corporate	4	14	57	24
Total	\$6,921	\$43,174	\$29,589	\$158,941

Operating Data (in tons)				
Steel Production (hot band)	184,096	165,974	543,387	488,515
Steel Shipments (flat roll)	141,980	146,192	464,050	459,309

SOURCE Acme Metals Incorporated  
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