

Schnitzer Steel Industries

Fourth Quarter 2009
Earnings Conference Call



Forward-Looking Statements

- This presentation, particularly the Outlook section, contains forward-looking statements, within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, (the “Exchange Act”) which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, without limitation, statements regarding the Company’s outlook for the business and statements as to expected pricing, sales volume, operating margins, costs and operating results. Such statements can generally be identified because they contain “expect,” “believe,” “anticipate,” “estimate” and other words that convey a similar meaning. One can also identify these statements as statements that do not relate strictly to historical or current facts. Examples of factors affecting the Company that could cause actual results to differ materially from current expectations are the following: volatile supply and demand conditions affecting prices and volumes in the markets for both the Company’s products and the raw materials it purchases; world economic conditions; world political conditions; unsettled credit markets; the Company’s ability to match output with demand; changes in federal and state income tax laws; government regulations and environmental matters; impact of pending or new laws and regulations regarding imports and exports into the United States and other foreign countries; foreign currency fluctuations; competition; seasonality, including weather; energy supplies; freight rates and availability of transportation; loss of key personnel; expectations regarding the Company’s compliance program; the inability to obtain sufficient quantities of scrap metal to support current orders; purchase price estimates made during acquisitions; business integration issues relating to acquisitions of businesses; new accounting pronouncements; availability of capital resources; creditworthiness of and availability of credit to suppliers and customers; business disruptions resulting from installation or replacement of major capital assets; and the adverse impact of climate changes, as discussed in more detail in the Company’s most recent Annual Report on Form 10-K and Quarterly Report on Form 10-Q. One should understand that it is not possible to predict or identify all factors that could cause actual results to differ from the Company’s forward-looking statements. Consequently, the reader should not consider any such list to be a complete statement of all potential risks or uncertainties. The Company does not assume any obligation to update any forward-looking statement.



Overview

- Fiscal Year 2009 -

- Sequential improvement in all three businesses
- Achieved profitability in Q4
- Generated \$288M in cash flow from operations
- Invested over \$150 million in cap-ex and acquisitions
- Strengthened balance sheet & reduced leverage to 7.1%
- Acquired our seventh facility with deep water access
- Achieved record export volumes with leaner workforce
- Achieved major improvements in safety



Overview

- Fourth Quarter -

- \$10M net income
- \$16M operating income
 - All three businesses improved from Q3
 - All three businesses had positive operating income
- Volumes improved in all businesses
 - Sales, production, and intake volumes all up from Q3
 - Sales volumes trended up throughout the quarter
 - Record export shipments
- \$46M operating cash flow



Metals Recycling Business

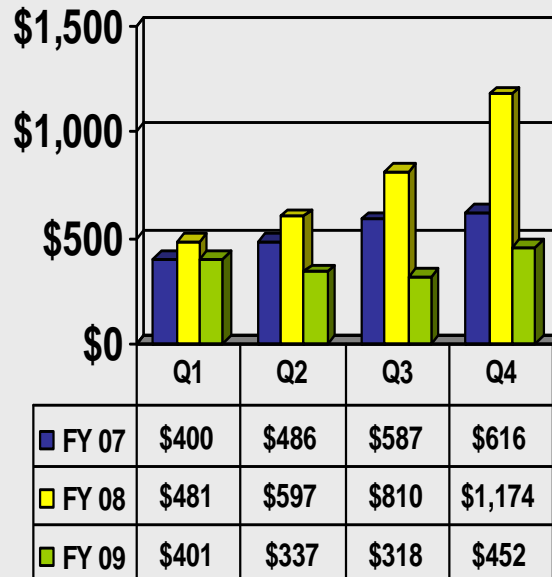
Q4 Overview

- \$21M operating profit
- Operating profit improved sequentially last three quarters
- Continued diversification of export destinations with Asia leading the market
- Volumes up
 - Ferrous sales volume increased 24% from Q3 to 1.3 million tons
 - Nonferrous sales volume increased 36% from Q3 to 123 million pounds
 - Production and intake volume up
- Prices up
 - Net ferrous sales prices increase 13% from Q3
 - Nonferrous sales prices increase 23% from Q3

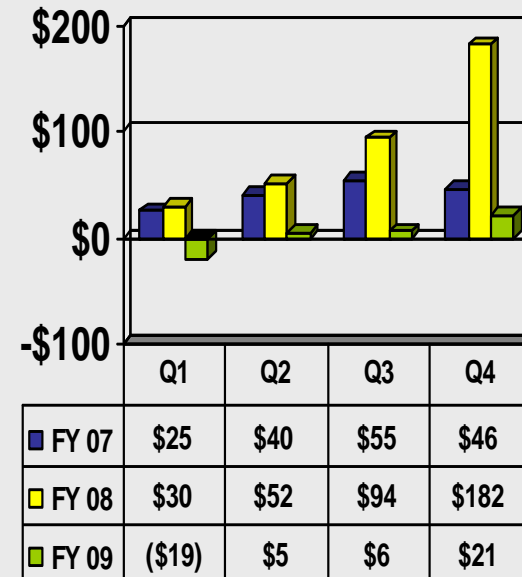


Metals Recycling Business

MRB Quarterly Revenues (M's)



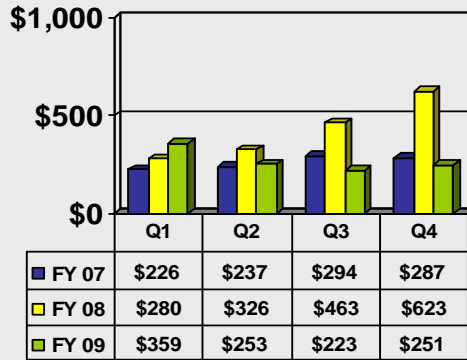
MRB Quarterly Operating Income/(Loss) (M's)



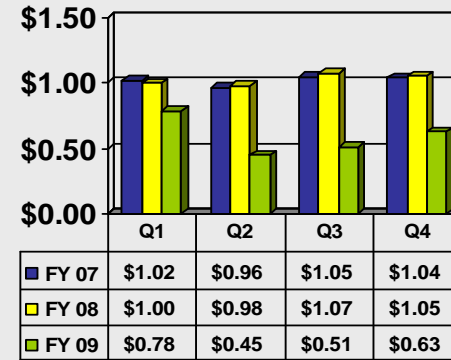


Metals Recycling Business

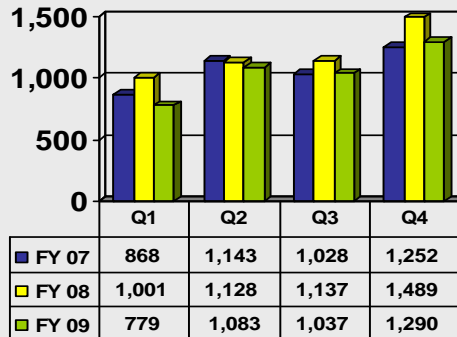
Quarterly Ferrous Sales Prices / Ton (Net)*



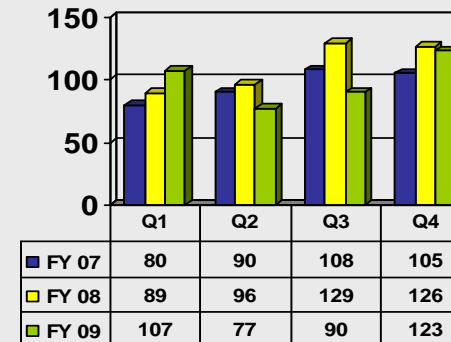
Quarterly Nonferrous Sales Prices / lb (Net)



Quarterly Ferrous Tons Sold (000's)*



Quarterly Nonferrous Pounds Sold (M's)

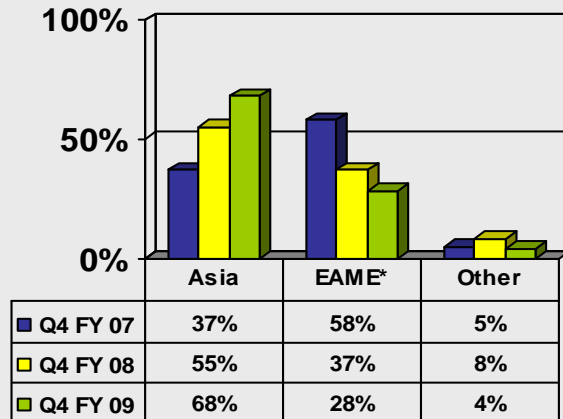


*Excludes ferrous tons from Global Exchange trading activity



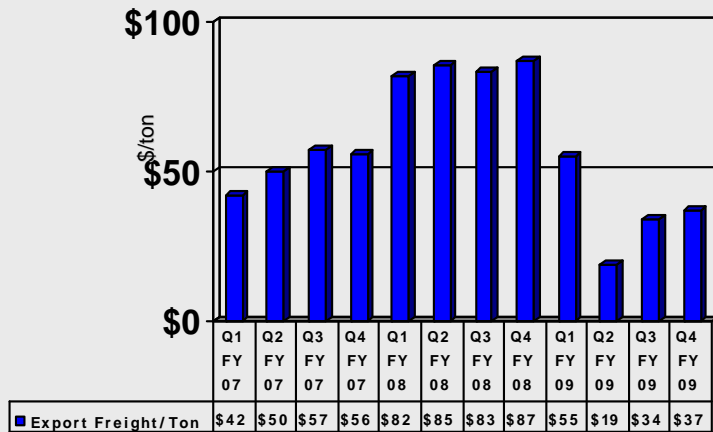
Metals Recycling Business

Serving the Export Markets

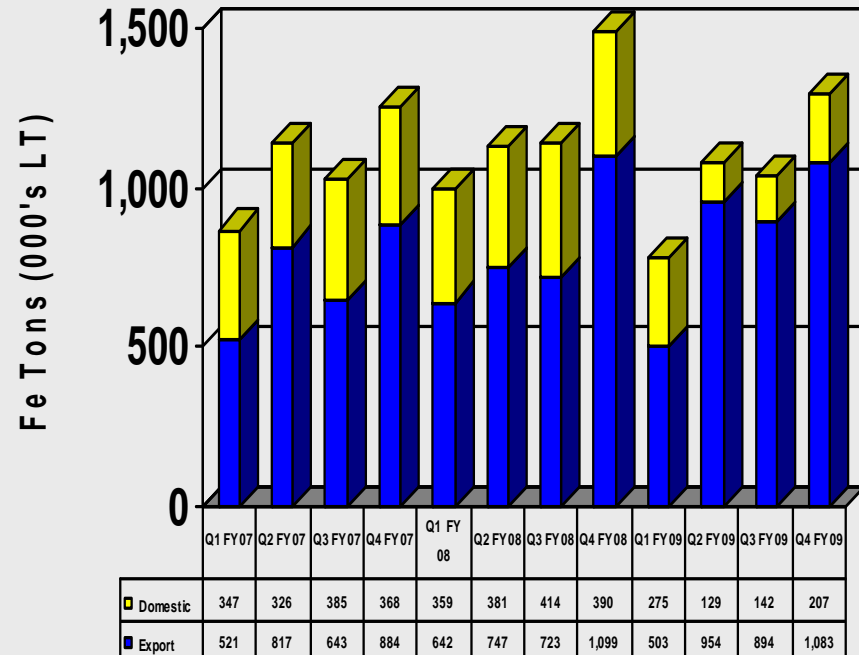


* EAME: Europe, Africa, & Middle East

Export Freight Cost



Sales Mix (export vs. domestic)**



** A) Excludes ferrous tons from trading activity

B) Sales to CSRMs included in domestic values



Metals Recycling Business

Q1 FY 10 Outlook

- Long-term business fundamentals remain positive
- Q1 market conditions mixed
 - Average ferrous and nonferrous prices slightly higher than Q4 prices
 - Prices expected to decline in last half of the quarter
 - Ferrous volumes expected to decrease approx. 30% - 35% from record Q4 levels
 - Nonferrous volumes expected to decrease approx. 15% - 20% from Q4 levels
- Export markets expected to remain stronger than domestic
- Average cost of inventory expected to pressure margins



Auto Parts Business

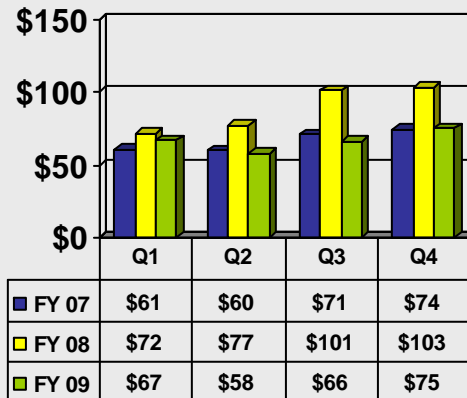
Q4 Overview

- \$8 million operating profit
- Third consecutive quarterly improvement
- Higher vehicle purchase volumes
- Improved core and scrap prices

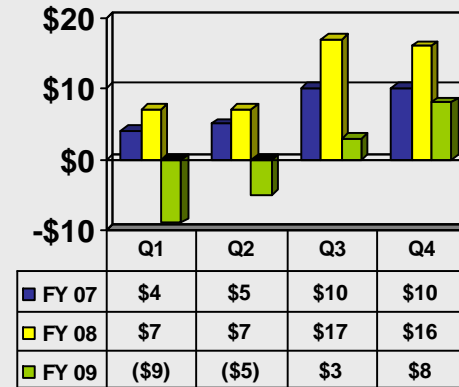


Auto Parts Business

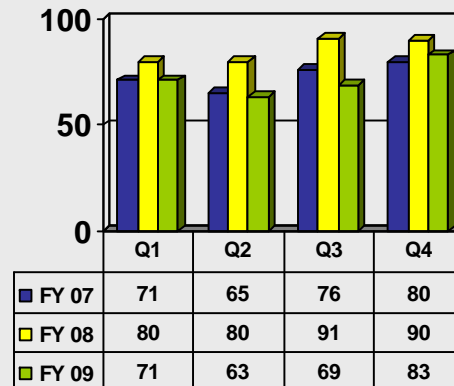
APB Quarterly Revenues (M's)



APB Quarterly Operating Income (M's)



Quarterly Cars Purchased (000's)



Combined self and full serve # of cars purchased



Auto Parts Business

Q1 FY 10 Outlook

- Self-Service expansion
 - Acquired six self-service used auto parts facilities
 - Four self-service facilities synergistic with MRB - Northwest
 - Two self-service facilities expand APB presence in Dallas-Fort Worth Metroplex
 - Anticipate improved margins in APB
 - Sold Greenleaf full-service used auto parts operation



Auto Parts Business

Q1 FY 10 Outlook

- Q1 Revenue
 - Overall revenues expected to decline 30%-35% compared to Q4 as loss of Greenleaf revenue only partially offset by contribution of four new stores and vehicle flows from 'Cash for Clunkers' program
- Q1 Operating margins
 - Self-service distribution channel has historically had higher operating margins than full-service distribution channel
 - Overall margins expected to improve due to disposition of Greenleaf



Steel Manufacturing Business

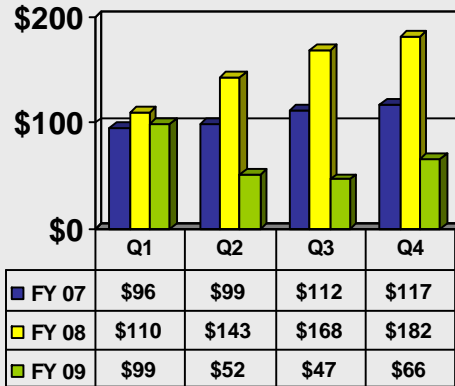
Q4 Overview

- Operating income positive
- Higher volumes
 - Sales volumes up 35%
 - Production volumes up 30%
- Lower sales prices
 - Net average sales prices down
- Production at approx. 60% of capacity
- Overall market remains challenging

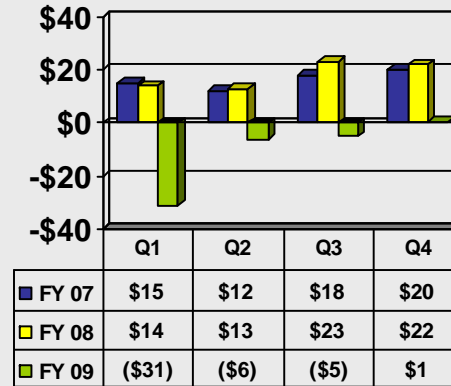


Steel Manufacturing Business

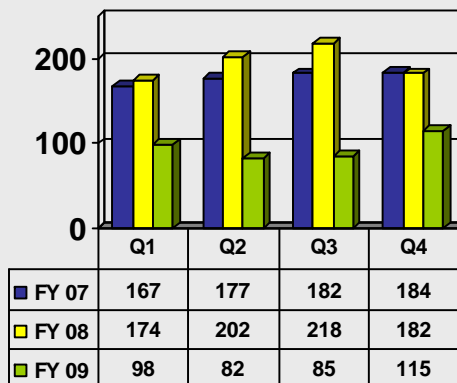
SMB Quarterly Revenues (M's)



SMB Quarterly Operating Income (M's)

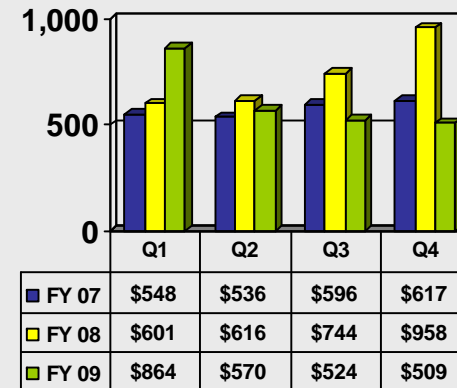


Quarterly Sales Volumes (Short Tons, 000's)



Excluding Billet Sales

Quarterly Net Sales Prices (\$/ton)



Excluding Billet Sales



Steel Manufacturing Business

Q1 FY 10 Outlook

- Overall demand expected to remain weak
- Sales prices to approximate Q4 levels
- Sales volumes retreating from Q4 levels
- Average inventory costs pressuring margins
- Lower production and higher scrap costs are expected to result in negative margins



Financial Highlights

- Fiscal 09 quarterly performance
- Working capital improvements
- Strong cash flow
- Unlevered capital structure
- Post balance sheet event



Fiscal 09 Quarterly Performance

Operating Income (Loss)	Q1	Q2	Q3	Q4	FY 2009
(\$M, except EPS)					
MRB	(19)	5	6	21	13
SMB	(31)	(6)	(5)	1	(42)
APB	(9)	(5)	3	8	(3)
Income/(Loss) per share	\$ (1.21)	\$ (0.25)	\$ (0.05)	\$ 0.36	\$ (1.14)

- Financial performance improved each quarter
- Positive fourth quarter operating profits in all businesses



Working Capital Improvements

(\$M's)	August 31, 2008	February 28, 2009	May 31, 2009	August 31, 2009
Current assets:				
Cash and cash equivalents	15	9	49	41
Accounts receivable, net	315	127	86	118
Inventories	429	238	211	184
Other current assets	21	57	68	68
Total current assets	780	431	414	411
Total current liabilities	(345)	(163)	(136)	(140)
Working Capital	435	268	278	271

- Working capital down \$164m year over year



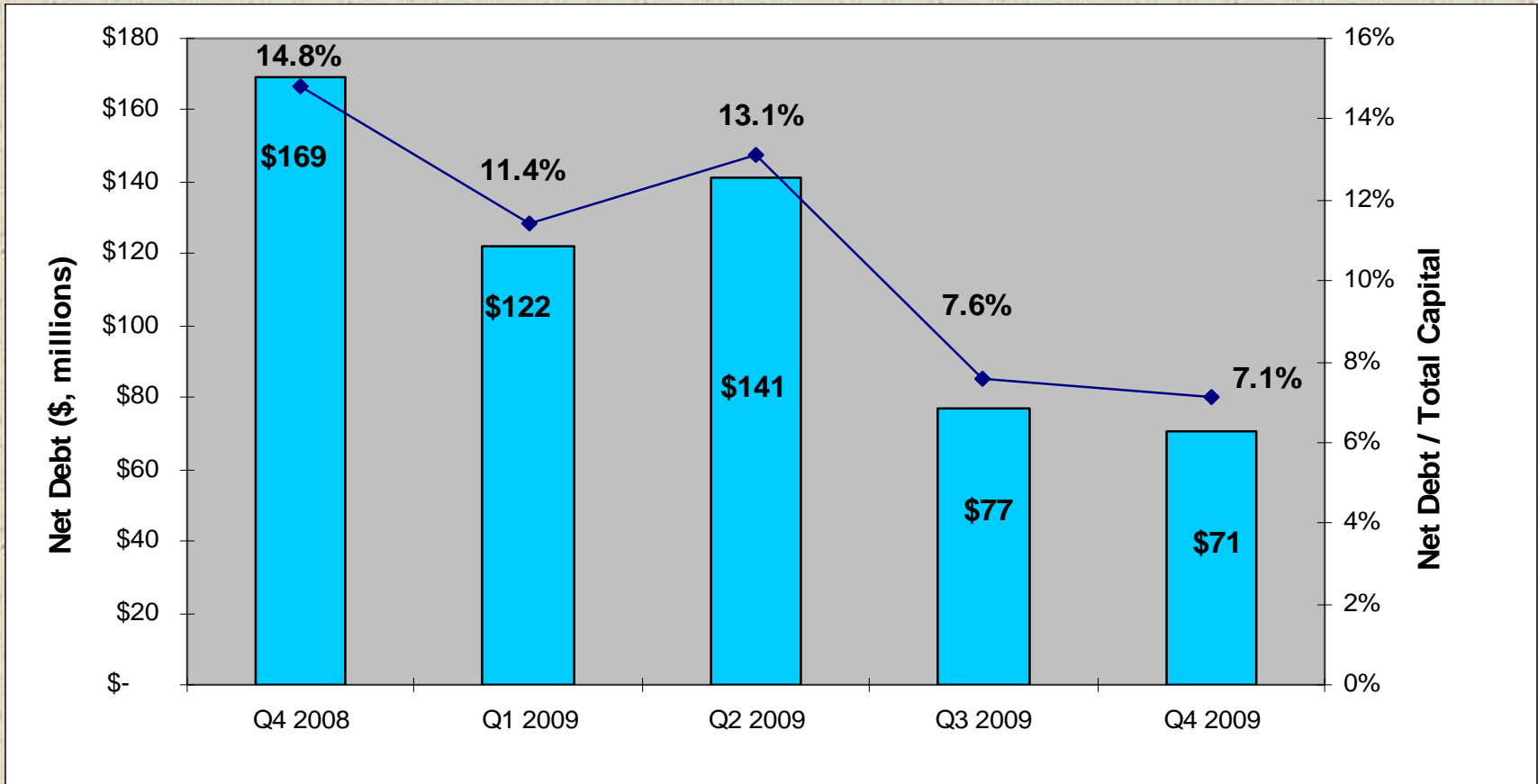
Strong Cash Flow

(\$M'S)	Q4 09	FY 09
Net Income (Loss)	\$ 10	\$ (32)
Depreciation and amortization	15	61
Inventory write-downs	-	52
Other working capital/non cash items	<u>21</u>	<u>207</u>
Operating cash flow	46	288
Acquisitions, Capex, & Share repurchases	<u>(38)</u>	<u>(182)</u>
Free cash flow	<u>\$ 8</u>	<u>\$ 106</u>

- Operating cash flow of \$288M for the year
- Free cash flow of \$106M after \$182M in acquisitions, capital expenditures and share repurchases



Unlevered Capital Structure



- Balance sheet remains strong; leverage down to 7.1%
- Net debt of \$71M after \$182M in acquisitions, capital expenditures and share repurchases
- Company has access to additional capital through committed \$450M line of credit

Net Debt/Total Capital = (LT & ST debt less cash)/(LT & ST debt less cash + shareholder equity)



Post Balance Sheet Event

- LKQ transaction completed on October 2
 - Acquiring 6 self-service stores
 - Disposal of Greenleaf full-service operations
- Recent Greenleaf performance
 - Revenues of \$116M
 - Operating loss of \$(6)M in FY09
- Discontinued operations -- Q1 loss on sale
 - Not less than \$15M; primarily write-off of goodwill
 - Subject to completion of purchase accounting



Summary

- Improved sequentially during FY09 in all three business segments
- Accessed global markets efficiently with bi-coastal, flexible platform that continues to provide competitive advantages
- Continued to invest in cap-ex and acquisitions
- Acquired our seventh facility with deep water access
- Strong balance sheet with low leverage

Questions & Answers





Schnitzer Steel Industries

Non-GAAP Financial Measures

- Debt, net of cash
- Debt, net of cash is the difference between (i) the sum of long-term debt and short-term debt (i.e., total debt) and (ii) cash and cash equivalents. Management believes that debt, net of cash is a useful measure for investors. In management's view, because cash and cash equivalents can be used, among other things, to repay indebtedness, netting this against total debt is a useful measure of the Company's leverage.
- Management believes that this non-GAAP financial measure allows for a better understanding of the Company's operating and financial performance. This non-GAAP financial measure should be considered in addition to, but not as a substitute for, the most directly comparable U.S. GAAP measure. The following is a reconciliation of debt, net of cash (in thousands):

	Act 11/30/08	Act 2/28/09	Act 5/31/09	Act 8/31/09	Act 8/31/08
Net Debt					
Current Portion of LT Debt	25,537	19,155	1,370	1,317	25,490
LT Debt less Current Portion	106,107	130,636	124,624	110,414	158,933
Total Debt	131,644	149,791	125,994	111,731	184,423
Less: Cash	10,039	8,736	48,721	41,026	15,039
Net Debt	121,605	141,055	77,273	70,705	169,384
Capital Structure					
Net Debt	121,605	141,055	77,273	70,705	169,384
Shareholder's Equity	943,836	934,820	938,036	919,367	978,151
Capital	1,065,441	1,075,875	1,015,309	989,626	1,147,535
Net Debt/Capital	11.4%	13.1%	7.6%	7.1%	14.8%