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

[X] Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended November 30, 1998 or

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

Commission file number 0-22496

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

OREGON	93-0341923
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3200 N.W. Yeon Ave., P.O Box 10047 Portland, OR	97296-0047
(Address of principal executive offices)	(Zip Code)

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

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

Yes [X] No [ ]

The Registrant had 5,542,526 shares of Class A Common Stock, par value of $1.00 per share and 4,430,328 shares of Class B Common Stock, par value of $1.00 per share outstanding on January 1, 1999.

SCHNITZER STEEL INDUSTRIES, INC.

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

	Nov. 30, 1998 (Unaudited)	Aug. 31, 1998 (Audited)
ASSETS		
CURRENT ASSETS:		
Cash	$ 6,619	$ 3,800
Accounts receivable, less allowance for doubtful accounts of $638 and $645	18,889	26,161
Accounts receivable from related parties	4,616	3,428
Inventories (Note 2)	95,215	103,136
Deferred income taxes	5,723	5,723
Prepaid expenses and other	9,519	8,020
TOTAL CURRENT ASSETS	140,581	150,268
NET PROPERTY, PLANT & EQUIPMENT	140,411	142,582
OTHER ASSETS:		
Investment in joint venture partnerships	100,882	103,494
Advances to joint venture partnerships	22,991	23,957
Goodwill	40,713	41,017
Intangibles and other	10,015	10,022
	$ 455,593	$ 471,340
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 170	$ 168
Accounts payable	17,152	19,056
Accrued payroll liabilities	6,542	5,603
Current portion of environmental liabilities (Note 4)	5,394	5,552
Other accrued liabilities	9,856	8,781
TOTAL CURRENT LIABILITIES	39,114	39,160
DEFERRED INCOME TAXES	24,677	24,619
LONG-TERM DEBT LESS CURRENT PORTION	126,894	140,236
ENVIRONMENTAL LIABILITIES, NET OF CURRENT PORTION	22,667	22,749
OTHER LONG-TERM LIABILITIES	3,084	3,140
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Preferred stock--20,000 shares authorized, none issued Class A common stock--75,000 shares $1 par value authorized, 5,542 and 5,555 shares issued and outstanding	5,542	5,555
Class B common stock--25,000 shares $1 par value authorized, 4,431 shares issued and outstanding	4,431	4,431
Additional paid-in capital	104,948	105,124
Retained earnings	124,236	126,326
	239,157	241,436
	$ 455,593	$ 471,340

The accompanying notes are an integral part of this statement.

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

(unaudited)

	For The Three Months Ended November 30,	
	1998	1997
REVENUES	$ 67,165	$ 105,403
COSTS AND EXPENSES:		
Cost of goods sold and other operating expenses	60,852	92,978
Selling and administrative	5,696	5,657
	66,548	98,635
(Loss) income from joint ventures	(1,671)	3,794
(LOSS) INCOME FROM OPERATIONS	(1,054)	10,562
OTHER INCOME (EXPENSE):		
Interest expense	(1,924)	(1,245)
Other income	567	358
	(1,357)	(887)
(LOSS) INCOME BEFORE INCOME TAXES	(2,411)	9,675
Income tax benefit (provision)	820	(3,386)
NET (LOSS) INCOME	$ (1,591)	$ 6,289
BASIC (LOSS) EARNINGS PER SHARE	$ (0.16)	$ 0.62
DILUTED (LOSS) EARNINGS PER SHARE	$ (0.16)	$ 0.61

The accompanying notes are an integral part of this statement.

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

(unaudited)

	Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Retained Earnings	Total
	Shares	Amount	Shares	Amount			
BALANCE AT 8/31/97	5,737	$ 5,737	4,445	$ 4,445	$ 109,994	$ 118,885	$ 239,061
Class B common stock converted to Class A common stock	14	14	(14)	(14)			
Class A common stock repurchased	(196)	(196)			(4,870)		(5,066)
Net income						9,448	9,448
Dividends paid						(2,007)	(2,007)
BALANCE AT 8/31/98	5,555	5,555	4,431	4,431	105,124	126,326	241,436
Class A common stock repurchased	(13)	(13)			(176)		(189)
Net income						(1,591)	(1,591)
Dividends paid						(499)	(499)
BALANCE AT 11/30/98	5,542	$ 5,542	4,431	$ 4,431	$ 104,948	$ 124,236	$ 239,157

The accompanying notes are an integral part of this statement.

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

(unaudited)

	For The Three Months Ended November 30,	
	1998	1997
OPERATIONS:		
Net income	$ (1,591)	$ 6,289
Noncash items included in income:		
Depreciation and amortization	4,654	4,719
Equity in earnings of joint ventures	1,671	(3,794)
(Gain) loss on disposal of assets	(36)	77
Cash provided (used) by assets and liabilities:		
Accounts receivable	6,084	2,043
Inventories	7,921	5,939
Prepaid expenses and other	(1,499)	545
Accounts payable	(1,904)	6,139
Accrued liabilities	2,014	1,935
Other assets and liabilities	(163)	(245)
NET CASH PROVIDED BY OPERATIONS	17,151	23,647
INVESTMENTS:		
Capital expenditures	(2,252)	(2,558)
Advances from joint ventures	966	100
Distributions from joint ventures	932	460
Proceeds from sale of assets	50	157
Other		(464)
NET CASH USED BY INVESTMENTS	(304)	(2,305)
FINANCING:		
Repurchase of Class A stock	(189)	(1,751)
Dividends declared and paid	(499)	(506)
Decrease in long-term debt	(13,340)	(19,022)
NET CASH USED BY FINANCING	(14,028)	(21,279)
NET INCREASE IN CASH	2,819	63
CASH AT BEGINNING OF PERIOD	3,800	3,106
CASH AT END OF PERIOD	$ 6,619	$ 3,169

The accompanying notes are an integral part of this statement.

SCHNITZER STEEL INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED NOVEMBER 30, 1998 and 1997
(Unaudited)

Note 1 - Summary Of Significant Accounting Policies:

Basis of Presentation

The accompanying unaudited interim financial statements of Schnitzer Steel Industries, Inc. (the Company) have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and note disclosures normally included in annual financial statements have been condensed or omitted pursuant to those rules and regulations. In the opinion of management, all adjustments, consisting only of normal, recurring adjustments considered necessary for a fair presentation, have been included. Although management believes that the disclosures made are adequate to ensure that the information presented is not misleading, it is suggested that these financial statements be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report for the fiscal year ended August 31, 1998. The results for the three months ended November 30, 1998 are not necessarily indicative of the results of operations for the entire year.

Earnings Per Share

The Company has adopted Statement of Financial Accounting Standards (SFAS) No. 128 "Earnings Per Share", which specifies the computation, presentation and disclosure requirements for earnings per share (EPS). SFAS 128 replaces the presentation of primary and fully diluted EPS with basic and diluted EPS. Basic EPS is computed based upon the weighted average number of common shares outstanding during the period. Diluted EPS reflects the potential dilution that would occur if securities or other contracts to issue common stock were exercised or converted into common stock. The following represents a reconciliation from basic EPS to diluted EPS for the three months ended November 30, 1998 and 1997 (in thousands, except per share amounts):

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

	Three Months Ended November 30, 1997		
	Income (Numerator)	Shares (Denominator)	Per-share Amount
Basic EPS	$ 6,289	10,178	$ 0.62
Options	--	130	
Diluted EPS	$ 6,289	10,308	$ 0.61

Note 2 - Inventories:

Inventories consist of the following (in thousands):

	November 30, 1998 (Unaudited)	August 31, 1998 (Audited)
Scrap metals	$ 20,720	$ 28,952
Work in process	15,093	13,192
Finished goods	43,080	44,276
Supplies	16,322	16,716
	$ 95,215	$ 103,136

Scrap metal inventories are valued at LIFO; the remainder are at average cost. The determination of inventory under the LIFO method can be made only at the end of each year based on the inventory levels and costs at that time. Interim LIFO calculations are based on the Company's estimates of expected year-end inventory levels and costs. The cost of scrap metal inventories exceeded the stated LIFO value by $5,811 at November 30, 1998 and August 31, 1998.

Note 3 - Related Party Transactions:

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

Transactions Affecting Cost of Goods Sold and Other Operating Expenses

The Company charters several vessels from related shipping companies to transport scrap metal to foreign markets. In 1993, the Company signed a five-year time-charter agreement for one vessel which expired in June 1998. The agreement guaranteed the ship owner a residual market value of $2,500,000 at the end of the time-charter. Upon expiration of the time charter, the Company paid the guaranteed residual and entered into an additional five-year time charter. The Company has accounted for the transaction as a capital lease, as ownership of the vessel is transferred at expiration of the time-charter. The Company entered into two additional seven-year time-charters in May 1995 for other vessels. Charges incurred for these charters were $824,000 and $2,320,000 for the quarters ended November 30, 1998 and 1997, respectively.

The Company purchased scrap metals from its joint venture operations totaling $2,333,000 and $4,211,000 for the quarters ended November 30, 1998 and 1997, respectively.

The Company leases certain land and buildings from a real estate company which is a related entity. The rent expense was $406,000 and $272,000 for the quarters ended November 30, 1998 and 1997, respectively.

Transactions Affecting Selling and Administrative Expenses

The Company performs some administrative services and provides operation and maintenance of management information systems for certain related parties. These services are charged to the related parties based upon costs plus a 15% margin for overhead and profit. The administrative charges totaled $223,000 and $207,000 for the quarters ended November 30, 1998 and 1997, respectively.

Transactions Affecting Other Income (Expense)

The vessels discussed above are periodically sub-chartered to third parties. In this case, a related shipping agency company acts as the Company's agent in the collection of income and payment of expenses related to sub-charter activities. Charges incurred for these sub-charters were $945,000 and $348,000 for the three months ended November 30, 1998 and 1997, respectively. These charges were offset by income of $797,000 and $192,000 for the three months ended November 30, 1998 and 1997, respectively.

Note 4 - Environmental Liabilities:

In conjunction with the due diligence proceedings for the Company's acquisition of Manufacturing Management, Inc. (MMI) in March 1995, an independent third-party consultant was hired to estimate the costs to cure both current and future potential environmental liabilities. The cumulative provision for the total costs specified in the consultant's report was included in MMI's statement of operations prior to its acquisition by the Company. This reserve was carried over to the Company's balance sheet and at November 30, 1998 aggregated $20.1 million.

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

In 1996, prior to the Company's acquisition of Proler, an independent third-party consultant was engaged to estimate the costs to cure present and future environmental liabilities related to Proler's wholly owned and joint venture properties. Proler recorded a liability of $8.6 million for the probable costs to remediate its wholly owned properties based upon the consultant's estimates, increasing its environmental reserve to $9.8 million. The Company carried over the aggregate reserve to its financial statements upon acquiring Proler and $8.0 million remained outstanding on

November 30, 1998. Also, Proler's joint ventures recorded additional liabilities of $4.1 million for the probable costs to remediate their properties, based upon the consultant's estimates, in 1996 prior to the Company's acquisition of Proler.

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

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

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

General

The Company operates in two business segments. Scrap Operations collects, processes and recycles steel scrap through facilities in Alaska, Oregon, California and Washington. Additionally, as a result of its acquisition of Proler International Corp. (Proler) in November 1996, the Company participates in the management of 29 scrap collection and processing facilities, including export terminals in Los Angeles, California; Everett, Massachusetts; Portland, Maine, Providence, Rhode Island and Jersey City, New Jersey, through joint ventures. Steel Operations operates a mini-mill in Oregon which produces finished steel products and maintains mill depots in California.

As a result of pressure the Company is experiencing from imported finished steel products on the West Coast, the Company will not operate one of its two rolling mills for at least 60 days during the second quarter. As a result, the Company's Steel Operations' revenues, margins and profitability in the second quarter will be negatively impacted.

Results of Operations

The Company's revenues and operating results by business segment are summarized below (in thousands, except number of shipments):

	For the Three Months Ended November 30,	
	1998	1997
	(unaudited)	
REVENUES:		
Scrap Operations:		
Ferrous sales	$ 28,155	$ 55,459
Nonferrous sales	5,909	6,306
Other sales	3,049	4,454
Total sales	37,113	66,219
Ferrous sales to Steel Operations	(12,107)	(14,098)
Steel Operations	42,159	53,282
Total	$ 67,165	$ 105,403
INCOME FROM OPERATIONS:		
Scrap Operations	$ (350)	7,420
Steel Operations	2,916	1,027
Joint ventures	(1,671)	3,794
Corporate expense & eliminations	(1,949)	(1,679)
Total	$ (1,054)	$ 10,562
NET INCOME	$ (1,591)	$ 6,289

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

	For the Three Months Ended November 30,	
	1998	1997
	(unaudited)	
SHIPMENTS:		
SCRAP OPERATIONS Ferrous scrap (long tons):		
To Steel Operations	140	115
To unaffiliated customers	192	298
Total	332	413
Export tons	144	250
Nonferrous scrap (pounds)	18,669	14,670
STEEL OPERATIONS		
Finished steel products (short tons)	127	149

Revenues. Consolidated revenues for the three months ended November 30, 1998 decreased $38.2 million (36%) from the same period last year. Both Scrap and Steel Operations revenues were down.

Revenues from Scrap Operations before intercompany eliminations decreased $29.1 million (44%) as a result of both decreased average selling prices and fewer shipments. Ferrous scrap revenues decreased $27.3 million (49%). Average selling prices for ferrous scrap dropped $49 per ton (37%). Shipments of ferrous scrap to unaffiliated customers decreased 106,000 tons (36%) to 192,000 tons, while shipments to Steel Operations increased 25,000 tons (22%) to 140,000 tons. Both lower sales prices and volumes are primarily a result of the impact of the Asian financial crisis on the worldwide scrap markets. While these factors predominantly account for Scrap Operations' operating loss of $.4 million for the quarter, construction projects at the Company's Tacoma, Washington facility were also a factor. The Tacoma operation is undergoing two major projects, reconstruction of its dock facilities and installation of a state-of-the-art shredder, that are expected to be completed in the third fiscal quarter. As a result of these projects, the Company is currently able to service only the domestic market from its Tacoma facility.

Steel Operations' revenues decreased $11.1 million (21%) to $42.2 million. The decrease is a result of lower finished steel shipments (down 22,000 tons or 15%) combined with only 100 tons of billet shipments compared with 16,400 tons of billet shipments in the same quarter last year. Average finished steel selling prices increased about $1 per ton. Lower finished steel sales volumes are primarily a result of competing finished steel being dumped on the West Coast from Asian and other countries.

Cost of Goods Sold. Consolidated cost of goods sold decreased $32.1 million (35%) during the first quarter of fiscal 1999 compared with the first quarter of fiscal 1998. However, cost of goods sold increased as a percentage of revenues from 88% to 91%. Gross profit decreased $6.1 million as a result of decreased margins at Scrap Operations partially offset by increased margins at Steel Operations.

Scrap Operations' cost of goods sold increased as a percentage of revenues to 93% from 84%. Scrap Operations' gross profit decreased $8.0 million to $2.7 million as a result of lower selling prices and reduced volumes.

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

Cost of goods sold for Steel Operations for the first quarter decreased $13.2 million to $38.4 million and decreased as a percentage of revenues from 97% to 91%. The decrease in cost of goods sold is a result of lower finished steel and billet shipments. Cost of goods sold per ton, excluding billets, decreased $20 per ton to $296 per ton. Gross profit increased from $1.7 million to $3.8 million as a result of lower scrap prices and operating efficiencies.

Income from Joint Ventures. The Company's joint ventures generated a loss of $1.7 million for the quarter ended November 30, 1998 compared with income of $3.8 million for the same period last year. For the quarter, the Joint Ventures in the Scrap Processing Business lost $2.2 million, while the Joint Venture Suppliers of Scrap earned $.5 million. These joint ventures contributed $2.8 million and $1.0 million in the same period last year, respectively. The loss by the Joint Ventures in the Scrap Processing Business is attributable to the Asian financial crisis combined with softening demand for scrap from domestic steel mills. Primarily due to expanded joint venture interests, for the quarter, shipments by the Joint Ventures in the Scrap Processing Business increased to 670,000 tons compared with 610,000 tons for the same quarter last year.

Interest expense. Interest expense increased from $1.3 million for the three months ended November 30, 1997 to $1.9 million for the same period this year primarily as a result of higher average borrowings associated with higher inventories and investment in and advances to joint ventures.

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

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

The Company has divided its Year 2000 issues into the following categories: (a) physical hardware and related operating systems at the Corporate Data Processing Facility, (b) business and financial reporting systems at all locations, (c) personal computers and peripheral equipment at all locations, (d) facility and support systems (including communication devices and safety systems) at all locations, (e) manufacturing systems at Cascade Steel Rolling Mills.

The Company has substantially completed the identification and assessment phase and expects that all Phase 1 activities will be complete by March 1, 1999.

The Company has completed the modification of equipment at the Corporate Data Processing Facility, the business and financial reporting systems at all locations, personal computers at all locations, and expects the remainder of Phase 2 activities to be complete no later than May 31, 1999, except for Steel Operations which is expected to be complete no later than November 30, 1999.

The Company expects to complete Phase 3 activities by no later than May 31, 1999, except for Steel Operations which is expected to be complete no later than November 30, 1999.

Management estimates that the costs for correction of the Year 2000 issues, including any software and hardware upgrades (but excluding replacements that would have occurred even without the Year 2000 issue), and the cost of

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

personnel allocated to this project should not exceed $1,000,000, of which $500,000 is expected to be capital expenditures. Approximately $225,000 has been spent to date. The year 2000 upgrades are being funded through normal operating funds and are expected to account for less than 5% of the Company's Information Technology (IT), maintenance and manufacturing capital budgets. There can be no assurance that the costs and timeframes above will not change as the Company continues its assessments.

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

The Company is also in the process of assessing the Year 2000 readiness of its "key" vendors using questionnaires and letters. In the event a critical vendor is found to be non-compliant, the Company will develop contingency plans to address the issue.

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

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

Liquidity and Capital Resources. Cash provided by operations for the first quarter of 1999 was $17.2 million, compared with $23.6 million for the first quarter of fiscal 1998. The decrease in cash flow is primarily attributable to decreased earnings, the timing of collection of accounts receivable, an increase in inventories, and a decrease in accounts payable and accrued liabilities during the quarter ended November 30, 1998.

Capital expenditures for the three months ended November 30, 1998 totaled $2.2 million compared with $2.6 million during the same period last year. The Company anticipates spending approximately $10 million on capital expenditures during the remainder of fiscal 1999.

As a result of acquisitions completed in prior years, the Company has $28.1 million of accrued environmental liabilities as of November 30, 1998. The Company expects to require significant future cash outlays as it incurs the actual costs relating to the remediation of such environmental liabilities.

As of November 30, 1998, the Company had committed unsecured revolving lines of credit totaling $200 million maturing in 2003. The Company had additional unsecured lines of credit of $75 million, $55 million of which was uncommitted. In the aggregate, the Company had borrowings outstanding under these lines totaling $117 million at November 30, 1998.

Pursuant to a stock repurchase program announced by the Company in May 1994 and amended in April 1998, the Company is authorized to repurchase shares of its stock when the market price of the Company's stock is not reflective of management's opinion of an appropriate valuation of the stock. Management believes that repurchasing shares under these conditions enhances shareholder value. As of November 30, 1998, a total of 460,800 shares had been purchased under this program. During the quarter ended November 30, 1998, the Company repurchased 12,500 shares of its stock for a total of $189,000.

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

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

requirements for the next twelve months. In the longer term, the Company may seek to finance business expansion, including potential acquisitions, with additional borrowing arrangements or additional equity financing.

Forward Looking Statements. Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Act of 1934, all of which are subject to risks and uncertainties. One can generally identify these forward-looking statements through the use of words such as "expect," "believe," and other words which convey a similar meaning. One can also identify these statements as they do not relate strictly to historical or current facts. They are likely to address the Company's business strategy, financial projections and results and other global factors affecting the Company's financial prospects. An example of this is the current financial crisis facing certain Asian and other countries. Other factors that could cause actual results to differ materially are the following: supply and demand conditions; the Company's ability to mitigate the effects of the Asian situation and foreign fiscal policies on its profitability; competitive factors and pricing pressures from national steel companies; imports of foreign steel; availability of scrap supply; costs associated with a 60-day shutdown of one of its rolling mills; fluctuations in scrap prices and seasonality of results. One should understand that it is not possible to predict or identify all factors that could cause actual results to differ from the Company's forward looking statements. Consequently, the reader should not consider any such list to be a complete statement of all potential risks or uncertainties. Further, the Company does not assume any obligation to update any forward-looking statement.

PART II

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

(a) Exhibits

None

(b) Reports on Form 8-K

None

SIGNATURE

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

SCHNITZER STEEL INDUSTRIES, INC.
(Registrant)

Date: January 14, 1999

By: /s/ BARRY A. ROSEN
Barry A. Rosen
Vice President, Finance

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

1,000

3-MOS	3-MOS
AUG-31-1998	AUG-31-1999
SEP-01-1997	SEP-01-1998
NOV-30-1997	NOV-30-1998
0	6,619
0	0
0	18,889
0	638
0	95,215
0	140,581
0	140,411
0	0
0	455,593
0	39,114
0	126,894
0	0
0	0
0	9,973
0	229,184
0	455,593
105,403	67,165
105,403	67,165
92,978	60,852
92,978	60,852
0	0
0	0
1,245	1,924
9,675	(2,411)
3,386	(820)
6,289	(1,591)
0	0
0	0
0	0
6,289	(1,591)
0.62	0.16
0.61	0.16

The restated balance sheet as of November 30, 1997 is not included in this report.