SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934.

For the fiscal year ended August 31, 1999 Commission File Number 0-22496

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

OREGON	93-0341923
(State of Incorporation)	(I.R.S. Employer Identification No.)

3200 N.W. Yeon Ave., P.O. Box 10047 Portland, OR	97296-0047
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (503) 224-9900

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Class A Common Stock, $1 par value
(Title of class)

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 [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in the definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X].

The aggregate market value and the number of voting shares of the registrant's common stock outstanding on September 30, 1999 was:

Title of Each Class of Common Stock	Shares Outstanding Held By Affiliates	Shares Outstanding Held By Non-Affiliates	Market Value Held By Non-Affiliates
Class A, $1 par value	255,800	5,038,926	$91,960,400
Class B, $1 par value	4,430,328	0	N/A

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for the 2000 Annual Meeting of Shareholders are incorporated herein by reference in Part III.

SCHNITZER STEEL INDUSTRIES, INC.
FORM 10-K
PART I (CONTINUED)

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PART I

ITEM 1. BUSINESS

Overview

Schnitzer Steel Industries, Inc. (the Company) collects, processes and recycles metals (the Metals Recycling Business) and manufactures finished steel products by operating one of the largest metals recycling businesses in the United States and a technologically advanced steel mini-mill (the Steel Manufacturing Business). As a result of its vertically integrated business, the Company is able to transform auto bodies and other unprocessed metals into finished steel products. The Company believes that its Metals Recycling and Steel Manufacturing Businesses are cost competitive in their markets.

The Company's Metals Recycling Business has collection and processing facilities in Portland, Eugene, White City, Grants Pass and Bend, Oregon, Oakland, Sacramento and Fresno, California, Tacoma and Pasco, Washington, Anchorage, Alaska, and Reno, Nevada. Additionally, through joint ventures, the Company participates in the management of an additional 28 metals recycling collection and processing facilities, including export terminals in Los Angeles, California, Everett, Massachusetts, Portland, Maine, Providence, Rhode Island and Jersey City, New Jersey. It also has other joint venture yards in Salem, Oregon and Caldwell, Idaho. The Company believes that the Metals Recycling Business has a strong competitive position in its markets due to significant economies of scale, low cost metals processing and handling methods, and deep water terminal facilities which provide efficient and flexible access to both domestic and foreign steel producers.

The Company's Steel Manufacturing Business is conducted by Cascade Steel Rolling Mills, Inc., a wholly owned subsidiary acquired in 1984. The Steel Manufacturing Business produces steel reinforcing bar (rebar), coiled rebar, wire rod, merchant bar, fence posts, specialty sections and grape stakes. The Company believes that the Steel Manufacturing Business has a strong competitive position in its market due to its readily available source of recycled metals, efficient production processes, state-of-the-art technology, well-located shipping and transportation facilities, and proximity to California and other major western markets.

Business Strategy

The Company's business strategy emphasizes continued growth of the ferrous recycled metals business through additive acquisitions and joint ventures, and maintaining its status as a low-cost producer of both recycled metal and finished steel products through investments in state-of-the-art manufacturing equipment and increased production efficiencies.

The Company considers itself, first and foremost, a ferrous metals recycling company, with historically over 60% of its operating income, before corporate expenses and eliminations, derived from the Metals Recycling Business which is one of the leading processors in each of the markets in which it operates. Future capital expenditures will focus largely on increasing the Company's position as one of the premier recycled metals processors in the country.

Until the recent turmoil in the recycled metals market caused by the Asian financial crisis, the Company was able to react to changing market conditions by adjusting the price it pays for unprocessed metals. The Company enters into sales contracts by selling forward 45 to 90 days and purchases unprocessed metals on a daily basis. The typical supplier is a relatively small, local business or manufacturer who sells unprocessed metals in limited quantities. The typical supplier generally does not have the ability to inventory material and therefore lacks the market leverage to influence prices. By knowing the price for which the processed material will be sold and the costs involved in processing the metals, the Company is generally able to take advantage of this differential in timing between purchases and sales and negotiate prices with suppliers that secure profitable transactions. The Asian financial crisis caused recycled metals selling prices to drop faster than the Company was able to drop purchase prices for unprocessed metals. Also, in order to ensure an adequate inflow of unprocessed metals, the Company had to maintain certain purchase price levels. As the recycled metals markets stabilize, the Company believes that it will be able to regain much of the margins it has lost as a result of the Asian financial crisis.

It is the Company's intent to only make acquisitions that will be additive to the Company's earnings and cash flows.

The Company has developed a multi-part growth strategy which includes the following elements:

Expand Metals Recycling Operations. The Company will continue to seek expansion opportunities for its Metals Recycling Business within both its existing markets and elsewhere in North America. The Company has focused on and will continue to emphasize increasing its sources of ferrous unprocessed metals through its existing network and through selective acquisitions or through joint ventures with metals processors and suppliers. During fiscal 1998, the Company and one its joint venture partners increased their East Coast market position through the buyout of a third joint venture partner and the completion of two other strategic joint venture acquisitions. In November 1996, the Company acquired Proler International Corp. (Proler). Proler's joint ventures process approximately 2.5 million long tons of ferrous metals per year. The Company's purchase of Manufacturing Management, Inc. (MMI), another metals processor, in March 1995 added approximately 500,000 long tons per year to the Company's ferrous recycled metals volume. In December 1993, the Company acquired four metals collection and processing facilities in central and southern Oregon. To facilitate increased purchasing of bundled metals available in its California market area, the Company installed a pre-shredder at its Oakland facility in 1993 to break apart bundles for further processing into a higher-margin, more marketable shredded product. The Company has also made a series of investments in other joint ventures which increase the Company's sources of unprocessed metals supply. The Company's most significant joint venture, in this regard, operates self-service used auto parts yards, primarily in California. The Company's Oakland facility receives car bodies from this joint venture for processing and sale as shredded recycled metal.

Invest in State-of-the-Art Processing and Manufacturing. The Company's objective is to be a low cost producer of both recycled metals and finished steel products in order to maximize the operating margin for both operations. To meet this objective, the Company has focused on and will continue to emphasize the efficient purchasing and processing of metals. Additionally, the Company has made significant investments in state-of-the art equipment to ensure that its operations have cost effective technology to produce high quality products and to maximize economies of scale. The Company continues to invest in equipment to improve the efficiency and capabilities of the Metals Recycling Business. From fiscal years 1992 through 1999, the Company spent $52.4 million on capital improvements related to metals recycling. During this same time, the Company made capital expenditures of $91.0 million to increase production and enhance efficiencies at its Steel Manufacturing Business' steelmaking facility. The Company continues to invest in technology to improve its key operating systems.

The Company recently completed the installation of a state-of-the-art automobile shredder, capable of shredding over 2,000 tons per day, at its Tacoma facility. This shredder replaced two existing aged shredders that on a combined basis were capable of only 1,000 tons per day. The new shredder is expected to reduce operating costs, improve product quality and allow the Tacoma metals recycling facility to shred material that was previously sold as lower grades. Additionally, the dock and bulkhead at the Tacoma facility were rebuilt during fiscal 1999 to more efficiently handle the increased shredder capacity, the exporting of metals and receipt of bulk products.

Increase Finished Steel Production and Product Flexibility. In February 1996, a second rolling mill (Rolling Mill #2) was completed, increasing the Steel Manufacturing Business' production capacity. Additionally, in February 1997, the Company completed the installation of a rod block at Rolling Mill #2. The rod block has allowed the Company to enhance and diversify its product mix through the production of coiled rebar and wire rod. In addition, the ability of the new bar mill to produce existing cut-to-length rebar products permits the Company to increase its production of higher-margin merchant bar products at Rolling Mill #1 and also increases the Company's flexibility to adjust its product mix among rebar, merchant bar and wire rod products to respond to relative demand and price conditions among these products and to maximize profits. Rolling Mill #2 expands the Company's rolling capacity, based on anticipated product mix, to about 700,000 tons annually. The Company does not expect to expand the Steel Manufacturing Business through significant capital additions in the foreseeable future.

Capture Benefits of Integration. The Company has historically sought to capture the potential benefits of business integration whenever possible. The Company believes it enjoys a competitive advantage over non-vertically integrated mini-mill steel producers as a result of its extensive metals recycling operation. The Metals Recycling Business ensures the Steel Manufacturing Business will receive a predictable, high quality supply of recycled metals in an optimal mix of grades for efficient melting. Likewise, the Steel Manufacturing Business ensures a steady market for a portion of the Metals Recycling Business' production. In the Steel Manufacturing Business, the Company's new wire rod and bar mill has upgraded and is expected to continue to upgrade the Company's finished steel production and product mix.

Complete Additive Acquisitions. The Company intends to complete acquisitions it projects to be additive to earnings and cash flows. Over the past several years, particularly before the Asian financial crisis created uncertainty in the recycled metals industry, several companies in the metals recycling business acquired other recycled metals companies at prices which the Company believes were unjustifiably high. The Asian financial crisis has caused significant dislocations in the recycled metals industry and to a much lesser extent the steel industry. It is the Company's belief that, as a result of these dislocations, some of these acquired companies may again become available at attractive prices. With a strong balance sheet, cash flows and available borrowing capacity, the Company believes it is in a position to complete an acquisition should one fitting the Company's long-term strategic plans become available.

Metals Recycling Business

The Company is one of the largest metals processors in the United States, with twelve wholly owned metals collection and processing facilities. The Company buys, processes and sells ferrous metals to foreign and domestic steel producers or their representatives and to the Steel Manufacturing Business. The Metals Recycling Business also purchases ferrous metal from other recycled metals processors for shipment directly to the Steel Manufacturing Business without further processing by the Metals Recycling Business.

Due to the large capital investment required for metals recycling equipment and the scarcity of potential yard sites that are properly zoned and have access to waterways, highways and railroads, the recycling metals industry is characterized by a relatively small number of large, regionally dominant metals processors. These large processors collect raw metals from a variety of sources, including smaller metal recyclers and dealers, and then sort, clean and cut it into sizes and grades suitable for use by steel manufacturers.

The Company's Portland, Oakland, and Tacoma metals recycling facilities are located at deep water terminal facilities owned and operated by the Company and also have rail and highway access. As a result, the Company believes it is strategically located, both for collection of unprocessed metals from suppliers and for distribution of processed recycled metals to west coast and foreign steel producers. Additionally, because the Company operates the terminal facilities, it is not subject to berthing delays often experienced by users of unaffiliated terminals. The Company's loading costs are believed to be lower than they would be if the Company were to utilize third party terminal facilities.

Customers and Marketing. The following table sets forth information about the amount of ferrous recycled metals sold by the Company's Metals Recycling Business to certain groups of customers during the last five fiscal years:

	Year Ended August 31,									
	1999		1998		1997		1996		1995	
	Sales	Vol.(1)	Sales	Vol.(1)	Sales	Vol.(1)	Sales	Vol.(1)	Sales	Vol.(1)
	(dollar amounts in millions)									
Asian Steel Producers and Representatives	$ 39.5	491	$ 90.4	720	$ 111.1	853	$ 131.8	858	$ 125.9	680
Steel Manufacturing Business:										
Supplied by Company Facilities	38.0	447	44.5	382	43.7	362	44.1	358	44.3	338
Purchased from Others for Direct Shipment(2)	6.2	92	10.4	98	14.1	132	9.9	92	10.4	91
Total: Steel Manufacturing Business	44.2	539	54.9	480	57.8	494	54.0	450	54.7	429
Other US Steel Producers	18.0	194	30.0	235	23.3	171	30.1	171	25.2	145
Total	$ 101.7	1,224	$ 175.3	1,435	$ 192.2	1,518	$ 215.9	1,479	$ 205.8	1,254

(1) In thousands of long tons (2,240 pounds).
(2) Consists of recycled metal that is not processed by the Metals Recycling Business.

The Company sells recycled metals to foreign and other domestic steel producers or their representatives and to the Steel Manufacturing Business. The Company has developed long-standing relationships with Asian and U.S. steel producers. Asian recycled metals customers are located principally in China, Thailand, Japan, Korea and Taiwan. To serve these customers more effectively, the Company operates a wholly-owned subsidiary, SSI International Far East Ltd., in Seoul, South Korea. Additionally, the Company uses representatives in Tokyo, Japan. The Company believes these representatives not only enhance the Company's service to its Asian customers, but also provide a valuable local presence and source of information in these markets. In fiscal 1999, no individual customer accounted for more than 10% of sales to unaffiliated customers. The Metals Recycling Business' five largest customers accounted for 41% of recycled metals sales to unaffiliated customers. However, the Company's recycled metals customers vary from year to year due to demand, relative currency values and other factors. All recycled metals sales are denominated in U.S. dollars and substantially all significant recycled metals shipments to foreign customers are supported by letters of credit.

Historically, ferrous recycled metals prices have on average increased over time, such prices are subject to market cycles. Prices for foreign recycled metals shipments are generally established through a competitive bidding process. The Company generally negotiates domestic prices based on export price levels. Foreign recycled metals sales contracts typically provide for shipment within 45 to 90 days after the price is agreed to, which, in most cases, includes freight. The Company attempts to respond to changing export price levels by adjusting its purchase prices at its metals recycling yards to maintain its operating margin dollars per ton. However, the Company's ability to fully maintain its operating margin per ton through periods of rapidly declining prices can be limited by the impact of lower purchase prices on the volume of recycled metals flowing to the Company from marginal unprocessed metal suppliers. Accordingly, the Company believes it benefits from rising recycled metals prices, which provide the Company greater flexibility to maintain or widen both margins and unprocessed metals flow into its yards.

Sources of Unprocessed Metals. The most common forms of raw metals purchased by the Company are wrecked automobiles, railroad cars, railroad tracks, machinery, and demolition metal from buildings and other obsolete structures. The metals are acquired from drive-in sellers at posted prices at the Company's twelve metals recycling yards, from drop boxes at over 1,000 industrial sites and through negotiated purchases from railroads and other large suppliers. The Company purchases unprocessed metals from a large number of suppliers, including railroads, industrial manufacturers, automobile salvage yards, metals dealers and individuals. Metals recycling yards situated nearest to unprocessed metals sellers and major transportation routes have a competitive advantage because of the significance of freight charges relative to the value of metals. The Company's Portland yard benefits from northwestern rail, highway and water transportation routes allowing it to attract sellers from Oregon, Washington, Idaho, Montana, Utah, Nevada and Northern California. The Eugene, Grants Pass, White City and Bend yards are smaller facilities that serve as collection points from central and southern Oregon. The Oakland yard gives the Company sourcing capability in the San Francisco Bay area, the fifth largest metropolitan region in the country. The Sacramento and Fresno yards are smaller facilities that serve as collection points for unprocessed metals from the central valley of California and Western Nevada. The Company's Tacoma yard collects unprocessed metals from Seattle and the entire Puget Sound area as well as from throughout Washington, Montana, Idaho, Alaska, and Western Canada. No single supplier accounted for more than 5% of the unprocessed metals purchased by the Company during the last fiscal year.

Metals Recycling. The Company processes raw metal by cleaning, sorting, shearing and shredding it into metal pieces of a size, density and purity required by customers for introduction into their melting furnaces. Smaller, denser pieces of recycled metals are more valuable because they melt more easily than larger pieces and more completely fill a steel mill's furnace charge bucket. Over 80% of the ferrous metals collected by the Company's metals recycling facilities requires processing before sale.

Seven of the Company's twelve wholly owned metals recycling facilities operate large capacity guillotine-style shears for cutting large pieces of ferrous metal into smaller, more saleable pieces. At eight of the facilities, the Company also has large scissor shears mounted on cranes that move about the yards and cut bulky pieces of metal into sizes that can be further processed by the guillotine shears. These mobile shears are capable of reducing a railroad boxcar to useable recycled metal in approximately 30 minutes.

The Portland and Oakland facilities each operate a large auto shredder capable of processing up to 1,500 tons of metal per day. The Tacoma facility recently completed the installation of a state-of-the-art shredder capable of shredding over 2,000 tons per day. These shredders reduce automobile bodies and other light gauge sheet metal into fist-size pieces of shredded recycled metal. The shredded material is then carried by conveyor under magnetized drums which attract the ferrous recycled metal and separate it from the nonferrous metals and other material (fluff) found in the shredded material, resulting in a relatively pure and clean shredded steel product. The nonferrous metal and fluff then pass through a separator that removes the fluff. In Oakland, the nonferrous metals are further processed using a sink float method to separate aluminum from other metals based on the differences in their specific gravities. The remaining nonferrous metals are either hand sorted and graded before being sold or sold unsorted.

The new shredder at the Tacoma facility has significantly expanded the processing capacity at that site. Additionally, this new shredder is designed to provide a denser product which can be more efficiently used by steel mills and to upgrade materials which, in the past, could not have been shredded. The Company expects to receive premium prices for this improved product.

A pre-shredder at the Oakland facility is used to break apart compacted bundles of light gauge ferrous metals purchased from other metals processors and dealers. The unbundled metals are further processed through the shredder.

Deep Water Terminal Facilities. The Company delivers recycled metals to foreign steel producers by ship. The Company achieves cost efficiencies by operating deep water terminal facilities at its Portland, Tacoma and Oakland facilities. As a result, the Company is generally not subject to berthing delays often experienced by users of unaffiliated terminal facilities. The Oakland dock also has a berth serviced by a bulk loading conveyor for loading shredded metal as well as a concrete wharf with a 40-ton container crane. The Tacoma marine terminal is serviced by a 250-ton gantry crane and one 40-ton crane. A new dock and bulkhead were completed at the Tacoma yard during fiscal 1999. The Portland dock has three operating berths for ships and two tie-up berths, and is equipped with three 60-ton cranes and one 30-ton crane for loading and unloading heavy materials, and a bulk loading conveyor capable of loading up to 700 tons of shredded recycled metals per hour directly into a ship's hold.

The Oakland and Tacoma terminals are used extensively for loading metals shipments to the Company's foreign customers. The Portland terminal primarily and, to a lesser extent, the Oakland and Tacoma terminals also sell docking, loading and warehousing services to unrelated parties.

Competition. The Company competes both with respect to the purchase of unprocessed metals from sources and the sale of processed recycled metals to finished steel producers. Competition for unprocessed metals purchased in the Company's markets comes primarily from larger, well financed competitors like LMC Metals, a division of Simsmetal USA Corporation, headquartered in Richmond, California, one large recycled metals broker, David J. Joseph Company, which purchases recycled metals throughout the region for delivery to steel producers, as well as from smaller metals yards and dealers, and steel producers such as Oregon Steel Mills, Inc., Nucor Corporation and Birmingham Steel Corporation (Salmon Bay Steel) who buy recycled metals directly. To a lesser extent, the Company also competes with smaller dealers who can impact prices and volumes of certain commodities in smaller geographic areas. The predominant competitive factors impacting the Company's recycled metals sales and its ability to obtain unprocessed metals are price, including shipping costs, availability, reliability of service and product quality.

The Company competes with a number of U.S. and foreign recycled metals processors for export sales. Price, including shipping costs, and availability are the most important competitive factors, but reliability and quality are also important. The Company believes that its size and locations allow it to compete effectively with other U.S. and foreign metals recyclers.

Seasonality. The Company makes a number of large ferrous metals shipments to foreign steel producers each year. The Company's control over the timing of shipments is limited by customers' requirements, shipping schedules and other factors. Variations in the number of shipments from quarter to quarter result in fluctuations in quarterly revenues and earnings.

Backlog. At August 31, 1999, the Company's Metals Recycling Business had a backlog of firm orders of $14.9 million, as compared to $6.8 million at August 31, 1998. All of the backlog at August 31, 1999 was related to export shipments that were shipped during the first quarter of fiscal year 2000.

Joint Ventures

The Company has invested in certain joint ventures which process and sell recycled metals to third parties and other joint ventures that supply unprocessed metals to the Company's operations and other metals buyers.

I. Joint Ventures in the Metals Recycling Business

The Company owns interests in five joint ventures that are engaged in buying, processing, and selling primarily ferrous metal. The Company is a 50% partner in four of these joint ventures and is a 30% partner in a smaller joint venture located in Rhode Island. These joint ventures process and sell approximately 2.5 million long tons of ferrous metals per year. Through these joint ventures, the Company participates in the management of 28 metals collection and processing facilities, including export terminals in Los Angeles, California, Everett, Massachusetts, Portland, Maine, Providence, Rhode Island and Jersey City, New Jersey and 23 feeder yards. At the feeder yards metal is collected, processed and then transported to one of the joint venture's export terminals for subsequent sale or sold directly to domestic purchasers.

During fiscal 1998, the Company and one of its joint venture partners increased their East Coast market position through the buyout of a third joint venture partner and the completion of two other strategic joint venture acquisitions. The Company with its joint venture partners continue to seek expansion opportunities in both their existing markets and strategically elsewhere in the United States.

Metals Processing and Supply. The joint ventures predominantly produce shredded recycled metal and other grades of ferrous recycled metal, primarily heavy melting and premium grades. The joint ventures process metals by shredding, sorting, baling, shearing or cutting the metals into pieces suitable for melting. Processed metals are either inventoried for later shipment or shipped directly by rail, truck, ship or barge to foreign or domestic steel mills.

Deep Water Terminal Facilities. Through its joint ventures, the Company participates in the management of export terminals in Los Angeles, California, Everett, Massachusetts, Portland, Maine, Providence, Rhode Island and Jersey City, New Jersey. The joint ventures deliver by ship recycled metals to steel producers throughout the world. As a result of owning or leasing these facilities, the joint ventures are not subject to berthing delays often experienced by users of unaffiliated terminal facilities.

Competition. The predominant competitive factors which impact the joint ventures' ability to obtain unprocessed metals as a raw material and recycled metals sales are price, including shipping costs, availability, reliability of service and product quality.

II. Joint Venture Suppliers of Metals

The Company is a 50% partner in a joint venture which operates sixteen self-service used auto parts yards in central California and the Bay Area, two yards in Texas, and one yard each in Nevada, Utah, Illinois, and Indiana. Customers purchase parts that they remove themselves from wrecked automobiles purchased by the joint venture and displayed in its yards. The Company then has a right of first refusal to purchase the picked over car bodies, at prices that approximate market, for shredding at the Oakland metals recycling operation. The joint venture opened or acquired three yards in fiscal 1995, one yard in fiscal 1996, two yards in fiscal 1997, one yard in fiscal 1998, and four yards in fiscal 1999 and intends to continue to open or acquire new yards as appropriate sites are identified. During fiscal 1999, the Company purchased substantially all the car bodies generated in California by this joint venture.

The Company is also a 50% partner in a joint venture operating out of Richmond, California which is an industrial plant demolition contractor. The joint venture dismantles industrial plants, performs environmental remediation, resells any machinery or pieces of steel that are salvaged from the plants in a usable form, and sells other recovered metals, primarily to the Company. During fiscal 1999, the Company purchased substantially all of the ferrous metals generated by this joint venture.

During fiscal 1999, the Company purchased 195,700 long tons of ferrous metals from its joint ventures, on terms negotiated at arms-length between the Company and the other partners to the joint ventures.

Steel Manufacturing Business
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The Company's Steel Manufacturing Business is conducted by its subsidiary, Cascade Steel Rolling Mills, Inc., located in McMinnville, Oregon (approximately 45 miles southwest of Portland). The Steel Manufacturing Business' mini-mill was established in 1968 and acquired by the Company in 1984.

Products and Marketing. The Steel Manufacturing Business produces rebar, merchant bar, wire rod, coiled rebar and specialty products such as studded fence posts, grape stakes and special sections. Sales of these products during the last five fiscal years were as follows:

	Year Ended August 31,									
	1999		1998		1997		1996		1995	
	Sales	Vol.(1)	Sales	Vol.(1)	Sales	Vol.(1)	Sales	Vol.(1)	Sales	Vol.(1)
	(dollar amounts in millions)									
Rebar	$ 98.3	340	$ 101.9	325	$ 104.9	341	$ 98.7	321	$ 78.3	255
Merchant bar	37.4	113	46.2	123	43.1	117	35.5	95	34.4	87
Wire rod	13.9	59	11.3	37	4.6	15				
Coiled rebar	6.9	22	6.0	18	1.7	5				
Specialty products	16.2	37	22.0	50	28.1	68	25.8	60	23.5	56
Total	$ 172.7	571	$ 187.4(2)	553	$ 182.4(2)	546	$ 160.0	476	$ 136.2(2)	398

(1) In thousands of short tons (2,000 pounds).
(2) Does not include billet sales of $4.0 million in 1998, $1.3 million in 1997, and $5.2 million in 1995.

Rebar is steel rod used to increase the tensile strength of poured concrete. Merchant bar consists of round, flat, angle and square steel bars used by fabricators or manufacturers to produce a wide variety of products, including gratings, steel floor and roof joints, safety walkways, ornamental furniture, stair railings and farm equipment. Wire rod is steel wire used by fabricators to produce a variety of products such as chain link fencing, nails, wire and stucco netting. Coiled rebar is rebar delivered on coils rather than in flat lengths, a method preferred by some fabricators. Specialty products include fence posts and other finished products. The Company's fence posts are designed to support barbed wire and are sold primarily to the agricultural industry.

The Company's installation of a rod block and finishing equipment at Rolling Mill #2 for the rolling of wire rod and coiled rebar was completed in February 1997. Demand for wire rod and coiled rebar on the West Coast has traditionally been filled by suppliers outside of the region (both domestic and foreign), creating what the Company believes to be an attractive opportunity to capture market share and enhance profitability. The addition of the new bar mill, with its ability to produce the Steel Manufacturing Business' existing cut-to-length rebar products, has permitted the Company to increase its production of higher-margin merchant bar products at Rolling Mill #1 and also increased the Company's flexibility to adjust its product mix among rebar, merchant bar and wire rod products to respond to relative demand and price conditions among those products. The Company expects its Steel Manufacturing Business' total volume to continue to increase due to greater efficiencies to be gained at Rolling Mill #2.

The Steel Manufacturing Business sells directly from its plant in McMinnville, Oregon and from its distribution center located in El Monte, California (Los Angeles area). The distribution center facilitates sales by holding a ready inventory of products close to major customers for just-in-time delivery. Due to zoning changes, the Company closed its Union City distribution center in fiscal 1999 and has replaced it with a third party warehouse in Stockton, California. The Steel Manufacturing Business communicates regularly with major customers to determine their anticipated needs and plans its rolling mill production schedule accordingly. The Steel Manufacturing Business also produces and inventories a mix of products forecasted to meet the needs of other customers. Shipments to customers are made by common carrier, either truck or rail.

During the year ended August 31, 1999, the Steel Manufacturing Business sold its steel products to approximately 500 customers primarily located in the 10 western states. In that period, approximately 41% of the Steel Manufacturing

Business' sales were made to customers in California. The Steel Manufacturing Business' customers are principally steel service centers, construction industry subcontractors, steel fabricators, and major farm and wood product suppliers.

The Steel Manufacturing Business' 10 largest customers accounted for approximately 46% of its revenues during fiscal 1999. No individual customer accounted for more than 10% of revenues.

Recycled Metals Supply. The Company believes it operates the only mini-mill in the United States which has the ability to obtain its entire recycled metals requirement from its own affiliated metals recycling operations. The demand for steel recycled metals has intensified with the increase in the number and capacity of steel producers both in the U.S. and overseas. There have at times been regional shortages of recycled metals with some mills being forced to pay higher prices for recycled metals shipped from other regions or to temporarily curtail operations. The Company's Metals Recycling Business currently supplies the Steel Manufacturing Business both with recycled metals that it has processed and with recycled metals that it has purchased from third-party processors. See "Metals Recycling Business". The Metals Recycling Business is also able to deliver to the Steel Manufacturing Business an optimal mix of recycled metal grades to achieve maximum efficiency in its melting operations.

Energy Supply. Electricity and natural gas represented approximately 6% and 2% respectively, of the Steel Manufacturing Business' cost of goods sold in the year ended August 31, 1999.

The Steel Manufacturing Business purchases hydroelectric power from McMinnville Water & Light Company (McMinnville), a municipal utility that acquires its power from the Bonneville Power Administration (BPA), and is McMinnville's largest customer. McMinnville obtains power at the lowest cost available from BPA and then resells it to the Steel Manufacturing Business at its cost plus a fixed charge per kilowatt hour and a 3% city surcharge. In fiscal 1999, the Steel Manufacturing Business paid an average of $.03 per kilowatt hour used. The favored rate McMinnville obtains from BPA is for firm power; therefore, the Steel Manufacturing Business is not forced to sacrifice the reliability of its power supply for a lower interruptible power rate as is the case with certain other mini-mills. The contract with McMinnville expires June 30, 2001.

The Steel Manufacturing Business purchases natural gas for use in the reheat furnaces from Panenergy Gas Services of Salt Lake City, Utah, pursuant to a contract that obligates the business to purchase minimum amounts of gas at a fixed rate or pay a demand charge. The contract expires on October 31, 2004. All natural gas used by the Steel Manufacturing Business must be transmitted by a single pipeline owned by Northwest Natural Gas Company (Northwest) that also serves local residential customers of Northwest. To protect against interruptions in gas supply, the Steel Manufacturing Business maintains stand-by propane gas storage tanks which hold enough gas to operate one of the rolling mills for at least three days without refilling.

Manufacturing Operations and Equipment. The Steel Manufacturing Business' melt shop includes a 100-ton capacity electric arc furnace and a five-strand continuous billet caster. The melt shop is highly computerized and automated. The 100-ton capacity of the furnace accommodates larger, less expensive grades of scrap, resulting in recycled metals cost savings. Energy savings result in part from efficiencies of the larger furnace, but also as a result of post-combustion equipment added to the furnace in 1995. This technology injects oxygen into the furnace during melting operations which creates energy by combusting carbon monoxide. The melt shop also has enhanced steel chemistry refining capabilities, permitting the mill to produce higher margin products using special alloy quality grades of steel not currently produced by other mills on the West Coast, including the steel grades required for wire rod.

During the fiscal years ended August 31, 1997, 1998 and 1999 the melt shop produced 586,000, 611,000 and 628,000 tons of billets, respectively. The melt shop operates 24 hours a day, seven days a week, except for one six-to-ten hour period each week in which it is shut down for maintenance. The Company continues to anticipate that the melt shop will produce over 700,000 tons of billets per year when it is operating at capacity.

Billets produced by the melt shop are reheated in one of two natural gas-fueled reheating furnaces and then drawn red-hot through one of two rolling mills. Rolling Mill #1, a 17-stand mill, was completed in July 1986. The mill is computerized, allowing for efficient synchronized operations of the rolls and related equipment. The computer controls facilitate the reconfiguration of the rolls to produce different products, thus reducing costly downtime. The computer controls include a self-diagnostic system that detects and identifies electronic and mechanical malfunctions in Rolling Mill #1. In 1994, the Steel Manufacturing Business completed the installation of in-line straightening, stacking and bundling equipment on the end of Rolling Mill #1. The addition of this equipment has permitted the Steel Manufacturing Business to improve the quality of its products and to produce its merchant bar products more efficiently by automating the straightening and bundling function. It has also permitted the Steel Manufacturing Business to expand its higher-margin merchant bar product line.

Rolling Mill #2, a technologically advanced 18-stand mill, was completed in February 1996. The mill is computerized, allowing for efficient synchronized operations of the rolls and related equipment. The computer controls facilitate the reconfiguration of the rolls to produce different products, thus reducing costly downtime. The computer controls include a self-diagnostic system that detects and identifies electronic and mechanical malfunctions in the mill. The Steel Manufacturing Business completed the installation of a rod block at Rolling Mill #2 in February 1997. The rod block allows the Steel Manufacturing Business to enhance its product mix through the production of coiled rebar and wire rod. In addition, the ability of Rolling Mill #2 to produce the Steel Manufacturing Business' existing cut-to-length rebar products permits it to increase its production of higher-margin merchant bar products at Rolling Mill #1 and also increases its flexibility to adjust its product mix among rebar, merchant bar and wire rod products to respond to relative demand and price conditions among other products. Rolling Mill #2 is expected to expand the Steel Manufacturing Business' rolling capacity, based on anticipated product mix, to about 700,000 tons annually.

The Steel Manufacturing Business' melt shop and rolling mills are each shut down for one week twice each year for comprehensive maintenance (in addition to normal weekly maintenance performed throughout the year). During these periods, substantially all of the equipment in the mills is dismantled, inspected and overhauled.

Transportation. The Steel Manufacturing Business makes extensive use of rail transportation for shipment of its products to its distribution center and customers in California and for the shipment of recycled metals to the mill both from the Metals Recycling Business' yards and other metal recyclers in Southern Oregon and California. As a result, the Company believes it is one of the largest customers of Union Pacific Corporation and the largest customer for northbound freight. The Company believes this position enables the Company to obtain favorable rates which permits the Steel Manufacturing Business to compete with mills that are closer to California markets.

Competition. The Steel Manufacturing Business competes predominantly with the following Western U.S. steel producers for sales of rebar and merchant bar: Birmingham Steel Corporation in Seattle, Washington; NUCOR Corporation in Plymouth, Utah; Tamco in Los Angeles, California; North Star Steel Company in Kingman, Arizona; and Chaparral Steel Company in Midlothian, Texas. The Steel Manufacturing Business also competes for sales of wire rod with the aforementioned North Star Steel Company mini-mill and an Oregon Steel Mill, Inc. plant located in Pueblo, Colorado, along with other domestic and foreign producers. Other domestic mills generally do not compete in the Steel Manufacturing Business' market area because of transportation costs. The principal competitive factors in the Steel Manufacturing Business' market are price (including freight cost), availability, quality and service. Certain of the Steel Manufacturing Business' competitors have substantially greater financial resources than the Steel Manufacturing Business. U.S. steel manufacturers have historically faced competition from foreign steel producers. During fiscal 1999, the Steel Manufacturing Business experienced significant competition from low-priced steel products imported by these Asian companies, which was a direct result of the Asian financial crisis. The Steel Manufacturing Business also experienced some competition from Mexican steel mills in the Southern California market during fiscal 1996 and 1997.

Seasonality. The Steel Manufacturing Business' revenues can fluctuate significantly between quarters due to factors such as the seasonal slowdown in the construction industry, which occurs from the late fall through early spring, and in other industries it serves. In the past, the Steel Manufacturing Business has generally experienced its lowest sales during the second quarter of the fiscal year. The Company expects this pattern to continue in the future.

Backlog. The Steel Manufacturing Business generally ships products within days after the receipt of purchase orders. It therefore does not normally have any material backlog of firm orders.

Environmental Matters

Compliance with environmental laws and regulations is a significant factor in the Company's business. The Company is subject to local, state, federal, and supranational environmental laws and regulations concerning, among other matters, solid waste disposal, air emissions, waste water disposal, dredging, and employee health. Environmental legislation and regulations have changed rapidly in recent years and it is likely that the Company will be subject to even more stringent environmental standards in the future.

Manufacturing Management, Inc.

In conjunction with the due diligence proceedings for the Company's acquisition of Manufacturing Management, Inc. (MMI) , a third-party consultant was hired to estimate the cost to cure both current and future environmental liabilities. Based on the consultant's report, MMI recorded in 1994 a reserve for the estimated cost to cure environmental liabilities. This reserve was carried over to the Company's financial statements and at August 31, 1999 aggregated $18.2 million.

General Metals of Tacoma (GMT), MMI's subsidiary, owns and operates a recycled metals facility located on the Hylebos Waterway, a part of Commencement Bay, which is the subject of an ongoing environmental investigation and remediation project by the U.S. Environmental Protection Agency (EPA) under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA). GMT and well over 60 other parties were named potentially responsible parties (PRP's) for the investigation and cleanup of contaminated sediment along the Hylebos Waterway. GMT and five other PRP's voluntarily have entered into an Administrative Order on Consent with the EPA to fund a pre-remedial study of sediment contamination and remediation alternatives. GMT's share of the study, which is now expected to be completed in late 1999, is approximately $2 million. GMT may also be named in a claim for potential natural resource damages in Commencement Bay currently under assessment by certain government agencies and others acting as natural resource trustees.

In 1998, GMT entered into an Administrative Order on Consent with EPA pursuant to which GMT agreed to replace its bulkhead and wharf with a steel sheet pile/cement dock, including capping for inter-tidal sediments, to address potential concerns about contaminated sediments being addressed in the Hylebos Superfund matter. During 1999 the Company completed the replacement of the bulkhead and wharf.

In 1990, MMI entered into a Consent Decree with the Washington Department of Ecology which required MMI to pave the entire Tacoma recycled metals facility and install a stormwater collection and treatment system. The stormwater system has been installed and final paving was completed during fiscal 1996. On an ongoing basis, MMI is required to monitor the groundwater quarterly and maintain the paving.

MMI is also a named PRP at two third-party sites at which it allegedly disposed of transformers. At one site, MMI entered into a settlement under which it agreed to pay $825,000 towards remediation of the site. Remediation of the site has been performed and it is now subject to a five year monitoring program. The other site has not yet been subject to significant remedial investigation. MMI has been named as a PRP at several other sites for which it has reached de minimis settlements. In addition to the matters discussed above, the Company's environmental reserve includes amounts for potential future cleanup of other sites at which MMI has conducted business or has allegedly disposed of other materials.

Proler

In 1996, prior to the Company's acquisition of Proler, Proler recorded a liability for the probable costs to remediate its wholly owned properties based upon a consultant's estimates. The Company carried over the aggregate reserve to its financial statements upon acquiring Proler and $6.6 million remained outstanding on August 31, 1999. Also, Proler's joint ventures recorded additional liabilities of $4.1 million for the probable costs to remediate their properties based on the consultant's estimates.

Between 1982 and 1987, MRI Corporation (MRI), a wholly owned subsidiary of Proler, operated a tin can shredding and detinning facility in Tampa, Florida. In 1989 and 1992, the EPA conducted a preliminary site investigation of this property and, in December 1996, added the site to the "National Priorities List". MRI and Proler, along with several other parties, have been named as PRPs for the site by the EPA. Additionally, Proler and/or this subsidiary have been named or identified as PRPs at several other sites. Proler included the probable costs associated with these sites in the aforementioned reserve.

Proler leased lands from Kennecott in Copperton, Utah between 1966 and 1992 for a detinning plant operation, which supplied iron precipitate to the mines. Expenditures for environmental site clean-up activities from fiscal 1997 through fiscal 1999 totaled $428,000 for Proler, with an estimated $260,000 of remaining cleanup to be done. The amount of remaining work and the parties responsible for such work to reach final closure on the site are currently in negotiation.

As part of the Proler acquisition, the Company became a fifty-percent owner of Hugo Neu-Proler Company (HNP). HNP has agreed, as part of its 1996 lease renewal with the Port of Los Angeles, to be responsible for a multi-year, phased remedial clean-up project involving certain environmental conditions on its metals recycling facility at its Terminal Island site in Los Angeles, California by the year 2001. Remediation will include limited excavation and treatment of contaminated soils, paving, installation of a stormwater management system, construction of a noise barrier and perimeter wall around the facility, and groundwater monitoring. The probable costs to remediate this property are included in the aforementioned reserve.

Metals Recycling LLC (Metals) is a scrap metals processing business with locations in Rhode Island and Massachusetts. The members of Metals are one of the Company's Proler joint ventures and Metals Recycling, Inc.

On June 9, 1999, the Rhode Island Department of Environmental Management (DEM) issued a Notice of Violation (NOV) against Metals alleging Metals had violated federal and state regulations relating to the storage, management, and transportation of hazardous waste and imposed an administrative penalty of $718,045. Metals has filed an answer to the NOV in which it denied the allegations and requested an adjudicatory hearing. In July 1999, the DEM issued a NOV to Rhode Island Resource Recovery Corporation (RIRRC), which included a civil penalty of $307,752, relating to the alleged disposal of hazardous waste by Metals at a landfill operated by RIRRC. Metals and RIRRC have denied the DEM's allegations. RIRRC has requested an adjudicatory hearing. Pursuant to an Alternative Coverage Disposal Agreement between RIRRC and Metals, Metals has agreed to defend and indemnify RIRRC with regard to the NOV.

In late January of 1999, federal and state officials searched Metal's Johnston, Rhode Island and Worcester, Massachusetts facilities. Metals has been advised that the search was part of a state criminal investigation into possible violations of state and federal hazardous waste programs and a Rhode Island statute that prohibits the disposal of out-of-state solid waste at the landfill operated by RIRRC. A grand jury has been empanelled to consider the allegations. No proceedings have been commenced against Metals or its officers. The Company believes Metals has substantial defenses to the alleged violations.

Additionally, other Proler joint venture sites with potential environmental clean-up issues have been identified. The estimated potential clean-up costs associated with these sites have also been included in the aforementioned reserve.

Metals Recycling Business

After the shredding of automobile bodies and the separation of ferrous and salable nonferrous metals, the remaining auto shredder residue ("fluff") must be disposed. State and federal standards prescribe fluff sampling protocols which require representative samples of fluff to be analyzed to determine if they are likely to leach heavy metals, PCBs or other hazardous substances in excess of acceptable levels. Fluff from the Company's metals recycling operations in Oakland and Tacoma undergo an in-line chemical stabilization treatment prior to its beneficial use as an alternative daily landfill cover.

Steel Manufacturing Business

Cascade Steel Rolling Mills, Inc.'s steel mini-mill generates electric arc furnace (EAF) dust, which is classified as a hazardous waste by the EPA because of its zinc and lead content. Currently, a majority of the EAF dust is shipped to a firm in the United States that applies a treatment which delists the EAF dust as hazardous so it can be disposed of as a non-hazardous, solid waste. The remaining volume of the Company's EAF dust is exported, pursuant to an annually renewable export license, to a secondary smelter in Mexico that recycles EAF dust to produce commercial grade zinc and lead.

The Steel Manufacturing Business' mini-mill operating permit under Title V of the Clean Air Act Amendment (CAA) of 1990, which governs certain air quality standards, was issued in 1998 and expires in April 2003. The mini-mill is currently authorized to melt up to 900,000 tons of recycled metals per year and produce finished steel products totaling 450,000 tons for Rolling Mill #1 and 525,000 tons for Rolling Mill #2.

As the mini-mill's production grows beyond current levels, the Steel Manufacturing Business anticipates that it will need to enhance its existing facilities to properly control increased emissions in order to remain in compliance with the operating permit. The Steel Manufacturing Business is currently evaluating alternative methods for controlling the growth in emissions. Any capital expenditures necessary to address this issue will not have a material adverse effect on the Steel Manufacturing Business.

It is not possible to predict the total size of all capital expenditures or the amount of any increases in operating costs or other expenses that may be incurred by the Company or its subsidiaries to comply with environmental requirements applicable to the Company, its subsidiaries and their operations, or whether all such cost increases can be passed on to customers through product price increases. Moreover, environmental legislation has been enacted, and may in the future be enacted, to create liability for past actions that were lawful at the time taken but which have been found to affect the environment and to increase public rights of action for environmental conditions and activities. As is the case with steel producers and recycled metals processors in general, if damage to persons or the environment has been caused, or is in the future caused, by the Company's hazardous materials activities or by hazardous substances now or hereafter located at the Company's facilities, the Company may be fined and/or held liable for such damage and, in addition, may be required to remedy the condition. Thus, there can be no assurance that potential liabilities, expenditures, fines and penalties associated with environmental laws and regulations will not be imposed on the Company in the future or that such liabilities, expenditures, fines or penalties will not have a material adverse effect on the Company.

The Company has, in the past, been found not to be in compliance with certain environmental laws and regulations and has incurred liabilities, expenditures, fines and penalties associated with such violations. The Company's objective is to maintain compliance. Efforts are ongoing to be responsive to environmental regulations.

The Company believes that it is in material compliance with currently applicable environmental regulations as discussed above and, except as discussed above, does not anticipate any substantial capital expenditures for new environmental control facilities during fiscal 2000 or 2001.

Employees

As of August 31, 1999, the Company had 1,041 full-time employees, consisting of 400 employees at the Company's Metals Recycling Business, 569 employees at the Steel Manufacturing Business, and 72 corporate administrative employees. Of these employees, 649 are covered by collective bargaining agreements with twelve unions. The Steel Manufacturing Business' contract with the United Steelworkers of America covers 433 of these employees and expires on February 1, 2000. The Company believes that its labor relations generally are good.

ITEM 2. PROPERTIES

The Company's Portland metals recycling facility, Portland deep water terminal facilities, and the related buildings and improvements are located on an approximately 120-acre industrial site owned by Schnitzer Investment Corp. (SIC), a related party, and leased to the Company under a long-term lease. See Part III, Item 13 "Certain Relationships and Related Transactions." Approximately 17 acres are occupied by the deep water terminal facilities, and the balance is used by the Metals Recycling Business.

The Sacramento recycled metals operations are located on a 7-acre site, most of which is leased from SIC under a long-term lease. See Part III, Item 13 "Certain Relationships and Related Transactions." The Pasco, Anchorage and Reno operations are located on sites leased from third parties.

The following metals recycling operations are all located on sites owned by the Company or subsidiaries:

LOCATION	ACREAGE OWNED AT SITE
Oakland	33
Tacoma	26
Fresno	17
Eugene	11
Grants Pass	5
White City	4
Bend	3

The Steel Manufacturing Business' steel mill and administrative offices are located on an 83-acre site owned by the Steel Manufacturing Business in McMinnville, Oregon. The Steel Manufacturing Business also owns its 87,000 sq. ft. distribution center in El Monte, California.

The equipment and facilities on each of the foregoing sites are described in more detail in the descriptions of each of the Company's businesses. The Company believes its present facilities are adequate for operating needs for the foreseeable future.

The Company's principal executive offices are located at 3200 NW Yeon Avenue in Portland, Oregon in 20,000 sq. ft. of space leased from SIC under long-term leases. See Part III, Item 13 "Certain Relationships and Related Transactions."

ITEM 3. LEGAL PROCEEDINGS

Except as described above under Part I, Item 1 "Business -- Environmental Matters", the Company is not a party to any material pending legal proceedings.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year ended August 31, 1999.

ITEM 4(a). EXECUTIVE OFFICERS OF THE REGISTRANT

Name	Age	Office
Leonard Schnitzer	75	Chairman of the Board and Chief Executive Officer
Robert W. Philip	52	President
Kenneth M. Novack	53	Executive Vice President
Gary Schnitzer	57	Executive Vice President - California Metals Recycling Business
Barry A. Rosen	54	Vice President - Finance and Treasurer
Kurt C. Zetzsche	60	President of Steel Manufacturing Business
Edgar C. Shanks	51	Vice President - Taxation
Dori Schnitzer	45	Secretary
Kelly E. Lang	38	Vice President - Corporate Controller

Leonard Schnitzer has been the Chief Executive Officer of the Company since August 1973, and became Chairman of the Board in March 1991.

Robert W. Philip has been President of the Company since March 1991. He had been a Vice President of the Company since 1984 with responsibility for the Company's Metra Steel distribution division from 1984 to the time of its sale in July 1990. Mr. Philip is Leonard Schnitzer's son-in-law.

Kenneth M. Novack is Executive Vice President of the Company and President of Schnitzer Investment Corp. and certain other Schnitzer Group companies. From 1975 to 1980, he worked for the Company as Vice President and then Executive Vice President. Mr. Novack was also President of Schnitzer Investment Corp. from 1978 to 1980. From 1981 until April 1991, he was a partner in the law firm of Ball, Janik & Novack. Mr. Novack is the son-in-law of Gilbert Schnitzer, a brother of Leonard Schnitzer.

Gary Schnitzer has been Executive Vice President in charge of the Company's California metals recycling operations since 1980. Gary Schnitzer is the son of Gilbert Schnitzer.

Barry A. Rosen has been Vice President-Finance and Treasurer of the Company since 1982.

Kurt C. Zetzsche joined the Company in February 1993 as President of the Steel Manufacturing Business. Mr. Zetzsche has been in the steel production business since 1966. From 1990 to February 1993, he was President of Tennessee Valley Steel, a mini-mill steel producer. From 1976 to 1989, he was President of Knoxville Iron Co., also a mini-mill steel producer.

Edgar C. Shanks joined the Company in September 1991 as Vice President-Taxation. From 1970 to 1991, he was a CPA with Price Waterhouse LLP and was a partner there from 1982 to 1991.

Dori Schnitzer has been the Secretary of the Company since June 1987. She also served as corporate counsel of the Company from October 1987 to May 1991 when she became Vice President of Lasco Shipping Co. Ms. Schnitzer is a daughter of Morris Schnitzer, a deceased brother of Leonard Schnitzer.

Kelly E. Lang joined the Company in September 1999 as Vice President-Corporate Controller. From 1996 to September 1999 he was employed by Tektronix Inc. in various financial capacities, the last of which was Vice President, Finance for Tektronix Inc.'s Color Printing and Imaging Division. From 1994 to 1996, he was Treasurer of Crown Pacific Partners, LP. Mr. Lang is a Certified Public Accountant.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The Company's Class A Common Stock is traded on the Nasdaq National Market tier of the Nasdaq Stock Market under the symbol SCHN. The approximate number of shareholders of record on September 30, 1999 was 110. The stock has been trading since November 16, 1993. The following table sets forth the high and low prices reported at the close of trading on the Nasdaq Stock Market and the dividends paid per share for the periods indicated.

	Fiscal Year 1999		
	High Price	Low Price	Dividends Per Share
First Quarter	$18.75	$11.13	$.05
Second Quarter	18.50	13.00	.05
Third Quarter	17.38	9.00	.05
Fourth Quarter	23.00	14.75	.05

	Fiscal Year 1998		
	High Price	Low Price	Dividends Per Share
First Quarter	$37.63	$27.38	$.05
Second Quarter	30.00	22.63	.05
Third Quarter	27.13	24.06	.05
Fourth Quarter	26.25	15.00	.05

ITEM 6. SELECTED FINANCIAL DATA

	1999	1998	1997(1)	1996	1995(2)
	Year Ended August 31, (In millions, except per share, per ton and shipment data)				
INCOME STATEMENT DATA:					
Revenues	$ 265.0	$ 353.1	$ 361.7	$ 339.3	$ 330.7
Cost of goods sold and other operating expenses	236.3	309.6	313.2	289.2	283.5
Selling and administrative	23.7	24.1	22.8	20.5	17.2
Income from joint ventures	3.5	4.1	6.9	3.3	2.5
Income from operations	8.5	23.5	32.6	32.9	32.5
Interest expense	(7.0)	(6.8)	(5.0)	(3.8)	(2.4)
Other income (expense)	4.5	(1.5)	4.6	1.7	3.9
Income before income taxes	6.0	15.2	32.2	30.8	34.0
Income tax provision	(2.6)	(5.8)	(11.0)	(10.0)	(11.8)
Net income	$ 3.4	$ 9.4	$ 21.2	$ 20.8	$ 22.2
Basic earnings per share	$ 0.34	$ 0.94	$ 2.06	$ 2.25	$ 2.83
Diluted earnings per share	$ 0.34	$ 0.93	$ 2.05	$ 2.24	$ 2.82
Dividends per common share	$ 0.20	$ 0.20	$ 0.20	$ 0.20	$ 0.20
OTHER DATA:					
Shipments (in thousands of tons)(3):					
Ferrous recycled metal	1,224	1,435	1,518	1,479	1,254
Finished steel products(4)	571	553	546	476	398
Average selling price per ton:					
Ferrous recycled metal	$ 83	$ 122	$ 127	$ 146	$ 154
Finished steel products(4)	303	339	334	336	342
Depreciation and amortization	$ 17.7	$ 18.7	$ 18.3	$ 14.0	$ 11.6
Capital expenditures	12.0	14.2	15.5	44.6	31.1

	1999	1998	1997	1996	1995
	August 31, (In millions)				
BALANCE SHEET DATA:					
Working capital	$ 92.7	$ 111.1	$ 104.9	$ 92.4	$ 56.8
Total assets	445.6	471.3	428.0	337.5	280.3
Short-term debt	0.4	0.2	0.4	0.2	0.2
Long-term debt	119.8	140.2	92.9	44.5	64.7
Shareholders' equity	239.6	241.4	239.1	223.8	136.0

(1) Includes the results of operations of Proler from November 29, 1996 through August 31, 1997. See Note 12 to the Consolidated Financial Statements.
(2) Includes the results of operations of MMI from March 17, 1995, the date of acquisition, through August 31, 1995.
(3) Tons for ferrous recycled metals are long tons (2,240 pounds) and for finished steel products are short tons (2,000 pounds).
(4) Does not include billet sales of $4.0 million in 1998, $1.3 million in 1997, and $5.2 million in 1995.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

The results of operations of the Company depend in large part upon demand and prices for recycled metals in world markets and steel products on the U.S. West Coast. Increasing steel demand and prices led to improved profitability during the period of fiscal 1995 through fiscal 1997. Primarily due to the Asian financial crisis, which severly curtailed demand and decreased prices, fiscal 1998 and 1999 results for the Metals Recycling Business were negatively impacted.

The Company acquired Proler, effective November 29, 1996.

The following tables set forth information regarding the breakdown of revenues between the Company's Metals Recycling Business and Steel Manufacturing Business, and the breakdown of income from operations between the Metals Recycling Business, the Steel Manufacturing Business and Joint Ventures. Additional financial information relating to business segments is contained in Note 10 of the Notes to Consolidated Financial Statements.

	Revenues Year Ended August 31, (In millions)		
	1999	1998	1997(1)
Metals Recycling Business:			
Ferrous	$ 101.7	$ 175.3	$ 192.2
Nonferrous	26.0	27.3	27.7
Other	9.4	15.3	16.5
Recycled metals total	137.1	217.9	236.4
Sales to the Steel Manufacturing Business(2)	(44.8)	(56.2)	(58.4)
Sales to Unaffiliated Customers	92.3	161.7	178.0
Steel Manufacturing Business	172.7	191.4	183.7
Total	$ 265.0	$ 353.1	$ 361.7

	Income from Operations Year Ended August 31, (In millions) 1999	1998	1997(1)
Metals Recycling Business	$ 4.6	$ 16.5	$ 27.4
Steel Manufacturing Business	6.6	9.8	5.5
Joint Ventures in the Metals Recycling Business	1.4	0.8	3.8
Joint Venture Suppliers of Metals	2.1	3.3	3.1
Corporate Expense and Eliminations (3)	(6.2)	(6.9)	(7.2)
Income from Operations	$ 8.5	$ 23.5	$ 32.6

(1) Includes the results of operations of Proler from November 29, 1996, the date of acquisition, through August 31, 1997.

(2) Ferrous recycled metal sales from the Metals Recycling Business to the Steel Manufacturing Business are made at a negotiated market rate per ton.

(3) Corporate expense and eliminations consist primarily of unallocated corporate expense for services that benefit both the Metals Recycling Business and the Steel Manufacturing Business. Because of this unallocated expense, the income from operations of each segment does not reflect the income from operations the segment would have as a stand-alone business.

Fiscal 1999 Compared to Fiscal 1998

Revenues. Revenues for both the Metals Recycling Business and the Steel Manufacturing Business decreased resulting in an overall decline in consolidated revenues of $88.1 to $265.0 million for fiscal 1999 compared with $353.1 million for fiscal 1998. The Asian financial crisis which began during fiscal 1998 continued to impact the results of both operations in fiscal 1999.

The Metals Recycling Business generated revenues of $137.1 million, before intercompany eliminations, a decrease of $80.8 million (37%). Ferrous revenues declined $73.6 million (42%) to $101.7 million as a result of both lower volumes and lower average selling prices, both of which were primarily caused by the financial crisis in Asia. Ferrous volumes declined 211,000 tons (15%) while the average selling price of ferrous recycled metal declined $39 per ton (32%) to $83 per ton. The Metals Recycling Business made export shipments, aggregating 491,000 tons, during fiscal 1999 compared with export shipments totaling 720,000 tons during the prior year. Domestic third-party tonnage declined by 17% to 194,000 tons. Sales to the Company's Steel Business increased by 12% to 539,000 tons.

The Steel Manufacturing Business recognized revenues for fiscal 1999 of $172.7 million, a decrease of 10% from revenues recognized in the prior year. Although the volume of finished steel products sold increased, the average selling price per ton declined. Sales of finished steel products increased 3% to 571,000 tons. However, the average selling price declined $36 per ton (11%) to $303 per ton. The Company feels that the decline in average selling prices is attributable to the dumping of lower priced steel products by Asian companies on the West Coast. The decline in the average selling price is also partially due to a change in product mix. During fiscal 1999, the Steel Manufacturing Business shipped proportionately more lower-priced products than in the prior year. During fiscal 1998, the Company also sold 16,900 tons of billets, whereas in fiscal 1999, sales of billets aggregated 500 tons.

Cost of Goods Sold. Consolidated cost of goods sold declined $73.4 million (24%) to $236.3 million and increased as a percentage of revenues from 88% in fiscal 1998 to 89% in fiscal 1999. Gross profit declined by $14.7 million (34%) to $28.8 million.

The Metals Recycling Business' cost of goods sold decreased $68.4 million to $119.2 million before intercompany eliminations. Cost of sales per ferrous ton declined, as the Company lowered the purchase price of recycled metals metals at the scale in response to declining selling prices, and sales volumes declined. However, because the average selling prices declined at a higher rate than the price of unprepared metal, gross profit for the Metals Recycling Business declined $12.5 million. The Metals Recycling Business did generate income from operations for fiscal 1999 of $4.6 million, despite the adverse international financial climate in which it operated during the year.

The Metals Recycling Business' cost of goods sold for the year ended August 31, 1999 was lowered by a $1.9 million reversal of environmental reserves. An independent consultant was engaged to review the Company's environmental issues and to determine its potential liabilities. Based upon the completion of certain projects at less than anticipated costs, certain previously established reserves were eliminated.

Cost of goods sold for the Steel Manufacturing Business declined $15.3 million (9%) despite higher volumes sold during fiscal 1999. Cost of sales per ton, excluding billets, declined by $30 per ton primarily due to lower recycled metals prices. The impact of lower average selling prices more than offset this decline in operating costs per ton, however, resulting in a gross profit of $10.0 million which was $3.3 million lower than in fiscal 1998.

Selling and Administrative Expenses. Selling and administrative expenses declined $0.3 million to $23.7 as the Company endeavored to contain overhead costs.

Income from Joint Ventures. The Company's joint ventures' revenues and results of operations were as follows:

	Year Ended August 31,	
	1999	1998
Total revenues from external customers recognized by:		
Joint Ventures in the Metals Recycling Business	$303,014	$332,580
Joint Venture Suppliers of Metals	46,575	51,391
	$349,589	$383,971
Income from joint ventures recognized by the Company:		
Joint Ventures in the Metals Recycling Business	$ 1,380	$ 823
Joint Venture Suppliers of Metals	2,070	3,292
	$ 3,450	$ 4,115

The Joint Ventures in the Metals Recycling Business predominantly sell recycled ferrous metal. The decrease in revenues recognized by these joint ventures is attributable to lower ferrous selling prices, the impact of which was partially offset by an increase in tonnage shipped. Shipments of ferrous metal processed by the joint ventures increased to 2.5 million tons for the year ended August 31, 1999 from 2.3 million tons in the prior year. The increase in ferrous recycled metal was partially due to the fact that one of the joint ventures was organized during fiscal 1998 and, thus, fiscal 1998's results only reflect a portion of a year's sales. The average selling price of ferrous recycled metal declined during that period to $87 per ton from $117 per ton, predominantly due to the Asian financial crisis and a weaker domestic market which reduced demand in those countries that traditionally purchase a large share of the worldwide supply.

The Company's equity in income from the Joint Ventures in the Metals Recycling Business for fiscal 1999 included the Company's $1.4 million share of a gain recognized by one of the joint ventures from the sale of property. Additionally, the results for fiscal 1999 also benefited from $3.3 million of LIFO and other inventory adjustments, compared with $2.2 million for the prior year.

Both revenues and income from the Joint Venture Suppliers of Metal declined from fiscal 1998 to fiscal 1999 primarily due to severe weather conditions in California during the first part of fiscal 1999 which impacted demand and, thus, results of the Company's joint venture which operates self-service used auto parts yards. Additionally, prices received for the auto bodies by this joint venture were lower than in the prior year due to weakness in the recycled metals markets.

Interest Expense. Interest expense increased $0.2 million due to increased average borrowings, the effect of which was partially offset by lower average interest rates. Average borrowings of $104.3 million in fiscal 1999 exceeded average borrowings in fiscal 1998 of $97.6 million. The average interest rate for fiscal 1999 was 5.4% compared with $5.8% for fiscal 1998.

Gain (Loss) on Sale of Assets. During fiscal 1999, the Steel Manufacturing Business sold its Union City, California mill depot, resulting in a gain of $1.2 million. Fiscal 1998 results included a $2.2 million charge which reflected the estimated loss the Company expected to realize upon the sale of its older Tacoma shredders.

Other Income. Other income increased $2.3 million. During fiscal 1999, the Company received a $1 million settlement as a result of antitrust litigation related to graphite electrodes pricing. Also, the Company recognized additional interest income during fiscal 1999 of $.6 million.

Income Tax Provision. The Company's effective tax rate increased to 43% in fiscal 1999 from 38% in fiscal 1998. The increase was predominantly due to the lower taxable income relative to the amount of non-deductible goodwill amortization.

Fiscal 1998 Compared to Fiscal 1997

Revenues. Revenues for the Metals Recycling Business decreased, while revenues for the Steel Manufacturing Business increased, resulting in a net decrease in the Company's revenues of $8.6 million to $353.1 million for fiscal 1998 compared to $361.7 million for fiscal 1997. The Steel Manufacturing Business achieved record shipments of finished steel products and produced record tons of billets in fiscal 1998.

The Metals Recycling Business generated revenues of $217.9 million, before intercompany eliminations, compared with $236.4 million in fiscal 1997, representing a decrease of $18.5 million (8%). Ferrous revenues decreased $17.0 million (9%) as the result of a 5% decrease in ferrous tons shipped at lower average selling prices. Sales to the Company's Steel Manufacturing Business were down slightly. The Metals Recycling Business made 25 ferrous recycled metals export shipments totaling 720,000 tons in fiscal 1998, compared with 30 shipments totaling 853,000 tons in fiscal 1997, while domestic third-party tonnage increased 37% to 235,000 tons. The average selling price for ferrous recycled metals declined $5 per ton to $122 with the largest decline occurring in export prices during the second half of 1998.

The Steel Manufacturing Business' revenues increased $7.7 million (4%) to $191.4 million. Higher volumes sold, coupled with an increase in selling prices, contributed to the increase. Average steel selling prices increased $5 per ton to $339, while finished steel tons shipped increased 6,600 tons to 553,000 tons. During fiscal 1998, the Steel Manufacturing Business also sold 16,900 tons of billets, compared with 5,600 tons during 1997.

Cost of Goods Sold. Overall, cost of goods sold decreased $3.6 million (1%) to $309.6 million and increased as a percentage of revenue from 87% in fiscal 1997 to 88% in fiscal 1998. Gross profit decreased $5.0 million (10%) to $43.5 million.

The Metals Recycling Business' cost of goods sold decreased $8.9 million (5%) to $187.6 million as the result of a 5% decrease in ferrous tonnage shipped. Cost of sales per ferrous ton shipped remained unchanged from 1997 to 1998. The average selling price of ferrous recycled metals also declined, resulting in a decrease in the Metals Recycling Business' gross profit of $9.5 million.

Cost of goods sold for the Steel Manufacturing Business increased $2.7 million (2%) to $178.0 million as the result of increased tonnage shipped. Cost of sales per ton decreased $4 as the result of lower recycled metals prices and increased plant efficiencies. This decrease, coupled with a $5 per ton increase in the average selling price for finished steel and a 1% increase in tonnage shipped, resulted in a $4.8 million (56%) increase in overall gross profit and a 53% increase in gross profit per ton for finished steel.

Selling and Administrative Expenses. Selling and administrative expenses increased $1.3 million (6%) in fiscal 1998 compared to fiscal 1997 primarily as the result of overhead added due to the Proler acquisition in November 1996.

Income from Joint Ventures. The Company's joint ventures' revenues and results of operations were as follows:

	Year Ended August 31, 1998	1997
Total revenues from external customers recognized by:		
Joint Ventures in the Metals Recycling Business	$332,580	$276,930
Joint Venture Suppliers of Metals	51,391	46,433
	$383,971	$323,363
Income from joint ventures recognized by the Company:		
Joint Ventures in the Metals Recycling Business	$ 823	$ 3,785
Joint Venture Suppliers of Metals	3,292	3,091
	$ 4,115	$ 6,876

The increase in revenues generated by the Joint Ventures in the Metals Recycling Business from fiscal 1997 to fiscal 1998 was due to the fact that the Company acquired an interest in the majority of these joint ventures through its acquisition of Proler effective November 29, 1996. Thus, the results for fiscal 1997 include the operations of these joint ventures since that date. During fiscal 1998, these joint ventures shipped 2.3 million tons of ferrous recycled metals from its facilities compared with 2.0 million tons from November 1996 through the end of fiscal 1997. On an annualized basis, tons declined year to year primarily as a result of the Asian financial crisis. The average selling price of ferrous recycled metals processed and sold from the joint ventures' facilities declined from $121 per ton to $117 per ton also due to the financial crisis in Asia.

The decrease in the Company's share of income from the Joint Ventures in the Metals Recycling Business from fiscal 1997 to fiscal 1998 resulted from operating losses due to the Asian financial crisis. Also, the Company's share of a $.4 million charge to income for the closure of redundant plant facilities and a $3.1 million charge to state inventory at the lower of cost or market were included in the results for fiscal 1998. These were partially offset by $2.2 million of other favorable inventory adjustments primarily related to LIFO.

Revenues from the Joint Venture Suppliers of Metal increased by 10%, contributing to an increase in the Company's equity in earnings from these joint ventures of $.2 million. For some of these joint ventures, revenues vary year to year depending upon the projects in which the joint ventures are engaged.

Interest Expense. Interest expense for fiscal 1998 increased by $1.8 million because of additional debt required to support joint venture operations and capital expenditures and lower cash flow from operations. Average borrowings for fiscal 1998 were $97.6 million compared with $96.1 million for 1997. The average interest rate for fiscal 1998 was 5.8% compared with 5.7% for fiscal 1997.

Gain (Loss) on Sale of Fixed Assets. Results for fiscal 1998 include a $2.2 million charge to reflect the estimated loss which the Company expected to realize upon the sale of its Tacoma shredders, which has since been replaced with a state-of-the-art automobile shredder.

Other Income. Other income decreased $3.6 million during the year ended August 31, 1998 compared with the prior year. Fiscal 1997 included a $3 million gain on settlement of an interest rate agreement which it had entered into for the sole purpose of locking in the interest rate on a planned private placement of debt, which the Company subsequently decided against pursuing.

Income Tax Provision. The effective tax rate for fiscal 1998 increased to 38% from 34% in fiscal 1997 as a result of lower benefits from the Company's foreign sales corporation and a reduced benefit from state tax credits.

Year 2000. The following discussion is provided in response to the Securities and Exchange Commission's Interpretation of Disclosure of Year 2000 Issues and Consequences by Public Companies, Investment Advisors, Investment Companies, and Municipal Securities Issuers.

In response to Year 2000 compliance issues, the Company has developed a systematic approach that consists of the following three phases: (1) identification and assessment of potential Year 2000 issues, (2) modification or replacement of equipment and software, (3) final testing to ensure that all systems are Year 2000 compliant after modifications are installed.

The Company has divided its Year 2000 issues into the following categories: (a) physical hardware and related operating systems at the Corporate Data Processing Facility, (b) business and financial reporting systems at all locations, (c) personal computers and peripheral equipment at all locations, (d) facility and support systems (including communication devices and safety systems) at all locations, (e) manufacturing systems at its Steel Manufacturing Business, (f) business systems for Pick-N-Pull, the Company's self-service auto dismantling joint venture.

The Company has completed the identification and assessment phase.

The Company has completed the modification of equipment at the Corporate Data Processing Facility, the business and financial reporting systems at all locations, personal computers at all locations, and the remainder of Phase 2 activities, except for Pick-N-Pull, which are expected to be complete by December 31, 1999.

The Company completed Phase 3 activities in October 1999, except for Pick-N-Pull, which are expected to be complete by December 31, 1999.

Management estimates that the costs for correction of the Year 2000 issues, including any software and hardware upgrades (but excluding replacements that would have occurred even without the Year 2000 issue), and the cost of personnel allocated to this project should not exceed $1,300,000, of which $1,000,000 is expected to be capital expenditures. Approximately $879,500 has been spent to date. The Year 2000 upgrades are being funded through normal operating funds and are expected to account for less than 5% of the Company's Information Technology (IT), maintenance and manufacturing capital budgets. There can be no assurance that the costs and timeframes above will not change as the Company continues its assessments.

The Year 2000 project is a priority project for the Company's IT and Engineering departments. No significant IT or engineering projects are being deferred as a result of the Company's Year 2000 efforts.

The Company has also assessed the Year 2000 readiness of its "key" vendors using questionnaires and letters. No critical vendors have been found to be non-compliant.

As the Company is not dependent on any significant customer, and given the nature of the metals recycling business, no Year 2000 assessment of customers is anticipated.

At the present time, the Company has not expended the resources to develop a contingency plan with respect to year 2000 compliance as the Company believes it will be Year 2000 ready.

Liquidity and Capital Resources

For the year ended August 31, 1999, cash generated by operations was $36.8 million compared to $13.3 million for the same period last year. The increase in cash generated this year is predominantly due to decreases in inventories, accounts receivable and prepaid expenses.

Capital expenditures and payments for purchase of interest in joint ventures totaled $12.1 million, $31.3 million, and $58.5 million million for fiscal years 1999, 1998, and 1997, respectively. Expenditures for fiscal 1997 included the acquisition of Proler for $42.5 million and remaining payments for the new wire rod block for the steel mill that was completed in February 1997.

As part of its acquisitions of Proler and MMI, the Company assumed environmental liabilities aggregating $24.8 million as of August 31, 1999. The Company expects significant future cash outlays as it incurs the actual costs relating to the remediation of such environmental liabilities.

In June 1997, the Company completed a renegotiation of its unsecured revolving credit agreement whereby it increased the facility to $200 million and extended the maturity of the facility to June 2002. During fiscal 1998, the maturity of the facility was extended to June 2003. As of August 31, 1999, the Company also had additional lines of credit available of $85 million, $65 million of which was uncommitted. In the aggregate, the Company had borrowings outstanding under these lines of $109.9 million. The Company's debt agreements have certain restrictive covenants.
As of August 31, 1999, the Company was in compliance with such covenants.

Pursuant to a stock repurchase program, the Company is authorized to repurchase up to 1.6 million shares of its stock when the market price of the Company's stock is not reflective of management's opinion of an appropriate valuation of the stock. Management believes that repurchasing shares under these conditions enhances shareholder value. As of August 31, 1999, a total of 708,600 shares had been purchased under this program. During fiscal 1999, the Company repurchased 260,300 shares of its stock for a total of $3.2 million.

The Company believes that the current cash balance, internally generated funds and existing credit facilities will provide adequate financing for capital expenditures, working capital, joint ventures, stock repurchases and debt service requirements for the next year. In the longer term, the company may seek to finance business expansion with additional borrowing arrangements or additional equity financing.

Forward Looking Statements

Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Act of 1934, all of which are subject to risks and uncertainties. One can identify these forward looking statements through the use of words such as "expect," "believe," and other words which convey a similar meaning. One can also identify these statements as they do not relate strictly to historical or current facts. They are likely to address the Company's business strategy, financial projections and results and other global factors affecting the Company's financial prospects. An example of this is the current financial crisis facing certain Asian countries and Year 2000 compliance matters. Other factors that could cause actual results to differ materially are the following: supply and demand conditions; the Company's ability to mitigate the effects of the Asian situation and foreign fiscal policies on its profitability; railroad service difficulties; competitive factors and pricing pressures from national steel companies; imports of foreign steel; availability of recycled metals supply; fluctuations in recycled metals prices and seasonality of results. 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. Further, the Company does not assume any obligation to update any forward looking statement.

ITEM 7(a). QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company periodically uses derivative financial instruments to limit exposure to changes in interest rates. Because such derivative instruments are used solely as hedges and not for speculative trading purposes, they do not represent incremental risk to the Company. For further discussion of derivative financial instruments, refer to "Fair Value of Financial Instruments" in Note 1 and Note 4 to the Consolidated Financial Statements included in Item 8.

As discussed in "Note 4 - Long-Term Debt" to the Consolidated Financial Statements included in Item 8, the Company was committed to interest rate swaps on a revolving credit facility at August 31, 1999. If market rates would have averaged 10 percent higher than actual levels in either fiscal 1999 or fiscal 1998, the effect on the Company's interest expense and net income, after considering the effects of the interest rate swaps, would not have been material.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Consolidated Financial Statements and Schedules

All other schedules and exhibits are omitted, as the information is not applicable or is not required.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of
Schnitzer Steel Industries, Inc.

In our opinion, the accompanying consolidated balance sheet and related consolidated statements of operations, of shareholders' equity and of cash flows present fairly, in all material respects, the financial position of Schnitzer Steel Industries, Inc. and its subsidiaries at August 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended August 31, 1999, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PRICEWATERHOUSECOOPERS LLP
Portland, Oregon
October 6, 1999 , except as to Note 15
which is as of November 15, 1999

SCHNITZER STEEL INDUSTRIES, INC.
CONSOLIDATED BALANCE SHEET
(in thousands, except per share amounts)

	August 31, 1999	August 31, 1998
ASSETS		
CURRENT ASSETS:		
Cash	$ 6,174	$ 3,800
Accounts receivable, less allowance for doubtful accounts of $638 and $645	21,714	26,161
Accounts receivable from related parties	1,935	3,428
Inventories (Notes 2 and 15)	89,752	103,136
Deferred income taxes (Note 6)	5,281	5,723
Prepaid expenses and other	3,417	8,020
TOTAL CURRENT ASSETS	128,273	150,268
NET PROPERTY, PLANT & EQUIPMENT (Note 3)	135,814	142,582
OTHER ASSETS:		
Investment in joint venture partnerships (Note 11)	103,980	103,494
Advances to joint venture partnerships (Note 11)	27,754	23,957
Goodwill	39,992	41,017
Intangibles and other	9,816	10,022
	$ 445,629	$ 471,340
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt (Note 4)	$ 436	$ 168
Accounts payable	16,390	19,056
Accrued payroll liabilities	6,072	5,603
Current portion of environmental liabilities (Note 5)	5,154	5,552
Other accrued liabilities	7,568	8,781
TOTAL CURRENT LIABILITIES	35,620	39,160
DEFERRED INCOME TAXES (Note 6)	27,882	24,619
LONG-TERM DEBT LESS CURRENT PORTION (Note 4)	119,826	140,236
ENVIRONMENTAL LIABILITIES, NET OF CURRENT PORTION (Note 5)	19,661	22,749
OTHER LONG-TERM LIABILITIES (Note 8)	2,996	3,140
COMMITMENTS AND CONTINGENCIES (Notes 5 and 7)		
SHAREHOLDERS' EQUITY:		
Preferred stock--20,000 shares authorized, none issued		
Class A common stock--75,000 shares $1 par value authorized, 5,295 and 5,555 shares issued and outstanding	5,295	5,555
Class B common stock--25,000 shares $1 par value authorized, 4,431 shares issued and outstanding	4,431	4,431
Additional paid-in capital	102,179	105,124
Retained earnings	127,739	126,326
	239,644	241,436
	$ 445,629	$ 471,340

The accompanying notes are an integral part of this statement

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

	Year Ended August 31, 1999	1998	1997
REVENUES	$ 265,047	$ 353,093	$ 361,753
COSTS AND EXPENSES:			
Cost of goods sold and other operating expenses	236,270	309,635	313,226
Selling and administrative	23,753	24,088	22,797
	260,023	333,723	336,023
INCOME FROM JOINT VENTURES (Note 11)	3,450	4,115	6,876
INCOME FROM OPERATIONS	8,474	23,485	32,606
OTHER INCOME (EXPENSE):			
Interest expense	(6,971)	(6,813)	(5,026)
Gain (loss) on sale of assets	1,419	(2,224)	203
Other income (Note 4)	3,048	791	4,388
	(2,504)	(8,246)	(435)
INCOME BEFORE INCOME TAXES	5,970	15,239	32,171
Income tax provision (Note 6)	(2,591)	(5,791)	(10,946)
NET INCOME	$ 3,379	$ 9,448	$ 21,225
BASIC EARNINGS PER SHARE	$ 0.34	$ 0.94	$ 2.06
DILUTED EARNINGS PER SHARE	$ 0.34	$ 0.93	$ 2.05

The accompanying notes are an integral part of this statement

SCHNITZER STEEL INDUSTRIES, INC.
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(in thousands)

	Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Retained Earnings	Total
	Shares	Amount	Shares	Amount			
BALANCE AT 8/31/96	5,773	$ 5,773	4,575	$ 4,575	$113,747	$ 99,718	$223,813
Class B common stock converted to Class A common stock	130	130	(130)	(130)			
Class A common stock repurchased	(166)	(166)			(3,753)		(3,919)
Net income						21,225	21,225
Dividends paid						(2,058)	(2,058)
BALANCE AT 8/31/97	5,737	5,737	4,445	4,445	109,994	118,885	239,061
Class B common stock converted to Class A common stock	14	14	(14)	(14)			
Class A common stock repurchased	(196)	(196)			(4,870)		(5,066)
Net income						9,448	9,448
Dividends paid						(2,007)	(2,007)
BALANCE AT 8/31/98	5,555	5,555	4,431	4,431	105,124	126,326	241,436
Class A common stock repurchased	(260)	(260)			(2,945)		(3,205)
Net income						3,379	3,379
Dividends paid						(1,966)	(1,966)
BALANCE AT 8/31/99	5,295	$ 5,295	4,431	$ 4,431	$102,179	$127,739	$239,644

The accompanying notes are in integral part of this statement

SCHNITZER STEEL INDUSTRIES, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands)

	Year Ended August 31,		
	1999	1998	1997
OPERATIONS:			
Net income	$ 3,379	$ 9,448	$ 21,225
Noncash items included in income:			
Depreciation and amortization	17,716	18,714	18,265
Deferred income taxes	3,705	1,224	(2,211)
Equity in earnings of joint ventures	(3,451)	(4,115)	(6,876)
Environmental reserve reversal	(1,904)		
Loss (gain) on disposal of assets	(1,419)	2,224	(180)
Cash provided (used) by changes in working capital:			
Accounts receivable	5,771	2,636	(5,345)
Inventories	13,410	(7,982)	(2,267)
Prepaid expenses and other	5,059	(4,852)	2,414
Accounts payable	(2,729)	(400)	(3,929)
Accrued payroll and other liabilities	(759)	496	4,507
Environmental liabilities	(912)	(2,016)	(2,420)
Other assets and liabilities	(1,068)	(2,030)	(49)
NET CASH PROVIDED BY OPERATIONS	36,798	13,347	23,134
INVESTMENTS:			
Payment for purchase of Proler (Note 12)			(42,456)
Capital expenditures	(11,986)	(14,205)	(15,486)
Advances (to) from joint ventures	(3,797)	(34,198)	14,392
Investments in joint ventures	(86)	(17,104)	(550)
Distributions from joint ventures	2,343	9,679	1,442
Capitalization of losses on assets held for sale			(1,689)
Proceeds from sale of assets	4,304	3,086	4,887
NET CASH USED BY INVESTMENTS	(9,222)	(52,742)	(39,460)
FINANCING:			
Repurchase of Class A common stock	(3,205)	(5,066)	(3,919)
Dividends declared and paid	(1,966)	(2,007)	(2,058)
Increase in long-term debt	168	47,500	48,600
Reduction in long-term debt	(20,200)	(338)	(25,087)
NET CASH (USED) PROVIDED BY FINANCING	(25,203)	40,089	17,536
NET INCREASE IN CASH	2,374	694	1,210
CASH AT BEGINNING OF YEAR	3,800	3,106	1,896
CASH AT END OF YEAR	$ 6,174	$ 3,800	$ 3,106

The accompanying notes are an integral part of this statement

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share amounts)

Note 1 - Nature of Business and Summary of Significant Accounting Policies:

Nature of Business

Schnitzer Steel Industries, Inc. (the Company) operates a metal processing and recycling business and through its Cascade Steel Rolling Mills, Inc. subsidiary, a mini-mill steel manufacturing business. The Company's wholly owned recycling facilities are located in Alaska, Washington, Oregon, California and Nevada. Additionally, through joint ventures, the Company participates in the management of additional metals processing and recycling businesses in Arizona, California, Connecticut, Idaho, Maine, Massachusetts, Nevada, New Hampshire, New Jersey, New York, and Rhode Island.

Summary of Significant Accounting Policies

Principles of Consolidation
The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. The Company, through subsidiaries, holds a 50% interest in eleven joint ventures operating in the Western and Eastern United States and a 30% interest in one joint venture in Rhode Island, which are accounted for using the equity method. All intercompany transactions and balances have been eliminated.

Inventories
Inventories are stated at the lower of cost or market. Cost is determined using LIFO (last-in, first-out) and average cost methods. See Note 15.

Property, Plant and Equipment
Property, plant and equipment are recorded at cost. Major renewals and improvements are capitalized. Expenditures for maintenance and repairs are charged to operations as incurred.

Depreciation is determined principally using the straight-line method over estimated useful lives of approximately 20 to 40 years for buildings and approximately 3 to 10 years for equipment. Leasehold improvements are amortized over the estimated useful lives of the property or the remaining lease term, whichever is less. When assets are retired or sold, the related cost and accumulated depreciation are removed from the accounts and resulting gains or losses are included in other income.

Goodwill
Goodwill is being amortized on the straight-line basis over 40 years. At August 31, 1999 and 1998, accumulated amortization aggregated $6,178 and $4,943, respectively. Goodwill is periodically reviewed by the Company for impairments where the fair value may be less than the carrying value.

Common Stock
Each share of Class A common stock is entitled to one vote and each share of Class B common stock is entitled to ten votes. Additionally, Class B common stock may be converted to one share of Class A common stock.

(in thousands, except per share amounts)

Note 1 - Nature of Business and Summary of Significant Accounting Policies (Continued):

Earnings Per Share
Basic EPS is computed based upon the weighted average number of common shares outstanding during the period. Diluted EPS reflects the potential dilution that would occur if securities or other contracts to issue common stock were exercised or converted into common stock. The following represents a reconciliation from basic EPS to diluted EPS.

	Year Ended August 31, 1999		
	Income (Numerator)	Shares (Denominator)	Per-share Amount
Basic EPS	$ 3,379	9,863	$0.34
Options		19	
Diluted EPS	$ 3,379	9,882	$0.34

	Year Ended August 31, 1998		
	Income (Numerator)	Shares (Denominator)	Per-share Amount
Basic EPS	$ 9,448	10,048	$0.94
Options		69	
Diluted EPS	$ 9,448	10,117	$0.93

	Year Ended August 31, 1997		
	Income (Numerator)	Shares (Denominator)	Per-share Amount
Basic EPS	$21,225	10,305	$2.06
Options		72	
Diluted EPS	$21,225	10,377	$2.05

Options with an exercise price greater than the average market price were not included in the computation of diluted earnings per share. These options totaled 523 in 1999 and 98 in 1998.

Interest and Income Taxes Paid
The Company paid $6,951, $6,535, and $5,093 in interest during fiscal years 1999, 1998, and 1997, respectively. During fiscal 1999, the Company received net income tax refunds of $6,175, and in fiscal years 1998 and 1997, the Company paid $7,440,and $7,283, respectively, in income taxes.

Fair Value of Financial Instruments
Cash, receivables and current liabilities are reflected in the consolidated financial statements at fair value because of the short-term maturity of these instruments. The fair value of long-term debt is deemed to be the same as that reflected in the consolidated financial statements given the variable interest rates on the significant credit facilities. There are no quoted prices for the Company's investments in joint ventures accounted for on the equity method. A reasonable estimate of fair value could not be made without incurring excessive costs.

(in thousands, except per share amounts)

Note 1 - Nature of Business and Summary of Significant Accounting Policies (Continued):

Use of Estimates in Financial Statement Preparation
The preparation of financial statements in accordance with generally accepted accounting principles requires the Company to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Reclassifications
Certain reclassifications of prior year balances have been made for consistent presentation with the current year.

Note 2 - Inventories:

Inventories consist of the following:

	August 31, 1999	August 31, 1998
Recycled metals	$ 24,675	$ 28,952
Work in process	20,372	13,192
Finished goods	29,578	44,276
Supplies	15,127	16,716
	$ 89,752	$103,136

Recycled metal inventories are valued at LIFO; the remainder are at average cost. The cost of recycled metal inventories exceeded the stated LIFO value by $1,215 and $5,811 at August 31, 1999 and 1998, respectively. See Note 15.

The production and accounting process utilized by the Company to record recycled metals inventory quantities relies on significant estimates which can be affected by weight imprecisions, moisture and other factors.

Note 3 - Property, Plant and Equipment:

Property, plant and equipment consist of the following:

	August 31, 1999	August 31, 1998
Machinery and equipment	$218,124	$216,649
Land and improvements	30,517	33,034
Buildings and leasehold improvements	15,264	15,835
Construction in progress	13,889	3,918
	277,794	269,436
Less accumulated depreciation	(141,980)	(126,854)
	$135,814	$142,582

(in thousands, except per share amounts)

Note 4 - Long-Term Debt:

Long-term debt consists of the following:

	August 31, 1999	August 31, 1998
Bank unsecured revolving credit facilities	$109,900	$130,100
Tax-exempt economic development revenue bonds due January 2022, interest payable monthly at a variable rate (3.35% at August 31, 1999), secured by a letter of credit	7,700	7,700
State of Oregon loan for energy conservation equipment, secured by equipment, 6.09% fixed-rate interest, principal and interest installments payable monthly through June 2011	1,994	2,096
Other	668	508
Total long-term debt	120,262	140,404
Less portion due within one year	436	168
Long-term debt less current portion	$119,826	$140,236

At August 31, 1999, the Company had a $200,000 unsecured revolving credit facility with its banks. Individual advances outstanding under the line bear interest at floating rates. As of August 31, 1999, such rates averaged 5.6%. Interest is payable upon maturity of each advance under the line. The facility matures in June 2003, at which time all principal amounts outstanding are due.

In February 1998, the Company entered into interest rate swap agreements with two of its banks for the purpose of managing its exposure to adverse movements in interest rates and fixing the cost of various debt instruments. The Company does not use financial instruments for trading purposes, and is not a party to leveraged derivatives. Pursuant to the swap agreements, the Company exchanged its floating rate interest obligations of $50,000 notional principal amount for a fixed interest obligation of 5.55% for three years. The differential paid or received on interest rate agreements is recognized as an adjustment to interest expense.

In addition to the above facility, the Company has additional unsecured lines of credit totaling $85,000, of which $20,000 is committed.

The committed bank credit facilities and other borrowings contain financial covenants, including covenants related to net worth, interest coverage and leverage.

(in thousands, except per share amounts)

Note 4 - Long-Term Debt (Continued):

Payments on long-term debt during the next five fiscal years are as follows:

2000	$ 436
2001	217
2002	229
2003	110,142
2004	222
Thereafter	9,016
	$120,262

In April 1999, the Company agreed to become a guarantor for one of its joint ventures' bank credit facilities. Under the agreement, the Company may be liable for up to $10,000.

In February 1997, the Company entered into an interest rate agreement for the sole purpose of locking in the interest rate on a planned private placement of debt. The Company subsequently decided against pursuing the private placement in April 1997 and, thus, recognized the deferred gain on the agreement of approximately $3 million. This amount is included in other income in the accompanying statement of operations for the year ended August 31, 1997.

On June 15, 1998, the FASB issued Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities (FAS 133). FAS 133, as amended, is effective for fiscal quarters of fiscal years beginning after June 15, 2000. FAS 133 requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. Management of the Company anticipates that, due to its limited use of derivative instruments, the adoption of FAS 133 will not have a significant effect on the Company's results of operations or its financial position.

Note 5 - Environmental Liabilities:

In conjunction with the due diligence proceedings for the Company's acquisition of Manufacturing Management, Inc. (MMI) in March 1995, the Company hired an independent third-party consultant to estimate the costs to cure both current and future potential environmental liabilities. The cumulative provision for the total costs specified in the consultant's report was included in MMI's statement of operations prior to its acquisition by the Company. This reserve was carried over to the Company's balance sheet and at August 31, 1999 aggregated $18,200.

General Metals of Tacoma (GMT), a subsidiary of MMI, owns and operates a metals recycling facility located in the State of Washington on the Hylebos Waterway, a part of Commencement Bay, which is the subject of an ongoing environmental investigation and remediation project by the U.S. Environmental Protection Agency (EPA) under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA). GMT and well over 60 other parties were named potentially responsible parties (PRP) for the investigation and clean up of contaminated sediment along the Hylebos Waterway. GMT and five other PRPs voluntarily have entered into an Administrative Order on Consent with the EPA to fund a pre-remedial study of sediment contamination and remediation alternatives. GMT's share of the study, which is now expected to be completed in late 1999, is approximately $2,000 and is included in the reserve above. Any further potential liabilities, if any, cannot be estimated at this time.

Note 5 - Environmental Liabilities (Continued):

In 1996, prior to the Company's acquisition of Proler International Corp. (Proler), the Company engaged an independent third-party consultant to estimate the costs to cure present and future environmental liabilities related to Proler's wholly owned and joint venture properties. Proler recorded a liability of $8,600 for the probable costs to remediate its wholly owned properties based upon the consultant's estimates, increasing its environmental reserve to $9,800. The Company carried over the aggregate reserve to its financial statements upon acquiring Proler and $6,560 remained outstanding on August 31, 1999. Also, Proler's joint ventures recorded additional liabilities of $4,100 for the probable costs to remediate their properties, based upon the consultant's estimates, in 1996 prior to the Company's acquisition of Proler.

Between 1982 and 1987, MRI Corporation (MRI), a wholly owned subsidiary of Proler, operated a tin can shredding and detinning facility in Tampa, Florida. In 1989 and 1992, the EPA conducted preliminary site investigations of this property and, in December 1996, added the site to the "National Priorities List". MRI and Proler, along with several other parties have been named as PRPs for the site by the EPA. Additionally, Proler and this subsidiary have been named or identified as PRPs at several other sites. Proler included the probable costs associated with this site in the aforementioned reserve.

As part of the Proler acquisition, the Company became a fifty-percent owner of Hugo Neu-Proler Company (HNP). HNP has agreed, as part of its 1996 lease renewal with the Port of Los Angeles, to be responsible for a multi-year, phased remedial clean-up project involving certain environmental conditions on its metals recycling facility at its Terminal Island site in Los Angeles, California, to be completed by the year 2001. Remediation will include limited excavation and treatment of contaminated soils, paving, installation of a stormwater management system, construction of a noise barrier and perimeter wall around the facility, and groundwater monitoring. The probable costs to remediate this property are included in the aforementioned reserve.

Metals Recycling LLC (Metals) is a scrap metals processing business with locations in Rhode Island and Massachusetts. The members of Metals are one of the Company's Proler joint ventures and Metals Recycling, Inc.

On June 9, 1999, the Rhode Island Department of Environmental Management (DEM) issued a Notice of Violation (NOV) against Metals alleging Metals had violated federal and state regulations relating to the storage, management, and transportation of hazardous waste and imposed an administrative penalty of $718,045. Metals has filed an answer to the NOV in which it denied the allegations and requested an adjudicatory hearing. In July 1999, the DEM issued a NOV to Rhode Island Resource Recovery Corporation (RIRRC), which included a civil penalty of $307,752, relating to the alleged disposal of hazardous waste by Metals at a landfill operated by RIRRC. Metals and RIRRC have denied the DEM's allegations. RIRRC has requested an adjudicatory hearing. Pursuant to an Alternative Coverage Disposal Agreement between RIRRC and Metals, Metals has agreed to defend and indemnify RIRRC with regard to the NOV.

In late January of 1999, federal and state officials searched Metal's Johnston, Rhode Island and Worcester, Massachusetts facilities. Metals has been advised that the search was part of a state criminal investigation into possible violations of state and federal hazardous waste programs and a Rhode Island statute that prohibits the disposal of out-of-state solid waste at the landfill operated by RIRRC. A grand jury has been empanelled to consider the allegations. No proceedings have been commenced against Metals or its officers. The Company believes Metals has substantial defenses to the alleged violations.

During fiscal 1999, the Company engaged an independent consultant to review the Company's environmental issues and to perform a periodic assessment of its remaining potential liabilities. Based upon additional remediation investigation, certain previously established reserves were eliminated. As a result, cost of goods sold for the year ended August 31, 1999 was lowered by the $1,900 reversal of these reserves.

(in thousands, except per share amounts)

Note 6 - Income Taxes:

The provision for income taxes is as follows:

	Year Ended August 31,		
	1999	1998	1997
Current:			
Federal	$ (359)	$ 3,075	$ 5,361
State	250	858	786
Deferred:			
Federal	2,342	1,633	4,199
State	358	225	600
	$ 2,591	$ 5,791	$10,946

Deferred tax assets and liabilities are as follows:

	August 31,	
	1999	1998
AMT carryforward	$ 307	$ 1,031
Segment held for sale	(423)	(853)
Inventory valuation methods	2,966	2,810
Employee benefit accruals	2,623	2,777
State income tax and other	(192)	(42)
Net current deferred tax assets	$ 5,281	$ 5,723
Accelerated depreciation and basis differences	$38,775	$36,688
Environmental liabilities	(9,926)	(11,274)
Net operating loss carryforwards	(10,856)	(10,856)
Other	(967)	(795)
	17,026	13,763
Deferred tax asset valuation allowance	10,856	10,856
Net non-current deferred tax liabilities	$27,882	$24,619

In acquiring Proler, the Company succeeded to net operating losses (NOLs) of $31,018 and minimum tax credits of $742 that had arisen in Proler's pre-acquisition years. Use of the NOLs is limited to $2,395 per year. If not used, they will expire in the years 2007 through 2012. The use of the credits is limited to the tax on the future earnings of the corporations constituting Proler. No benefit for the NOLs or the credits has been recognized in the financial statements.

(in thousands, except per share amounts)

Note 6 - Income Taxes (Continued):

The reasons for the difference between the effective income tax rate and the statutory federal income tax rate are as follows:

	Year Ended August 31, 1999	1998	1997
Federal statutory rate	35%	35%	35%
Foreign sales corporation	(7)	(3)	(5)
State taxes, net of credit	8	5	3
Amortization of goodwill	6	2	1
Other	1	(1)	
	43%	38%	34%

Note 7 - Related Party Transactions:

Certain shareholders of the Company own significant interest in, or are related to owners of, the entities discussed below. As such, these entities are considered related parties for financial reporting purposes.

Transactions Affecting Cost of Goods Sold and Other Operating Expenses

The Company charters several vessels from related companies to transport recycled metal to foreign markets. Charges incurred for these charters were $4,580, $6,726, and $9,296 for 1999, 1998 and 1997, respectively. In 1993, the Company signed a five-year time-charter agreement for one vessel which expired in June 1998. The agreement guaranteed the ship owner a residual market value of $2,500 at the end of the time-charter. Upon expiration of the time charter, the Company paid the guaranteed residual and entered into an additional five-year time charter. The Company accounted for the transaction as a capital lease, as ownership of the vessel is transferred at expiration of the time-charter. The Company entered into two additional seven-year time charters in May 1995 for other vessels.

The Company purchased recycled metals from its joint venture operations totaling $10,954, $15,825 and $13,856 in 1999, 1998 and 1997, respectively.

The Company leases certain land and buildings from a related real estate company under operating leases. The following table summarizes the lease terms, annual rents and future minimum rents:

Location:	Lease Expirations	Current Annual Rent
Metals Recycling Business:		
Portland facility and marine terminal	2063	$1,078
Sacramento facility	2003	88
Administrative offices	2002 - 2006	246

(in thousands, except per share amounts)

Note 7 - Related Party Transactions (Continued):

	Minimum Rents	Sublease Income	Net Minimum Rents
2000	1,412	(36)	1,376
2001	1,719	(42)	1,677
2002	1,779	(42)	1,737
2003	1,785	(42)	1,743
2004	1,697		1,697
Thereafter	59,218		59,218

The rent expense was $1,554, $1,330 and $1,351 for 1999, 1998 and 1997, respectively.

The rents for the Metals Recycling Business will be adjusted in 2000 based upon changes in the Consumer and the Producer Price Indices. Beginning in 2003 and every 15 years thereafter, the rent will be adjusted to then market rates.

Transactions Affecting Selling and Administrative Expenses

The Company performs some administrative services and provides operation and maintenance of management information systems for certain related parties. These services are charged to the related parties based upon cost plus a 15% margin for overhead and profit. These administrative charges totaled $1,144, $1,223 and $1,046 in 1999, 1998 and 1997, respectively.

Transactions Affecting Other Income (Expense)

The vessels discussed above are periodically sub-chartered to third parties. In this case, a related shipping agency company acts as the Company's agent in the collection of income and payment of expenses related to sub-charter activities. For the years ended August 31, 1999, 1998 and 1997, charges incurred for these sub-charters aggregated $3,305, $3,151 and $871, offset by income of $2,921, $3,099 and $747, respectively.

Included in other assets are $3,506, $3,340 and $1,180 of notes receivable from joint venture partners at August 31, 1999, 1998 and 1997, respectively. Interest income from both these notes and advances to joint venture partnerships totaled $1,541, $944 and $580 for fiscal years 1999, 1998 and 1997, respectively.

Note 8 - Employee Benefits:

In accordance with union agreements, the Company contributed to union pension plans $1,989, $2,065 and $2,164, in 1999, 1998 and 1997, respectively. These are multi-employer plans and, consequently, the Company is unable to determine its relative portion of or estimate its future liability under the plans.

The Company has several defined contribution plans covering nonunion employees. The pension cost related to these plans totaled $1,025, $1,060 and $1,028 for 1999, 1998 and 1997, respectively.

For some nonunion employees, the Company also maintains a defined benefit pension plan. The Company has funded the maximum contribution deductible for federal income tax purposes. The following table sets forth the change in benefit obligation, change in plan assets and funded status at August 31, 1999 and 1998 in accordance with SFAS 132.

(in thousands, except per share amounts)

Note 8 - Employee Benefits (Continued):

	August 31, 1999	August 31, 1998
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 5,192	$ 4,086
Service cost	723	634
Interest cost	364	307
Actuarial loss	517	443
Acquisition	(16)	
Benefits paid	(401)	(278)
Benefit obligation at end of year	$ 6,379	$ 5,192
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 3,879	$ 4,162
Actual return on plan assets	867	(336)
Employer contribution	1,029	331
Acquisition	(16)	
Benefits paid	(401)	(278)
Fair value of plan assets at end of year	$ 5,358	$ 3,879
Funded status:		
Plan assets less than benefit obligation	$(1,021)	$(1,313)
Unrecognized actuarial loss	788	747
Unrecognized prior service cost	62	67
Accrued benefit cost	$ (171)	$ (499)

Assumptions used each year in determining the defined benefit net pension cost are:

	August 31, 1999	August 31, 1998	August 31, 1997
Weighted average discount rate	6.5%	7.0%	7.5%
Expected rate of investment return	9.0%	9.0%	9.0%
Expected rate of compensation increase	4.0%	4.0%	4.5%

	Year Ended August 31, 1999	Year Ended August 31, 1998	Year Ended August 31, 1997
Components of net periodic pension benefit cost:			
Service cost	$723	$634	$529
Interest cost	364	307	257
Expected return on plan assets	(409)	(363)	(299)
Amortization of past service cost	4	4	4
Recognized actuarial loss	19	1	
Net periodic pension benefit cost	$701	$583	$491

(in thousands, except per share amounts)

Note 8 - Employee Benefits (Continued):

During 1991, the Company adopted a nonqualified supplemental retirement plan for certain executives. A restricted trust fund has been established and invested in life insurance policies which can be used for plan benefits, but which are subject to claims of general creditors. The trust fund and deferred compensation expense are classified as other assets. The status of this plan is summarized as follows:

	August 31,		
	1999	1998	1997
Restricted trust fund	$1,204	$ 989	$ 684
Deferred compensation expense	356	238	490
Long-term pension liability	1,470	1,195	1,343
Pension cost	156	105	149

Note 9 - Stock Incentive Plan:

In September 1993, the Company adopted a stock incentive plan for employees, consultants and directors of the Company. The plan covers 1,200 shares of Class A common stock. All options have a ten-year term and, except for options granted in fiscal 1999, become exercisable for 20% of the shares covered by the option on each of the first five anniversaries of the grant. The options granted in fiscal 1999 become fully exercisable on the first anniversary of the grant because the Company granted them to certain employees in lieu of annual salary revisions.

The Company records stock-based compensation under the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) and related Interpretations. An alternative method of accounting exists under Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," (SFAS 123) which requires the use of option valuation models. Under APB 25, because the exercise price of the Company's employee stock options equaled the market price of the underlying stock on the date of grant, no compensation expense is recognized.

Pro forma information for fiscal years 1999, 1998 and 1997 regarding net income and earnings per share is required by SFAS 123 and has been determined as if the Company had accounted for its employee stock options under the fair value method of that Statement. The fair value for these awards was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions:

	Year Ended August 31,		
	1999	1998	1997
Risk-free interest rate	5.0%	5.5%	6.6%
Dividend yield	.01%	.01%	.01%
Weighted average expected life of options	7.5 Years	7.5 Years	7.5 Years
Volatility	.43	.42	.43

(in thousands, except per share amounts)

Note 9 - Stock Incentive Plan (Continued):

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting periods. The effects on results of operations and earnings per share is not expected to be indicative of the effects on results of operations or earnings per share in future years. The Company's pro forma information follows:

	Year Ended August 31,		
	1999	1998	1997
Pro forma net income	$ 2,617	$ 8,975	$20,945
Pro forma earnings per share	$ 0.26	$ 0.89	$ 2.02

A summary of the Company's stock option activity and related information is as follows:

	Year Ended August 31,					
	1999		1998		1997	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding-beginning of year	523	$22.67	430	$22.33	295	$21.10
Options granted	201	$12.00	98	$24.25	137	$25.00
Options canceled	(16)	$24.49	(5)	$24.55	(2)	$24.25
Outstanding - end of year	708	$19.60	523	$22.67	430	$22.33
Exercisable at end of year	296	$21.48	199	$20.96	115	$19.99
Weighted-average fair value of options granted during year	$ 6.54		$13.33		$14.11	

Exercise prices for options outstanding as of August 31, 1999 ranged from $12 to $25. The weighted-average remaining contractual life of those options is 7.6 years.

Note 10 - Segment Information:

Effective September 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" (SFAS No. 131). SFAS No. 131 establishes new standards for the way that public enterprises report information about operating segments. The statement also requires companies to disclose information about the products and services provided by the operating segments, geographic areas of business and major customers.

(in thousands, except per share amounts)

Note 10 - Segment Information (Continued:

The Company operates in two industry segments: metal processing and recycling (Metals Recycling Business) and mini-mill steel manufacturing (Steel Manufacturing Business). Additionally, the Company is a partner in joint ventures which are either in the metals recycling business or are suppliers of unprocessed metals. The Company also considers these to be separate segments because they are managed separately. These joint ventures are accounted for using the equity method. As such, the operating information provided below related to the joint ventures is shown separately from consolidated information, except for the Company's equity in the net income of the joint ventures.

The Metals Recycling Business buys and processes ferrous metals for sale to foreign and other domestic steel producers or their representatives and to the Steel Manufacturing Business. The Metals Recycling Business also purchases ferrous metas from other processors for shipment directly to the Steel Manufacturing Business. Intersegment sales from the Metals Recycling Business to the Steel Manufacturing Business are transferred at a negotiated market rate per ton and are eliminated in consolidation.

The Steel Manufacturing Business produces rebar, merchant bar, wire rod, coiled rebar and other specialty products.

The Joint Ventures in the Metals Recycling Business are also engaged in buying, processing and selling primarily ferrous metal. Recycled metals are sold to foreign and domestic steel mills.

The Joint Venture Suppliers of Metals include two predominant operations. One joint venture operates self-service used auto parts yards. The Company purchases substantially all of the auto bodies which come from these yards. Another joint venture is an industrial plant demolition contractor. This joint venture dismantles industrial plants, performs environmental remediation and sells recovered metals and machinery. The Company purchases substantially all of the ferrous recycled metals generated by this joint venture.

The information provided below is obtained from internal information that is provided to the Company's chief operating decision-maker for the purpose of corporate management. The Company does not allocate corporate interest income and expense, income taxes or other income and expenses related to corporate activity to its operating segments. Assets and capital expenditures are not shown for the joint ventures as management does not use that information to allocate resources or assess performance.

	Year Ended August 31,		
	1999	1998	1997
Revenues from external customers:			
Metals Recycling Business	$137,070	$217,915	$236,392
Steel Manufacturing Business	172,698	191,346	183,740
Intersegment revenues	(44,721)	(56,168)	(58,379)
Consolidated revenues	$265,047	$353,093	$361,753

The joint ventures' revenues from external customers are as follows:

	Year Ended August 31,		
	1999	1998	1997
Joint Ventures in the Metals Recycling Business	$303,014	$332,580	$276,930
Joint Venture Suppliers of Metals	46,575	51,391	46,433
	$349,589	$383,971	$323,363

(in thousands, except per share amounts)

Note 10 - Segment Information (Continued):

Revenues by geographic area:

	Year Ended August 31, 1999	1998	1997
Metals Recycling Business:			
Asia	$ 39,454	$ 90,390	$111,183
United States	97,616	127,525	125,209
Sales to Steel Manufacturing Business	(44,721)	(56,168)	(58,379)
Sales to external customers	92,349	161,747	178,013
Steel Manufacturing Business			
United States	172,698	191,346	183,740
Consolidated revenues	$265,047	$353,093	$361,753

The Joint Ventures in the Metals Recycling Business do not maintain revenues by geographic area and it would be impracticable to provide such disclosure. Sales by the Joint Venture Suppliers of Metals are all made to customers in the United States. See Note 7 regarding the Company's purchases from its joint ventures.

	Year Ended August 31, 1999	1998	1997
Income from operations:			
Metals Recycling Business	$ 4,581	$ 16,473	$ 27,399
Steel Manufacturing Business	6,561	9,838	5,493
Joint Ventures in the Metals Recycling Business	1,380	823	3,785
Joint Venture Suppliers of Metals	2,070	3,292	3,091
Corporate expense and eliminations	(6,118)	(6,941)	(7,162)
Consolidated income from operations	$ 8,474	$ 23,485	$ 32,606

Income from operations from the joint ventures represents the Company's equity in the net income of these entities.

	Year Ended August 31, 1999	1998	1997
Depreciation and amortization expense:			
Metals Recycling Business	$ 7,672	$ 8,190	$ 7,573
Steel Manufacturing Business	9,809	10,292	10,464
Corporate expense and eliminations	235	232	228
Consolidated depreciation and amortization expense	$ 17,716	$ 18,714	$ 18,265

(in thousands, except per share amounts)

Note 10 - Segment Information (Continued):

The Company's share of depreciation and amortization expense included in the determination of the joint ventures' net income is as follows:

	Year Ended August 31,		
	1999	1998	1997
Joint Ventures in the Metals Recycling Business	$ 5,128	$ 3,437	$ 2,218
Joint Venture Suppliers of Metals	644	650	679

The following is a summary of the Company's total assets and capital expenditures:

	Year Ended August 31,		
	1999	1998	1997
Total assets:			
Metals Recycling Business	$129,614	$134,854	$129,841
Steel Manufacturing Business	163,172	184,916	194,649
Investment in:			
Joint Ventures in the Metals Recycling Business	99,103	98,369	80,426
Joint Venture Suppliers of Recycled Metal	4,877	5,125	11,553
Corporate	48,863	48,076	11,517
	$445,629	$471,340	$427,986
Capital expenditures:			
Metals Recycling Business	$ 11,652	$ 12,219	$ 6,315
Steel Manufacturing Business	157	1,517	8,834
Corporate	177	469	337
	$ 11,986	$ 14,205	$ 15,486

No individual customer accounted for greater than ten percent of the Company's consolidated revenues in fiscal years 1999, 1998 or 1997.

The Joint Ventures in the Metals Recycling Business have significant customers. During fiscal 1999, one customer accounted for 17% and another customer accounted for 13% of combined revenues for these joint ventures. During fiscal 1998, one customer accounted for 17% and another customer accounted for 13% of combined revenues. During fiscal 1997, individual customers accounted for 13%, 11% and 10% of combined revenues.

(in thousands, except per share amounts)

Note 11 - Summarized Financial Information of Joint Ventures:

A summary of combined operations of joint ventures in which the Company is a partner is as follows:

	Year Ended August 31, 1999	Year Ended August 31, 1998
Current assets	$134,510	$145,476
Noncurrent assets	121,049	104,416
	$255,559	$249,892
Current liabilities	$ 85,870	$ 53,908
Noncurrent liabilities	13,545	32,907
Partners' equity	156,144	163,077
	$255,559	$249,892

	Year Ended August 31, 1999	1998	1997
Revenues	$349,589	$383,971	$323,363
Income from operations	$ 645	$ 6,309	$ 14,399
Net income before taxes	$ 7,858	$ 8,080	$ 14,156

The Company performs some administrative services and provides operation and maintenance of management information systems to some of these joint ventures. These administrative charges totaled $185, $241 and $214 in 1999, 1998 and 1997, respectively.

Advances from and to joint venture partnerships from the Company are included in noncurrent assets and liabilities above. Certain advances bear interest at the prime rate less one percent. Although these advances are collectible on demand, management does not intend to request payment in the foreseeable future.

Note 12 - Acquisition of Proler International Corp.:

On November 29, 1996, PIC Acquisition Corp. (PIC), a wholly owned subsidiary of the Company, acquired 4,079 shares of common stock of Proler, representing approximately 86% of its outstanding shares, for $9 cash per share pursuant to a tender offer for all of the outstanding shares of common stock of Proler. Subsequent to November 30, 1996, PIC purchased an additional 343 shares, thereby increasing its ownership to approximately 94% of the outstanding Proler shares. On December 6, 1996, the Company completed the merger of PIC with Proler and, as a result, Proler became a wholly-owned subsidiary of the Company. As a result of the merger, all remaining outstanding shares of Proler common stock were converted into the right to receive the same $9 per share in cash paid in the tender offer. The Company borrowed funds to pay for the Proler shares under existing credit facilities.

Note 12 - Acquisition of Proler International Corp. (Continued):

The Company accounted for the acquisition using the purchase method. Accordingly, the purchase price was allocated to the assets acquired and the liabilities assumed based on their fair values as of the effective date of the acquisition.

The following unaudited pro forma information presents a summary of consolidated results of operations of the Company and Proler as though the acquisition had occurred at the beginning of the period shown.

	For the Year Ended August 31, 1997 (in thousands)
Revenues	$ 364,899
Net income	$ 14,606
Diluted earnings per share	$ 1.41

During the year ended August 31, 1997, Proler recorded a provision for environmental liabilities of $8.6 million.

These pro forma results have been prepared for comparative purposes only and include certain adjustments to give effect for the acquisition, together with related income tax effects. They do not purport to be indicative of the results of operations which actually would have resulted had the combination been in effect at the beginning of the periods presented or of future results of operations of the consolidated entities.

In conjunction with the acquisition, liabilities were assumed as follows:

Fair value of assets acquired	$100,685
Cash paid for the stock	42,456
Liabilities assumed	$ 58,229

Note 13 - Disposal and Sale of Assets:

In March 1999, Cascade Steel Rolling Mills, Inc. sold its Union City, California mill depot recognizing a gain of $1,200 which is included in other income in the accompanying consolidated statement of operations.

In May 1998, Proler disposed of a tin metals recycling facility in Lathrop, California. The facility was acquired as part of the Proler acquisition (Note 12). The sale resulted in a gain of $1.1 million, of which $.8 million was recorded as a reduction in cost of goods sold and $.3 million as a gain on sale of assets.

(in thousands, except per share amounts)

Note 14 - Quarterly Financial Data (Unaudited):

	Fiscal Year 1999			
	First	Second	Third	Fourth
Net revenues	$ 67,165	$ 51,722	$ 66,639	$ 79,521
Income from operations	(1,054)	(5,138)	2,494	12,172
Net income	(1,591)	(3,921)	1,855	7,036
Diluted earnings per share	$ (0.16)	$ (0.39)	$ 0.19	$ 0.72

	Fiscal Year 1998			
	First	Second	Third	Fourth
Net revenues	$105,403	$ 81,895	$ 80,918	$ 84,877
Income from operations	10,562	6,802	5,519	602
Net income	6,289	3,777	2,569	(3,187)
Diluted earnings per share	$ 0.61	$ 0.37	$ 0.26	$ (0.32)

(in thousands, except per share amounts)

Note 15 - Subsequent Event:

In the first quarter of fiscal 2000, the Company changed its method of accounting for recycled metals inventories from Last-In, First-Out (LIFO) to First-In, First-Out (FIFO). Given the volatility of both prices and quantities, management believes that accounting for inventories using the FIFO method better matches revenues and expenses, and therefore is preferable. In addition, the method is consistent with its other inventory pools. In accordance with Accounting Principles Board No. 20, "Accounting Changes," upon adoption, the Company retroactively restated prior periods by applying the FIFO method of accounting in prior periods. Had the Company adopted this change in fiscal 1999, the retroactive impact would have been as follows:

	Year Ended August 31,		
	1999	1998	1997
Income Statement			
Net income, as reported	$ 3,379	$ 9,448	$ 21,225
Adjustment for change in accounting principle	(2,758)	(1,336)	(106)
Net income, as adjusted	$ 621	$ 8,112	$ 21,119
Basic earnings per share	$ 0.34	$ 0.94	$ 2.06
Adjustment for change in accounting principle	(0.28)	(0.13)	(0.01)
Basic earnings per share, as adjusted	$ 0.06	$ 0.81	$ 2.05
Diluted earnings per share	$ 0.34	$ 0.93	$ 2.05
Adjustment for change in accounting principle	(0.28)	(0.13)	(0.01)
Diluted earnings per share, as adjusted	$ 0.06	$ 0.80	$ 2.04
Statement of Retained Earnings			
Balance at beginning of year, as reported	$126,326	$118,885	$ 99,718
Cumulative effect on prior years of applying FIFO method of accounting	3,487	4,823	4,929
Net income	621	8,112	21,119
Dividends paid	(1,966)	(2,007)	(2,058)
Balance at end of year, as adjusted	$128,468	$129,813	$123,708

PART II (CONTINUED)

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

NONE.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information regarding directors is included under "Election of Directors" in the Company's Proxy Statement for its 2000 Annual Meeting of Shareholders and is incorporated herein by reference. Information with respect to executive officers of the Company is included under Item 4(a) of Part I of this Report. Information required by Item 405 of Regulation S-K is included under "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's Proxy Statement for its 2000 Annual Meeting of Shareholders and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is included under "Executive Compensation" and "Compensation Committee Interlocks and Insider Participation" in the Company's Proxy Statement for its 2000 Annual Meeting of Shareholders and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information with respect to security ownership of certain beneficial owners and management is included under "Voting Securities and Principal Shareholders" in the Company's Proxy Statement for its 2000 Annual Meeting of Shareholders and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item is included under "Certain Transactions" in the Company's Proxy Statement for its 2000 Annual Meeting of Shareholders and is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) 1. The following financial statements are filed as part of this report:

See Index to Consolidated Financial Statements and Schedule on page 28 of this Report.

2. All schedules are omitted as the information is either not applicable or is not required.

3. Exhibits:

2.1 Agreement and Plan of Merger dated September 15, 1996 between the Registrant and Proler International Corp. Incorporated by reference to Exhibit (c) (1) to Registrants' Schedule 14D-1 filed September 20, 1996.

3.1 1993 Restated Articles of Incorporation of the Registrant. Incorporated by reference to Exhibit 3.1 to the Registrant's Registration Statement on Form S-1, Registration No. 33-69352 (the Form S-1).

3.2 Restated Bylaws of the Registrant. Filed as Exhibit 3.2 to Registrant's Form 10-Q for the quarter ended May 31, 1998, and incorporated herein by reference.

9.1 Schnitzer Steel Industries, Inc. Voting Trust and Buy-Sell Agreement dated March 31, 1991. Incorporated by reference to Exhibit 9.1 to the Form S-1.

9.2 First Amendment to Voting Trust and Buy-Sell Agreement dated July 15, 1991. Incorporated by reference to Exhibit 9.2 to the Form S-1.

9.3 Second Amendment to Voting Trust and Buy-Sell Agreement dated November 30, 1996. Filed as Exhibit 9.3 to Registrant's Form 10-K for the fiscal year ended August 31, 1997 and incorporated herein by reference.

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10.2 Second Amendment of Lease dated October 18, 1995 between Schnitzer Investment Corp. and the Registrant, relating to the Corporate Headquarters. Filed as Exhibit 10.5 to Registrant's Form 10-Q for the quarterly period ended November 30, 1995, and incorporated herein by reference.

10.3 Second Extension of Lease dated May 28, 1996 between Schnitzer Investment Corp. and the Registrant, relating to the Corporate Headquarters. Filed as Exhibit 10.1 to the Registrant's Form 10-Q for the quarterly period ended May 31, 1996, and incorporated herein by reference.

10.4 Lease Agreement dated March 24, 1980 between Schnitzer Investment Corp. and the Registrant, as amended, relating to the Corporate Headquarters. Incorporated by reference to Exhibit 10.2 to the Form S-1.

10.5 Third Amendment of Lease dated May 29, 1996 between Schnitzer Investment Corp. and the Registrant, relating to the Corporate Headquarters. Filed as Exhibit 10.2 to the Registrant's Form 10-Q for the quarterly period ended May 31, 1996, and incorporated herein by reference.

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10.12 Second Amendment to Lease dated October 28, 1994 between Schnitzer Investment Corp. and the Registrant, relating to Portland recycled metals recycling operation. Filed as Exhibit 10.1 to Registrant's Form 10-Q for the quarterly period ended November 30, 1995, and incorporated herein by reference.

10.13 Lease Agreement dated September 1, 1988 between Schnitzer Investment Corp. and the Registrant, as amended, relating to the Sacramento metals recycling operation. Incorporated by reference to Exhibit 10.4 to the Form S-1.

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10.15 Second Amended Shared Services Agreement dated September 13, 1993 between the Registrant and certain entities controlled by shareholders of the Registrant. Incorporated by reference to Exhibit 10.5 to the Form S-1.

10.16 Amendment dated September 1, 1994 to Second Amended Shared Services Agreement between the Registrant and certain entities controlled by shareholders of the Registrant. Filed as Exhibit 10.6 to Registrant's Form 10-K for the fiscal year ended August 31, 1995, and incorporated herein by reference.

10.17 Uniform Time Charter dated June 22, 1998 between the Registrant and Trans-Pacific Shipping Co. Filed as Exhibit 10.17 to Registrant's Form 10-K for the fiscal year ended August 31, 1998, and incorporated herein by reference.

10.18	Uniform Time Charter dated May 9, 1995 between the Registrant and Trans-Pacific Shipping Co. Filed as Exhibit 10.10 to Registrant's Form 10-K for the fiscal year ended August 31, 1995, and incorporated herein by reference.
10.19	Addendum No. 4 to M/V Jade Pacific Uniform Time Charter Agreement dated October 31, 1997 between the Registrant and Trans-Pacific Shipping Co. Filed as Exhibit 10.2 to Registrant's Form 10-Q for the quarter ended November 30, 1997, and incorporated by reference.
10.20	Uniform Time Charter dated May 9, 1995 between the Registrant and Trans-Pacific Shipping Co. Filed as Exhibit 10.11 to Registrant's Form 10-K for the fiscal year ended August 31, 1995, and incorporated herein by reference.
10.21	Addendum No. 4 to M/V Jade Orient Uniform Time Charter Agreement dated October 31, 1997 between the Registrant and Trans-Pacific Shipping Co. Filed as Exhibit 10.1 to Registrant's Form 10-Q for the quarter ended November 30, 1997, and incorporated by reference.
*10.22	1993 Stock Incentive Plan of the Registrant. Filed as Exhibit 10.22 to Registrant's Form 10-K for the fiscal year ended August 31, 1997 and incorporated herein by reference.
*10.23	Supplemental Executive Retirement Bonus Plan of the Registrant. Incorporated by reference to Exhibit 10.8 to the Form S-1.
*10.24	Assistant Secretary's Certificate dated November 25, 1995 amending the Supplemental Executive Retirement Bonus Plan of the Registrant. Filed as Exhibit 10.6 to Registrant's Form 10-Q for the quarterly period ended November 30, 1995, and incorporated herein by reference.
*10.25	Deferred Bonus Agreement between the Company and an executive officer. Filed as Exhibit 10.3 to Registrant's Form 10-Q for the quarterly period ended May 31, 1996, and incorporated herein by reference.
10.26	Vessel Purchase and Sale Agreement dated June 22, 1998 between the Registrant and Trans-Pacific Shipping Co. Filed as Exhibit 10.26 to Registrant's Form 10-K for the fiscal year ended August 31, 1998, and incorporated herein by reference.
18.1	Letter Regarding Change in Accounting Principle
21.1	Subsidiaries of Registrant.
23.1	Consent of Independent Accountants.
24.1	Powers of Attorney

*Management contract or compensatory plan or arrangement

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(b) Reports on Form 8-K

No reports on Form 8-K were required to be filed by the Registrant during the fourth quarter of the fiscal year ended August 31, 1999.

Pursuant to the requirements of Section 13 or 15(d) 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.

SCHNITZER STEEL INDUSTRIES, INC.

Dated: November 29, 1999 By: BARRY A. ROSEN

Barry A. Rosen
Vice President, Finance and Treasurer
and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant : November 29, 1999 in the capacities indicated.

Signature	Title
Principal Executive Officer:	
*LEONARD SCHNITZER Leonard Schnitzer	Chairman of the Board, Chief Executive Officer and Director
Principal Financial and Accounting Officer:	
BARRY A. ROSEN Barry A. Rosen	Vice President, Finance and Treasurer and Chief Financial Officer

Directors:

*CAROL S. LEWIS Director
- ---------------------------
Carol S. Lewis

*SCOTT LEWIS Director
- ---------------------------
Scott Lewis

*KENNETH M. NOVACK Director
- ---------------------------
Kenneth M. Novack

*ROBERT W. PHILIP Director
- ---------------------------
Robert W. Philip

*JEAN S. REYNOLDS Director
- ---------------------------
Jean S. Reynolds

*DORI SCHNITZER Director
- ---------------------------
Dori Schnitzer

*GARY SCHNITZER Director
- ---------------------------
Gary Schnitzer

*ROBERT S. BALL Director
- ---------------------------
Robert S. Ball

*WILLIAM S. FURMAN Director
- ---------------------------
William S. Furman

*RALPH R. SHAW Director
- ---------------------------
Ralph R. Shaw

*By: /s/ BARRY A. ROSEN
- ---------------------------
Attorney-in-fact, Barry A. Rosen

SCHNITZER STEEL INDUSTRIES, INC.
INDEX TO EXHIBITS

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21.1	Subsidiaries of Registrant.
23.1	Consent of Independent Accountants.
24.1	Powers of Attorney.

EXHIBIT 18.1

To the Board of Directors
of Schnitzer Steel Industries, Inc.

Dear Directors:

We are providing this letter to you for inclusion as an exhibit to your Form 10-K filing pursuant to Item 601 of Regulation S-K.

We have audited the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended August 31, 1999 and issued our report thereon dated October 6, 1999, except as to Note 15 which is as of November 15, 1999. Note 15, to the financial statements describes a change in accounting principle from determining the cost of scrap metals inventories of the Metals Recycling division from the last-in, first-out to the first-in, first-out method. It should be understood that the preferability of one acceptable method of accounting over another for inventory has not been addressed in any authoritative accounting literature, and in expressing our concurrence below we have relied on management's determination that this change in accounting principle is preferable. Based on our reading of management's stated reasons and justification for this change in accounting principle in the Form 10-K, and our discussions with management as to their judgment about the relevant business planning factors relating to the change, we concur with management that such change represents, in the Company's circumstances, the adoption of a preferable accounting principle in conformity with Accounting Principles Board Opinion No. 20.

Very truly yours,

PricewaterhouseCoopers LLP
Portland, Oregon
November 15, 1999

EXHIBIT 21.1

SCHNITZER STEEL INDUSTRIES, INC.
List of Subsidiaries

Subsidiary	State of Incorporation
Alaska Steel Co.	Oregon
Arion Shipping Co.	Delaware
Cascade Steel Rolling Mills, Inc.	Oregon
Columbia Forge and Machine Works, Inc.	Oregon
Crawford Street Corporation	Oregon
Edman Corp.	Oregon
General Metals of Alaska	Oregon
General Metals of Tacoma, Inc.	Washington
Joint Venture Operations, Inc.	Delaware
Levi's Iron and Metal, Inc.	Oregon
Manufacturing Management, Inc.	Oregon
SSI International (Oregon), Inc.	Oregon
SSI International, Inc.	Guam
SSI International Far East Ltd.	Korea
Mormil Corp.	Oregon
MRI Corporation	Delaware
Norprop, Inc.	Oregon
Oregon Rail Marketing Co.	Oregon
Proler Environmental Services, Inc.	Delaware
Proler Industries, Inc.	Delaware
Proler International Corp	Delaware
Proler Properties, Inc.	Texas
Proler Recycling, Inc.	Delaware
Proler Steel, Inc.	Delaware
Proleride Transport Systems, Inc.	Delaware
Prolerized Steel Corporation	Delaware
Schnitzer Leasing, Inc.	Oregon
SD&G, Inc.	Nevada
SSP Arion Corp.	Oregon
SSP Reclamation Company	Oregon

EXHIBIT 23.1

Consent of Independent Accountants

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 33-87008 and 333-21895) of Schnitzer Steel Industries, Inc. of our report dated October 6, 1999, except as to Note 15, which is as of November 15, 1999, relating to the financial statements, which appear in this Form 10-K.

PricewaterhouseCoopers LLP

Portland, Oregon
November 29, 1999

POWER OF ATTORNEY
(Form 10-K)

The undersigned hereby constitutes and appoints each of Robert W. Philip, Kenneth M. Novack, Barry A. Rosen and Kelly Lang his true and lawful attorney and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign the Annual Report on Form 10-K of Schnitzer Steel Industries, Inc. for the year ended August 31, 1999 and any and all amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto each attorney and agent full power and authority to do any and all acts and things necessary or advisable to be done, as fully and to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that the attorney and agent or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Dated: October 4, 1999.

LEONARD SCHNITZER

LEONARD SCHNITZER

POWER OF ATTORNEY
(Form 10-K)

The undersigned hereby constitutes and appoints each of Robert W. Philip, Kenneth M. Novack, Barry A. Rosen and Kelly Lang his true and lawful attorney and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign the Annual Report on Form 10-K of Schnitzer Steel Industries, Inc. for the year ended August 31, 1999 and any and all amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto each attorney and agent full power and authority to do any and all acts and things necessary or advisable to be done, as fully and to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that the attorney and agent or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Dated: October 4, 1999.

KENNETH M. NOVACK

KENNETH M. NOVACK

POWER OF ATTORNEY
(Form 10-K)

The undersigned hereby constitutes and appoints each of Robert W. Philip, Kenneth M. Novack, Barry A. Rosen and Kelly Lang his true and lawful attorney and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign the Annual Report on Form 10-K of Schnitzer Steel Industries, Inc. for the year ended August 31, 1999 and any and all amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto each attorney and agent full power and authority to do any and all acts and things necessary or advisable to be done, as fully and to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that the attorney and agent or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Dated: October 4, 1999.

ROBERT W. PHILIP

ROBERT W. PHILIP

POWER OF ATTORNEY
(Form 10-K)

The undersigned hereby constitutes and appoints each of Robert W. Philip, Kenneth M. Novack, Barry A. Rosen and Kelly Lang his true and lawful attorney and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign the Annual Report on Form 10-K of Schnitzer Steel Industries, Inc. for the year ended August 31, 1999 and any and all amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto each attorney and agent full power and authority to do any and all acts and things necessary or advisable to be done, as fully and to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that the attorney and agent or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Dated: October 4, 1999.

DORI SCHNITZER

DORI SCHNITZER

POWER OF ATTORNEY
(Form 10-K)

The undersigned hereby constitutes and appoints each of Robert W. Philip, Kenneth M. Novack, Barry A. Rosen and Kelly Lang his true and lawful attorney and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign the Annual Report on Form 10-K of Schnitzer Steel Industries, Inc. for the year ended August 31, 1999 and any and all amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto each attorney and agent full power and authority to do any and all acts and things necessary or advisable to be done, as fully and to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that the attorney and agent or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Dated: October 4, 1999.

CAROL S. LEWIS

CAROL S. LEWIS

POWER OF ATTORNEY
(Form 10-K)

The undersigned hereby constitutes and appoints each of Robert W. Philip, Kenneth M. Novack, Barry A. Rosen and Kelly Lang his true and lawful attorney and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign the Annual Report on Form 10-K of Schnitzer Steel Industries, Inc. for the year ended August 31, 1999 and any and all amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto each attorney and agent full power and authority to do any and all acts and things necessary or advisable to be done, as fully and to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that the attorney and agent or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Dated: October 4, 1999.

GARY SCHNITZER

GARY SCHNITZER

POWER OF ATTORNEY
(Form 10-K)

The undersigned hereby constitutes and appoints each of Robert W. Philip, Kenneth M. Novack, Barry A. Rosen and Kelly Lang his true and lawful attorney and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign the Annual Report on Form 10-K of Schnitzer Steel Industries, Inc. for the year ended August 31, 1999 and any and all amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto each attorney and agent full power and authority to do any and all acts and things necessary or advisable to be done, as fully and to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that the attorney and agent or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Dated: October 4, 1999.

SCOTT LEWIS

SCOTT LEWIS

POWER OF ATTORNEY
(Form 10-K)

The undersigned hereby constitutes and appoints each of Robert W. Philip, Kenneth M. Novack, Barry A. Rosen and Kelly Lang his true and lawful attorney and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign the Annual Report on Form 10-K of Schnitzer Steel Industries, Inc. for the year ended August 31, 1999 and any and all amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto each attorney and agent full power and authority to do any and all acts and things necessary or advisable to be done, as fully and to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that the attorney and agent or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Dated: October 4, 1999.

JEAN S. REYNOLDS

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POWER OF ATTORNEY
(Form 10-K)

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Dated: October 4, 1999.

ROBERT S. BALL

ROBERT S. BALL

POWER OF ATTORNEY
(Form 10-K)

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Dated: October 4, 1999.

WILLIAM A. FURMAN

WILLIAM A. FURMAN

POWER OF ATTORNEY
(Form 10-K)

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Dated: October 4, 1999.

RALPH R. SHAW

RALPH R. SHAW

POWER OF ATTORNEY
(Form 10-K)

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Dated: October 4, 1999.

BARRY A. ROSEN

BARRY A. ROSEN

POWER OF ATTORNEY
(Form 10-K)

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Dated: October 4, 1999.

KELLY LANG

KELLY LANG

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEET AND THE CONSOLIDATED STATEMENT OF OPERATIONS FILED AS PART OF THE ANNUAL REPORT ON FORM 10-K AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

12-MOS
AUG-31-1999
SEP-01-1998
AUG-31-1999
6,174
0
21,714
638
89,752
128,273
135,814
141,980
445,629
35,620
119,826
0
0
9,726
229,918
445,629
265,047
265,047
236,270
236,270
0
0
6,971
5,970
2,591
3,379
0
0
0
3,379
0.34
0.34