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PRESS RELEASE

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SCHNITZER REPORTS STRONG FOURTH QUARTER AND FISCAL 2002 RESULTS

PORTLAND, OREGON – October 2, 2002 - Schnitzer Steel Industries, Inc. (NASDAQ: SCHN) today reported fourth quarter 2002 income, before nonrecurring items and LIFO, of \$6.3 million or \$0.67 per diluted share on revenues of \$100.1 million. Including nonrecurring items and LIFO, fourth quarter net earnings totaled \$2.2 million or \$0.23 per diluted share. Fourth quarter 2001 net income before LIFO amounted to \$2.4 million or \$0.25 per diluted share on revenues of \$70.9 million. Including the year-end LIFO inventory adjustment, last year's fourth quarter net income totaled \$3.0 million or \$0.32 per diluted share.

Earnings for the year ended August 31, 2002, before nonrecurring items and LIFO, totaled \$12.9 million or \$1.39 per diluted share on revenues of \$350.9 million. Including the nonrecurring items and LIFO, fiscal 2002 net income totaled \$6.6 million or \$0.71 per diluted share. Fiscal 2001 earnings before LIFO totaled \$7.3 million or \$0.78 per share on revenues of \$322.8 million. Including the year-end LIFO adjustment, 2001 net income totaled \$7.9 million or \$0.84 per diluted share. Attached to this press release are tables reconciling net income under generally accepted accounting principles to net income before nonrecurring items and LIFO.

"Fiscal 2002 was a challenging, but very gratifying year at Schnitzer Steel," said Robert W. Philip, President and Chief Executive Officer. "Markets in both the metals recycling and steel manufacturing businesses went through significant swings this year. The complex market conditions required the employees of all of our businesses to quickly adjust to changing markets in order for us to successfully navigate through this demanding period. During the year we made a number of difficult, but strategically significant decisions. Many of these decisions resulted from last year's move to measuring and compensating our employees through the use of Economic Value Added (EVA®). Using EVA as a tool, we evaluated our operations and made decisions to exit certain investments and operations that we believed were not providing an adequate return to our shareholders over the long-term. For example, during the fourth quarter, we eliminated an unprofitable car-crushing business and terminated a fixed-priced Alaska barge contract of affreightment. In addition, we discontinued operating our Reno, Nevada metals recycling yard and instead sub-let the facility and leased the existing equipment to a third party who is selling us its scrap metal output."

Mr. Philip added, "As a result of our strong operating performance coupled with additional focus on working capital, we generated near record cash flow from operations of \$36.4 million in fiscal 2002 compared to \$8.6 million in fiscal 2001. With this cash and \$31.4 million of net cash distributed from our joint venture businesses (\$15.5 million received from a new joint venture credit facility), we reduced our net debt outstanding by \$56.5 million. We also invested \$9.6 million in our operations and returned \$3.1 million to our shareholders through the combination of stock repurchases and cash dividends. These successes make me feel optimistic about Schnitzer Steel's future business."

Metals Recycling

During the fourth quarter of 2002, the Company's wholly-owned Metals Recycling Business rebounded strongly and generated operating income of \$6.1 million, compared to \$2.5 million in the same fiscal 2001 quarter. During the fourth quarter of fiscal 2002, the average ferrous selling price rose to \$108 per ton, which was the highest quarterly average price since fiscal 1998. Fourth quarter 2002 ferrous sales volumes were a strong 415,000 tons compared to 305,000 tons in 2001 fourth quarter. Partially offsetting the higher selling prices and volumes was a significant increase in the cost paid for unprocessed metal. Mr. Philip commented, "During the first six months of fiscal 2002, ferrous metal prices followed the economy down and fell to near record lows. Beginning in the third quarter and into the early part of the fourth quarter sales prices rebounded strongly. We continue to believe the underlying fundamentals for the recycled metals markets remain good and that worldwide demand for our recycled metal products will grow. Further, we believe that our wholly-owned and joint venture metals recycling businesses are well positioned to take advantage of both domestic and export market opportunities."

Joint Ventures

The Company's joint venture businesses had a record year in fiscal 2002. Fourth quarter 2002 income from joint ventures totaled \$5.6 million, which compares to \$4.1 million in last year's fourth quarter. Excluding the effects of year-end LIFO adjustments and a nonrecurring gain on the sale of property, fourth quarter 2002 joint venture income totaled \$5.9 million, compared to \$3.2 million last year. For the year just ended, the joint venture businesses produced record income totaling \$19.4 million. Commenting on the year's results, Mr. Philip stated, "I am extremely pleased with the improvements made in our joint venture businesses. Only a portion of this year's margin improvement came from recycled metal price increases. The balance came from the combination of record sales volumes coupled with efficiency improvements made in a number of these businesses. Many of these improvements came about by rethinking old strategies and processes that should continue to benefit us in the years ahead."

Steel Manufacturing

The Steel Manufacturing Business reported an operating loss of \$2.0 million for the fourth quarter of 2002, compared to an operating profit of \$1.4 million during last year's same quarter. Fourth quarter selling prices averaged \$279 per ton, compared to \$292 per ton during the fourth quarter of 2001 and \$274 per ton during the third quarter of this year. Increased sales of wire rod products caused fourth quarter sales volumes to rise by 25% over last year's fourth quarter.

"In March 2002, the U.S. Government imposed three year tariffs to provide temporary relief to the domestic steel industry; however, we have yet to see any significant benefit for most of our finished steel product lines. In fact the fiscal 2002 average selling price of \$276 per ton was a record low," said Mr. Philip. "End user demand continues to be weak throughout the west coast. We are however, cautiously optimistic that markets will improve during the second half of next

fiscal year when economic activity is expected to improve. Until then, we are actively taking measures to lower the costs we can control. Most recently, we made the difficult decision to further reduce our work force in this division and are looking at other cost areas to improve this business. I believe these measures are needed to make our mill more competitive in the global market place.”

Income Taxes

During the year, the Company estimates its annual effective tax rate and adjusts it quarterly based upon numerous assumptions. As of the end of the third quarter, the Company estimated its effective tax rate for fiscal 2002 would approximate 20%. During the fourth quarter of 2002 the estimated tax rate was revised downward to approximately 14%, which compares to 30% in fiscal 2001. The Company’s effective tax rate continues to benefit from various factors including net operating loss carry forwards that it acquired from a 1996 business acquisition. In addition, in fiscal 2002 the Company successfully applied for and received State of California Enterprise Zone Tax Credits and Los Angeles Revitalization Zone Tax Credits resulting from its successful hiring practices in economically depressed areas of California.

First Quarter Fiscal 2003 Outlook

Recycled metal prices receded modestly during the latter part of the fourth quarter; however, we have recently begun to see market prices firm for late calendar year shipments. The Company’s joint ventures in the metals recycling business are expected to be affected by similar pricing factors. The Company is continuing to manage its cost of unprocessed metal and monitoring our cost of production to buffer our product margins. First quarter sales prices for finished steel should show modest improvement over the 2002 fourth quarter, which is the result of some recently announced price increases. These price improvements along with efforts to reduce costs should favorably impact this business. In addition, electricity prices are expected to decline modestly due to seasonal demand factors, which should favorably impact the cost of producing steel. Overall, the Company anticipates income from operations to be in the \$3.5 million to \$4.5 million range for the first fiscal quarter of 2003. Currently, the Company anticipates 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 approximates 26%.

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.

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

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

	For The Three Months Ended August 31,		For The Year Ended August 31,	
	2002	2001	2002	2001
REVENUES:				
Metals Recycling Business:				
Ferrous sales	\$ 51,061	\$ 31,835	\$ 173,753	\$ 157,413
Nonferrous sales	11,460	10,882	41,708	43,046
Other sales	<u>1,337</u>	<u>1,139</u>	<u>6,631</u>	<u>4,709</u>
Total sales	63,858	43,856	222,092	205,168
Ferrous sales to Steel Manufacturing Business	(10,966)	(11,970)	(37,750)	(49,891)
Steel Manufacturing Business	<u>47,197</u>	<u>39,014</u>	<u>166,586</u>	<u>167,554</u>
Total	<u>\$ 100,089</u>	<u>\$ 70,900</u>	<u>\$ 350,928</u>	<u>\$ 322,831</u>
INCOME FROM OPERATIONS:				
Metals Recycling Business	\$ 6,124	\$ 2,536	\$ 11,402	\$ 7,854
Steel Manufacturing Business	(2,027)	1,400	(5,789)	4,903
Joint ventures, including year-end LIFO adjustments	5,597	4,060	19,390	9,837
Corporate expense	(2,184)	(1,984)	(8,499)	(8,437)
Intercompany eliminations	(178)	(223)	(252)	(57)
Impairment and other nonrecurring charges	<u>(4,840)</u>	<u>--</u>	<u>(7,100)</u>	<u>--</u>
Total	<u>\$ 2,492</u>	<u>\$ 5,789</u>	<u>\$ 9,152</u>	<u>\$ 14,100</u>
NET INCOME	<u>\$ 2,196</u>	<u>\$ 2,994</u>	<u>\$ 6,553</u>	<u>\$ 7,919</u>
BASIC EARNINGS PER SHARE	<u>\$ 0.24</u>	<u>\$ 0.33</u>	<u>\$ 0.72</u>	<u>\$ 0.85</u>
DILUTED EARNINGS PER SHARE	<u>\$ 0.23</u>	<u>\$ 0.32</u>	<u>\$ 0.71</u>	<u>\$ 0.84</u>

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

	For the Three Months Ended August 31,		For the Year Ended August 31,	
	2002	2001	2002	2001
	(Unaudited)		(Audited)	
Revenues	\$ 100,089	\$ 70,900	\$ 350,928	\$ 322,831
Costs and expenses:				
Cost of goods sold and other operating expenses	90,636	62,104	324,640	291,434
Impairment and other nonrecurring charges	4,840	--	7,100	--
Selling and administrative expenses	7,718	7,067	29,426	27,134
Income from wholly-owned operations	(3,105)	1,729	(10,238)	4,263
Income from joint ventures	5,597	4,060	19,390	9,837
Income from operations	2,492	5,789	9,152	14,100
Other income (expense):				
Interest expense	(452)	(1,062)	(2,314)	(5,120)
Other income, net	162	(442)	809	2,340
	(290)	(1,504)	(1,505)	(2,780)
Income before income taxes	2,202	4,285	7,647	11,320
Income tax provision	(6)	(1,291)	(1,094)	(3,401)
Net income	\$ 2,196	\$ 2,994	\$ 6,553	\$ 7,919
Basic earnings per share	\$ 0.24	\$ 0.33	\$ 0.72	\$ 0.85
Diluted earnings per share	\$ 0.23	\$ 0.32	\$ 0.71	\$ 0.84
Share information (thousands):				
Basic shares outstanding	9,185	9,289	9,148	9,371
Diluted shares outstanding	9,465	9,232	9,283	9,390

SCHNITZER STEEL INDUSTRIES, INC.
Reconciliation of Notable Items
(in thousands, except per share amounts)

	For the Three Months Ended August 31, 2002			For the Three Months Ended August 31, 2001		
	As Reported	Notable Items (Unaudited)	As Adjusted	As Reported	Notable Items (Unaudited)	As Adjusted
Revenues	\$ 100,089	(4)	\$ 100,089	\$ 70,900	(4)	\$ 70,900
Costs and expenses:						
Cost of goods sold and other operating expenses	90,636	(4)	90,636	62,104	(4)	62,104
Impairment and other nonrecurring charges	4,840	(4,840) (1)	0	--		--
Selling and administrative expenses	7,718		7,718	7,067		7,067
Income from wholly-owned operations	(3,105)	(4,840)	1,735	1,729		1,729
Income from joint ventures	5,597	(1,205) (2) 900 (3)	5,902	4,060	900 (2)	3,160
Income from operations	2,492	(5,145)	7,637	5,789	900	4,889
Other income (expense):						
Interest expense	(452)		(452)	(1,062)		(1,062)
Other income, net	162		162	(442)		(442)
	<u>(290)</u>		<u>(290)</u>	<u>(1,504)</u>		<u>(1,504)</u>
Income before income taxes	2,202	(5,145)	7,347	4,285	900	3,385
Income tax provision	<u>(6)</u>	<u>1,045</u> (5)	<u>(1,051)</u>	<u>(1,291)</u>	<u>(270)</u>	<u>(1,021)</u>
Net income	<u>\$ 2,196</u>	<u>(4,100)</u>	<u>\$ 6,296</u>	<u>\$ 2,994</u>	<u>630</u>	<u>\$ 2,364</u>
Basic earnings per share	<u>\$ 0.24</u>	<u>(0.45)</u>	<u>\$ 0.69</u>	<u>\$ 0.33</u>	<u>0.07</u>	<u>\$ 0.26</u>
Diluted earnings per share	<u>\$ 0.23</u>	<u>(0.43)</u>	<u>\$ 0.67</u>	<u>\$ 0.32</u>	<u>0.07</u>	<u>\$ 0.25</u>

(1) Includes the cost to terminate an Alaska barge contract of affreightment, write-down costs associated with the termination of a car crushing business and an impairment charge to exit a metal recycling yard in Reno, Nevada.

(2) Year-end LIFO inventory adjustments

(3) Gain on sale of joint venture property

(4) In order to conform with recent accounting guidance, the Company reclassified the cost of freight and handling it incurs to sell products to its customers from a contra-revenue account to cost of goods sold and other operating expenses. This reclassification resulted in an increase in revenues from amounts previously reported. This reclassification has been made to all periods presented.

(5) During the year the Company estimates its annual effective tax rate and adjusts it quarterly based upon numerous assumptions. As of the end of the third quarter of fiscal 2002, the Company estimated its tax rate to be approximately 20%. The estimate was revised downward in the fourth quarter of 2002 to 14%.

SCHNITZER STEEL INDUSTRIES, INC.
Reconciliation of Notable Items
(in thousands, except per share amounts)

	For the Fiscal Year Ended August 31, 2002			For the Fiscal Year Ended August 31, 2001		
	As Reported	Notable Items (Audited)	As Adjusted	As Reported	Notable Items (Audited)	As Adjusted
Revenues	\$ 350,928		(4) \$ 350,928	\$ 322,831		(4) \$ 322,831
Costs and expenses:						
Cost of goods sold and other operating expenses	324,640		(4) 324,640	291,434		(4) 291,434
Impairment and other nonrecurring charges	7,100	(7,100)	(1) 0	--		--
Selling and administrative expenses	29,426		29,426	27,134		27,134
Income from wholly-owned operations	(10,238)	(7,100)	(3,138)	4,263		4,263
Income from joint ventures	19,390	(1,205)	(2) 19,695	9,837	900 (2)	8,937
		900 (3)				
Income from operations	9,152	(7,405)	16,557	14,100	900	13,200
Other income (expense):						
Interest expense	(2,314)		(2,314)	(5,120)		(5,120)
Other income, net	809		809	2,340		2,340
	<u>(1,505)</u>		<u>(1,505)</u>	<u>(2,780)</u>		<u>(2,780)</u>
Income before income taxes	7,647	(7,405)	15,052	11,320	900	10,420
Income tax provision	<u>(1,094)</u>	<u>1,058</u>	<u>(2,152)</u>	<u>(3,401)</u>	<u>(270)</u>	<u>(3,131)</u>
Net income	<u>\$ 6,553</u>	<u>(6,347)</u>	<u>\$ 12,900</u>	<u>\$ 7,919</u>	<u>630</u>	<u>\$ 7,289</u>
Basic earnings per share	<u>\$ 0.72</u>	<u>(0.69)</u>	<u>\$ 1.41</u>	<u>\$ 0.85</u>	<u>0.07</u>	<u>\$ 0.78</u>
Diluted earnings per share	<u>\$ 0.71</u>	<u>(0.68)</u>	<u>\$ 1.39</u>	<u>\$ 0.84</u>	<u>0.07</u>	<u>\$ 0.78</u>

(1) Includes the cost to terminate an Alaska barge contract of affreightment, write-down costs associated with the termination of a car crushing business, an impairment charge to exit a metal recycling yard in Reno, Nevada, termination costs and write-downs from two ocean charters used to export recycled metal to Asia and a sale of a non-strategic steel forging business.

(2) Year-end LIFO inventory adjustments

(3) Gain on sale of joint venture property

(4) In order to conform with recent accounting guidance, the Company reclassified the cost of freight and handling it incurs to sell products to its customers from a contra-revenue account to cost of goods sold and other operating expenses. This reclassification resulted in an increase in revenues from amounts previously reported. This reclassification has been made to all periods presented.

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

	<u>Q1 FY02</u>	<u>Q2 FY02</u>	<u>Q3 FY02</u>	<u>Q4 FY02</u>	<u>FY02</u>	<u>Q1 FY01</u>	<u>Q2 FY01</u>	<u>Q3 FY01</u>	<u>Q4 FY01</u>	<u>FY01</u>
Metals Recycling Business										
Ferrous Recycled Metal Sales Prices (\$/LT)										
Domestic	\$ 84	\$ 82	\$ 95	\$ 109	\$ 93	\$ 91	\$ 87	\$ 86	\$ 85	\$ 87
Export	\$ 88	\$ 89	\$ 97	\$ 108	\$ 95	\$ 93	\$ 96	\$ 90	\$ 94	\$ 94
Average	\$ 87	\$ 87	\$ 96	\$ 108	\$ 94	\$ 92	\$ 92	\$ 88	\$ 90	\$ 91
Ferrous Sales Volume (LT)										
Domestic - Cascade Steel	93,392	97,999	111,811	103,369	406,571	113,361	146,567	166,617	138,953	565,498
Domestic - External	5,640	17,474	13,285	45,890	82,289	84,502	32,671	17,892	3,623	138,688
Export	248,594	286,210	267,500	265,589	1,067,893	136,524	271,485	207,361	162,124	777,494
Total	<u>347,626</u>	<u>401,683</u>	<u>392,596</u>	<u>414,848</u>	<u>1,556,753</u>	<u>334,387</u>	<u>450,723</u>	<u>391,870</u>	<u>304,700</u>	<u>1,481,680</u>
Steel Manufacturing Business										
Sales Prices (\$/NT)										
Rebar	\$ 272	\$ 266	\$ 265	\$ 270	\$ 267	\$ 279	\$ 280	\$ 292	\$ 287	\$ 285
Other (including billets)	\$ 293	\$ 285	\$ 284	\$ 287	\$ 287	\$ 303	\$ 304	\$ 300	\$ 300	\$ 302
Average	\$ 280	\$ 275	\$ 274	\$ 279	\$ 276	\$ 290	\$ 291	\$ 295	\$ 292	\$ 292
Sales Volume (NT)										
Rebar	73,901	64,241	92,123	77,157	307,422	85,096	70,493	72,903	80,239	308,731
Wire Rod	20,120	24,573	44,826	53,966	143,485	38,503	30,223	23,319	17,758	109,803
Other (including billets)	30,051	28,019	31,820	28,486	118,376	35,939	33,531	27,825	29,932	127,227
Total	<u>124,072</u>	<u>116,833</u>	<u>168,769</u>	<u>159,609</u>	<u>569,283</u>	<u>159,538</u>	<u>134,247</u>	<u>124,047</u>	<u>127,929</u>	<u>545,761</u>
JV Ferrous Recycled Metal Sales Volume (LT)	893,700	891,600	896,834	922,022	3,604,156	548,400	991,000	587,000	930,400	3,056,800

Note: Price information is shown after a reduction for the cost of freight incurred to deliver the product to the customer