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PRESS RELEASE

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SCHNITZER REPORTS 90% INCREASE IN FIRST QUARTER EARNINGS

PORTLAND, OREGON – January 7, 2003 - Schnitzer Steel Industries, Inc. (NASDAQ: SCHN) today reported first quarter 2003 net income of \$3.9 million or \$0.41 per diluted share on revenues of \$76.5 million, which compares to net income of \$2.0 million or \$0.22 per share on revenues of \$76.8 million during the first quarter of fiscal 2002.

“We are pleased to report significantly higher operating results in the first quarter of fiscal 2003 as compared to the first quarter of last year despite lower sales volumes for our core metals recycling businesses” said Robert W. Philip, President and Chief Executive Officer. “Margin expansion was primarily driven by the combination of higher selling prices and improved operating performance for both our wholly-owned and joint venture metals recycling businesses, some of which came from the restructuring activity we undertook last year.”

Mr. Philip continued, “Sales volumes of ferrous recycled metal were unusually low during the first quarter of fiscal 2003, driven primarily by the timing of export customer orders. The delay in orders was initiated by a sharp rise in the selling prices for ferrous metals that began early in calendar 2002 brought about by a reduction in the supply of ferrous recycled metal from the former Soviet Union. Specifically, we saw our average net ferrous export price rise by 21% between the second and fourth quarters of our fiscal year that ended August 31, 2002. As a result, during our fiscal 2003 first quarter, foreign buyers delayed placing orders in an attempt to lower prices. However, by the end of the first quarter we saw customers placing orders to refill their depleted inventories at price levels that were at or above prices realized during the last 90 days. The delay in first quarter orders should result in significantly higher sales volume for the second quarter of fiscal 2003. Further, total fiscal 2003 ferrous sales volumes should approximate last year’s levels.”

Metals Recycling Business

The Metals Recycling Business reported operating income of \$3.1 million for the first quarter of fiscal 2003 compared to \$1.0 million last year. The margin improvement was driven primarily by a 17% increase in the average ferrous net selling price coupled with efficiency and cost improvements throughout this business segment. These benefits were offset in part by higher

buying prices for unprocessed metal and a 15% decline in ferrous sales volumes as compared to last year's first quarter.

Joint Ventures

Income from joint venture businesses improved marginally over last year's first quarter and amounted to \$5.0 million for the first quarter of this year compared to \$4.9 million during last year's same quarter. The joint ventures in the metals recycling business reported a modest decline in overall profits, but showed wider margins per ferrous ton sold due primarily to higher average selling prices. First quarter ferrous sales volumes declined 29% from last year's first quarter due to the combination of customer order delays as well as last year's sales volume included nonrecurring tons from the World Trade Center tragedy.

Operating profits from joint venture suppliers of recycled metal improved significantly during the first quarter of this year as compared to the same period in fiscal 2002, primarily caused by higher margins in the self service auto parts and dismantling business.

Steel Manufacturing Business

The Steel Manufacturing Business reported an operating loss of \$1.3 million in the first quarter of 2003, compared to a \$0.2 million loss during last year's first quarter; however, the quarterly loss was \$0.8 million less than what was reported for the fourth quarter of 2002. The Steel Manufacturing Business continues to struggle from weak demand in the western United States. Selling prices averaged \$284 per ton during the first quarter of fiscal 2003, which was only \$4 per ton above the amount reported during last year's first quarter. The Company believes that the Section 201 trade tariffs have had little to no effect on the selling prices of rebar and merchant bar products. However, the preliminary anti-dumping and countervailing duties that were announced in the spring of 2002 and finally determined in October by the United States International Trade Commission on selected importers of wire rod products have improved wire rod prices. The import duties also allowed the Company to increase its market share of the western United States wire rod market. As a result, first quarter wire rod sales volumes rose 150% over last year's first quarter. Offsetting the higher prices and sales volumes, was a 15% increase in the cost of recycled ferrous metal, the primary raw material used in the production of finished steel.

Outlook

"Due to the delay in receiving first quarter export orders, we expect both our wholly-owned and joint venture metals recycling businesses to have near record sales volumes in the second quarter of 2003," said Mr. Philip. "Further, our average ferrous net selling prices are expected to be modestly higher than the amounts reported in our most recent quarter. We expect our net sales prices and margins to be partially tempered by rising ocean freight rates coupled with increases in the cost of unprocessed metal. Looking beyond the second quarter, we continue to anticipate good demand, primarily from Asian customers, for ferrous recycled metal and tight available supply. These advantageous market conditions have not existed since before the 1997 Asian financial crisis, but appear to be sustainable for the foreseeable future as was the case during much of the 1990's. Thus, we believe Schnitzer Steel is again well positioned to capture the benefits of these stronger market fundamentals."

It's anticipated that the Steel Manufacturing Business will continue to improve its cost structure throughout fiscal 2003. In December, the Company completed an upgrade to its wire rod mill that will allow it to produce higher margin products beginning in the second quarter of this year. The rise in recycled metal prices is expected to partially offset some of the operating improvements. In

the end, we anticipate the Steel Manufacturing Business will further narrow its operating losses in the second quarter of fiscal 2003.

Overall, the Company anticipates income from operations to be in the \$8 million to \$9 million range for the second quarter of fiscal 2003. Currently, the Company estimates its effective tax rate will continue to benefit from net operating loss carry forwards that were acquired in an earlier acquisition. This, as well as other tax benefits, should result in a fiscal 2003 effective tax rate that is in the low to mid twenty percent range.

Schnitzer Steel Industries, Inc. is one of the nation's largest recyclers of ferrous metals and a manufacturer of finished steel products. The Company, with its joint venture partners, processes approximately 4.6 million tons of recycled ferrous metals per year. In addition, the Company's steel mill has an annual production capacity of approximately 700,000 tons of finished steel products. The Company and its joint venture partners operate primarily along the West Coast and Northeastern seaboard of the United States.

This news release, particularly the "Outlook" section, contains forward-looking statements, within the meaning of Section 21E of the Securities Exchange Act of 1934, which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. One can generally identify these forward-looking statements because they contain "expect", "believe", and other words that convey a similar meaning. One can also identify these statements, as they do not relate strictly to historical or current facts. Examples of factors affecting both Schnitzer Steel Industries, Inc.'s wholly-owned operations and its joint ventures (the Company) that could cause actual results to differ materially from current expectations are the following: volatile supply and demand conditions affecting prices and volumes in the markets for both the Company's products and raw materials; world economic conditions; competition; seasonality; energy supplies; freight rates; pricing; the predictability of joint venture operating results; and the inability to complete expected large scrap export shipments in the current quarter, all as discussed in more detail under the heading "Factors That Could Affect Future Results" in the Company's most recent annual report on Form 10-K. One should understand that it is not possible to predict or identify all factors that could cause actual results to differ from the Company's forward-looking statements. Consequently, the reader should not consider any such list to be a complete statement of all potential risks or uncertainties. The Company does not assume any obligation to update any forward-looking statement.

For more information about Schnitzer Steel Industries, Inc. go to www.schnitzersteel.com.

SCHNITZER STEEL INDUSTRIES, INC.**FINANCIAL HIGHLIGHTS**

(in thousands, except per share amounts)

(Unaudited)

	For The Three Months Ended November 30,	
	2002	2001
REVENUES:		
Metals Recycling Business:		
Ferrous sales	\$ 33,930	\$ 36,993
Nonferrous sales	10,115	9,890
Other sales	1,529	1,558
Total sales	45,574	48,441
Ferrous sales to Steel Manufacturing Business	(11,904)	(8,009)
Steel Manufacturing Business	42,830	36,402
Total	<u>\$ 76,500</u>	<u>\$ 76,834</u>
INCOME (LOSS) FROM OPERATIONS:		
Metals Recycling Business	\$ 3,096	\$ 978
Steel Manufacturing Business	(1,257)	(248)
Joint ventures	5,045	4,871
Corporate expense	(2,024)	(1,966)
Intercompany eliminations	573	(124)
Total	<u>\$ 5,433</u>	<u>\$ 3,511</u>
NET INCOME	<u>\$ 3,874</u>	<u>\$ 2,044</u>
BASIC EARNINGS PER SHARE	<u>\$ 0.42</u>	<u>\$ 0.22</u>
DILUTED EARNINGS PER SHARE	<u>\$ 0.41</u>	<u>\$ 0.22</u>

CONSOLIDATED STATEMENT OF INCOME

(in thousands, except per share amounts)

	For the Three Months Ended November 30,	
	2002 ⁽¹⁾	2001
	(Unaudited)	
Revenues	\$ 76,500	\$ 76,834
Costs and expenses:		
Cost of goods sold and other operating expenses	69,466	71,510
Selling and commission expenses	763	847
General and administrative expense	5,883	5,837
Income (Loss) from wholly-owned operations	388	(1,360)
Income from joint ventures	5,045	4,871
Income from operations	5,433	3,511
Other income (expense):		
Interest expense	(354)	(777)
Other income, net	3	186
	(351)	(591)
Income before income taxes	5,082	2,920
Income tax provision	(1,208)	(876)
Net income	\$ 3,874	\$ 2,044
Basic earnings per share	\$ 0.42	\$ 0.22
Diluted earnings per share	\$ 0.41	\$ 0.22
Share information (thousands):		
Basic shares outstanding	9,205	9,162
Diluted shares outstanding	9,355	9,175

(1) Fiscal 2003 results include the impact of discontinuing amortization of goodwill upon adoption of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets." Goodwill amortization for the first quarter of fiscal 2002 was \$0.3 million.

Schnitzer Steel Industries, Inc.
Selected Operating Statistics
(Unaudited)

	<u>Q1 FY03</u>	<u>Q1 FY02</u>	<u>Q2 FY02</u>	<u>Q3 FY02</u>	<u>Q4 FY02</u>	<u>FY02</u>
Metals Recycling Business						
Ferrous Recycled Metal Sales Prices (\$/LT)						
Domestic	\$ 100	\$ 84	\$ 82	\$ 95	\$ 109	\$ 93
Export	\$ 104	\$ 88	\$ 89	\$ 97	\$ 108	\$ 95
Average	\$ 102	\$ 87	\$ 87	\$ 96	\$ 108	\$ 94
Ferrous Sales Volume (LT)						
Domestic - Cascade Steel	114,988	93,392	97,999	111,811	103,369	406,571
Domestic - External	37,341	5,640	17,474	13,285	45,890	82,289
Export	142,199	248,594	286,210	267,500	265,589	1,067,893
Total	<u>294,528</u>	<u>347,626</u>	<u>401,683</u>	<u>392,596</u>	<u>414,848</u>	<u>1,556,753</u>
Steel Manufacturing Business						
Sales Prices (\$/NT)						
Rebar	\$ 273	\$ 272	\$ 266	\$ 265	\$ 270	\$ 267
Other (including billets)	\$ 293	\$ 293	\$ 285	\$ 284	\$ 287	\$ 287
Average	\$ 284	\$ 280	\$ 275	\$ 274	\$ 279	\$ 276
Sales Volume (NT)						
Rebar	64,652	73,901	64,241	92,123	77,157	307,422
Wire Rod	50,216	20,120	24,573	44,826	53,966	143,485
Other (including billets)	27,470	30,051	28,019	31,820	28,486	118,376
Total	<u>142,338</u>	<u>124,072</u>	<u>116,833</u>	<u>168,769</u>	<u>159,609</u>	<u>569,283</u>
JV Ferrous Recycled Metal Sales Volume (LT) ⁽¹⁾	637,354	893,700	891,600	896,834	922,022	3,604,156

Note: Price information is shown after a reduction for the cost of freight incurred to deliver the product to the customer
(1) Includes JV processed sales volume only, and therefore does not include volume related to the JV trading business.