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

- ☒ Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended May 31, 2001 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 ☒ No ☐

The Registrant had 4,905,726 shares of Class A Common Stock, par value of \$1.00 per share, and 4,303,828 shares of Class B Common Stock, par value of \$1.00 per share, outstanding at July 1, 2001.

SCHNITZER STEEL INDUSTRIES, INC.

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

	May 31, 2001	Aug. 31, 2000
	(Unaudited)	
<u>Assets</u>		
Current assets:		
Cash	\$1,893	\$2,407
Accounts receivable, less allowance for doubtful accounts of \$920 and \$670	26,583	27,367
Accounts receivable from related parties	616	1,173
Inventories	79,577	76,338
Deferred income taxes	4,201	4,201
Prepaid expenses and other	2,844	3,238
Total current assets	115,714	114,724
Net property, plant and equipment	120,511	127,262
Other assets:		
Investment in joint venture partnerships	108,266	104,772
Advances to joint venture partnerships	29,554	31,764
Goodwill	39,664	38,756
Intangibles and other	7,296	9,011
TOTAL ASSETS	\$421,005	\$426,289
<u>Liabilities and Shareholders' Equity</u>		
Current liabilities:		
Current portion of long-term debt	\$198	\$192
Accounts payable	17,097	17,145
Accrued payroll liabilities	6,596	7,136
Current portion of environmental liabilities	4,866	4,866
Other accrued liabilities	5,234	5,506
Total current liabilities	33,991	34,845
Deferred income taxes	28,505	28,616
Long-term debt, net of current portion	92,462	93,134
Environmental liabilities, net of current portion	18,123	18,541
Other long-term liabilities	2,472	2,723
Commitments and contingencies		
Shareholders' equity:		
Preferred stock—20,000 shares authorized, none issued		
Class A common stock—75,000 shares \$1 par value authorized, 4,906 and 5,389 shares issued and outstanding	4,906	5,389
Class B common stock—25,000 shares \$1 par value authorized, 4,304 and 4,312 shares issued and outstanding	4,304	4,312
Additional paid-in capital	95,830	101,840
Retained earnings	140,412	136,889
Total shareholders' equity	245,452	248,430
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$421,005	\$426,289

The accompanying notes are an integral part of this statement.

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

For The Three Months Ended

For The Nine Months Ended

	May 31,		May 31,	
	2001	2000	2001	2000
Revenues	\$68,990	\$94,927	\$227,167	\$241,982
Costs and expenses:				
Cost of goods sold and other operating expenses	62,255	85,698	204,566	214,139
Selling and administrative expenses	6,435	6,675	20,067	19,590
Income from wholly-owned operations	300	2,554	2,534	8,253
Income from joint ventures	1,674	2,605	5,777	5,888
Income from operations	1,974	5,159	8,311	14,141
Other income (expense):				
Interest expense	(1,188)	(1,997)	(4,058)	(5,692)
Other income, net	1,161	1,061	2,782	1,225
	(27)	(936)	(1,276)	(4,467)
Income before income taxes	1,947	4,223	7,035	9,674
Income tax provision	(482)	(240)	(2,110)	(1,548)
Net income	\$1,465	\$3,983	\$4,925	\$8,126
Basic earnings per share	\$0.16	\$0.41	\$0.52	\$0.84
Diluted earnings per share	\$0.16	\$0.40	\$0.52	\$0.83

The accompanying notes are an integral part of this statement.

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

	Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Retained Earnings	Total
	Shares	Amount	Shares	Amount			
Balance at August 31, 1999	5,295	\$5,295	4,431	\$4,431	\$102,179	\$127,739	\$239,644
Cumulative effect on prior years of applying FIFO method of accounting						729	729
Class B common stock converted to Class A common stock	119	119	(119)	(119)			
Class A common stock repurchased	(28)	(28)			(366)		(394)
Class A common stock issued	3	3			27		30
Net income						10,366	10,366
Dividends paid						(1,945)	(1,945)
Balance at August 31, 2000	5,389	5,389	4,312	4,312	101,840	136,889	248,430

Class B common stock converted to Class A common stock	8	8	(8)	(8)				
Class A common stock repurchased	(496)	(496)			(6,065)		(6,561)	
Class A common stock issued	5	5			55		60	
Net income						4,925	4,925	
Dividends paid						(1,402)	(1,402)	
Balance at May 31, 2001	4,906	\$4,906	4,304	\$4,304	\$95,830	\$140,412	\$245,452	

The accompanying notes are an integral part of this statement.

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

	For The Nine Months Ended May 31,	
	2001	2000
Operations:		
Net income	\$4,925	\$8,126
Noncash items included in income:		
Depreciation and amortization	14,108	13,757
Equity in income of joint ventures	(5,777)	(5,888)
Deferred income taxes	(111)	122
(Gain) loss on disposal of assets	(340)	1,280
Cash provided (used) by changes in working capital:		
Accounts receivable	1,379	(7,831)
Inventories	(3,232)	5,875
Prepaid expenses	423	1,096
Accounts payable	(161)	1,828
Accrued liabilities	(831)	(142)
Environmental liabilities		(17)
Other assets and liabilities	609	(817)
Net cash provided by operations	10,992	17,389
Investments:		
Capital expenditures	(6,079)	(9,690)
Advances from (to) joint ventures	564	(3,306)
Distributions from joint ventures	2,035	1,565
Proceeds from sale of assets	827	1,159
Net cash used by investments	(2,653)	(10,272)
Financing:		
Repurchase of Class A common stock	(6,561)	
Issuance of Class A common stock	60	
Dividends declared and paid	(1,402)	(1,460)
Reduction in long-term debt	(950)	(6,399)
Increase in long-term debt		83
Net cash used by financing	(8,853)	(7,776)
Net decrease in cash	(514)	(659)
Cash at beginning of period	2,407	6,174

Cash at end of period	\$1,893	\$5,515
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The accompanying notes are an integral part of this statement.

SCHNITZER STEEL INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED MAY 31, 2000 AND 2001
(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, management suggests 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, 2000. The results for the three and nine months ended May 31, 2001 are not necessarily indicative of the results of operations for the entire year.

Earnings and Dividends Per Share

Basic earnings per share (EPS) are computed based upon the weighted average number of common shares outstanding during the period. Diluted EPS reflect 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 (in thousands, except per share amounts):

	For the Three Months Ended May 31,		For the Nine Months Ended May 31,	
	2001	2000	2001	2000
Net income	\$1,465	\$3,983	\$4,925	\$8,126
Computation of shares:				
Average common shares outstanding	9,226	9,726	9,426	9,726
Stock options	18	118	18	61
Diluted average common shares outstanding	9,244	9,844	9,444	9,787
Basic EPS	\$0.16	\$0.41	\$0.52	\$0.84
Diluted EPS	\$0.16	\$0.40	\$0.52	\$0.83
Dividend per share	\$0.05	\$0.05	\$0.15	\$0.15

Options to purchase 723,000 and 507,000 shares were outstanding at May 31, 2001 and 2000, respectively, but not included in the computation of diluted earnings per share because the options' exercise prices were greater than the average market price of the common shares and, therefore, the effect would be anti-dilutive.

New Accounting Pronouncement

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS No. 133). On September 1, 2000, the Company adopted SFAS No. 133. Adoption of this Statement did not have a material impact on the Company's net income or shareholders' equity.

Note 2 – Inventories:

Inventories consisted of the following (in thousands):

	May 31, 2001	August 31, 2000
	(Unaudited)	(Audited)
Recycled metals	\$14,096	\$23,359

Work in process	13,236	9,534
Finished goods	38,795	29,428
Supplies	13,450	14,017
	<u>\$79,577</u>	<u>\$76,338</u>

Note 3 – Environmental Liabilities:

Federal and state environmental regulatory agencies have been investigating potential contamination to a portion of the Willamette River in Portland, Oregon referred to as the Portland Harbor. In December 2000, the U.S. Environmental Protection Agency (EPA) named the Portland Harbor a Superfund site. However, the precise nature and extent of any clean-up of the site, the parties to be involved, and the process to be followed for such a clean-up have not yet been determined. The Oregon Department of Environmental Quality (DEQ) has requested operating history and other information from numerous persons and entities which own or conduct operations on properties adjacent to or upland from the Portland Harbor. The DEQ has contacted Schnitzer Investment Corp. (SIC), a related party, from whom the Company leases its metals recycling and deep water terminal facility in Portland, Oregon, and requested that SIC perform a voluntary preliminary investigation of that property. SIC has agreed to perform an investigation of the property. The Company is obligated under its lease with SIC to bear all costs relating to the investigation and remediation of the property. While the cost of the investigation is not expected to be material, no estimate has been made as to the cost of remediation, if any. Accordingly, no accrual had been established as of May 31, 2001.

Note 4 – 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 the Company's 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. The statement of equity has been restated to reflect the change.

Note 5 – 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 income from 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 administrative expenses, 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.

The joint ventures' revenues from external customers are as follows (in thousands):

	For the Three Months Ended		For the Nine Months Ended	
	May 31, 2001	May 31, 2000	May 31, 2001	May 31, 2000
Joint Ventures in the Metals Recycling Business	\$90,397	\$133,706	\$311,213	\$362,921
Joint Venture Suppliers of Metals	14,443	14,351	42,515	38,197
Total revenues	<u>\$104,840</u>	<u>\$148,057</u>	<u>\$353,728</u>	<u>\$401,118</u>
Income from operations:				
Metals Recycling Business	\$872	\$3,790	\$5,319	\$9,750
Steel Manufacturing Business	1,840	1,850	3,503	5,267
Joint Ventures in the Metals Recycling Business	584	1,981	3,383	4,128
Joint Venture Suppliers of Metals	1,090	624	2,394	1,760
Corporate expense	(1,784)	(2,186)	(6,454)	(5,970)
Eliminations	(628)	(900)	166	(794)
Consolidated income (loss) from operations	<u>\$1,974</u>	<u>\$5,159</u>	<u>\$8,311</u>	<u>\$14,141</u>

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

SCHNITZER STEEL INDUSTRIES, INC.

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

General

The Company operates in two industry segments. The Company's Metals Recycling Business collects, processes and recycles steel and other metals through its facilities. The Company's Steel Manufacturing Business operates a mini-mill near Portland, Oregon, which produces finished steel products and maintains two

mill depots in Southern California and one in Central California. Additionally, the Company is a partner in joint ventures that are either in the metals recycling business or are suppliers of unprocessed metals.

Results of Operations

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

	For the Three Months Ended May 31, 2001	For the Three Months Ended May 31, 2000	For the Nine Months Ended May 31, 2001	For the Nine Months Ended May 31, 2000
	(Unaudited)			
REVENUES:				
Metals Recycling Business:				
Ferrous sales	\$34,834	\$40,704	\$107,726	\$106,600
Nonferrous sales	10,824	10,878	31,767	27,608
Other sales	1,175	2,809	3,558	6,000
Total sales	46,833	54,391	143,051	140,208
Ferrous sales to Steel Manufacturing Business	(14,450)	(11,748)	(37,921)	(33,612)
Steel Manufacturing Business	36,607	52,284	122,037	135,386
Total	\$68,990	\$94,927	\$227,167	\$241,982
INCOME FROM OPERATIONS:				
Metals Recycling Business	\$872	\$3,820	\$5,319	\$9,871
Steel Manufacturing Business	1,840	1,850	3,503	5,267
Joint Ventures in the Metals Recycling Business	584	1,981	3,383	4,128
Joint Venture Suppliers of Metals	1,090	624	2,394	1,760
Corporate expense	(1,784)	(2,216)	(6,454)	(6,091)
Eliminations	(628)	(900)	166	(794)
Total	\$1,974	\$5,159	\$8,311	\$14,141
NET INCOME	\$1,465	\$3,983	\$4,925	\$8,126

The Company's joint ventures' revenues and results of operations were as follows (in thousands):

	For the Three Months Ended May 31, 2001	For the Three Months Ended May 31, 2000	For the Nine Months Ended May 31, 2001	For the Nine Months Ended May 31, 2000
	(Unaudited)			
Total revenues from external customers recognized by:				
Joint Ventures in the Metals Recycling Business	\$90,397	\$133,706	\$311,213	\$362,921
Joint Venture Suppliers of Metals	14,443	14,351	42,515	38,197
	\$104,840	\$148,057	\$353,728	\$401,118
Income from joint ventures recognized by the Company from:				
Joint Ventures in the Metals Recycling Business	\$584	\$1,981	\$3,383	\$4,128
Joint Venture Suppliers of Metals	1,090	624	2,394	1,760
	\$1,674	\$2,605	\$5,777	\$5,888

The following table summarizes certain selected operating data for the Company and its joint venture businesses:

	For the Three Months Ended		For the Nine Months Ended	
	May 31, 2001	May 31, 2000	May 31, 2001	May 31, 2000
<hr/>				
SHIPMENTS (in thousands):	(Unaudited)			
METALS RECYCLING BUSINESS:				
Ferrous recycled metal (long tons):				
To Steel Manufacturing Business	167	119	427	352
To other unaffiliated domestic customers	18	54	135	179
To export customers	207	238	615	582

Total ferrous recycled metal	392	411	1,177	1,113
Nonferrous metal (pounds)	29,600	25,800	85,000	68,000
STEEL MANUFACTURING BUSINESS				
Finished steel products (short tons)	124	178	418	467
JOINT VENTURES IN THE METALS RECYCLING BUSINESS				
Ferrous recycled metal (long tons)	587	687	2,126	2,141

Third Quarter Fiscal 2001 vs. Third Quarter Fiscal 2000

Revenues. Consolidated revenues for the three months ended May 31, 2001 decreased \$25.9 million (27%) from the same period last year. The lower revenues were primarily attributed to decreased sales volumes for both the Metals Recycling Business and the Steel Manufacturing Business and lower selling prices for the Metals Recycling Business.

During the quarter ended May 31, 2001, revenues for the Metals Recycling Business, before intercompany eliminations, decreased \$7.6 million (14%), which is attributed to lower ferrous shipping volumes as well as lower average ferrous sales prices per ton. Ferrous sales volumes decreased by 5% while nonferrous volumes increased by 15%, compared with the prior year quarter. The average sales prices for ferrous and nonferrous metals decreased by 10% and 13%, respectively, from the third quarter of fiscal 2000. The lower ferrous sales volumes were due to lower domestic sales to third parties due to the softening U.S. economy and the timing of ferrous export shipments. Also, ferrous sales prices were adversely affected by significant volumes of recycled metal exports out of the countries of the former Soviet Union. Nonferrous sales volumes increased due to the sale of backlogs of nonferrous by-products from the shredders, and as a result of improved production and sorting processes at the Portland, Oregon and Tacoma, Washington yards. Nonferrous sales prices decreased from last year's third quarter due to a higher mix of lower grade by-products from the shredders and generally lower prices for other nonferrous commodities due to market weakness. Other sales revenue declined primarily due to lower dock and wharfage sales caused by the softening U.S. economy.

The Steel Manufacturing Business' revenues for the three months ended May 31, 2001 decreased \$15.7 million (30%), to \$36.6 million from the prior year quarter, reflecting a 30% decrease in sales volumes. The decrease in revenues was primarily due to lower sales volumes for all products, in particular wire rod and merchant bar. During the third quarter of fiscal 2001, the Company chose to reduce the production and sale of lower margin wire rod products, focusing instead on those products, such as reinforcing bar, which have more favorable margins. Competition from lower cost steel imports also continued to impact sales prices and volumes. On June 5, 2001, President Bush asked the U.S. International Trade Commission to investigate the effects of steel imports on the domestic steel industry under Section 201 of the 1974 Trade Act. If the Commission determines that steel imports are a threat to domestic steel producers, the President could impose safeguard restrictions on steel imports to aid the steel industry. The slight increase in average selling price was due primarily to the change in the product mix between quarters.

Cost of Goods Sold. Consolidated cost of goods sold decreased \$23.4 million (27%) for the three months ended May 31, 2001, compared with the same period last year. Cost of goods sold as a percentage of revenues stayed at 90%. Gross margin decreased \$2.5 million (27%) during the latest quarter as compared to the prior year quarter due to lower revenues.

During the third quarter of fiscal 2001, the Metals Recycling Business' cost of goods sold decreased \$4.9 million (10%) from the prior year quarter. In addition, cost of goods sold as a percentage of revenues increased from 86% during the third quarter of fiscal 2000 to 90% during the third quarter of fiscal 2001. As a result, gross profit decreased by \$2.7 million to \$4.6 million. The decrease in gross margins is directly attributable to the lower average selling prices.

For the three months ended May 31, 2001, cost of goods sold for the Steel Manufacturing Business decreased \$15.6 million (31%) compared to the same period last year and decreased as a percentage of revenues from 95% to 93%. Total gross profit decreased from \$2.8 million to \$2.7 million compared with the third quarter last year due to lower revenues. Margins increased compared with the third quarter of last year due to a higher mix of reinforcing bar, and a lower mix of wire rod, a lower margin product, as well as a slightly higher average sales price per ton. Also contributing to the margin increase were lower production and raw material costs caused by a better balance of electricity use in the melting process and an improvement in product yield. Additionally, the Company's melt shop improved its efficiency during the last quarter, which is evidenced by it setting production records in each of the past seven months. This efficiency improvement has helped to reduce the average manufacturing cost per ton by spreading fixed costs over more production tons.

Joint Ventures. The Joint Ventures in the Metals Recycling Business predominantly sell recycled ferrous metal. Revenues for this segment in the third quarter of fiscal 2001 decreased 32% from the prior year quarter primarily due to a 15% decrease in sales volume and a 19% decrease in average sales price per ton. A decline in domestic sales, due to the softening U.S. economy, was partially offset by increased sales to Asian customers. The average sales price per ton was lower due primarily to large supplies of lower cost ferrous metals coming out of the countries of the former Soviet Union. Shipments of ferrous metal processed by the joint ventures decreased to 587,000 tons for the quarter ended May 31, 2001 from 687,000 tons for the same quarter in the prior year. The decrease in sales volume was due in part to the timing of export shipments and the balance due to market conditions.

The Company's equity in income from its Joint Ventures in the Metals Recycling Business for the third quarter of fiscal 2001 decreased to \$0.6 million from \$2.0 million in the third quarter of fiscal 2000. The decrease in income from these joint ventures was primarily caused by lower average selling prices that compressed gross margins.

Revenues from the Joint Venture Suppliers of Recycled Metals remained relatively unchanged during the third quarter of fiscal 2001 as compared to the third quarter of last year. For the three months ended May 31, 2001, the Company's equity in income from these joint ventures increased to \$1.1 million from \$0.6 million in the same period last year. The increase was primarily due to improved market conditions and higher volumes for the Company's self-service auto dismantling joint venture.

Corporate Expense. In the quarter ended May 31, 2001, corporate expense decreased \$0.4 million compared with the same period last year. This decrease was primarily due to lower compensation expenses offset in part by higher consulting costs related to the recent implementation of Economic Value Added (EVA[®]) financial and compensation system.

Interest Expense. Interest expense for the third quarter of fiscal 2001 decreased \$0.8 million to \$1.2 million compared with the third quarter of fiscal 2000. The decrease was primarily a result of lower average borrowings due to decreased working capital levels and lower average interest rates.

Income Tax Provision. The income tax rate is 25% for the third quarter of fiscal 2001, compared with 6% for the third quarter of fiscal 2000. For both years, company management has determined that some of the valuation allowance offsetting the deferred tax asset for Proler net operating losses (NOLs) could be released because of the increased likelihood that the NOLs themselves will be realized. The effect of this release on the tax rate was 27% in fiscal 2000 and an estimated 10% in fiscal 2001. It is anticipated that the Company's effective tax rate for the fiscal year will approximate 30%.

First Nine Months of Fiscal 2001 vs. First Nine Months of Fiscal 2000

Revenues. Consolidated revenues for the nine months ended May 31, 2001 decreased \$14.8 million (6%) from the same period last year. The lower revenues were primarily attributed to decreased sales volumes for the Steel Manufacturing Business.

During the nine months ended May 31, 2001, revenues for the Metals Recycling Business, before intercompany eliminations, increased \$2.8 million (2%), which is attributed to higher sales volumes. Ferrous and nonferrous sales volumes increased by 6% and 25%, respectively, from the same period in the prior year. Average sales prices for ferrous and nonferrous metals were lower by 4% and 8%, respectively than the first nine months of fiscal 2000. This was primarily due to lower cost recycled metals being exported by the countries of the former Soviet Union. The higher ferrous sales volumes were caused by good demand from China. Domestic third-party sales declined 24% compared with the first nine months of fiscal 2000 as finished steel markets softened due to the slowing U.S. economy. This decline was partially offset by a 21% increase in sales to the Steel Manufacturing Business. In fiscal 2000, the Steel Manufacturing Business focused on reducing its recycled metals inventory which temporarily reduced its purchases from the Metals Recycling Business. In fiscal 2001, with the recycled metals inventory reduction completed, sales more closely reflect the consumption by the mill. Nonferrous sales volumes increased 25% primarily due to improved production and sorting processes at the Portland, Oregon and Tacoma, Washington yards as well as the culmination of a program to reduce the inventories of unprocessed nonferrous metal. Other sales decreased primarily due to lower dock and wharfage sales as a result of the softening U.S. economy.

The Steel Manufacturing Business' revenues for the nine months ended May 31, 2001 decreased \$13.4 million (10%), to \$122.0 million, from the first nine months of the prior year. The decrease in revenues was partly due to a 49,900 ton decrease (11%) in finished steel shipments during the first nine months of fiscal 2001 compared to the prior year partially offset by slightly higher average sales prices. The demand for reinforcing bar has remained relatively strong as sales volumes increased 9% compared with the first nine months of fiscal 2000. Sales volumes of other products were lower in part due to an increased supply of lower cost steel imports available in the market as well as decreased production of less profitable products such as wire rod, which has been severely impacted by imports. The Company adjusted production to take advantage of markets where there was sufficient demand, in particular for reinforcing bar.

Cost of Goods Sold. Consolidated cost of goods sold decreased by \$9.6 million (4%) for the nine months ended May 31, 2001, compared with the same period last year. Cost of goods sold increased as a percentage of revenues from 88% to 90%, which contributed to a \$5.2 million decrease in gross margin during for the first nine months of fiscal 2001 as compared to the prior year.

During the first nine months of fiscal 2001, the Metals Recycling Business' cost of goods sold increased \$7.2 million over the prior year. In addition, cost of goods sold as a percentage of revenues increased from 85% for the first nine months of fiscal 2000 to 89% during the first nine months of fiscal 2001. As a result, gross profit decreased by \$4.3 million to \$16.4 million. The decrease in gross margin in the first nine months of fiscal 2001 is attributable to higher average cost of goods sold per ton coupled with a slightly lower average selling price per ton compared with the first nine months of fiscal 2000. Competition for the purchase of unprocessed ferrous metals in the Pacific Northwest has increased purchase prices compared with the first nine months of fiscal 2001, directly affecting overall gross margin. Average selling prices are slightly lower due to lower cost recyclable metals being exported by countries of the former Soviet Union. Domestic prices are also lower due to the general economic slowdown in the U.S.

During the first nine months of fiscal 2001, cost of goods sold for the Steel Manufacturing Business decreased \$11.6 million compared to the same period last year and increased as a percentage of revenues from 96% to 95%. Gross profit decreased from \$7.9 million to \$6.0 million compared with the first nine months of last year. The average sales price per ton was slightly higher compared with the first nine months of fiscal 2000, and the average cost of goods sold per ton increased slightly, further eroding margins. The increase was primarily due to increased sales in Southern and Central California, which included higher freight and handling costs in the cost of goods sold. A shift in product mix to more reinforcing bar, which is a higher margin product, kept margins from eroding further.

Joint Ventures. For the nine months ended May 31, 2001, revenues for Joint Ventures in the Metals Recycling Business decreased by \$51.7 million from the first nine months of last year. The decrease was primarily due to lower average per ton sales prices for ferrous metals, as ferrous sales volumes approximated those of the first nine months of fiscal 2000. Income recognized from these joint ventures decreased by \$0.7 million over the first nine months of fiscal 2001 to \$3.4 million. The decrease was primarily caused by lower sales margins due to higher selling costs compared with the prior year.

Revenues of Joint Venture Suppliers of Metal increased from \$38.2 million to \$42.5 million primarily due to improved market conditions at the Company's self-service auto dismantling joint venture. Year-to-date, the Company's equity in income from these joint ventures increased to \$2.4 million from \$1.8 million for the previous year.

Corporate Expense. For the nine months ended May 31, 2001, corporate expense increased \$0.4 million compared with the same period last year. This increase was primarily due to consulting costs associated with the implementation of the Economic Value Added (EVA[®]) financial and compensation system plus increased salary expense due to the June 2000 annual merit increases.

Interest Expense. For the nine months ended May 31, 2001, interest expense decreased \$1.6 million to \$4.1 million compared with the same period last year. The decrease was primarily a result of lower average borrowings due to decreased working capital levels and lower average interest rates.

Other Income (Expense). In the first nine months of fiscal 2001, other income increased \$1.6 million compared with the first nine months of fiscal 2000. The increase was mainly attributable to the fact that last year's amount included a loss of \$1.1 million on the sale of a vessel used to export recycled metal.

Income Tax Provision. The income tax rate is 30% for the first nine months of fiscal 2001, compared with 16% for the first nine months of fiscal 2000. For both years, Company management has determined that some of the valuation allowance offsetting the deferred tax asset for Proler net operating losses (NOLs) could be released because of the increased likelihood that the NOLs themselves will be realized. The effect of this release on the tax rate was 27% in fiscal 2000 and an estimated 10% in fiscal 2001.

Liquidity and Capital Resources. Cash provided by operations, for the first nine months of fiscal 2001 was \$11.0 million, compared with \$17.4 million for the first nine months of fiscal 2000. The decrease in cash flow is primarily due to an increase in inventories related to the Steel Manufacturing Business.

Capital expenditures for the nine months ended May 31, 2001 were \$6.1 million compared with \$9.7 million during the same period last year. The decrease is primarily due to the completion of the expansion of the dock and the installation of the new shredder at the Company's Tacoma, Washington facility during the first quarter of fiscal 2000. The Company expects to spend approximately \$3.1 million on capital projects during the remainder of fiscal 2001.

As a result of acquisitions completed in prior years, the Company has \$23.0 million of accrued environmental liabilities as of May 31, 2001. 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 May 31, 2001, the Company had committed unsecured revolving lines of credit totaling \$200 million maturing in 2003. The Company also had additional unsecured lines of credit of \$50 million, which were uncommitted. In the aggregate, the Company had borrowings outstanding under these lines totaling \$82.5 million at May 31, 2001. The Company's debt agreements have certain restrictive covenants. As of May 31, 2001, the Company was in compliance with such covenants.

Pursuant to a stock repurchase program the Company is authorized to repurchase up to 1.75 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. During the first nine months of fiscal 2001, the Company repurchased 0.5 million shares for \$6.6 million. As of May 31, 2001, the Company had repurchased a total of 1.2 million shares under this program.

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.

Both the Metals Recycling and Steel Manufacturing Businesses have been affected by the slow down in the U.S. economy. However, the Company has not yet seen significant softening in demand for recycled metals in the export market. Export prices for recycled ferrous metals are expected to approximate the third quarter fiscal 2000 levels. In addition, sales volumes are expected to approximate normal quarterly levels. The Company anticipates that the Steel Manufacturing Business's fourth quarter results will continue to decrease due to the slow down in the U.S. economy. The Company curtailed production of one of its rolling mills in June 2001 to better match production with sales volume. The slow down in the U.S. economy is expected to cause average prices to show a modest decline in the fourth quarter. Steel sales volumes are expected to increase by approximately 5% from the third quarter, anticipating seasonal sales increases. Based upon current information, the Company expects that fourth quarter of 2001 results will approximate break-even levels.

Factors That Could Affect Future Results. 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, and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. One can generally identify these forward-looking statements because they contain "expect", "believe", and other words which 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 Schnitzer Steel Industries, Inc.'s wholly-owned operations and its joint ventures (the Company) that could cause actual results to differ materially are the following:

Cyclicality and General Market Considerations: Selling prices for recycled metals are highly cyclical in nature and subject to worldwide economic conditions. In addition, the cost and availability of recycled metals are subject to volatile supply and demand conditions beyond the Company's control, resulting in periodic fluctuations in recycled metals prices. While the Company attempts to maintain margins by responding to changing recycled metals selling prices through adjustments to its metals purchase prices, the Company's ability to do so is limited by competitive factors as well as the impact of lower prices on the volume of scrap available to the Company. Moreover, increases in recycled metals prices can adversely affect the operating results of the Company's Steel Manufacturing Business because increases in steel prices generally lag increases in ferrous recycled metals prices.

The steel industry is also highly cyclical in nature and sensitive to general economic conditions. Future economic downturns or a stagnant economy may adversely affect the performance of the Company.

The Company expects to continue to experience seasonal fluctuations in its revenues and net income. Revenues can fluctuate significantly quarter to quarter due to factors such as the seasonal slowdown in the construction industry, which is an important buyer of the Company's finished steel products. The timing and extent of the slowdown is also dependent on the weather.

The Company makes a number of large ferrous recycled metals shipments to foreign steel producers each year. Customer requirements, shipping schedules and other factors limit the Company's control over the timing of these shipments. Variations in the number of foreign shipments from quarter to quarter will result in fluctuations in quarterly revenues and earnings. The Company's expectations regarding ferrous metal sales prices and volumes, as well as earnings, are based in part on the assumption that orders from customers for larger shipments are not cancelled or delayed.

Competition: The recycled metals industry is highly competitive, with the volume of purchases and sales subject to a number of competitive factors, principally price. The Company has competition from both large and numerous smaller companies in its markets for the purchase of recyclable metals. The Company competes with a number of U.S. and foreign recycled metals processors for sales to foreign customers.

The domestic steel industry also is highly competitive. Steel prices can be highly volatile and price is a significant competitive factor. The Company competes with several steel producers in the western U.S. for sales of its products. In addition, the Company has experienced significant foreign competition, which is often subsidized by large government agencies, in recent years and there can be no assurance that such competition will not increase in the future. On June 5, 2001, President Bush asked the U.S. International Trade Commission to investigate the effects of steel imports on the domestic steel industry under Section 201 of the 1974 Trade Act. If the Commission determines that steel imports are a threat to domestic steel producers, the President could impose safeguard restrictions on steel imports to aid the steel industry. The Company cannot, however, predict the outcome of the investigation or its impact on prices and operating results.

Joint Ventures: The Company has significant investments in joint venture companies. The Company does not manage the day-to-day activities of these businesses. As a result, it does not have the same ability to control the operations and related financial results as it does with its wholly owned businesses. These businesses are, however, impacted by many of the same risk factors mentioned above. Therefore, it is difficult to predict the financial results of these businesses.

Energy Supply: The Company and its joint ventures utilize various energy sources to operate their facilities. In particular, electricity and natural gas currently represent approximately 10% of the cost of steel manufactured for the Company's Steel Manufacturing Business. The Steel Manufacturing Business purchases hydroelectric power under long-term contracts from government sources which rely on the Bonneville Power Administration (BPA). Historically, these contracts have had favorable prices and are long-term in nature. The latest contract expires in October 2001. On June 29, 2001, the BPA announced a 46% rate increase as of October 1, 2001. Rates will be adjusted by the BPA every six months from then forward. It is not possible to predict future rate changes. A new contract is being negotiated; however the terms are uncertain and are difficult to predict.

The Steel Manufacturing Business also has long-term contracts for natural gas. In October 2000, the Company entered into a new contract, which is set to expire on October 31, 2002. The latest contract negotiations resulted in rates that were 30% higher than the previous agreement. As this contract comes to an end, the Company will attempt to negotiate a new long-term contract; however, it is not possible to predict the terms of the contract.

The inability of the Company to negotiate favorable terms of electricity, natural gas and other energy sources could adversely affect the performance of the Company.

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 3. 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 the consolidated Financial Statements included in Item 8 of Form 10-K for the fiscal year ended August 31, 2000.

PART II

ITEM 6 EXHIBITS AND REPORTS ON FORM 8-K:

(a) Exhibits

9.1 Schnitzer Steel Industries, Inc. 2001 Restated Voting Trust and Buy-Sell Agreement dated March 26, 2001.

(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: July 16, 2001

By: /s/ Barry A. Rosen

Barry A. Rosen
Vice President, Finance

SCHNITZER STEEL INDUSTRIES, INC.
2001 RESTATED VOTING TRUST AND BUY-SELL AGREEMENT

THIS 2001 RESTATED VOTING TRUST AND BUY-SELL AGREEMENT (this "Restated Agreement") is entered into as of the 26th day of March, 2001, among SCHNITZER STEEL INDUSTRIES, INC., an Oregon corporation (the "Company"), CAROL S. LEWIS, DORI SCHNITZER, GARY SCHNITZER AND RITA S. PHILIP (the "Trustees"), and the undersigned beneficial owners of Class B Common Stock of the Company.

RECITALS

A. The Company, the Trustees and the beneficial owners of substantially all of the outstanding Class B Common Stock of the Company (the "Shareholders") are parties to the Schnitzer Steel Industries, Inc. Voting Trust and Buy-Sell Agreement dated as of March 31, 1991, as previously amended by the First Amendment dated July 15, 1991 and the Second Amendment dated November 30, 1996 (the "Original Agreement"). Pursuant to the Original Agreement, the Shareholders have deposited shares of Class B Common Stock of the Company ("Shares") owned by them with the Trustees and have agreed to certain restrictions on the disposition of their Shares.

B. The original 10-year term of Section 1 of the Original Agreement, and the Voting Trust established thereby, will expire on March 31, 2001. The parties now desire to amend and restate the Original Agreement to extend the Voting Trust for an additional term of ten years from the date of this Restated Agreement and to make certain other changes.

C. Section 3.10 of the Original Agreement provides that the Original Agreement may be amended with the approval of each Family Group (as defined in Section 3.3 thereof and hereof), and that approval of a Family Group shall require the written consent of the holders of voting trust certificates representing two-thirds of the shares of Class B Common Stock held by the Trustees for members of that Family Group. However, Section 60.254 of the Oregon Revised Statutes provides that an extension of the term of a voting trust is binding only against persons who sign the extension. Accordingly, this Restated Agreement will become effective once it is signed by the beneficial owners of two-thirds of the Class B Common Stock held by the Trustees for each of the Family Groups, but the extension of the Voting Trust will not be binding on any Shareholder who does not sign this Restated Agreement, and after March 31, 2001 the Shares held by those Shareholders will be distributed from the Voting Trust.

D. Under the terms of the Original Agreement, the Buy-Sell provisions of Section 2 of the Original Agreement continue to apply to Shares that are distributed from the Voting Trust on termination of Section 1 of the Original Agreement. Accordingly, Section 2 of this Restated Agreement will continue to apply to any Shareholder who does not sign this Restated Agreement and therefore receives a distribution of Shares from the Voting Trust.

NOW, THEREFORE, it is mutually agreed as follows:

SECTION 1. VOTING TRUST

1.1 Amendment and Restatement of Original Agreement; Extension.

(a) This Restated Agreement shall amend, restate, supersede and replace the Original Agreement. The Voting Trust created by the Original Agreement shall continue and be extended for a term of ten years from the date of this Restated Agreement and, except as expressly provided herein, the Shares shall continue to be held by the Trustees in accordance with the terms of this Restated Agreement.

(b) The foregoing extension shall not apply to any Shareholder who does not sign this Restated Agreement. Promptly after March 31, 2001, all Shares beneficially owned by Shareholders who have not signed this Restated Agreement shall be distributed to such Shareholders against surrender of the related voting trust certificates, and for all purposes of this Restated Agreement, the provisions of Section 1 of this Restated Agreement shall be deemed to have terminated with respect to such Shareholders and any Shares so distributed.

1.2 Voting Trust Certificates. The interests of the Shareholders in the Shares held by the Trustees under this Restated Agreement shall be represented by voting trust certificates issued by the Trustees. Voting trust certificates shall be in such form as may be approved by the Trustees and may be signed by any Trustee.

1.3 Term of Section 1 of This Restated Agreement. The provisions of Section 1 of this Restated Agreement shall be effective for a term of ten years from the date of this Restated Agreement, unless terminated prior thereto with the approval of all four Family Groups. For this purpose, the approval of a Family Group shall require the written consent of holders of voting trust certificates representing two-thirds of the Shares held by the Trustees for the members of that Family Group.

1.4 Termination. Upon the termination of the provisions of Section 1 of this Restated Agreement, the holders of the voting trust certificates shall have no further rights under the provisions of Section 1 of this Restated Agreement other than to receive certificates for the Shares or other property distributable under the terms hereof upon the surrender of such voting trust certificates. At that time, each holder of a voting trust certificate shall endorse and deliver the same to the Trustees. The Trustees shall, upon receipt of each voting trust certificate, duly endorsed by the holder thereof, cause to be delivered to the registered holder of each voting trust certificate a certificate for the number of Shares of the Company represented by the voting trust certificate surrendered by that holder; provided, however, the Trustees' liability hereunder to each holder of a voting trust certificate shall be fully discharged upon the delivery to the Company of certificates representing the number of Shares of the Company to be issued to that holder, with instructions to issue and deliver such Shares to the holder. The Trustees shall not be required to take any further action hereunder.

1.5 Distributions. Except as otherwise permitted under Section 1.15, the Trustees shall pay to the holders of voting trust certificates, proportionately to the number of Shares represented by each certificate, all cash dividends received by the Trustees in respect of the Shares held by the Trustees. If any dividend or other distribution in respect of such Shares is paid, in whole or in part, in shares of Class B Common Stock of the Company, the Trustees shall likewise hold, subject to the terms of this Restated Agreement, the certificates for the shares of Class B Common Stock which are received on account of that dividend or distribution, which shall thereafter be considered "Shares" under this Restated Agreement, and the holder of each voting trust certificate representing Shares on which such dividend or distribution has been paid shall be entitled to receive a voting trust certificate issued under this Restated Agreement for his or her proportionate number of Shares received by the Trustees. Except as otherwise permitted under Section 1.15, if the Company shall distribute to the Trustees, in respect of Shares held by the Trustees, any property, except cash or shares of Class B Common Stock of the Company, the Trustees shall transfer and convey said property, in kind, to the holders of voting trust certificates, proportionately to the number of Shares represented by each certificate.

1.6 **Holders.** The holders of voting trust certificates shall, initially, be the Shareholders executing this Restated Agreement. If any transfer of voting trust certificates is made by any of the Shareholders, the transferee shall have no rights until his, her or its name and address have been registered in the voting trust certificate registry to be maintained by the Trustees.

1.7 **Dissolution of the Company.** If the Company is dissolved during the term of Section 1 of this Restated Agreement, the assets distributed to the Trustees upon such dissolution shall be distributed, in kind, to the holders of voting trust certificates proportionately to the number of Shares represented by each certificate.

1.8 **Meetings.** There shall be a meeting of the holders of voting trust certificates no less often than annually. The Trustees, in their discretion, may call additional meetings of the holders of voting trust certificates at any time and for any purpose which they deem advisable. A Trustee may call a meeting of the Family Group of which the Trustee is a member at any time and for any purpose which the Trustee deems advisable. The Trustees or a Trustee shall give each of the appropriate holders of voting trust certificates written or oral notice of the time and place of each meeting not less than five days before the date of the meeting. A meeting of the holders of voting trust certificates may be called, at any time, by holders of voting trust certificates representing at least twenty-five percent of the Shares represented by all voting trust certificates issued pursuant to this Restated Agreement. A meeting of a Family Group may be called, at any time, by holders of voting trust certificates representing twenty-five percent of the Shares represented by all voting trust certificates held by the Family Group. Written notice of any meeting called by holders of voting trust certificates shall be given to appropriate holders of voting trust certificates and to the Trustees or the appropriate Trustee not less than thirty days before the date of the meeting. A voting trust certificate holder may appoint any other person as proxy to vote on behalf of the holder at any meeting by signing a proxy form and delivering it to the Trustees.

1.9 **Powers of the Trustees.** The Trustees shall collectively have the power to exercise, in person or by their nominees or proxies, all rights and powers of the owners of the Shares of the Company deposited with them hereunder, including the right to vote thereon, to take part in or consent to any corporate action of any kind whatsoever, and to grant proxies, all without any restrictions except those provided in this Section 1.9. Notwithstanding the Trustees' power to vote the Shares, before any Trustee can participate in any decision under Section 1.10 to approve any of the following actions, the Trustee shall obtain the approval of holders of voting trust certificates representing a majority of the Shares represented by all of the voting trust certificates owned by the Family Group of which the Trustee is a member:

- (a) The merger or consolidation of the Company with any other corporation;
- (b) The sale of all or substantially all of the assets of the Company, and any other sale of assets by the Company for which the consent of the Company's shareholders is required or requested;
- (c) The reorganization of the Company, if the Company's shareholders are required or requested to approve the reorganization;
- (d) Any partial liquidation or dissolution of the Company, if the Company's shareholders are required or requested to approve the partial liquidation or dissolution; or
- (e) The dissolution of the Company.

As to any other matter, each Trustee shall have full discretion to vote on behalf of the Trustee's Family Group in meetings of the Trustees under Section 1.10. Without limitation on the power of a Trustee, the power to vote in meetings of the Trustees shall include the right to vote with respect to the election of directors, including himself or herself. A Trustee may act as an officer and director of the Company in which capacity he or she shall be entitled to reasonable compensation for services rendered on behalf of the Company. No Trustee shall be personally liable to the Shareholders for any action taken by the Trustee in good faith or by reason of any error of law or any matter or thing done or omitted under this Restated Agreement except in the case of his or her fraudulent conduct. Notwithstanding the foregoing provisions, the Trustees shall not have the power to sell, encumber or otherwise transfer Shares or any other property subject to this Restated Agreement other than to distribute the Shares or other securities to the holders of the corresponding voting trust certificates to the extent permitted by this Restated Agreement.

1.10 **Procedure for Exercise of Trustees' Powers.** Prior to any meeting of all or any class of shareholders of the Company at which a vote is to be taken and at which holders of the Class B Common Stock of the Company may vote, the Trustees shall meet to determine how the Trustees shall, collectively, vote the Shares subject to this Restated Agreement. A similar meeting shall be held before the Trustees take any other discretionary action with respect to the Shares. For purposes of determining how the Trustees shall collectively vote or take any other action with respect to the Shares subject to this Restated Agreement, each Trustee shall have a number of votes equal to the number of Shares represented by voting trust certificates held by members of his or her Family Group and any decision of the Trustees shall require the approval of Trustees with a number of votes equal to 52.5 percent or more of the Shares represented by voting trust certificates outstanding under this Restated Agreement.

1.11 **Removal of a Trustee.** A Trustee may be removed, at any time, by agreement of the holders of voting trust certificates representing a majority of the Shares represented by all of the voting trust certificates of the Family Group of which the Trustee is a member.

1.12 **Successor Trustee.** In the event of the death, removal, resignation or disability of a Trustee, his or her successor shall be chosen by the holders of voting trust certificates representing a majority of the Shares represented by all of the voting trust certificates of the Family Group of which the Trustee is a member. The rights, powers and privileges of a Trustee named herein shall be held, possessed and exercised by any successor trustee.

1.13 **Additional Shares.** If any of the Shareholders hereafter acquires any additional shares of the Class B Common Stock of the Company, all of those Shares shall be subject to the terms of this Restated Agreement and shall be considered "Shares" under this Restated Agreement. The Shareholder acquiring such Shares shall promptly deposit the certificates representing the Shares, duly endorsed, with the Trustees, subject to the terms of this Restated Agreement, and the Trustees shall issue additional voting trust certificates in exchange for those Shares. The failure of any of the Shareholders to comply with the provisions of this Section 1.13 shall not preclude the Trustees from exercising all of the rights and powers with respect to the newly acquired Shares that the Trustees are authorized to exercise with respect to the Shares issued in the name of the Trustees pursuant to this Restated Agreement.

1.14 **Conflict of Interest.** Any Trustee may, in his or her individual capacity, deal with the Shareholders, the Voting Trust, and the Company for his or her personal profit. The Trustees shall not be responsible to the holders of the voting trust certificates for any profit earned by them by reason of any such

transaction or agreement or for any loss sustained by any of the holders of voting trust certificates or the Company by reason of any such transaction or agreement.

1.15 Compensation and Reimbursement of the Trustees. The Trustees shall serve without compensation, but shall be reimbursed for all costs and expenses, including attorneys' and accountants' fees, which any Trustee deems proper for carrying out the purposes of this Restated Agreement. Reimbursable attorneys' fees shall include, but not be limited to, fees and costs of litigation in both trial and appellate courts. Any such costs and expenses incurred by and due to any Trustee may be deducted from dividends or other moneys or property received by the Trustees or, at the option of the Trustees, shall be billed to and paid by the holders of voting trust certificates proportionately to the number of Shares represented by each certificate.

1.16 Delegation of Powers. A Trustee may delegate any part or all of the Trustee's powers to another Trustee to the extent specified in an instrument signed by the delegating Trustee and delivered to the other Trustee.

SECTION 2. BUY-SELL AGREEMENT

As used in this Restated Agreement, the term "transfer" means any sale, exchange, gift, bequest, hypothecation, pledge or any other disposition of voting trust certificates or Shares, whether voluntary or by operation of law, that would change the legal or beneficial ownership of the Company. A "transfer" includes, without limitation, any transaction that creates a form of joint ownership in the voting trust certificates or Shares between the transferor and one or more persons (whether or not that other person is the spouse of the transferor) or any transaction that creates or grants an option, warrant or right to obtain an interest in the voting trust certificates or Shares.

2.1 Permitted Family Transfers. Except as permitted by this Section 2.1 or as provided in Section 2.3 or 2.4, no Shareholder may transfer any voting trust certificates issued pursuant to this Restated Agreement or any Shares that may be received on termination of Section 1 of this Restated Agreement or otherwise. A Shareholder may transfer voting trust certificates or Shares to or for the benefit of any person who is a member of the Shareholder's Family Group; provided, however, that a transfer by a Shareholder to a trust shall be permitted only if beneficiaries of the trust who are entitled to substantially all of the beneficial interest in the trust are persons who are members of the Shareholder's Family Group or organizations described in Section 501(c)(3) of the Internal Revenue Code of 1986; and provided further, however, that a transfer by a Shareholder to a corporation shall be permitted only if (i) all of the outstanding shares of the transferee corporation are owned by the Shareholder and other members of the Shareholder's Family Group, and (ii) no shares of the transferee corporation can legally be transferred to any person who is not a member of the Shareholder's Family Group. In the event of any transfer pursuant to this Section 2.1, the transferee shall receive and hold the voting trust certificates or Shares subject to the terms and conditions of this Restated Agreement and the obligations of the transferor hereunder, and any further transfers of such voting trust certificates or Shares by the transferee shall only be in accordance with the terms and subject to the provisions of this Restated Agreement. Any transfer in violation of this Restated Agreement shall be void.

2.2 Conversion. Subject to the provisions of Section 2.3, a holder of a voting trust certificate (the "Converting Holder") may direct the Trustees to convert some or all of the Shares represented by the voting trust certificate into shares of the Class A Common Stock of the Company or such other stock as may be issuable upon conversion of the Shares. Upon such direction, the Converting Holder shall surrender the voting trust certificate to the Trustees. The Trustees shall effect the conversion and shall distribute to the Converting Holder the shares of Class A Common Stock or other stock received in the conversion and shall, if the Converting Holder has converted less than all of the Shares represented by the surrendered voting trust certificate, issue to the Converting Holder a new voting trust certificate representing the number of Shares formerly represented by the surrendered voting trust certificate that were not converted.

2.3 Restrictions on Conversion. No Shareholder may direct the Trustees to convert Shares under Section 2.2 and, after the distribution of Shares from the Voting Trust, no Shareholder may convert Shares into shares of Class A Common Stock or any other stock without first complying with this Section 2.3; provided, however, that compliance with the requirements to give notice to Family Group Members under subsection 2.3(a) and to grant Family Group Members an option to purchase the Shares under subsection 2.3(b) may be waived in writing by the Trustee of the Family Group of which the Shareholder desiring to convert Shares is a member, except that, if a Trustee desires to convert Shares, the waiver must come from the oldest competent member of the Trustee's Family Group other than the Trustee; and provided further, however, that compliance with the requirements to give notice to Other Family Group Members under subsection 2.3(a) and to grant Other Family Group Members an option to purchase the Shares under subsection 2.3(c) may be waived in writing by the Trustees of the other three Family Groups. Any such waivers shall be binding on all other parties to this Restated Agreement. Such waivers may be requested and given at any time prior to the actual conversion of the Shares, subject to such limitations as may be imposed by the Trustees in their discretion in granting such waivers. Unless otherwise determined by the Trustees in granting a waiver, any Shares covered by a waiver granted by all four Trustees shall immediately upon the grant of the waiver cease to be considered "Shares" for all purposes of this Section 2.3 and the third sentence of Section 3.10 even though such Shares have not yet been converted into Class A Common Stock; provided, however, that upon any transfer pursuant to Section 2.1 of any shares of Class B Common Stock previously covered by such a waiver, those shares shall once again be considered Shares for all purposes of this Restated Agreement.

Until the final termination of Section 1 of this Restated Agreement, the Trustees selected by holders of voting trust certificates as provided in Sections 1.11 and 1.12 shall also serve as the Trustees for purposes of the preceding sentences of this Section 2.3, and holders of Shares distributed from the Voting Trust shall have no right to vote or consent with respect to the election or removal of the Trustees. After the termination of Section 1 of this Restated Agreement, the Trustees at the time of such termination shall continue to serve as Trustees for purposes of this Section 2.3 and Sections 1.11 and 1.12 shall continue to apply to the removal and replacement of such Trustees, except that removal or replacement of a Trustee shall require the written consent of holders of Shares representing a majority of the aggregate number of Shares beneficially owned by members of the Family Group of which the Trustee is a member.

(a) The Shareholder desiring to convert Shares (the "Offering Shareholder") shall give notice in accordance with Section 3.1 (the "Offer Notice") to the Company, to the other Shareholders who are members of the Offering Shareholder's Family Group (the "Family Group Members"), and to all Shareholders who are not members of the Offering Shareholder's Family Group (the "Other Family Group Members") specifying the number of Shares the Offering Shareholder desires to convert (the "Offered Shares") and that the notice is given pursuant to this Section 2.3; provided, however, that the Offer Notice need not be provided to any Shareholder that does not then hold any Shares. The Offering Shareholder may specify in the Offer Notice that payment for any of the Offered Shares purchased pursuant to this Section 2.3 must be in the form of an equal number of shares of Class A Common Stock. The Offer Notice delivered to the Company must be accompanied by the voting trust certificate(s) or stock certificate(s) representing the Offered Shares unless such certificate(s) are already in the Company's possession.

(b) Each Family Group Member shall have the option to purchase up to the percentage of the Offered Shares equal to the percentage of the total number of Shares held by or for the benefit of all the Family Group Members other than the Offering Shareholder which are held by or for the benefit of the particular Family Group Member. To exercise this option, a Family Group Member shall, within the 10-day period commencing on the effective date of the Offer

Notice (the "Acceptance Period"), give notice in accordance with Section 3.1 (an "Acceptance Notice") to the Company (which shall notify the Offering Shareholder), specifying the number of Offered Shares to be purchased and, if desired, the number of additional Offered Shares the Family Group Member will purchase if other Family Group Members do not exercise their options. A Family Group Member may specify in the Acceptance Notice that payment for any of the Offered Shares purchased pursuant to the Acceptance Notice will be in the form of an equal number of shares of Class A Common Stock. To the extent Family Group Members do not exercise their options, the remaining Offered Shares shall be allocated among the Family Group Members who requested additional shares in their Acceptance Notices based on their respective percentage ownership of Shares.

(c) If Family Group Members do not exercise their options to purchase all of the Offered Shares, the number of Offered Shares that were not purchased by Family Group Members (the "Remaining Shares") may be purchased by Other Family Group Members. Each Other Family Group Member shall have the option to purchase up to the percentage of the Remaining Shares equal to the percentage of the total number of Shares held by or for the benefit of all Other Family Group Members which are held by or for the benefit of the particular Other Family Group Member. To exercise this option, an Other Family Group Member shall, within the Acceptance Period, give notice in accordance with Section 3.1 (an "Acceptance Notice") to the Company (which shall notify the Offering Shareholder), specifying the number of Remaining Shares to be purchased and, if desired, the number of additional Remaining Shares the Other Family Group Member will purchase if not all Other Family Group Members exercise their options. An Other Family Group Member may specify in the Acceptance Notice that payment for any of the Offered Shares purchased pursuant to the Acceptance Notice will be in the form of an equal number of shares of Class A Common Stock. Other Family Group Members will not receive any notice as to whether or not there are any Remaining Shares available to them pursuant to any particular Offer Notice, and therefore will not know when they respond to an Offer Notice whether they will be able to purchase any of the Offered Shares offered thereby. To the extent Other Family Group Members do not exercise their options, the unallocated Remaining Shares shall be allocated among the Other Family Group Members who requested additional shares in their Acceptance Notices based on their respective percentage ownership of Shares.

(d) An Acceptance Notice shall be irrevocable and shall contractually obligate the Shareholder who gives such Acceptance Notice (the "Accepting Shareholder") to purchase the number of Offered Shares the Accepting Shareholder is entitled to purchase under the Acceptance Notice and this Agreement. As soon as practicable following the expiration of the Acceptance Period, the Company shall determine the number of Offered Shares each Accepting Shareholder is obligated to purchase and shall so notify the Offering Shareholder and each Accepting Shareholder.

(e) Any purchase of Offered Shares for cash under this Section 2.3 shall be closed within 7 days after the expiration of the Acceptance Period. The cash purchase price paid by any Accepting Shareholder for Offered Shares shall be the closing sale price of the Class A Common Stock of the Company as reported in the Wall Street Journal for the effective date of the Offer Notice or the effective date of the Acceptance Notice given by the Accepting Shareholder, whichever is greater.

(f) If either the Offering Shareholder or an Accepting Shareholder specifies that payment for any of the Offered Shares purchased pursuant to this Section 2.3 will be in the form of an equal number of shares of Class A Common Stock, the Acceptance Notice must be accompanied by documentation reasonably satisfactory to the Company to permit the Company to effect the transfer from the Accepting Shareholder to the Offering Shareholder of the maximum number of shares of Class A Common Stock deliverable pursuant to the Acceptance Notice. Such documentation may consist of (i) stock certificate(s) representing the required number of shares of Class A Common Stock together with executed blank stock power(s), (ii) executed instructions to the broker or other nominee holding the required number of shares of Class A Common Stock for the account of the Accepting Shareholder instructing the broker or nominee to transfer up to the required number of shares of Class A Common Stock into the name of the Offering Shareholder at the direction of the Company, or (iii) any other similar documentation satisfactory to the Company. If payment for any Offered Shares is to be made in Class A Common Stock, the Company shall cause the Class A Common Stock to be transferred to the Offering Shareholder, and the Company (and the Trustees, if applicable) shall cause the Offered Shares to be transferred to the Accepting Shareholder, as soon as practicable after the expiration of the Acceptance Period.

(g) As soon as practicable after the expiration of the Acceptance Period, the Company (and the Trustees, if applicable) will cause any Offered Shares not purchased pursuant to this Section 2.3 to be converted into Class A Common Stock and distributed to the Offering Shareholder. Offered Shares that are converted to Class A Common Stock shall no longer be subject to the restrictions of this Restated Agreement.

(h) Prior to the termination of Section 1 of this Agreement, references in this Section 2.3 and in Section 2.4 to Shares shall be deemed to refer to (i) the voting trust certificates representing the Shares held by Shareholders whose Shares are subject to Section 1 of this Agreement ("Voting Trust Participants"), and (ii) the Shares held directly by Shareholders whose Shares are not subject to Section 1 of this Agreement ("Nonparticipants"). If Offered Shares are purchased by a Voting Trust Participant from a Nonparticipant pursuant to this Section 2.3, the Offered Shares shall be deposited with the Trustees and shall be subject to Section 1 of this Agreement, and the Voting Trust Participant shall receive a voting trust certificate representing such Shares. If Offered Shares are purchased by a Nonparticipant from a Voting Trust Participant pursuant to this Section 2.3, the Offered Shares shall be released from the Voting Trust by the Trustees and shall no longer be subject to Section 1 of this Agreement, and the Nonparticipant shall receive a stock certificate representing such Shares.

(i) The Company shall not be liable to any Shareholder for any losses related to changes in the market value of the Class A Common Stock, which losses may have resulted from any action, inaction or delayed action of the Company or its employees or agents in performing any of the tasks to be performed by the Company under this Section 2.3.

(j) At any time after a Offer Notice is given, the Company, by action of its Board of Directors or President, may terminate, or modify in a manner deemed appropriate, the pending offer of Offered Shares pursuant to that Offer Notice if (i) on the date of the Offer Notice or at any time during the pendency of the offer, there was material information regarding the Company that had not been publicly disclosed and that, if disclosed, the Company believes would have an impact on the market price for the Class A Common Stock, or (ii) the Company otherwise believes that termination of the pending offer would be in the best interests of the Company.

2.4 Conversion of Shares for Purposes of Charitable Donations. A Shareholder may convert any number of Shares into Class A Common Stock without complying with the provisions of Section 2.3; provided, the Class A Common Stock received in the conversion is immediately thereafter transferred to an organization which is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code of 1986; provided further, that no such conversion will be permitted under this Section 2.4 if, following the conversion, the remaining number of outstanding shares of Class B Common Stock would be less than twenty-five percent of the sum of the number of outstanding shares of Class B Common Stock and Class A Common Stock.

2.5 Restriction in Restated Articles. The Shareholders expressly acknowledge the following restriction on the transfer of Shares contained in the Restated Articles of Incorporation of the Company:

"No holder of Class B Common Stock may sell, assign, pledge, or in any manner transfer any shares of Class B Common Stock, or any right or interest in any shares of Class B Common Stock, whether voluntarily or by operation of law, or by gift, bequest or otherwise, except for a transfer to Manuel Schnitzer, Mildred Schnitzer, Gilbert Schnitzer or Leonard Schnitzer, any spouse, descendant or spouse of a descendant of any of them, any conservator or personal representative of the estate of any of the foregoing Schnitzer family members, any trust of which beneficiaries who are entitled to substantially all of the beneficial interest are Schnitzer family members described above or organizations described in Section 501(c)(3) of the Internal Revenue Code of 1986, or any corporation which has no shareholders other than one or more of the foregoing Schnitzer family members. For purposes of determining descendants, an adopted child shall be treated as if he or she were a natural child. Any sale or transfer, or purported sale or transfer, of Class B Common Stock, or any right or interest in Class B Common Stock, to any person or entity other than those specified in this section shall be null and void. The certificates representing shares of Class B Common Stock shall bear the following legend:

'The shares represented by this certificate may not be sold, pledged or transferred in any other manner, including by gift, bequest or operation of law, to any person other than certain Schnitzer family members and related parties as specified in the Restated Articles of Incorporation of the Corporation.'

"The provisions of this subsection may not be amended, altered, changed or repealed in any respect, nor may any provision be adopted which is inconsistent with this subsection, unless the action is approved by the holders of a majority of the outstanding shares of Class B Common Stock and Class A Common Stock, each voting separately as a class."

SECTION 3. GENERAL PROVISIONS

3.1 Notices. Any notice to or communication with any of the Shareholders shall be deemed to be sufficiently given and shall be effective upon personal delivery, including by means of fax or e-mail, or when deposited in the United States mail, postage prepaid, addressed to the Shareholder at his, her or its address, fax number or e-mail address appearing in the books and records of the Company; provided, however, that notice by e-mail to any Shareholder shall not be effective if the Shareholder gives notice to the Company in accordance with this Section 3.1 that the Shareholder is not willing to accept notice for this purpose by e-mail. Any notice or communication to the Company shall be sufficiently given and shall be effective when delivered, including by means of fax or e-mail, or mailed, postage prepaid, to the Company at the following address, fax number or e-mail address: Attention: Secretary, 3200 NW Yeon Avenue, Portland, Oregon 97210, fax number (503) 299-2277, e-mail address idavidson@schn.com; provided, however, that any notice of exercise of an option under Section 2.3 shall not be effective until received by the Company. Any notice or communication to the Trustees or any Trustee hereunder shall be sufficiently given and shall be effective upon personal delivery, including by means of fax or e-mail, or when mailed, postage prepaid, to the Trustees or Trustee c/o the Company at the address, fax number or e-mail address set forth in the preceding sentence. The Company may change its address, fax number or e-mail address for notice at any time upon 10 days' advance notice to the Shareholders and Trustees given in accordance with this Section 3.1. Any other party may change its address, fax number or e-mail address for notice at any time upon 10 days' advance notice to the Company given in accordance with this Section 3.1.

3.2 Benefit. This Restated Agreement shall be binding upon and inure to the benefit of each of the parties who sign the same, his, her or its heirs, personal representatives, successors and assigns.

3.3 Definition of "Shareholder" and "Family Group." The term "Shareholder" means not only the persons who signed the Original Agreement or this Restated Agreement as the Shareholders, but also all persons who, from time to time, own the voting trust certificates issued pursuant to Section 1 of this Restated Agreement or acquire Shares in compliance with Section 2.1. For purposes of this Restated Agreement, the term "Family Group" shall refer to the respective families of Manuel Schnitzer, Morris Schnitzer, Gilbert Schnitzer and Leonard Schnitzer (the "Brothers"), as set forth on the respective signature pages of this Restated Agreement, together with any spouse, descendant, or spouse or former spouse of a descendant of any of the Brothers, in all cases including any conservator or personal representative for the estate of any such Family Group member and any trust or corporation to which voting trust certificates Shares may be transferred under Section 2.1; provided that for purposes of determining descendants, an adopted child shall be treated as if he or she were a natural child.

3.4 Additional Shares. If any of the Shareholders hereafter acquires any additional shares of the Class B Common Stock of the Company, all of those Shares shall be subject to the terms of this Restated Agreement and shall be considered "Shares" under this Restated Agreement.

3.5 Construction. This Restated Agreement is made in and shall be construed in accordance with the laws of the State of Oregon. Each pronoun used in this Restated Agreement includes the masculine, feminine, neuter, singular and plural, as required by the context in which used.

3.6 Paragraph Captions. The paragraph captions are for the convenience of the parties and shall not affect the meaning or interpretation of this Restated Agreement.

3.7 Counterparts. This Restated Agreement may be executed in one or more counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute only one legal instrument.

3.8 Legend.

(a) All certificates representing shares of Class B Common Stock of the Company subject to the Original Agreement, and all voting trust certificates issued under the Original Agreement, were endorsed, and may continue to be endorsed, as follows:

"None of the shares of stock represented by this certificate may be transferred, no interest in all or any of those shares (whether as an owner, creditor or otherwise) may be created, and no right to acquire all or any of those shares may be obtained, except in compliance with the terms of a Voting Trust and Buy-Sell Agreement dated March 31, 1991 among Schnitzer Steel Industries, Inc., the trustees of the voting trust and the voting trust certificate holders. A copy of that agreement is on file in the office of the secretary of the corporation. Any interest created in any of the shares represented by this certificate in violation of the terms of that agreement shall be null and void. That agreement is automatically binding upon any person who acquires an interest in the certificate."

(b) All new certificates representing shares of Class B Common Stock of the Company subject to this Restated Agreement issued after the date of this Restated Agreement, and all voting trust certificates issued after the date of this Restated Agreement, shall be endorsed as follows:

"None of the shares of stock represented by this certificate may be transferred, no interest in all or any of those shares (whether as an owner, creditor or otherwise) may be created, and no right to acquire all or any of those shares may be obtained, except in compliance with the terms of a 2001 Restated Voting Trust and Buy–Sell Agreement dated March 26, 2001 among Schnitzer Steel Industries, Inc., the trustees of the voting trust and the voting trust certificate holders, as that agreement may be amended from time to time. A copy of that agreement is on file in the office of the secretary of the corporation. Any interest created in any of the shares represented by this certificate in violation of the terms of that agreement shall be null and void. That agreement is automatically binding upon any person who acquires an interest in the certificate."

3.9 Deposit of Agreement. A duly executed counterpart of this Restated Agreement shall be deposited with the Company at its registered office.

3.10 Modification, Amendment or Termination. This Restated Agreement may be modified, amended or terminated only with the approval of all four Family Groups. The approval of a Family Group for the purpose of modifying, amending or terminating Section 1 of this Restated Agreement shall require the written consent of holders of voting trust certificates representing two-thirds of the Shares held by the Trustees for the members of that Family Group. The approval of a Family Group for the purpose of modifying, amending or terminating Section 2 of this Restated Agreement shall require the written consent of holders of voting trust certificates and/or direct holders of Shares representing two-thirds of the aggregate number of Shares beneficially owned by members of that Family Group both in and out of the Voting Trust. The approval of a Family Group for the purpose of modifying, amending or terminating Section 3 of this Restated Agreement shall require the written consent of holders sufficient to approve amendments to both Section 1 and Section 2 of this Restated Agreement as set forth in the two preceding sentences.

IN WITNESS WHEREOF, the parties have executed this Restated Agreement as of the day and year first above written.

THE COMPANY

SCHNITZER STEEL INDUSTRIES, INC.

By _____

THE TRUSTEES

MANUEL SCHNITZER FAMILY GROUP

/s/ Carol S. Lewis

Carol S. Lewis

MORRIS SCHNITZER FAMILY GROUP

/s/Dori Schnitzer

Dori Schnitzer

GILBERT SCHNITZER FAMILY GROUP

/s/ Gary Schnitzer

Gary Schnitzer

LEONARD SCHNITZER FAMILY GROUP

/s/ Rita S. Philip

Rita S. Philip

SCHNITZER STEEL INDUSTRIES, INC.

2001 RESTATED VOTING TRUST AND BUY-SELL AGREEMENT

MANUEL SCHNITZER FAMILY GROUP—SHAREHOLDER SIGNATURE PAGE

/s/ Manuel Schnitzer

Manuel Schnitzer, as Trustee

EDITH SCHNITZER, QTIP TRUST U/A/D
FEBRUARY 8, 1989

/s/ Manuel Schnitzer

Manuel Schnitzer, as Trustee

CAROL S. LEWIS, TRUSTEE U/A/D JANUARY 11,
1999 WITH CAROL S. LEWIS

/s/ Carol S. Lewis

Carol S. Lewis, as Trustee

Scott Lewis

Scott Lewis, as Custodian under the Oregon Uniform
Transfers to Minors Act, F/B/O Zachary Lewis

Scott Lewis, as Custodian under the Oregon Uniform
Transfers to Minors Act, F/B/O Elliot Lewis

EMANUEL ROSE, TRUSTEE OF THE LEWIS
CHILDREN TRUST 001 U/T/A 12/31/96

/s/ Emanuel Rose

Emanuel Rose, as Trustee

Laurence Lewis

/s/ Kathleen Lewis

Kathleen Lewis

/s/ Marilyn S. Easly

Marilyn S. Easly

/s/ David S. Easly

David S. Easly

/s/ Danielle Easly Nye

Danielle Easly Nye

DANIELLE EASLY NYE, FAMILY TRUSTEE, AND
DAVID S. EASLY, INDEPENDENT TRUSTEE, U/A/D
DECEMBER 27, 1999 F/B/O VIVIAN E. NYE

/s/ Danielle Easly Nye

Danielle Easly Nye, as Family Trustee

/s/ David S. Easly

David S. Easly, as Independent Trustee

/s/ Sean M. Easly

Sean M. Easly

SCHNITZER STEEL INDUSTRIES, INC.
2001 RESTATED VOTING TRUST AND BUY-SELL AGREEMENT

MORRIS SCHNITZER FAMILY GROUP—SHAREHOLDER SIGNATURE PAGE

DORI SCHNITZER, TRUSTEE, TRUST A U/W/O
MORRIS SCHNITZER, DATED MARCH 12, 1980,
F/B/O MILDRED SCHNITZER

/s/ Dori Schnitzer

Dori Schnitzer, as Trustee

JEAN S. REYNOLDS, SUSAN SCHNITZER AND
DORI SCHNITZER, TRUSTEES U/A/D APRIL 17,
1989, WITH MILDRED SCHNITZER

/s/ Jean S., Reynolds

Jean S. Reynolds, as Trustee

/s/ Susan Schnitzer

Susan Schnitzer, as Trustee

/s/ Dori Schnitzer

Dori Schnitzer, as Trustee

JEAN S. REYNOLDS AND DORI SCHNITZER,
TRUSTEES U/A WITH JEAN S. REYNOLDS DATED
NOVEMBER 30, 1992

/s/ Jean S. Reynolds

Jean S. Reynolds, as Trustee

/s/ Dori Schnitzer

Dori Schnitzer, as Trustee

/s/ Samantha Paige Davis

Samantha Paige Davis

JEAN S. REYNOLDS, TRUSTEE, TRUST B U/W/O
MORRIS SCHNITZER, DATED MARCH 12, 1980,
F/B/O SAMANTHA PAIGE DAVIS

/s/ Jean S. Reynolds

Jean S. Reynolds, as Trustee

/s/ Alan Scott Davis

Alan Scott Davis
JEAN S. REYNOLDS, TRUSTEE, TRUST B U/W/O MORRIS
SCHNITZER, DATED MARCH 12, 1980, F/B/O ALAN SCOTT
DAVIS

/s/ Jean S. Reynolds

Jean S. Reynolds, as Trustee

/s/ N. Dickson Davis

N. Dickson Davis

/s/ Dori Schnitzer

Dori Schnitzer

DANE M. BROWN IRREVOCABLE TRUST, SUSAN
SCHNITZER, TRUSTEE U/A/D APRIL 10, 1995

/s/ Susan Schnitzer

Susan Schnitzer, as Trustee

FORD NOBLE BROWN IRREVOCABLE
TRUST, SUSAN SCHNITZER, TRUSTEE
U/A/D DECEMBER 27, 1999

/s/ Susan Schnitzer

Susan Schnitzer, as Trustee

/s/Susan Schnitzer

Susan Schnitzer

/s/ Susan Schnitzer

Susan Schnitzer, as Custodian under the
Oregon Uniform Transfers to Minors Act,
F/B/O Matthew S. Goodman

/s/ Susan Schnitzer

Susan Schnitzer, as Custodian under the
Oregon Uniform Transfers to Minors Act,
F/B/O Whitney M. Goodman

/s/ Susan Schnitzer

Susan Schnitzer, as Custodian under the
Oregon Uniform Transfers to Minors Act,
F/B/O Stephen S. Goodman

DORI SCHNITZER, TRUSTEE OF
SCHNITZER TRUST 2-3-2 DATED
DECEMBER 27, 1991, F/B/O MATTHEW S.
GOODMAN

/s/ Dori Schnitzer

Dori Schnitzer, as Trustee

DORI SCHNITZER, TRUSTEE OF
SCHNITZER TRUST 2-3-3 DATED
DECEMBER 27, 1991, F/B/O
WHITNEY M. GOODMAN

/s/ Dori Schnitzer

Dori Schnitzer, as Trustee

DORI SCHNITZER, TRUSTEE OF
SCHNITZER TRUST 2-3-4 DATED
DECEMBER 27, 1991, F/B/O
STEPHEN S. GOODMAN

/s/ Dori Schnitzer

Dori Schnitzer, as Trustee

SCHNITZER STEEL INDUSTRIES, INC.
2001 RESTATED VOTING TRUST AND BUY-SELL AGREEMENT

GILBERT SCHNITZER AND THELMA S. SCHNITZER, TRUSTEES U/A/D
FEBRUARY 7, 1989, WITH GILBERT SCHNITZER

/s/ Gilbert Schnitzer
Gilbert Schnitzer, as Trustee

/s/ Thelma S. Schnitzer
Thelma S. Schnitzer, as Trustee

THELMA S. SCHNITZER AND GILBERT SCHNITZER, TRUSTEES U/A/D
FEBRUARY 7, 1989, WITH THELMA S. SCHNITZER

/s/ Thelma S. Schnitzer
Thelma S. Schnitzer, as Trustee

/s/ Gilbert Schnitzer
Gilbert Schnitzer, as Trustee

/s/ Gary Schnitzer
Gary Schnitzer

Gregory Schnitzer

GARY SCHNITZER, TRUSTEE U/A/D JANUARY 2, 1974, F/B/O
GREGORY SCHNITZER

/s/ Gary Schnitzer
Gary Schnitzer, as Trustee

GARY SCHNITZER, TRUSTEE U/A/D DECEMBER 12, 1986, F/B/O
GREGORY SCHNITZER

/s/ Gary Schnitzer
Gary Schnitzer, as Trustee

DEBORAH S. NOVACK AND KENNETH M. NOVACK, TRUSTEES
U/A/D 7/31/91, FBO DEBORAH S. NOVACK

/s/ Deborah S. Novack
Deborah S. Novack, as Trustee

/s/ Kenneth M. Novack
Kenneth M. Novack, as Trustee

KENNETH M. NOVACK AND DEBORAH S. NOVACK, TRUSTEES
U/A/D 7/31/91, FBO KENNETH M. NOVACK

/s/ Kenneth M. Novack
Kenneth M. Novack, as Trustee

/s/ Deborah S. Novack
Deborah S. Novack, as Trustee

1997 MELANIE NOVACK TRUST, DATED 8/17/97, DEBORAH S.
NOVACK AND KENNETH M. NOVACK, COLLECTIVELY AS

TRUSTEES

/s/ Deborah S. Novack

Deborah S. Novack, as Trustee

/s/ Kenneth M. Novack

Kenneth M. Novack, as Trustee

1997 KEVIN NOVACK TRUST, DATED 8/17/97, DEBORAH S. NOVACK AND KENNETH M. NOVACK, COLLECTIVELY AS TRUSTEES

/s/ Deborah S. Novack

Deborah S. Novack, as Trustee

/s/ Kenneth M. Novack

Kenneth M. Novack, as Trustee

SCHNITZER STEEL INDUSTRIES, INC.
2001 RESTATED VOTING TRUST AND BUY-SELL AGREEMENT

LEONARD SCHNITZER FAMILY GROUP—SHAREHOLDER SIGNATURE PAGE

LEONARD SCHNITZER AND LOIS T. SCHNITZER,
TRUSTEES U/A/D MAY 3, 1989, WITH LEONARD
SCHNITZER

/s/ Leonard Schnitzer

Leonard Schnitzer, as Trustee

/s/ Lois T. Schnitzer

Lois T. Schnitzer, as Trustee

LOIS T. SCHNITZER AND LEONARD SCHNITZER,
TRUSTEES (together as tenant in common) U/A/D MAY 3, 1989,
WITH LOIS T. SCHNITZER

/s/ Lois T. Schnitzer

Lois T. Schnitzer, as Trustee

/s/ Leonard Schnitzer

Leonard Schnitzer, as Trustee

RITA S. PHILIP AND ROBERT W. PHILIP, AS CO-TRUSTEES
UNDER TRUST AGREEMENT WITH RITA S. PHILIP DATED
4/21/93

/s/ Rita S. Philip

Rita S. Philip, as Co-Trustee

/s/ Robert W. Philip

Robert W. Philip, as Co-Trustee

/s/ Michele Babette Philip

Michele Babette Philip

RITA S. PHILIP, FAMILY TRUSTEE, AND JILL SCHNITZER
EDELSON, INDEPENDENT TRUSTEE, U/A/D DECEMBER
22, 1994, F/B/O MICHELE BABETTE PHILIP

/s/ Rita S. Philip

Rita S. Philip, as Family Trustee

/s/ Jill Schnitzer Edelson

Jill Schnitzer Edelson, as Independent Trustee

RITA S. PHILIP, FAMILY TRUSTEE, AND JILL SCHNITZER
EDELSON, INDEPENDENT TRUSTEE, U/A/D DECEMBER
22, 1994, F/B/O JOSHUA HENRY PHILIP

/s/ Rita S. Philip

Rita S. Philip, as Family Trustee

/s/ Jill Schnitzer Edelson

Jill Schnitzer Edelson, as Independent Trustee

/s/ Gayle S. Romain

Gayle S. Romain

/s/ Laura H. Rosencrantz

Laura H. Rosencrantz

GAYLE S. ROMAIN, FAMILY TRUSTEE, AND MARDI S.
SCHNITZER, INDEPENDENT TRUSTEE, U/A/D DECEMBER
22, 1994, F/B/O LAURA H. ROSENCRANTZ

/s/ Gayle S. Romain

Gayle S. Romain, as Family Trustee

/s/ Mardi S. Schnitzer

Mardi S. Schnitzer, as Independent Trustee

/s/ Bryan L. Rosencrantz

Bryan L. Rosencrantz

GAYLE S. ROMAIN, FAMILY TRUSTEE, AND MARDI S.
SCHNITZER, INDEPENDENT TRUSTEE, U/A/D DECEMBER
22, 1994, F/B/O BRYAN L. ROSENCRANTZ

/s/ Gayle S. Romain

Gayle S. Romain, as Family Trustee

/s/ Mardi S. Schnitzer

Mardi S. Schnitzer, as Independent Trustee

/s/ Sandra Lee Schnitzer

Sandra Lee Schnitzer

MARDI S. SCHNITZER FAMILY TRUST
U/A/D 9/17/97, MARDI S. SCHNITZER
AND LEONARD E. SCHNITZER,
COLLECTIVELY AS TRUSTEE

/s/ Mardi S. Schnitzer

Mardi S. Schnitzer, as Trustee

/s/ Leonard E. Schnitzer

Leonard E. Schnitzer, as Trustee

MARDI S. SCHNITZER, FAMILY TRUSTEE, AND RITA S.
PHILIP AND GAYLE S. ROMAIN, INDEPENDENT
TRUSTEES, U/A/D DECEMBER 22, 1994, F/B/O DAVID R.
LIPPMAN

/s/ Mardi S. Schnitzer

Mardi S. Schnitzer, as Family Trustee

/s/ Rita S. Philip

Rita S. Philip, as Independent Trustee

/s/ Gayle S. Romain

Gayle S. Romain, as Independent Trustee

MARDI S. SCHNITZER, FAMILY TRUSTEE, AND RITA S. PHILIP AND GAYLE S. ROMAIN, INDEPENDENT TRUSTEES, U/A/D DECEMBER 22, 1994, F/B/O MARC A. LIPPMAN

/s/ *Mardi S. Schnitzer*

Mardi S. Schnitzer, as Family Trustee

/s/ *Rita S. Philip*

Rita S. Philip, as Independent Trustee

/s/ *Gayle S. Romain*

Gayle S. Romain, as Independent Trustee

JILL SCHNITZER EDELSON AND RICHARD H. EDELSON, TRUSTEES, U/A/D 2/22/95, F/B/O JILL SCHNITZER EDELSON

/s/ *Jill Schnitzer Edelson*

Jill Schnitzer Edelson, as Trustee

/s/ *Richard H. Edelson*

Richard H. Edelson, as Trustee

JILL SCHNITZER EDELSON, FAMILY TRUSTEE, AND DINA S. MEIER, INDEPENDENT TRUSTEE, U/A/D DECEMBER 22, 1994, F/B/O BROOKE DANIELLE EDELSON

/s/ *Jill Schnitzer Edelson*

Jill Schnitzer Edelson, as Family Trustee

/s/ *Dina S. Meier*

Dina S. Meier, as Independent Trustee

JILL SCHNITZER EDELSON, FAMILY TRUSTEE, AND DINA S. MEIER, INDEPENDENT TRUSTEE, U/A/D DECEMBER 22, 1994, F/B/O LAUREN RACHELLE EDELSON

/s/ *Jill Schnitzer Edelson*

Jill Schnitzer Edelson, as Family Trustee

/s/ *Dina S. Meier*

Dina S. Meier, as Independent Trustee

JILL SCHNITZER EDELSON, FAMILY TRUSTEE, AND DINA S. MEIER, INDEPENDENT TRUSTEE, U/A/D NOVEMBER 3, 1997, F/B/O BRENDAN ZANE EDELSON

/s/ *Jill Schnitzer Edelson*

Jill Schnitzer Edelson, as Family Trustee

/s/ *Dina S. Meier*

Dina S. Meier, as Independent Trustee

DINA S. MEIER REVOCABLE TRUST U/A/D 8/19/94, LEONARD E. SCHNITZER, GAYLE S. ROMAIN AND DINA S. MEIER, COLLECTIVELY AS TRUSTEE

/s/ *Leonard E. Schnitzer*

Leonard E. Schnitzer, as Trustee

/s/ *Gayle S. Romain*

Gayle S. Romain, as Trustee

/s/ Dina S. Meier

Dina S. Meier, as Trustee

DINA S. MEIER, FAMILY TRUSTEE, AND JILL SCHNITZER
EDELSON, INDEPENDENT TRUSTEE, U/A/D OCTOBER 29,
1999, F/B/O LUCIE HANNAH MEIER

/s/ Dina S. Meier

Dina S. Meier, as Family Trustee

/s/ Jill Schnitzer Edelson

Jill Schnitzer Edelson, as Independent Trustee