



3200 NW Yeon Avenue  
P.O. Box 10047  
Portland, Oregon 97296-0047  
Phone: (503) 224-9900  
Fax: (503) 323-2804  
Telex: 289875

## PRESS RELEASE

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Financial Contact: Barry Rosen (503) 323-2720

Press Contact: Tom Zelenka (503) 323-2821

### SCHNITZER REPORTS GROWTH IN THIRD QUARTER EARNINGS

PORTLAND, OREGON - June 18, 2002 - Schnitzer Steel Industries, Inc. (NASDAQ: SCHN) today reported net income of \$3.4 million or \$0.36 per diluted share on revenues of \$86.1 million for the quarter ended May 31, 2002. These amounts compared to net income of \$1.5 million or \$0.16 per diluted share on revenues of \$69.0 million for the third quarter of fiscal 2001.

For the first nine months of fiscal 2002, the Company reported net income of \$4.4 million or \$0.47 per diluted share on revenues of \$224.0 million. Included in fiscal 2002 net income was \$1.8 million of non-recurring and unusual charges reported in the Company's second fiscal quarter relating to the termination of unprofitable ocean shipping charters and the loss on the sale of a steel forging business. Excluding these amounts, the Company's pro-forma net income totaled \$6.2 million or \$0.67 per diluted share. During the first nine months of 2001, Schnitzer Steel reported net income of \$4.9 million or \$0.52 per diluted share on revenues of \$227.2 million.

"We are pleased with the profit recovery for our wholly-owned Metals Recycling Business as well as the continued strong performance of our joint venture businesses," said Mr. Robert Philip, President and Chief Executive Officer. "The higher profits are a direct result of improving market conditions in both the United States and abroad. Demand is rising modestly, particularly in Asia. More importantly, the supply of scrap remains tight, which was not the case during the Asian economic recovery in 1999 and 2000. During this period, demand rose, but the supply of ferrous recycled metal coming out of the former Soviet Union flooded the market, holding prices down. Today, recycled metal continues to come from these countries, but export restrictions and tariffs have reduced the flow of this material allowing market prices to rise."

#### Metals Recycling Business

The Company's wholly-owned Metals Recycling Business earned operating income of \$3.7 million during the third quarter of fiscal 2002, compared with \$0.9 million for the same period last year. Year-to-date operating income totaled \$5.3 million, which equaled the operating income for the same period last fiscal year. "During the last 90 days, our Metals Recycling Business has rebounded strongly," commented Mr. Philip. "The average selling price for ferrous recycled metals improved substantially over the second quarter to \$96 per ton and was the highest average we have seen in two years. This improvement primarily drove our margins higher. The export market was stronger and prices rose sharply in the most recent quarter. The price improvements were caused by the combination of good

demand coming from both China and Korea as well as from lower supply coming from the former Soviet Union. Ocean freight rates, although escalating slightly from the first half of the year, continue to remain attractive and have helped our margins improve over last year's third quarter."

#### Joint Ventures

Income from the Company's joint venture businesses increased by 175% to \$4.6 million for the third quarter of this fiscal year from \$1.7 million for the same quarter last year. Year-to-date, the joint ventures contributed \$13.8 million to the Company's operating income compared with \$5.8 million for the same nine months in fiscal 2001. The Company's joint ventures in the metals recycling business, which operate facilities in the northeastern and southwestern United States, were principally responsible for the improvements. During the most recent quarter, these businesses shipped 0.9 million tons of ferrous material compared with 0.6 million tons for the same quarter last year. Year-to-date shipments rose to 2.7 million tons, an increase of 29% over last year's period. Higher volumes from the World Trade Center disaster partially contributed to the higher sales volumes during the first nine months of fiscal 2002.

"The joint ventures have experienced similar ferrous selling price trends as our wholly-owned businesses in fiscal 2002," commented Mr. Philip. "Moreover, operating margins for these joint ventures have also improved due to operational efficiencies. In addition, the Company's self-service auto wrecking and parts joint venture continues to report higher earnings, resulting from refinements in its operations and system enhancements."

#### Steel Manufacturing Business

During the third quarter of fiscal 2002, the Steel Manufacturing Business reported a loss from operations of \$1.4 million compared with operating income of \$1.8 million for the third quarter last year. For the year-to-date fiscal 2002 period, this business segment reported a loss from operations totaling \$3.8 million, which compares to income of \$3.5 million during the same period last year. "Our third quarter results for this business segment showed sequential improvement from the second quarter, but were lower than we expected going into the quarter," commented Mr. Philip. The U.S. Government recently announced steel import tariffs and dumping duties, which went into effect in April 2002. "The tariffs and duties had only a minor favorable impact on both merchant bar and wire rod prices. However, we have not yet experienced any significant increase in rebar prices as domestic competitors have hesitated to support any significant price increase due to the lack of a rise in end user demand," Mr. Philip said. "We have seen some seasonal improvements in rebar consumption, but have yet to benefit from improvements in the western U.S. economy. Orders for wire rod increased during the third quarter, which allowed the Company to ramp up production of its rolling mills in mid-March. The higher production volume lowered the rolling mill and finishing production costs per ton by approximately 15% in the third quarter of 2002 as compared to this year's second quarter. As the third quarter ended, the efficiency improvements began to lower the average cost of finished goods inventory, which helped to modestly expand our margins."

#### Fourth Quarter Outlook

"We expect that our wholly-owned metals recycling operations will continue to improve for the remainder of fiscal 2002 due to increased global demand, lower supply from former Soviet Union countries and the resulting rise in recycled metals selling prices. The results from our joint ventures in the metals recycling business are expected to remain good due to the same market fundamentals as our wholly-owned business. However, joint venture sales volumes are expected to show a decrease in the quarter because of the decline in World Trade Center volume, as well as reduced inventory levels

coming off strong third quarter sales and the decision to build inventory at year end to avoid adverse tax consequences of LIFO accounting,” said Mr. Philip. “The fourth quarter outlook for our Steel Manufacturing Business is for improvement over the third quarter. We expect selling prices will rise slowly as the economy continues to recover. However, electricity prices will experience seasonal rises through August. We expect the Steel Manufacturing Business will improve modestly but continue to report an operating loss in the fourth quarter. Moreover, cash flow is expected to remain strong as it has been for most of fiscal 2002. The Company’s effective annual tax rate should approximate 20%, which is significantly lower than the statutory rates due primarily to state tax credits and the utilization of previously acquired net operating loss carryforwards.” The Company anticipates that net income for the fourth quarter of fiscal 2002 will be in the range of \$0.35 to \$0.40 per share. This estimate excludes any impact that may occur from year-end non-cash LIFO adjustments made at two of the Company’s joint venture businesses.

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 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 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 and 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 quarterly report on Form 10-Q. 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.

SCHNITZER STEEL INDUSTRIES, INC.  
FINANCIAL HIGHLIGHTS  
(in thousands, except per share amounts)  
(Unaudited)

	For The Three Months Ended May 31,		For The Nine Months Ended May 31,	
	2002	2001	2002	2001
REVENUES:				
Metals Recycling Business:				
Ferrous sales	\$ 37,779	\$ 34,834	\$ 103,195	\$ 107,726
Nonferrous sales	11,423	10,824	29,669	31,767
Other sales	<u>1,264</u>	<u>1,175</u>	<u>4,811</u>	<u>3,558</u>
Total sales	<u>50,466</u>	<u>46,833</u>	<u>137,675</u>	<u>143,051</u>
Ferrous sales to Steel Manufacturing Business	(10,553)	(14,450)	(26,784)	(37,921)
Steel Manufacturing Business	<u>46,183</u>	<u>36,607</u>	<u>113,076</u>	<u>122,037</u>
Total	<u>\$ 86,096</u>	<u>\$ 68,990</u>	<u>\$ 223,967</u>	<u>\$ 227,167</u>
INCOME (LOSS) FROM OPERATIONS:				
Metals Recycling Business	\$ 3,732	\$ 872	\$ 5,278	\$ 5,319
Steel Manufacturing Business	(1,374)	1,840	(3,762)	3,503
Joint ventures	4,599	1,674	13,793	5,777
Corporate expense	(2,289)	(1,784)	(6,315)	(6,454)
Intercompany eliminations	<u>3</u>	<u>(628)</u>	<u>(74)</u>	<u>166</u>
Total	<u>\$ 4,671</u>	<u>\$ 1,974</u>	<u>\$ 8,920</u>	<u>\$ 8,311</u>
NET INCOME	<u>\$ 3,367</u>	<u>\$ 1,465</u>	<u>\$ 4,357</u>	<u>\$ 4,925</u>
BASIC EARNINGS PER SHARE (1)	<u>\$ 0.37</u>	<u>\$ 0.16</u>	<u>\$ 0.48</u>	<u>\$ 0.52</u>
DILUTED EARNINGS PER SHARE (1)	<u>\$ 0.36</u>	<u>\$ 0.16</u>	<u>\$ 0.47</u>	<u>\$ 0.52</u>

(1) Basic EPS are calculated using weighted average shares of 9,134 and 9,226 for the three months ended May 31, 2002 and 2001, respectively, and 9,136 and 9,426 for the nine months ended May 31, 2002 and 2001, respectively. Diluted EPS are calculated using weighted average shares of 9,307 and 9,244 for the three months ended May 31, 2002 and 2001, respectively, and 9,234 and 9,444 for the nine months ended May 31, 2002 and 2001, respectively.

SCHNITZER STEEL INDUSTRIES, INC.  
CONSOLIDATED STATEMENT OF OPERATIONS  
(in thousands, except per share amounts)  
(Unaudited)

	For the Three Months Ended May 31,		For the Nine Months Ended May 31,	
	2002	2001	2002	2001
Revenues	\$ 86,096	\$ 68,990	\$ 223,967	\$ 227,167
Costs and expenses:				
Cost of goods sold and other operating expenses	78,376	62,255	207,132	204,566
Selling and administrative expenses	7,648	6,435	21,708	20,067
Income from wholly-owned operations	72	300	(4,873)	2,534
Income from joint ventures	4,599	1,674	13,793	5,777
Income from operations	4,671	1,974	8,920	8,311
Other income (expense):				
Interest expense	(527)	(1,188)	(1,862)	(4,058)
Other income (expense), net	64	1,161	(1,613)	2,782
	(463)	(27)	(3,475)	(1,276)
Income before income taxes	4,208	1,947	5,445	7,035
Income tax provision	(841)	(482)	(1,088)	(2,110)
Net income	\$ 3,367	\$ 1,465	\$ 4,357	\$ 4,925
Basic earnings per share	\$ 0.37	\$ 0.16	\$ 0.48	\$ 0.52
Diluted earnings per share	\$ 0.36	\$ 0.16	\$ 0.47	\$ 0.52

	<u>Q1 FY02</u>	<u>Q2 FY02</u>	<u>Q3 FY02</u>	<u>FYTD 02</u>	<u>Q1 FY01</u>	<u>Q2 FY01</u>	<u>Q3 FY01</u>	<u>Q4 FY01</u>	<u>FY01</u>
<b>MRB</b>									
<b>Sales Prices (\$/LT)</b>									
Domestic	\$ 84	\$ 82	\$ 95	\$ 87	\$ 91	\$ 87	\$ 86	\$ 85	\$ 87
Export	\$ 88	\$ 89	\$ 97	\$ 91	\$ 93	\$ 96	\$ 90	\$ 94	\$ 94
Average	\$ 87	\$ 87	\$ 96	\$ 90	\$ 92	\$ 92	\$ 88	\$ 90	\$ 91
<b>Sales Volume (LT)</b>									
Domestic - Cascade Steel	93,392	97,999	111,811	303,202	113,361	146,567	166,617	138,953	565,498
Domestic - External	5,640	17,474	13,285	36,399	84,502	32,671	17,892	3,623	138,688
Export	248,594	286,210	267,500	802,304	136,524	271,485	207,361	162,124	777,494
Total	<u>347,626</u>	<u>401,683</u>	<u>392,596</u>	<u>1,141,905</u>	<u>334,387</u>	<u>450,723</u>	<u>391,870</u>	<u>304,700</u>	<u>1,481,680</u>
<b>Steel</b>									
<b>Sales Prices (\$/NT)</b>									
Rebar	\$ 272	\$ 266	\$ 265	\$ 267	\$ 279	\$ 280	\$ 292	\$ 287	\$ 285
Other (including billets)	\$ 293	\$ 285	\$ 284	\$ 287	\$ 303	\$ 304	\$ 300	\$ 300	\$ 302
Average	\$ 280	\$ 275	\$ 274	\$ 276	\$ 290	\$ 291	\$ 295	\$ 292	\$ 292
<b>Sales Volume (NT)</b>									
Rebar	73,901	64,241	92,123	230,265	85,096	70,493	72,903	80,239	308,731
Wire Rod	20,120	24,573	44,826	89,519	38,503	30,223	23,319	17,758	109,803
Other (including billets)	30,051	28,019	31,820	89,890	35,939	33,531	27,825	29,932	127,227
Total	<u>124,072</u>	<u>116,833</u>	<u>168,769</u>	<u>409,674</u>	<u>159,538</u>	<u>134,247</u>	<u>124,047</u>	<u>127,929</u>	<u>545,761</u>
<b>Total JV Scrap Shipments</b>	893,700	891,600	896,834	2,682,134	548,400	991,000	587,000	930,400	3,056,800