

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K  
CURRENT REPORT

Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

Date of report (Date of earliest event reported):      October 2, 2003  
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SCHNITZER STEEL INDUSTRIES, INC.

-----  
(Exact name of registrant as specified in its charter)

OREGON

0-22496

93-0341923

-----  
(State or other jurisdiction  
of incorporation)

(Commission  
File Number)

(IRS 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  
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NO CHANGE

-----  
(Former name or former address, if changed since last report.)

Item 12.            Results of Operations and Financial Condition

On October 2, 2003, Schnitzer Steel Industries, Inc. issued a press release announcing financial results for the quarter and year ended August 31, 2003. A copy of this press release is being furnished as Exhibit 99.1 to this report on Form 8-K.

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: October 2, 2003  
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By: /s/Barry A. Rosen  
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Barry A. Rosen  
Vice President, Finance and  
Chief Financial Officer

## Schnitzer Steel Reports Record Revenues and Profits

PORTLAND, Ore.--(BUSINESS WIRE)--Oct. 2, 2003--Schnitzer Steel Industries, Inc. (Nasdaq:SCHN) today reported net income of \$16.9 million or \$0.84 per diluted share on revenues of \$153.6 million for the fourth quarter ended August 31, 2003. During the fourth quarter of 2002, the Company reported net income of \$2.2 million or \$0.12 per diluted share on revenues of \$100.1 million.

For the fiscal year ended August 31, 2003, the Company reported net income of \$43.2 million or \$2.20 per diluted share on revenues of \$496.9 million. During fiscal 2002, Schnitzer Steel reported net income of \$6.6 million or \$0.35 per diluted share on revenues of \$350.6 million.

"Fiscal 2003 was a record year for Schnitzer Steel," said Robert W. Philip, President and Chief Executive Officer. "It was also the first year since the 1997 Asian financial crisis in which we experienced an extended period of improving prices for ferrous recycled metal. It is truly gratifying to see all of our business segments showing significant gains over fiscal 2002, most of which were driven by improving market conditions. Both our wholly-owned Metals Recycling Business and our joint ventures in the metals recycling business produced record profits in fiscal 2003, enabled in part by our strategic deep water export terminals that have the size, scope and capability to efficiently service the strong demand from our Asian customer base. Also, our recently acquired Auto Parts Business provided us with significant earnings gains in fiscal 2003 and gives us a strong base to grow this business segment that fits within our core metals recycling strategy. Finally, our Steel Manufacturing business made significant improvement in its operating results during fiscal 2003, which came primarily from modest increases in domestic demand coupled with a rising price environment."

Mr. Philip continued, "Our record fiscal 2003 operating performance was clearly driven by improved market conditions; however, much of the credit goes directly to our partners, managers and employees of our many businesses who executed our strategies and allowed us to capture the market opportunities."

#### Metals Recycling Business

The Metals Recycling Business reported operating income of \$14.2 million in the fourth quarter of fiscal 2003, an improvement of \$8.1 million or 131% over the same quarter last year. In the fourth quarter 2003, this business segment shipped 530,000 tons of ferrous metal, which was near record levels, and was 28% ahead of the volume reported in the same period a year ago. The higher sales volumes came from the combination of increased tonnage of lower margin brokerage material coupled with a larger than average number of export shipments. The average ferrous selling price increased 27% from last year's fourth quarter and was up 3% over the third quarter of fiscal 2003. The higher selling prices were driven by strong demand from China and other Asian countries. The cost of unprocessed metal also rose during the fourth quarter of fiscal 2003, which tempered the margin benefit from the higher selling prices and sales volumes.

#### Joint Venture Businesses

As previously reported, on February 14, 2003, a wholly-owned subsidiary of the Company completed the acquisition of the interest of its 50% partner in the Pick-N-Pull Auto Dismantlers joint venture (the "Pick-N-Pull Joint Venture"). Prior to fiscal 2003, the Pick-N-Pull Joint Venture was accounted for under the equity method and was included in "Joint Ventures" in the Company's financial statements. However, as a result of the recent acquisition, the Company elected, under generally accepted accounting principles, to consolidate the results of the acquired businesses retroactively to the beginning of the fiscal year, September 1, 2002. Thus, fiscal 2003 revenues and expenses of the Pick-N-Pull Joint Venture and other acquired assets have been included in a separate reporting segment termed the "Auto Parts Business", which is described below. The financial results of the Pick-N-Pull Joint Venture for periods prior to fiscal 2003 continue to be reported under Joint Ventures.

Income from Joint Ventures, excluding the Pick-N-Pull Joint Venture, amounted to \$6.2 million for the fourth quarter of 2003. This amount compares to \$5.6 million, including \$2.0 million from the Pick-N-Pull Joint Venture, in the fourth quarter of last year. The higher fiscal 2003 quarterly income was largely driven by improved results for the joint ventures in the metals recycling business, which benefited from many of the same business fundamentals as the Company's

wholly-owned Metals Recycling Business. However, these businesses did not report the same relative increase in ferrous sales volumes during the fourth quarter of fiscal 2003 as did the Company's wholly-owned Metals Recycling Business.

#### Auto Parts Business

The Auto Parts Business reported operating income of \$5.7 million in the fourth quarter of fiscal 2003. On a comparable pro-forma basis, this business segment earned \$5.8 million of operating income during the fiscal 2002 quarter. Revenues and gross margins showed modest gains over the pro-forma results for the year earlier period; however, higher operating expense, primarily insurance costs, offset the improved gross margins.

#### Steel Manufacturing Business

The Steel Manufacturing Business reported its first quarterly operating profit in two years during the most recent quarter. Operating income amounted to \$0.4 million in the fourth quarter of fiscal 2003, which compares to an operating loss of \$2.0 million in the fiscal 2002 quarter. The operating margin improvement was driven by the combination of higher sales prices and volumes, offset in part by higher recycled metal and energy costs. Fourth quarter 2003 finished steel prices averaged \$300 per ton, which was 8% higher than the year ago level and was also the highest quarterly average since the second quarter of fiscal 1999. Sales volumes amounted to 178,000 tons in the fourth quarter of fiscal 2003, which was 12% above last year's fourth quarter and was the third highest quarterly volume ever shipped by this business segment. Both sales volumes and prices benefited from modest improvements in domestic demand as well as from lower volumes of steel imports, which is partially attributed to the recent weakness of the U.S. dollar as well as the continuing impact of the import duties. Selling prices also increased as domestic steel manufacturers raised prices in an attempt to pass through the rise in raw material and energy costs.

#### Outlook

In early calendar 2002, certain countries of the former Soviet Union, primarily the Ukraine and Russia, enacted export tariffs and bans to restrict the export of recycled metal and retain the valuable resource to grow and redevelop their domestic economies. These restrictions in tandem with other market factors resulted in the international ferrous recycled metal market rebounding to price levels that had not existed since before the 1997 Asian financial crisis.

Based upon the Metals Recycling Businesses' first quarter 2004 order backlog, contracted selling prices are on average, modestly higher than the amount recognized in the most recent quarter, and significantly higher than the amount reported during last year's first fiscal quarter. Tempering the higher selling prices is an expected increase in ocean freight costs due principally to strong demand from Asian countries for bulk cargos, as well as upward pressure on the cost to purchase metal from suppliers. First quarter 2004 ferrous sales volumes are anticipated to be lower than the near record fourth quarter 2003 sales volumes, due to lower year-end inventories and typical quarterly variations, but are expected to be approximately 50% above last year's first quarter levels. Similar market factors are expected to affect our joint ventures in the metals recycling business.

We anticipate the domestic economy will continue to improve during the first quarter of fiscal 2004, which should further benefit the Company's Steel Manufacturing Business. The Steel Manufacturing Business announced a number of price increases over the last few months, two of which take effect during the first quarter of fiscal 2004, which are expected to increase the Company's average selling price for finished steel. The higher selling prices are expected to offset the rise in recycled metal costs and further improve the businesses' profitability during the first quarter of fiscal 2004. The Auto Parts Business is anticipated to report a quarterly operating profit that is modestly above last year's first quarter level of \$5.2 million. Overall, the Company estimates its first quarter 2004 income from operations to be in the \$18 million to \$20 million range. This amount compares to income from operations of \$8.7 million that was reported for the first quarter of fiscal 2003.

The Company anticipates that its effective tax rate will continue to benefit from net operating loss carryforwards that were acquired as part of a 1996 acquisition as well as from Extraterritorial Income Exclusion benefits associated with certain export sales. These, as well as other factors should result in an effective fiscal 2004 tax rate in the high twenty percent range.

Schnitzer Steel Industries, Inc. is one of the nation's largest recyclers of ferrous metals, a manufacturer of finished steel products and a leading self-service auto parts and dismantling company. The Company, with its joint venture partners, processes approximately 4.9 million tons of recycled ferrous metals per year. In addition, the Company's steel mill has an annual production capacity of approximately 700,000 tons of finished steel products. The Company and its joint venture partners operate primarily along the West Coast and Northeastern seaboard of the United States.

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

For more information about Schnitzer Steel Industries, Inc. go to [www.schnitzersteel.com](http://www.schnitzersteel.com).

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

	For the Three Months Ended August 31, 2003	2002	For the Year Ended August 31, 2003	2002
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REVENUES:

Metals Recycling Business:

Ferrous sales	\$ 83,501	\$ 51,061	\$255,232	\$173,473
Nonferrous sales	13,240	11,460	47,788	41,708
Other sales	1,204	1,337	5,533	6,631
	-----	-----	-----	-----
Total sales	97,945	63,858	308,553	221,812

Auto Parts Business	17,020	-	65,225	-
Steel Manufacturing Business	56,684	47,197	191,861	166,586
Intercompany sales eliminations	(18,053)	(10,966)	(68,773)	(37,750)
	-----	-----	-----	-----
Total	\$153,596	\$100,089	\$496,866	\$350,648
	=====	=====	=====	=====

INCOME (LOSS) FROM OPERATIONS:

Metals Recycling Business	\$ 14,213	\$ 6,154	\$ 35,781	\$ 11,541
Auto Parts Business	5,732	-	21,968	-

Steel				
Manufacturing				
Business	376	(1,986)	(2,522)	(5,649)
Joint ventures	6,212	5,597	24,421	19,390
Corporate expense	(2,968)	(2,066)	(9,966)	(8,020)
Intercompany				
eliminations	1,247	(178)	1,203	(253)
Impairment and				
other				
nonrecurring				
charges	-	(4,840)	(2,100)	(7,100)
	-----	-----	-----	-----
Total	\$ 24,812	\$ 2,681	\$ 68,785	\$ 9,909
	=====	=====	=====	=====

NET INCOME	\$ 16,873	\$ 2,196	\$ 43,201	\$ 6,553
	=====	=====	=====	=====

BASIC EARNINGS				
PER SHARE	\$ 0.88	\$ 0.12	\$ 2.32	\$ 0.36
	=====	=====	=====	=====

DILUTED				
EARNINGS PER				
SHARE	\$ 0.84	\$ 0.12	\$ 2.20	\$ 0.35
	=====	=====	=====	=====

SHARE INFORMATION (THOUSANDS):

Basic shares				
outstanding	19,221	18,370	18,650	18,296
	=====	=====	=====	=====

Diluted shares				
outstanding	20,188	18,930	19,653	18,566
	=====	=====	=====	=====

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

	For the Three Months Ended August 31,		For the Year Ended August 31,	
	2003	2002	2003	2002
	(Unaudited)		(Audited)	
Revenues	\$153,596	\$100,089	\$496,866	\$350,648
	-----	-----	-----	-----
Costs and expenses:				
Cost of goods sold and other				
operating				
expenses	124,932	90,636	413,043	324,360
Impairment and other				
nonrecurring				
charges	-	4,840	2,100	7,100
Selling and commission				
expenses	1,500	774	5,311	2,863
General and administrative				
expenses	8,564	6,755	32,048	25,806
	-----	-----	-----	-----
Income (loss) from				
consolidated				
operations	18,600	(2,916)	44,364	(9,481)
Income from joint				
ventures	6,212	5,597	24,421	19,390
	-----	-----	-----	-----
Income from				
operations	24,812	2,681	68,785	9,909
Other income (expense):				
Interest expense	(644)	(452)	(1,778)	(2,314)
Other income				
(expense), net	(371)	(27)	(540)	52
	-----	-----	-----	---
	(1,015)	(479)	(2,318)	(2,262)

Income before income taxes	23,797	2,202	66,467	7,647
Income tax provision	(6,484)	(6)	(17,946)	(1,094)
Income before minority interests, pre-acquisition interests and cumulative effect of accounting change	17,313	2,196	48,521	6,553
Minority interests, net of income taxes	(474)	-	(1,824)	-
Pre-acquisition interests, net of income taxes	34	-	(2,513)	-
Income before cumulative effect of change in accounting principle	16,873	2,196	44,184	6,553
Cumulative effect of change in accounting principle	-	-	(983)	-
Net income	\$ 16,873	\$ 2,196	\$ 43,201	\$ 6,553
Basic earnings per share	\$ 0.88	\$ 0.12	\$ 2.32	\$ 0.36
Diluted earnings per share	\$ 0.84	\$ 0.12	\$ 2.20	\$ 0.35

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

	Q1 FY03	Q2 FY03	Q3 FY03	Q4 FY03	FY03
<b>Metals Recycling Business</b>					
Ferrous Recycled Metal Sales Prices (\$/LT)					
Domestic	\$100	\$108	\$125	\$119	\$114
Export	\$104	\$113	\$140	\$144	\$127
Average	\$102	\$111	\$133	\$137	\$122
Ferrous Sales Volume (LT)					
Domestic Processed/a	113,439	95,277	132,217	82,087	423,020
Domestic Brokered/a	38,890	57,462	60,322	75,376	232,050
Export	142,199	402,437	239,801	372,658	1,157,095
Total/a	294,528	555,176	432,340	530,121	1,812,165
(a) Includes sales to the Steel Manufacturing Business	114,988	140,823	144,274	134,787	534,872
<b>Steel Manufacturing Business</b>					
Sales Prices (\$/NT)					
Rebar	\$273	\$269	\$282	\$298	\$282
Other	\$293	\$299	\$305	\$303	\$300
Average	\$284	\$283	\$293	\$300	\$291
Sales Volume (NT)					
Rebar	64,652	74,160	88,323	99,829	326,964
Wire Rod	50,216	37,790	47,469	51,016	186,491
Other	27,470	25,099	28,418	27,170	108,157
Total	142,338	137,049	164,210	178,015	621,612
<b>Joint Ventures</b>					
JV Ferrous Recycled Metal Sales Volume (LT)	637,354	940,138	880,065	865,254	3,322,811

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

	Q1 FY02	Q2 FY02	Q3 FY02	Q4 FY02	FY02
	-----	-----	-----	-----	-----
Metals Recycling Business					
Ferrous Recycled Metal Sales Prices (\$/LT)					
Domestic	\$84	\$82	\$95	\$109	\$93
Export	\$88	\$89	\$97	\$108	\$95
Average	\$87	\$87	\$96	\$108	\$94
Ferrous Sales Volume (LT)					
Domestic Processed/a	74,794	95,805	95,612	129,049	395,260
Domestic Brokered/a	24,238	19,668	29,484	20,210	93,600
Export	248,594	286,210	267,500	265,589	1,067,893
	-----	-----	-----	-----	-----
Total/a	347,626	401,683	392,596	414,848	1,556,753
	=====	=====	=====	=====	=====

(a) Includes sales to the Steel Manufacturing Business	93,392	97,999	111,811	103,369	406,571
	=====	=====	=====	=====	=====

Steel Manufacturing Business					
Sales Prices (\$/NT)					
Rebar	\$272	\$266	\$265	\$270	\$267
Other	\$293	\$285	\$284	\$287	\$287
Average	\$280	\$275	\$274	\$279	\$276
Sales Volume (NT)					
Rebar	73,901	64,241	92,123	77,157	307,422
Wire Rod	20,120	24,573	44,826	53,966	143,485
Other	30,051	28,019	31,820	28,486	118,376
	-----	-----	-----	-----	-----
Total	124,072	116,833	168,769	159,609	569,283
	=====	=====	=====	=====	=====

Joint Ventures					
JV Ferrous Recycled Metal					
Sales Volume (LT)	893,671	891,612	896,831	796,450	3,478,564
	=====	=====	=====	=====	=====

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

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