UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

[X] Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended November 30, 1999 or

[ ] Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _______ to _______.

Commission file number 0-22496

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

OREGON	93-0341923
(State or other jurisdiction of incorporation or organization)	(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)

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

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

Yes [X] No [ ]

The Registrant had 5,354,726 shares of Class A Common Stock, par value of $1.00 per share and 4,370,328 shares of Class B Common Stock, par value of $1.00 per share outstanding on January 1, 2000.

SCHNITZER STEEL INDUSTRIES, INC.

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

	Nov. 30, 1999 (Unaudited)	Aug. 31, 1999 (Audited, restated) see Note 5)
ASSETS		
CURRENT ASSETS:		
Cash	$ 2,974	$ 6,174
Accounts receivable, less allowance for doubtful accounts of $638	20,696	21,714
Accounts receivable from related parties	1,359	1,935
Inventories (Note 2 and Note 5)	97,656	90,967
Deferred income taxes (Note 5)	5,281	4,795
Prepaid expenses and other	4,070	3,417
TOTAL CURRENT ASSETS	132,036	129,002
NET PROPERTY, PLANT & EQUIPMENT	135,987	135,814
OTHER ASSETS:		
Investment in joint venture partnerships	103,315	103,980
Advances to joint venture partnerships	34,872	27,754
Goodwill	39,683	39,992
Intangibles and other	9,430	9,816
	$ 455,323	$ 446,358
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 191	$ 436
Accounts payable	15,302	16,390
Accrued payroll liabilities	6,648	6,072
Current portion of environmental liabilities (Note 4)	5,141	5,154
Other accrued liabilities	7,777	7,568
TOTAL CURRENT LIABILITIES	35,059	35,620
DEFERRED INCOME TAXES	28,004	27,882
LONG-TERM DEBT LESS CURRENT PORTION	127,907	119,826
ENVIRONMENTAL LIABILITIES, NET OF CURRENT PORTION	19,552	19,661
OTHER LONG-TERM LIABILITIES	2,916	2,996
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Preferred stock--20,000 shares authorized, none issued		
Class A common stock--75,000 shares $1 par value authorized, 5,355 and 5,295 shares issued and outstanding	5,355	5,295
Class B common stock--25,000 shares $1 par value authorized, 4,371 and 4,431 shares issued and outstanding	4,371	4,431
Additional paid-in capital	102,179	102,179
Retained earnings (Note 5)	129,980	128,468
	241,885	240,373
	$ 455,323	$ 446,358

The accompanying notes are an integral part of this statement.

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

	For The Three Months Ended November 30, 1999	1998
REVENUES	$ 71,233	$ 67,165
COSTS AND EXPENSES:		
Cost of goods sold and other operating expenses	61,033	60,852
Selling and administrative	6,241	5,696
	67,274	66,548
Loss from joint ventures	(505)	(1,671)
INCOME (LOSS) FROM OPERATIONS	3,454	(1,054)
OTHER INCOME (EXPENSE):		
Interest expense	(1,709)	(1,924)
Other income	606	567
	(1,103)	(1,357)
INCOME (LOSS) BEFORE INCOME TAXES	2,351	(2,411)
Income tax (provision) benefit	(353)	820
NET INCOME (LOSS)	$ 1,998	$ (1,591)
BASIC EARNINGS (LOSS) PER SHARE	$ 0.21	$ (0.16)
DILUTED EARNINGS (LOSS) PER SHARE	$ 0.20	$ (0.16)

The accompanying notes are an integral part of this statement.

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

	Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Retained Earnings	Total
	Shares	Amount	Shares	Amount			
BALANCE AT 8/31/98, as previously reported	5,555	$ 5,555	4,431	$ 4,431	$ 105,124	$ 126,326	$ 241,436
Cumulative effect on prior years of applying FIFO method of accounting (Note 5)						3,487	3,487
Class A common stock repurchased	(260)	(260)			(2,945)		(3,205)
Net income, restated (Note 5)						621	621
Dividends paid						(1,966)	(1,966)
BALANCE AT 8/31/99	5,295	5,295	4,431	4,431	102,179	128,468	240,373
Class B common stock converted to Class A Common Stock	60	60	(60)	(60)			
Net income						1,998	1,998
Dividends paid						(486)	(486)
BALANCE AT 11/30/99	5,355	$ 5,355	4,371	$ 4,371	$ 102,179	$ 129,980	$ 241,885

The accompanying notes are an integral part of this statement.

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

	For The Three Months Ended November 30, 1999	1998
OPERATIONS:		
Net income (loss)	$ 1,998	$ (1,591)
Noncash items included in income:		
Depreciation and amortization	4,462	4,654
Equity in losses of joint ventures	505	1,671
Gain on disposal of assets	(13)	(36)
Cash provided (used) by changes in working capital:		
Accounts receivable	1,594	6,084
Inventories	(6,689)	7,921
Prepaid expenses and other	(653)	(1,499)
Accounts payable	(1,088)	(1,904)
Accrued liabilities	300	2,014
Other assets and liabilities	303	(163)
NET CASH PROVIDED BY OPERATIONS	719	17,151
INVESTMENTS:		
Capital expenditures	(4,312)	(2,252)
Advances (to) from joint ventures	(7,118)	966
Distributions from joint ventures	150	932
Proceeds from sale of assets	12	50
NET CASH USED BY INVESTMENTS	(11,268)	(304)
FINANCING:		
Repurchase of Class A common stock		(189)
Dividends declared and paid	(486)	(499)
Reduction in long-term debt	(65)	(13,340)
Increase in long-term debt	7,900	
NET CASH PROVIDED (USED) BY FINANCING	7,349	(14,028)
NET (DECREASE) INCREASE IN CASH	(3,200)	2,819
CASH AT BEGINNING OF PERIOD	6,174	3,800
CASH AT END OF PERIOD	$ 2,974	$ 6,619

The accompanying notes are an integral part of this statement.

SCHNITZER STEEL INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED NOVEMBER 30, 1999 and 1998
(Unaudited)

Note 1 - Summary Of Significant Accounting Policies:

Basis of Presentation

The accompanying unaudited interim financial statements of Schnitzer Steel Industries, Inc. (the Company) have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and note disclosures normally included in annual financial statements have been condensed or omitted pursuant to those rules and regulations. In the opinion of management, all adjustments, consisting only of normal, recurring adjustments considered necessary for a fair presentation, have been included. Although management believes that the disclosures made are adequate to ensure that the information presented is not misleading, it is suggested that these financial statements be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report for the fiscal year ended August 31, 1999. The results for the three months ended November 30, 1999 are not necessarily indicative of the results of operations for the entire year.

Earnings Per Share

Basic earnings per share (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 for the three months ended November 30, 1999 and 1998 (in thousands, except per share amounts):

	Three Months Ended November 30, 1999		
	Income (Numerator)	Shares (Denominator)	Per-share Amount
Basic EPS	$ 1,998	9,725	$ 0.21
Options		61	
Diluted EPS	$ 1,998	9,786	$ 0.20

	Three Months Ended November 30, 1998		
	Loss (Numerator)	Shares (Denominator)	Per-share Amount
Basic and Diluted EPS	$ (1,591)	9,975	$ (0.16)

Note 2 - Inventories:

Inventories consist of the following (in thousands):

	November 30, 1999 (Unaudited)	August 31, 1999 (Audited)
Scrap metals	$ 23,317	$ 25,890
Work in process	17,082	20,372
Finished goods	34,293	29,578
Supplies	22,964	15,127
	$ 97,656	$ 90,967

Recycled metal inventories are valued at FIFO; the remainder are at average cost. See Note 5.

Note 3 - Related Party Transactions:

Certain shareholders of the Company own significant interests 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 shipping companies to transport recycled metal to foreign markets. 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 $2,500,000 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 has 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. Charges incurred for these time-charters and additional spot charters of other vessels were $2,776,000 and $824,000 for the quarters ended November 30, 1999 and 1998, respectively.

The Company purchased recyclable metals from its joint venture operations totaling $1,769,000 and $2,333,000 for the quarters ended November 30, 1999 and 1998, respectively.

The Company leases certain land and buildings from a real estate company which is a related entity. The rent expense was $339,000 and $406,000 for the quarters ended November 30, 1999 and 1998, respectively.

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 costs plus a 15% margin for overhead and profit. The administrative charges totaled $285,000 and $223,000 for the quarters ended November 30, 1999 and 1998, 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. Charges incurred for these sub-charters were $945,000 for the three months ended November 30, 1998. These charges were offset by income of $797,000 for the three months ended November 30, 1998. There were no sub-charters for the three months ended November 30, 1999.

Note 4 - 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 November 30, 1999 aggregated $18,200,000.

General Metals of Tacoma (GMT), a subsidiary of MMI, owns and operates a scrap 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 is approximately $2,000,000 and is included in the reserve above. Any further potential liabilities, if any, cannot be estimated at this time.

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 $8,600,000 for the probable costs to remediate its wholly owned properties based upon the consultant's estimates, increasing its environmental reserve to $9,800,000. The Company carried over the aggregate reserve to its financial statements upon acquiring Proler and $6,500,000 remained outstanding on November 30, 1999. Also, Proler's joint ventures recorded additional liabilities of $4,100,000 for the probable costs to remediate their properties, based upon 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 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. The Company's consultant estimated the probable costs associated with this prior to the Company's acquisition of Proler.

Note 4 - Environmental Liabilities (Continued):

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 scrap processing 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.

Note 5 - Change in Accounting Principle:

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. Because the Company had not recorded a LIFO adjustment during the first quarter of fiscal 1999, no restatement of the statement of operations for that period was required. The balance sheet and statement of equity have been restated to reflect the change.

Note 6 - Segment Information:

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 in the metals recycling business or which are suppliers of unprocessed metals. The Company considers these joint ventures to be separate business 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 information provided below is obtained from internal information that is provided to the Company's chief operating decision-makers 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.

	Three Months Ended November 30,	
	1999	1998
Revenues from external customers:		
Metals Recycling Business	$ 40,109	$ 37,113
Steel Manufacturing Business	42,290	42,159
Intersegment revenues	(11,166)	(12,107)
Consolidated revenues	$ 71,233	$ 67,165

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

	Three Months Ended November 30,	
	1999	1998
Joint Ventures in the Metals Recycling Business	$ 100,225	$ 77,745
Joint Venture Suppliers of Metals	11,475	12,910
	$ 111,700	$ 90,655

	Three Months Ended November 30,	
	1999	1998
Income (loss) from operations:		
Metals Recycling Business	$ 2,785	$ (350)
Steel Manufacturing Business	1,826	2,916
Joint Ventures in the Metals Recycling Business	(1,188)	(2,252)
Joint Venture Suppliers of Metals	683	581
Corporate expense and eliminations	(652)	(1,949)
Consolidated income from operations	$ 3,454	$ (1,054)

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

Note 7 - Subsequent Event:

As mentioned in Note 3, the Company has recorded a time charter of a vessel, which a related company owns, as a capital lease. The vessel's operating costs now exceed the cost to charter from a third-party due primarily to market conditions in the shipping industry and the vessel's age and condition. This situation is expected to continue into the foreseeable future. Thus, in December 1999, the company decided to sell the vessel to a third party, which was approved by the Company's outside board members. The sale of the vessel is expected to be complete in the second quarter of fiscal year 2000. The Company anticipates recognizing a loss of approximately $1.1 million in conjunction with this transaction.

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

General

The Company operates in two primary business segments. The Company's Metals Recycling Business collects, processes and recycles steel scrap through its facilities. The Company's Steel Manufacturing Business operates a mini-mill in Oregon, which produces finished steel products and maintains a mill depot in California. Additionally, the Company owns equity in joint ventures that participate in the purchase, collection and processing of recycled metals.

Results of Operations

The Company's revenues and operating results by business segment are summarized below (in thousands):

	For the Three Months Ended November 30, (unaudited)	
	1999	1998
REVENUES:		
Metals Recycling Business:		
Ferrous sales	$ 30,872	$ 28,155
Nonferrous sales	7,450	5,909
Other sales	1,787	3,049
Total sales	40,109	37,113
Ferrous sales to Steel Manufacturing Business	(11,166)	(12,107)
Steel Manufacturing Business	42,290	42,159
Total	$ 71,233	$ 67,165
INCOME (LOSS) FROM OPERATIONS:		
Metals Recycling Business	$ 2,785	$ (350)
Steel Manufacturing Business	1,826	2,916
Joint Ventures in the Metals Recycling Business	(1,188)	(2,252)
Joint Venture Suppliers of Metals	683	581
Corporate expense and eliminations	(652)	(1,949)
Total	$ 3,454	$ (1,054)
NET INCOME (LOSS)	$ 1,998	$ (1,591)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued):

	For the Three Months Ended November 30, (unaudited) 1999	1998
SHIPMENTS:		
METALS RECYCLING BUSINESS		
Ferrous scrap (long tons):		
To Steel Manufacturing Business	127	140
To unaffiliated customers	226	192
Total	353	332
Export tons	170	144
STEEL MANUFACTURING BUSINESS		
Finished steel products (short tons)	150	127

Revenues. Consolidated revenues for the three months ended November 30, 1999 increased $4.0 million (6%) from the same period last year. Revenues for both the Metals Recycling Business and the Steel Manufacturing Business were higher.

Revenues for the Metals Recycling Business before intercompany eliminations increased $3.0 million (8%) as a result of both increased average selling prices and higher sales volume. These were partially offset by a decrease in the sales volume to the Steel Manufacturing Business. Ferrous scrap revenues increased $2.7 million (10%). Shipments of ferrous scrap to unaffiliated customers increased 34,000 tons (18%) to 226,000 tons, while shipments to the Steel Manufacturing Business decreased 13,000 tons (9%) to 127,000 tons. Prices rose modestly as Asian markets continued to stabilize and construction spending in those regions improved, which increased demand for finished steel products, consequently, ferrous scrap. In addition, the Company recently completed two major construction projects at its Tacoma, Washington facility, which has increased both its overall production capacity of shredded metal and its ability to more efficiently load export shipments.

The Steel Manufacturing Business' revenues increased slightly, $0.1 million (less than 1%), to $42.3 million. Finished steel shipments increased 23,000 tons (18%) offset by a decrease in the average finished steel selling price of about $50 per ton (15%) compared with the same quarter last year. The increase in finished steel shipments is primarily a result of an increase in wire rod sales due to increased demand from a major customer. The decrease in the average selling price is primarily due to competing finished steel being dumped on the West Coast from Asian and other countries, competitive pressures in the domestic market and a lower margin product sales mix.

Cost of Goods Sold. Consolidated cost of goods sold remained relatively unchanged, increasing $0.2 million (less than 1%) for the first quarter of fiscal 2000 compared with the first quarter of fiscal 1999. Cost of goods sold did, however, decrease as a percentage of revenues from 91% to 86%. Gross profit increased $3.9 million as a result of increased margins in the Metals Recycling Business partially offset by decreased margins in the Steel Manufacturing Business.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued):

The Metals Recycling Business' cost of goods sold as a percentage of revenues remained unchanged at 84%. Gross profit increased $3.6 million to $6.3 million, primarily as a result of higher selling prices and increased volumes.

In the first quarter of fiscal 2000, cost of goods sold for the Steel Manufacturing Business increased $1.2 million to $39.6 million and increased as a percentage of revenues from 91% to 94%. The increase in cost of goods sold resulted from increased finished steel shipments partially offset by a decrease in production costs. Cost of goods sold per ton, excluding billets, decreased $36 per to $260 per ton. This decrease was primarily a result of reduced scrap costs and increased production volumes that lowered the average amount of fixed costs per unit produced. Gross profit decreased $1.1 million to $2.7 million as a result of lower sales prices, partially offset by the impact of lower manufacturing costs.

Income from Joint Ventures. The Company's joint venture's revenues and results of operations were as follows (in thousands):

	Three Months Ended November 30, (unaudited)	
	1999	1998
Total revenues from external customers recognized by:		
Joint Ventures in the Metals Recycling Business	$ 100,225	$ 77,745
Joint Venture Suppliers of Metals	11,475	12,910
	$ 111,700	$ 90,655
(Loss) income from joint ventures recognized by the Company:		
Joint Ventures in the Metals Recycling Business	$ (1,188)	$ (2,252)
Joint Venture Suppliers of Metals	683	581
	$ (505)	$ (1,671)

The joint ventures in the Metals Recycling Business predominantly process and sell recycled ferrous metal. The increase in revenues recognized by these joint ventures is attributable to higher ferrous selling prices, the impact of which was partially offset by a decrease in tonnage shipped. Shipments of ferrous metal processed by the joint ventures decreased to 630,500 tons for the quarter ended November 30, 1999 from 652,000 tons in the prior year. The decrease in ferrous tons shipped was primarily due to fewer sales to Asian countries partially offset by an increase in domestic sales. The average selling price of ferrous recycled metal increased during that period to $93 per ton from $80 per ton, predominantly due to the strengthening world market and a stronger domestic market. Conversely, the price paid to vendors for unprocessed metal also increased.

The Company's equity in losses from its joint ventures in the Metals Recycling Business for the first quarter of fiscal 2000 decreased to $1.2 million from $2.2 in the first quarter of fiscal 1999. The smaller loss was a result of higher average ferrous selling prices partially offset by fewer tons sold.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued):

Revenues from the Joint Venture Suppliers of Metal declined to $11.5 million for the three months ended November 30, 1999 from $12.9 million for the three months ended November 30, 1998. The decline was attributable primarily to decreased revenues by the Company's rail marketing joint venture. Equity in income from these joint ventures increased to $0.7 million from $0.6 million primarily due to rising domestic metal prices.

Interest Expense. Interest expense for the first quarter of fiscal 2000 decreased $0.2 million to $1.7 million compared with the first quarter of fiscal 1999. The decrease was primarily a result of lower average borrowings due to lower average inventories and accounts receivable for the first quarter of fiscal 2000 compared with the same quarter last year.

Income tax provision. The income tax rate used for the first quarter of fiscal 2000 is 15%, compared with 34% for the first quarter of fiscal 1999. The lower rate results from the use of net operating losses (NOLs) acquired with the Proler acquisition. Previous federal tax rules limited the use of the NOLs to offset taxable income only from the acquired Proler entities. Recent federal tax rules changes now allow the Company to use these NOLs to offset substantially all of its income, subject to certain annual dollar limits.

Year 2000. In response to Year 2000 compliance issues, the Company developed and executed a systematic approach to identifying and assessing potential Year 2000 issues. The process consisted of modifying or replacing equipment and software and performing final testing to ensure that all systems were Year 2000 compliant after modifications were installed, or that any failure to be Year 2000 compliant would not have a material impact on the Company. These phases were completed in 1999. As of the date of this filing, the Company has not experienced any significant Year 2000 issues with respect to its computer hardware and software systems. While management believes that the risk is low, it is early in the Year 2000 and there is a possibility that a Year 2000 compliance failure related to the Company's hardware or software systems may occur. The Company will continue to monitor its systems for such an occurrence.

The Company incurred approximately $947,000 for correction of the year 2000 issues, including software and hardware upgrades and the cost of personnel allocated to the project. The Year 2000 upgrades have been funded through normal operating funds.

The Company also assessed the Year 2000 readiness of its "key" vendors using questionnaires and letters. As of the date of this filing, none of the Company's critical vendors have been found to be non-compliant.

Liquidity and Capital Resources. Cash provided by operations for the first quarter of fiscal 2000 was $0.7 million, compared with $17.2 million for the first quarter of fiscal 1999. The decrease in cash flow is primarily due to an increase in inventories and the timing of the collection of accounts receivable.

Capital expenditures for the three months ended November 30, 1999 were $4.3 million compared with $2.2 million during the same period last year. The increase is primarily due to the expansion of the dock, which was completed in March 1999, and the installation of the new shredder at the Company's Tacoma, Washington facility, which was completed during the first quarter of fiscal 2000.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued):

As a result of acquisitions completed in prior years, the Company has $24.7 million of accrued environmental liabilities as of November 30, 1999. The Company expects to require significant future cash outlays as it incurs the actual costs relating to the remediation of such environmental liabilities.

As of November 30, 1999, the Company had committed unsecured revolving lines of credit totaling $200 million maturing in 2003. The Company had additional unsecured lines of credit of $85 million, $65 million of which was uncommitted. In the aggregate, the Company had borrowings outstanding on these lines totaling $117.8 million at November 30, 1999. The Company's debt agreements have certain restrictive convenants. As of November 30, 1999, the Company was in compliance with such covenants.

Pursuant to a stock repurchase program announced by the Company in May 1994 and amended in April 1998, the company is authorized to repurchase up to 1.6 million shares of its stock when the market price 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 November 30, 1999 the Company had repurchased 708,600 shares under this program. No shares were repurchased during the three months ended November 30, 1999.

The Company believes that its current cash balance, internally generated funds and existing credit facilities will provide adequate financing for capital expenditures, working capital, stock repurchases, and debt service requirements for the next twelve months. In the longer term, the Company may seek to finance business expansion, including potential acquisitions, 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 effect of stabilization of certain Asian financial markets. 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; 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.

PART II

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K:

(a) Exhibits

None

(b) Reports on Form 8-K

None

SIGNATURE

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

SCHNITZER STEEL INDUSTRIES, INC.
(Registrant)

Date: January 14, 2000

By: BARRY A. ROSEN

Barry A. Rosen
Vice President, Finance

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

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3-MOS
AUG-31-2000
SEP-01-1999
NOV-30-1999
2,974
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20,696
638
97,656
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0.20