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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

[x] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended July 31, 2000.

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from   to

Commission file number: 333-18019

WCI STEEL, INC.
(Exact name of registrant as specified in its charter)

Ohio	**34-1585405**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1040 Pine Ave., S.E., Warren, Ohio	**44483-6528**
(Address of principal executive offices)	(Zip Code)

(330) 841-8302
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

[ ] Yes   [X] No

As of August 30, 2000, the registrant had 100 shares of its common stock, no par value, $.01 stated value, outstanding.

WCI STEEL, INC. AND SUBSIDIARIES

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PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

WCI STEEL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except per share data)

	July 31, 2000	October 31, 1999
	(Unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	$ 88,859	$ 76,349
Accounts receivable, less allowances	52,926	57,846
Inventories	93,635	83,247
Prepaid expenses	306	6,236
Total current assets	235,726	223,678
Property, plant and equipment, net	204,455	208,477
Intangible pension asset, net	27,115	31,895
Other assets, net	17,880	15,894
Total assets	$485,176	$479,944
LIABILITIES and SHAREHOLDER'S EQUITY (DEFICIT)		
Current liabilities		
Current portion of long-term debt	$ 127	$ 122
Accounts payable	52,060	59,730
Accrued liabilities	44,747	48,364
Total current liabilities	96,934	108,216
Long-term debt, excluding current portion	301,285	301,380
Postretirement health care benefits	108,575	99,706
Pension benefits	36,739	38,635
Other liabilities	14,566	13,738
Total liabilities	558,099	561,675
Shareholder's equity (deficit)		
Preferred stock, par value $1,000 per share, 5,000 shares authorized, none issued	0	0
Common stock, no par value, stated value $.01 per share, 40 million shares authorized, 100 shares issued and outstanding	0	0
Additional paid-in capital	279	279
Accumulated deficit	(73,202)	(82,010)
Total shareholder's equity (deficit)	(72,923)	(81,731)
Commitments and contingencies	0	0
Total liabilities and shareholder's equity (deficit)	$485,176	$479,944

The accompanying notes are an integral part of these condensed consolidated financial statements.

WCI STEEL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF INCOME
(Dollars in thousands)
(Unaudited)

	Three months ended July 31,		Nine months ended July 31,	
	2000	**1999**	**2000**	**1999**
Net sales	$140,726	$143,086	$438,087	$392,478
Operating costs and expenses				
Cost of products sold	122,258	119,395	372,646	343,111
Depreciation and amortization	5,837	5,855	17,482	17,488
Selling, general and administrative expenses	4,060	4,076	12,637	10,817
	132,155	129,326	402,765	371,416
Operating income	8,571	13,760	35,322	21,062
Other income (expense)				
Interest expense	(7,983)	(8,031)	(23,959)	(24,047)
Interest and other income, net	1,812	762	6,645	2,150
	(6,171)	(7,269)	(17,314)	(21,897)
Income (loss) before income taxes	2,400	6,491	18,008	(835)
Income tax (benefit)	0	0	0	(4,558)
Net income	$ 2,400	$ 6,491	$ 18,008	$ 3,723

The accompanying notes are an integral part of these condensed consolidated financial statements.

WCI STEEL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

	Nine months ended July 31, 2000	Nine months ended July 31, 1999
Cash flows from operating activities:		
Net income	$ 18,008	$ 3,723
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	15,276	15,290
Amortization of deferred maintenance costs	2,206	2,198
Amortization of financing costs	968	1,006
Postretirement health care benefits	8,869	5,039
Pension benefits	4,053	(2,514)
Deferred income taxes	0	(4,758)
Other	1,150	103
Cash provided (used) by changes in certain assets and liabilities		
Accounts receivable	4,920	(12,653)
Inventories	(10,388)	895
Accounts payable	(7,670)	8,291
Accrued liabilities	(4,786)	(8,513)
Other assets and liabilities, net	1,598	(436)
Net cash provided by operating activities	34,204	7,671
Cash flows from investing activities:		
Additions to property, plant and equipment	(12,404)	(7,970)
Cash flows from financing activities:		
Principal payments on long-term debt	(90)	(87)
Dividends paid	(9,200)	0
Net cash used by financing activities	(9,290)	(87)
Net increase (decrease) in cash and cash equivalents	12,510	(386)
Cash and cash equivalents at beginning of period	76,349	62,195
Cash and cash equivalents at end of period	$ 88,859	$ 61,809
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 30,483	$ 30,533
Cash paid for income taxes	21	971

The accompanying notes are an integral part of these condensed consolidated financial statements.

WCI STEEL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Three months and nine months ended July 31, 2000 and 1999
(Unaudited)

NOTE 1 : BASIS OF PRESENTATION

WCI Steel, Inc. (Company or WCI) is a wholly-owned subsidiary of Renco Steel Holdings, Inc. (Renco Steel) and an indirect wholly-owned subsidiary of The Renco Group, Inc. (Renco). The financial information included herein is unaudited; however, such information reflects all adjustments (consisting solely of normal recurring adjustments) which are, in the opinion of management, necessary for a fair statement of results for the interim periods. The results of operations for the three and nine months ended July 31, 2000 are not necessarily indicative of the results to be expected for the full year.

These interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Form 10-K for the fiscal year ended October 31, 1999.

NOTE 2 : INVENTORIES

Inventories are stated at the lower of cost or market. Cost is determined by the last-in, first-out (LIFO) method. The composition of inventories at July 31, 2000 and October 31, 1999 was as follows:

	July 31, 2000	October 31, 1999
	(Unaudited)	
	(Dollars in Thousands)	
Raw materials	$25,934	$33,811
Finished and semi-finished product	69,113	49,386
Supplies	89	50
	95,136	83,247
Less LIFO reserve	(1,501)	0
	$93,635	$83,247

NOTE 3 : ENVIRONMENTAL MATTERS and OTHER CONTINGENCIES

In common with much of the steel industry, the Company's facilities are located on sites that have been used for heavy industrial purposes for decades. The Company is and will continue to be subject to numerous federal, state and local environmental laws and regulations governing, among other things, air emissions, waste water discharge and solid and hazardous waste management. The Company has made and intends to continue to make the necessary expenditures for environmental remediation and compliance with environmental laws and regulations. Environmental laws and regulations continue to change and have generally become more stringent, and the Company may be subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have a material adverse effect on the Company's financial condition and results of operations.

The Company is subject to consent decrees as a result of two civil actions instituted by the Department of Justice (DOJ), on behalf of the Environmental Protection Agency (EPA). These consent decrees require the Company to complete certain supplemental environmental projects estimated to cost between $1.7 million and $2.2 million that will be expended by late 2001. The largest of the projects to be undertaken as part of the settlement involves sediment removal from the Mahoning River at an estimated cost of $750,000 but not to exceed $1 million. The consent decrees also provide for stipulated penalties in the event of noncompliance which the Company does not believe will be material.

As a condition of a previous Resource Conservation and Recovery Act (RCRA) operating permit, the Company is required to undertake a corrective action program with respect to historical material handling practices at the Warren facility. The Company has completed the initial phase of the first investigation step of the corrective action program, the RCRA Facility Investigation (RFI), and has submitted its report to the EPA. The Company believes that additional sampling will be required to complete a full RFI and will negotiate the extent of the second phase with the EPA. The RFI workplan identifies thirteen historical solid waste management units to be investigated. The final scope of corrective action required to remediate any contamination that may be present at or emanating from the Warren facility is dependent upon the completion and findings of the RFI and the development and approval of a corrective action program. Accordingly, the Company is unable at this time to estimate the final cost of the corrective action program or the period over which such costs may be incurred and there can be no assurance that any such corrective action program would not have a material adverse effect on the operating results or financial condition of the Company.

On January 23, 1996, two retired employees instituted an action against the Company and the United Steelworkers of America (USWA) in the United States District Court for the Northern District of Ohio alleging in substance that certain distributions made by the Company to employees and benefit plans violated certain agreements, the Employee Retirement Income Security Act (ERISA), the National Labor Relations Act (NLRA) and common law. On July 31, 1997, the court granted the Company’s motion to dismiss this action and entered judgement in favor of the Company and the USWA. The Plaintiffs filed an appeal regarding the court’s decision to dismiss, which was heard in June 1998. In March 1999, the appellate court upheld the dismissal of the claims under ERISA and common law, but reversed the dismissal of the NLRA claim and remanded to the district court for further proceedings. Discovery regarding the NLRA claim is in process.

In addition to the above matters, the Company is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its business. A liability has been established for an amount, which the Company believes is adequate, based on information currently available, to cover the costs to resolve the above described matters, including remediation, if any, except for any costs of corrective action that may result from the RFI for which no estimate can currently be made. The outcome of the above described matters could have a material adverse effect on the future operating results of the Company in a particular quarterly or annual period; however, the Company believes that the effect of such matters will not have a material adverse effect on the Company’s consolidated financial position.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

RESULTS OF OPERATIONS

Three Months Ended July 31, 2000 Compared to Three Months Ended July 31, 1999.

Net sales for the three months ended July 31, 2000 were $140.7 million on 308,912 tons shipped, representing a 1.6% decrease in net sales and a 5.9% decrease in tons shipped compared to the three months ended July 31, 1999. Shipping volume for the 2000 period was lower due primarily to customers reducing the level of their inventories. Net sales per ton shipped increased 4.6% to $456 in the 2000 period compared to $436 for the 1999 period, primarily as a result of price increases which became effective January 1, 2000 and to a lesser extent price increases which became effective April 1, 2000. Shipments of custom carbon, alloy and electrical steels accounted for 62.3% of total shipments for the three months ended July 31, 2000 compared to 66.6% in the comparable period of 1999.

Gross margin (sales less cost of goods sold) was $18.5 million for the three months ended July 31, 2000 compared to $23.7 million for the three months ended July 31, 1999. The decrease in gross margin reflects the lower shipping volume discussed above and increased production costs as a result of planned maintenance at the company's hot strip mill and other operating units and the effect of lower production volume offset somewhat by increased selling prices.

Operating income was $8.6 million, or $28 per ton, for the three months ended July 31, 2000 compared to operating income of $13.8 million, or $42 per ton, for the three months ended July 31, 1999. The decreased operating income for the 2000 period reflects the lower gross margin discussed above.

Interest and other income, net were $1.8 million for the three months ended July 31, 2000 compared to $0.8 million for the three months ended July 31, 1999. This increase is due primarily to higher cash balances in the 2000 quarter compared to 1999.

As a result of the items discussed above, the Company had income before taxes of $2.4 million for the three months ended July 31, 2000 compared to $6.5 million for the three months ended July 31, 1999.

Effective November 1, 1998, the Company was designated as a qualified subchapter S subsidiary by Renco. Accordingly, the Company is generally not subject to income taxes.

Nine Months Ended July 31, 2000 Compared to Nine Months Ended July 31, 1999

Net sales for the nine months ended July 31, 2000 were $438.1 million on 984,700 tons shipped, representing a 11.6% increase in net sales and a 10.8% increase in tons shipped compared to the nine months ended July 31, 1999. The 1999 period was adversely affected by a surge of imports that began in late 1998 and continued to affect the market until late in the second fiscal quarter of 1999. Net sales per ton shipped increased 1.0% to $445 in the 2000 period compared to $441 for the 1999 period, primarily as a result of price increases which became effective January 1, 2000 and, to a lesser extent, April 1, 2000, offset somewhat by a lower custom product mix. Shipments of custom carbon, alloy and electrical steels accounted for 60.1% of total shipments for the nine months ended July 31, 2000 compared to 66.7% in the comparable period of 1999.

Gross margin (sales less cost of goods sold) was $65.4 million for the nine months ended July 31, 2000 compared to $49.4 million for the nine months ended July 31, 1999. The increase in gross margin reflects the higher shipping volume and prices discussed above.

Operating income was $35.3 million, or $36 per ton, for the nine months ended July 31, 2000 compared to operating income of $21.1 million, or $24 per ton, for the nine months ended July 31, 1999. The increased operating income for the 2000 period reflects the higher gross margin discussed above partially offset by increased selling, general and administrative expenses primarily due to higher variable compensation costs.

Interest and other income, net was $6.6 million for the nine months ended July 31, 2000 compared to $2.2 million for the nine months ended July 31, 1999. During the first quarter of 2000 the Company recorded a gain of $2.8 million as a result of an agreement with the United Steelworkers of America, which permitted the Company to pay certain medical benefits from assets in a trust previously restricted for other benefits. In addition, interest income increased $1.3 million due primarily to higher cash balances in the 2000 period compared to 1999.

As a result of the items discussed above, the Company had income before taxes of $18.0 million for the nine months ended July 31, 2000 compared to a ($0.8) million loss for the nine months ended July 31, 1999.

Effective November 1, 1998, the Company was designated as a qualified subchapter S subsidiary by Renco. Accordingly, the Company is generally not subject to income taxes. For the 1999 period, the Company recognized an income tax benefit of $4.6 million during the three months ended January 31, 1999 which included the elimination of net deferred tax liabilities recorded as of October 31, 1998.

Liquidity and Capital Resources

WCI’s liquidity requirements result from capital investments, working capital requirements, postretirement healthcare and pension funding, and interest expense. WCI has met these requirements in each fiscal year since 1992 from cash balances and cash provided by operating activities. The Company’s primary sources of liquidity as of July 31, 2000 consisted of cash and cash equivalents of $88.9 million and available borrowing under its $100 million revolving credit facility (Revolving Credit Facility). The Revolving Credit Facility has a maximum borrowing limit of $100 million, and is secured by eligible receivables and inventories, as defined therein, and expires on December 29, 2003. As of July 31, 2000, WCI had no borrowings outstanding under the Revolving Credit Facility, with a borrowing limit of $93.9 million based on eligible receivables and inventories, net of $6.1 million in outstanding letters of credit.

Cash provided by operating activities was $34.2 million for the nine months ended July 31, 2000 compared to $7.7 million for the 1999 period. The higher operating cash flow in 2000 compared to 1999 resulted primarily from an increase in income before taxes and non-cash postretirement benefits offset somewhat by changes in working capital.

Capital expenditures were $12.4 million and $8.0 million during the nine months ended July 31, 2000 and 1999 respectively, and are expected to be approximately $16 million for all of fiscal 2000. Management has funded capital expenditures in 2000 and 1999 through cash balances and cash provided by operating activities. At July 31, 2000, the Company had commitments for capital expenditures of approximately $3.6 million.

The Revolving Credit Facility and the indenture governing the Company’s 10% Senior Secured Notes due 2004 (Senior Secured Notes) contain numerous covenants and prohibitions that limit the financial activities of the Company, including requirements that the Company satisfy certain financial ratios which limit the incurrence of additional indebtedness. The ability of the Company to meet its debt service requirements and to comply with such covenants will be dependent upon future operating performance and financial results of the Company, which will be subject to financial, economic, political, competitive and other factors affecting the Company, many of which are beyond its control.

The Company paid dividends of $9.2 million during the nine months ended July 31, 2000 and, under the terms of the Senior Secured Notes indenture, there was no remaining availability for dividends at July 31, 2000.

Outlook

While the U.S. economy remains strong, some evidence of slowing growth is appearing. The slowing growth is expected to reduce steel consumption in the second half of calendar year 2000. This, in conjunction with customers reduction in inventory levels and continued high levels of steel imports, has resulted in significant declines in market prices for the third calendar quarter of 2000. Imports are entering the domestic market at near record levels, approaching the levels during the 1998 crisis, on an annualized basis. WCI expects shipments in the fourth quarter to be slightly lower compared to the third quarter of 2000 at reduced transaction prices. The Company’s order backlog declined to 187,467 tons at July 31, 2000 compared to 283,306 tons at October 31, 1999 and 254,903 tons at July 31, 1999 reflecting the weakening demand, customer inventory reductions and continued high levels of imports. As a result of these conditions, the Company expects to incur a loss in the fourth quarter.

Forward-Looking Statements

This report includes “forward-looking statements” which involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and other important factors include, among others: general economic and business conditions; increasing industry capacity and levels of imports of steel or steel products; industry trends, including product pricing; competition; currency fluctuations; the loss of any significant customers; availability of qualified personnel; major equipment failures; changes in, or the failure or inability to comply with, government regulation, including, without limitation, environmental regulations; and the outcome of legal matters. These forward-looking statements speak only as of the date of this report. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein to reflect any change in the Company’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

PART II — OTHER INFORMATION

WCI STEEL, INC.

ITEM 1. LEGAL PROCEEDINGS

For information as to the environmental matters and as to the employee litigation described in the Company's Form 10-K for the year ended October 31, 1999, see Part I, Note 3 to Item 1, Financial Statements.

United States v. WCI Steel, Inc.

Reference is made to the description of this action contained in the Company's annual report on Form 10-K for the year ended October 31, 1999. As reported in the Company's quarterly report on Form 10-Q for the quarter ended January 31, 2000, with respect to the action instituted by DOJ May 11, 1998 under RCRA, the period for appealing the court's ruling expired with no appeal being filed.

ITEM 6. EXHIBITS and REPORTS ON FORM 8-K

(a) Exhibits:

A list of the exhibits required to be filed as part of this Report on Form 10-Q is set forth in the "Exhibit Index" which immediately precedes such exhibits, and is incorporated herein by reference.

(b) Reports on Form 8-K:

No report on Form 8-K was filed during the quarter ended July 31, 2000.

WCI STEEL, INC.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WCI STEEL, INC.
(registrant)

Date: August 31, 2000

/S/ JOHN P. JACUNSKI

John P. Jacunski
Vice President and Chief Financial Officer
(principal financial officer)

WCI STEEL, INC.

EXHIBIT INDEX

Exhibit Number	Description
27.	Financial Data Schedule