



Schnitzer

Nasdaq: SCHN

Investor Presentation

May 2018

Safe Harbor

SAFE HARBOR

Statements and information included in this presentation by Schnitzer Steel Industries, Inc. (the "Company") that are not purely historical are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 and are made pursuant to the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements in this presentation include statements regarding future events or our expectations, intentions, beliefs and strategies regarding the future, which may include statements regarding trends, cyclicality and changes in the markets we sell into; the Company's outlook, growth initiatives or expected results or objectives, including pricing, margins, sales volumes and profitability; strategic direction or goals; targets; the impact of the recently enacted federal tax reform; and the impact of tariffs and other trade actions. Forward-looking statements by their nature address matters that are, to different degrees, uncertain, and often contain words such as “outlook,” “target,” “aim,” “believes,” “expects,” “anticipates,” “intends,” “assumes,” “estimates,” “evaluates,” “may,” “will,” “should,” “could,” “opinions,” “forecasts,” “projects,” “plans,” “future,” “forward,” “potential,” “probable,” and similar expressions. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking.

We may make other forward-looking statements from time to time, including in reports filed with the Securities and Exchange Commission, press releases, presentations and on public conference calls. All forward-looking statements we make are based on information available to us at the time the statements are made, and we assume no obligation to update any forward-looking statements, except as may be required by law. Our business is subject to the effects of changes in domestic and global economic conditions and a number of other risks and uncertainties that could cause actual results to differ materially from those included in, or implied by, such forward-looking statements. Some of these risks and uncertainties are discussed in “Item 1A. Risk Factors” in Part I of our most recent Annual Report on Form 10-K and Part II of subsequent Quarterly Reports on Form 10-Q. Examples of these risks include: potential environmental cleanup costs related to the Portland Harbor Superfund site or other locations; the cyclicality and impact of general economic conditions; uncertainty in global markets; volatile supply and demand conditions affecting prices and volumes in the markets for both our products and raw materials we purchase; imbalances in supply and demand conditions in the global steel industry; the impact of goodwill impairment charges; the impact of long-lived asset and cost and equity method investment impairment charges; inability to sustain the benefits from productivity and restructuring initiatives; difficulties associated with acquisitions and integration of acquired businesses; customer fulfillment of their contractual obligations; increases in the relative value of the U.S. dollar; the impact of foreign currency fluctuations; potential limitations on our ability to access capital resources and existing credit facilities; restrictions on our business and financial covenants under our bank credit agreement; the impact of consolidation in the steel industry; inability to realize expected benefits from investments in technology; freight rates and the availability of transportation; the impact of equipment upgrades, equipment failures and facility damage on production; product liability claims; the impact of legal proceedings and legal compliance; the adverse impact of climate change; the impact of not realizing deferred tax assets; the impact of tax increases and changes in tax rules; the impact of one or more cybersecurity incidents; environmental compliance costs and potential environmental liabilities; inability to obtain or renew business licenses and permits or renew facility leases; compliance with greenhouse gas emission laws and regulations; reliance on employees subject to collective bargaining agreements; and the impact of the underfunded status of multiemployer plans in which we participate.

NON-GAAP FINANCIAL MEASURES

This presentation contains certain non-GAAP financial measures as defined under SEC rules. Reconciliations of the non-GAAP financial measures contained in this presentation to the most directly comparable U.S. GAAP measure are provided in the Appendix. These non-GAAP financial measures should be considered in addition to, but not as a substitute for, the most directly comparable U.S. GAAP measures.

Company Overview

Schnitzer Steel Industries, Inc. (SSI) is a leading North American Auto and Metals Recycler and West Coast Steel Manufacturer

Auto and Metals Recycling (AMR)

- Sourcing Scrap
  - 53 auto parts stores purchase more than 430,000 salvage vehicles annually
  - 39 metals recycling facilities collect obsolete machinery and equipment, railroad cars and tracks, automobiles, home appliances, consumer goods, manufacturing, construction and demolition metal
- Processing Scrap Metal
  - 3.4 million long tons of ferrous* and 560 million pounds of nonferrous annually for use in steel and other manufacturing globally
  - Six deep water ports on East (2) and West (2) Coasts, Hawaii and Puerto Rico serve domestic and global steel manufacturers

Cascade Steel & Scrap (CSS)

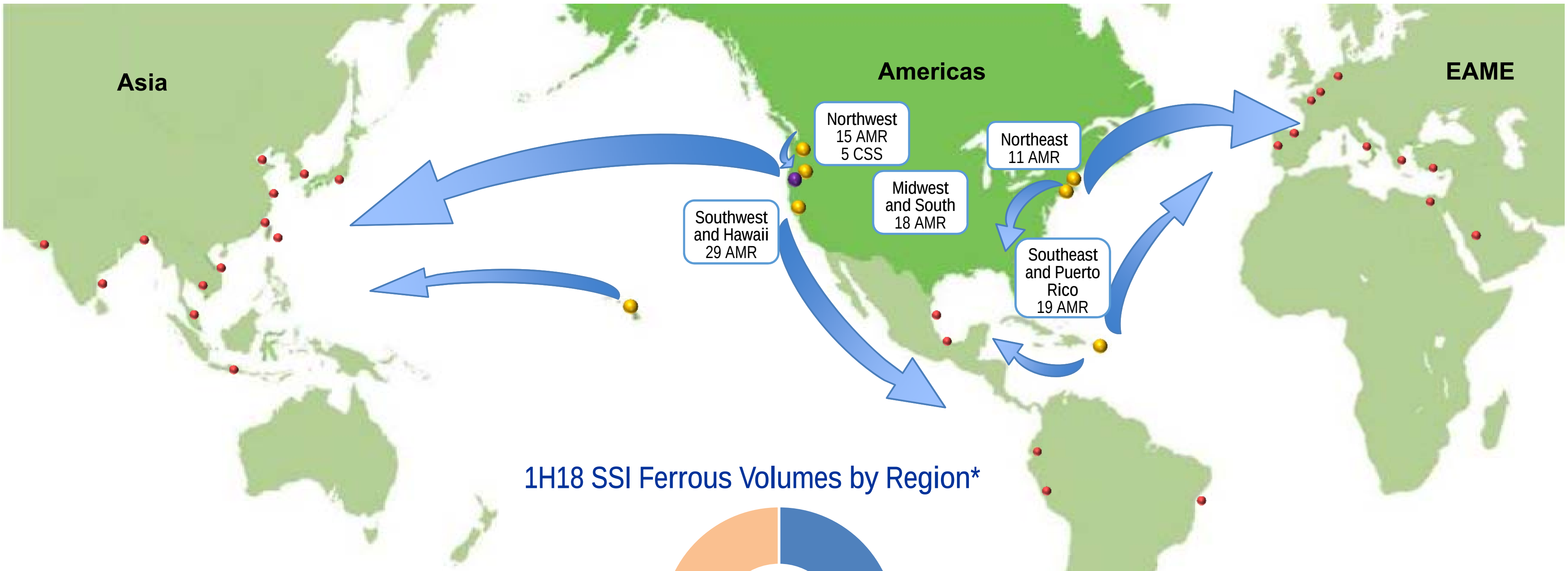
- Electric Arc Furnace (EAF) Producer of Finished Steel and Recycled Metals
  - Steel manufacturing facility in McMinnville, OR and metals recycling and deep water export operation in Portland, OR with 4 metals recycling yards
  - Long product producer of rebar and wire rod from recycled scrap for construction markets on the West Coast and Western Canada

Company data based on last four quarters as of 2Q fiscal 2018

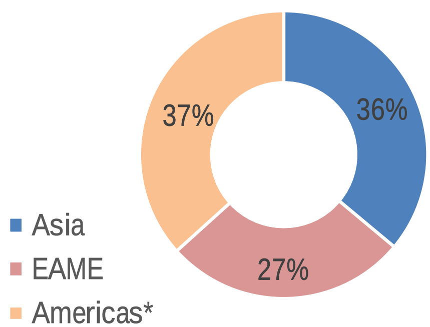
*Total SSI volumes are 3.9 million long tons of ferrous including volumes sold externally by AMR and CSS and delivered to our steel mill for finished steel production.

Geographic Platform Enables Worldwide Access

Sourcing scrap through 97 auto parts and metals recycling facilities in North America and providing processed recycled metals to customers around the world



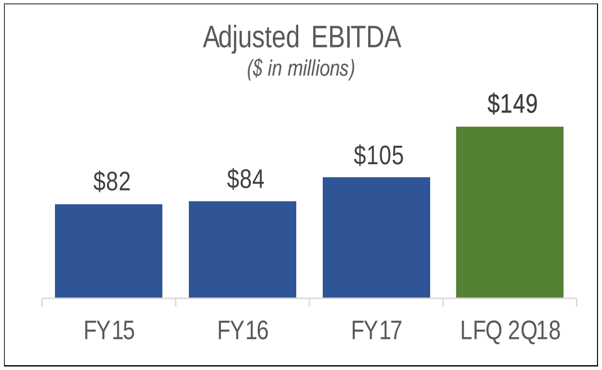
1H18 SSI Ferrous Volumes by Region*

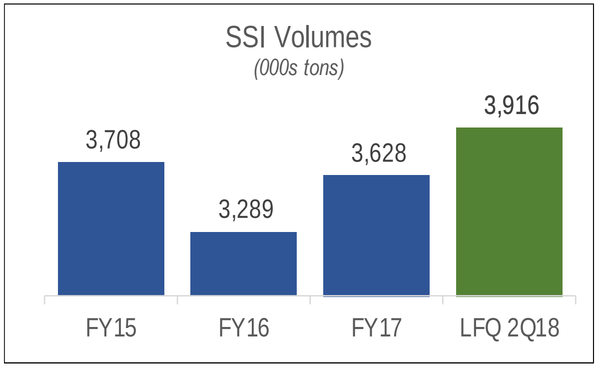


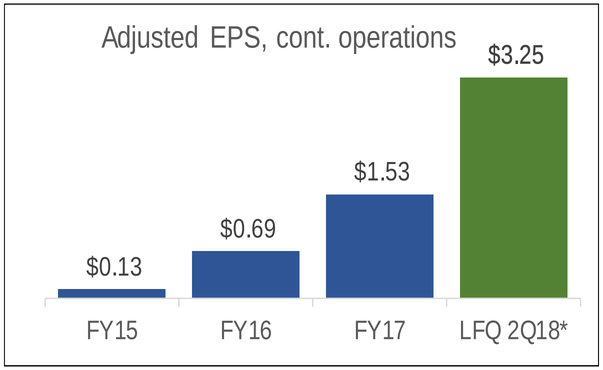
EAME: Europe, Africa, Middle East

*Includes external sales by AMR and CSS, and CSS's internal deliveries to its steel manufacturing facility

Balanced Business Model Supports Sustainable Growth

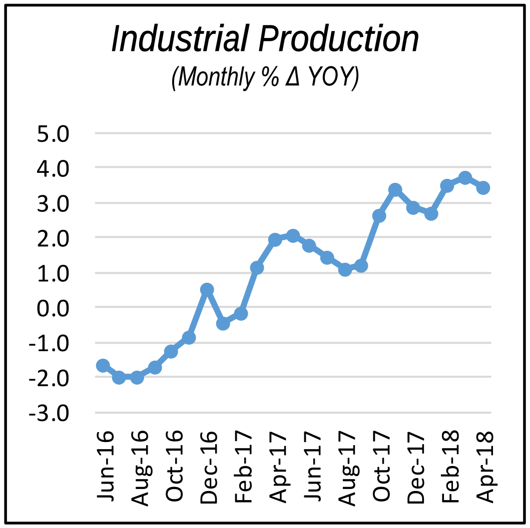


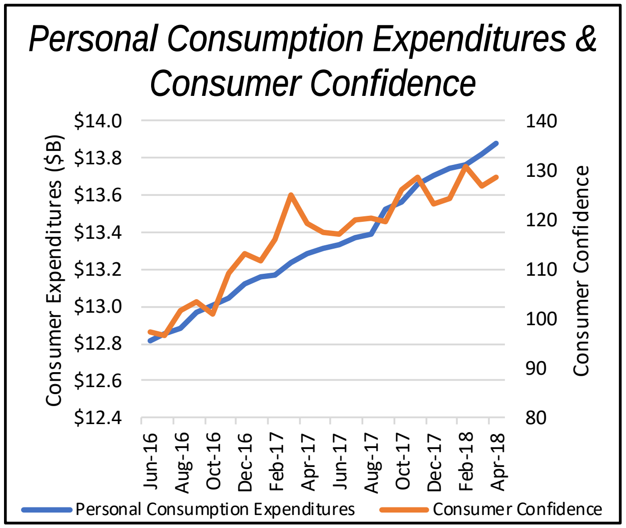


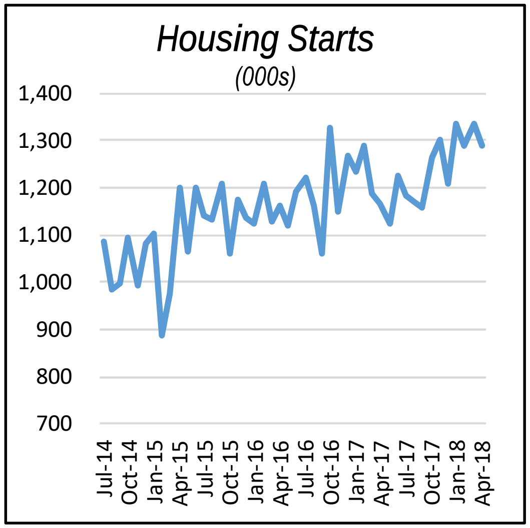


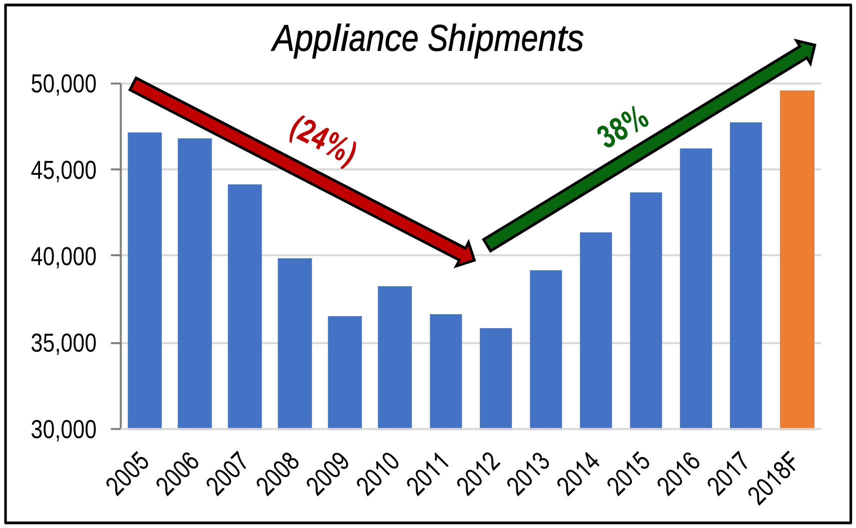
Note: For a reconciliation to U.S. GAAP of adjusted EBITDA and adjusted SSI EPS, see appendix.
*LFQ 2Q18 is based on the sum of each quarter's EPS (subject to rounding) and includes discrete income tax benefits of $0.52 from tax reform and from the release of valuation allowances on certain deferred tax assets.

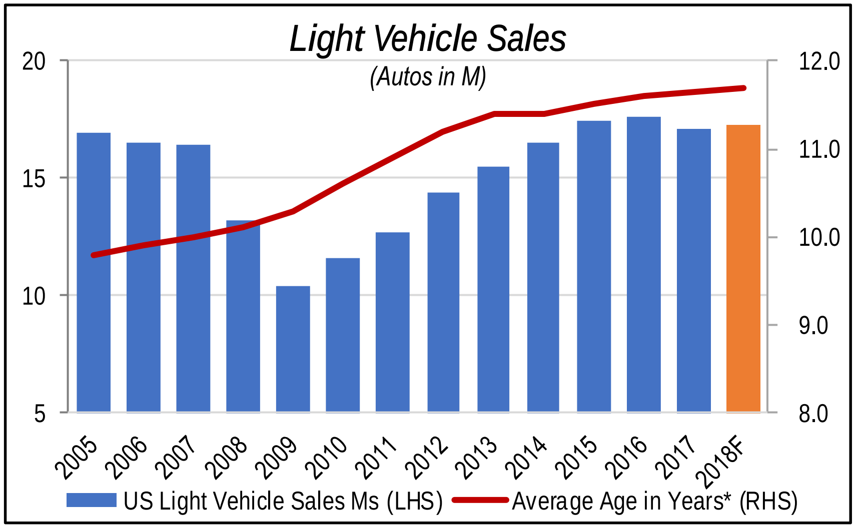
Leading U.S. Economic Trends





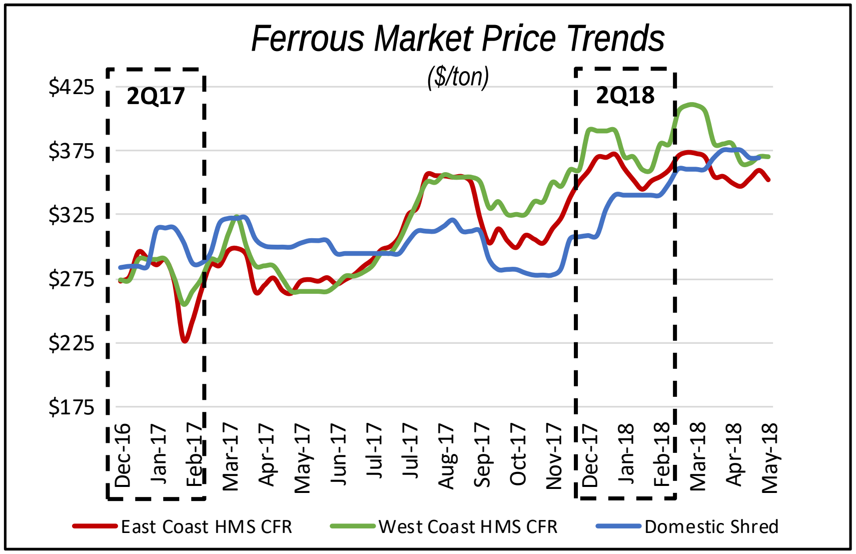


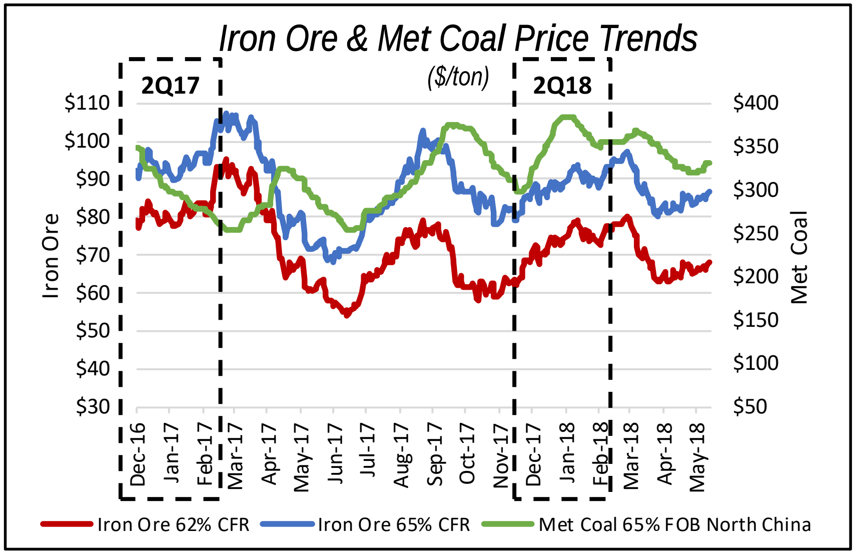


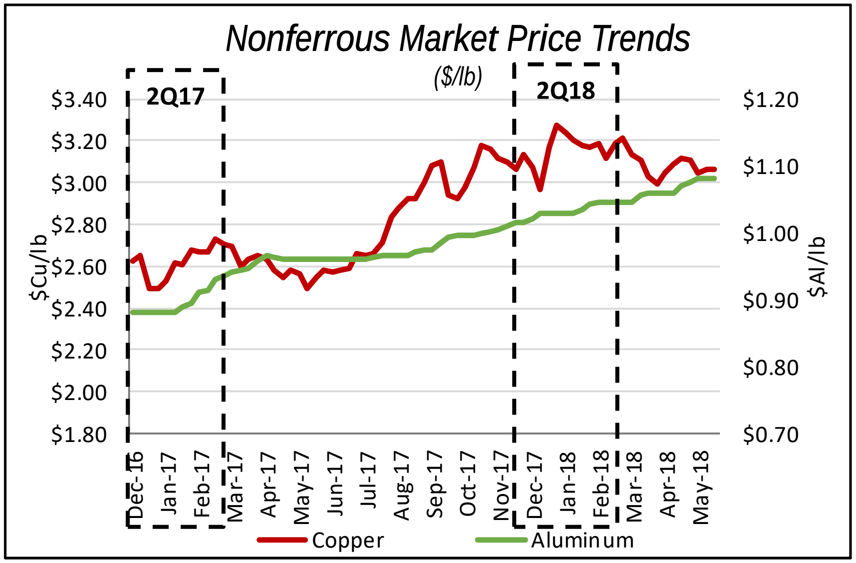


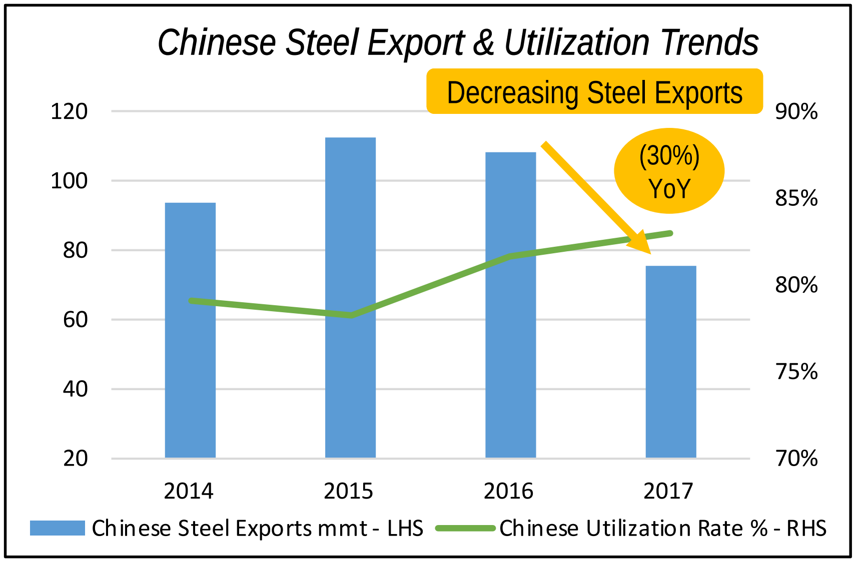
Source: Federal Reserve, Department of Commerce, Whirlpool Corporation estimates of US appliance shipments, Conference Board, KeyBanc Research estimates
*2017 Average Age in Years is a forecast amount

Metal Market Trends





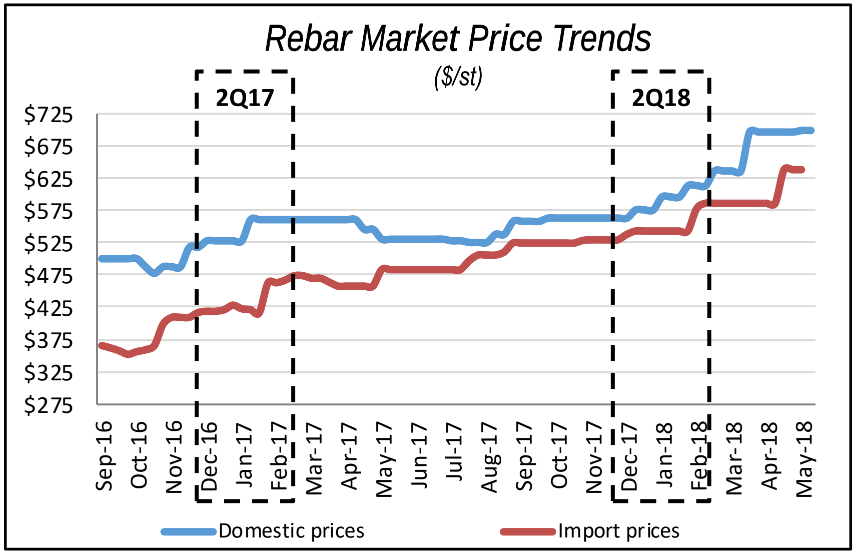


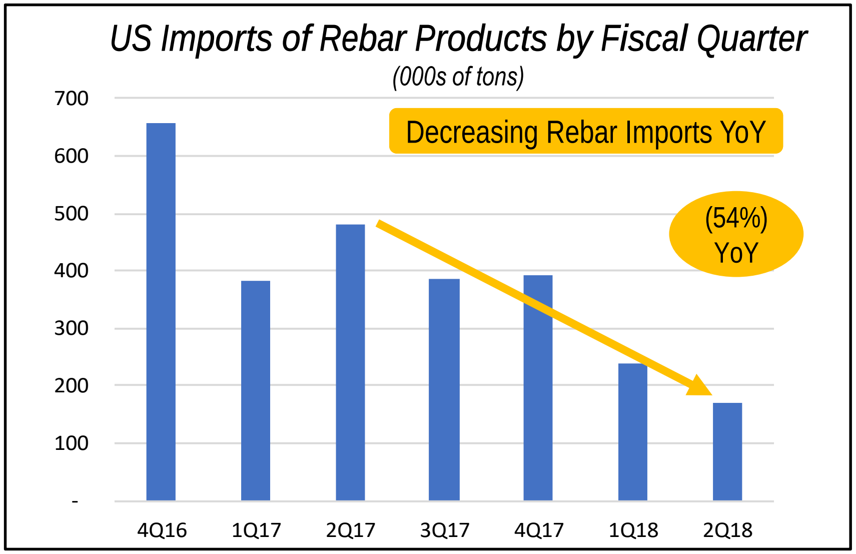


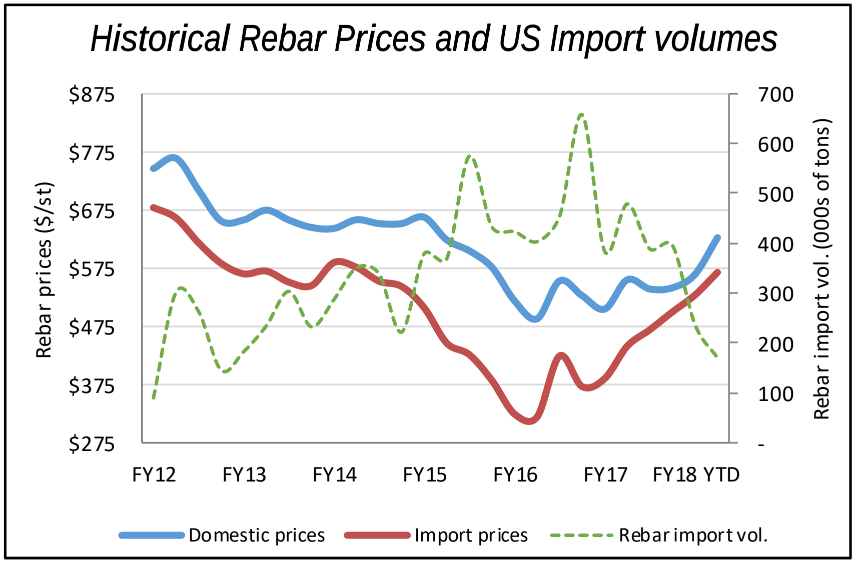
Sources: BofA Merrill Lynch Research, Platts, MetalBulletin, MetalPrices.com

CFR price includes loading and transportation costs to the destination port; FOB price only includes loading and transportation costs to the named location.

Steel Market Trends







Average 2Q18 domestic rebar market prices were up $53/short ton, or 10%, YoY on improved market conditions and higher raw materials prices

Significant decrease in rebar import levels and pricing spread

- Rebar import volumes lower by 7% sequentially and 54% year-over-year
- Domestic vs. import pricing spread narrowed YoY by $74/short ton, a 64% decrease

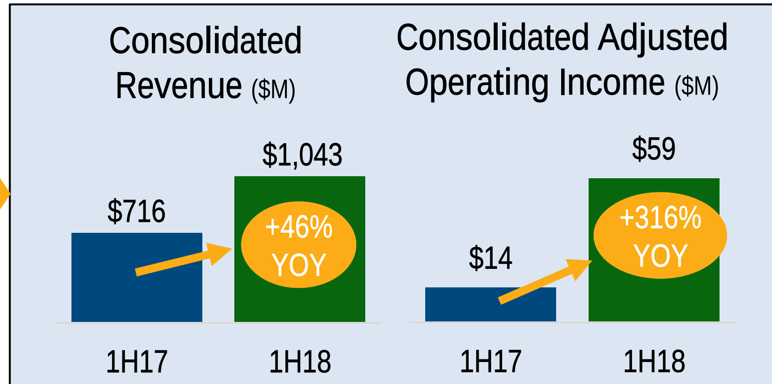
Correlation between import rebar volume and domestic/import pricing spreads

Sources: SBB, US Commerce Department, Platts

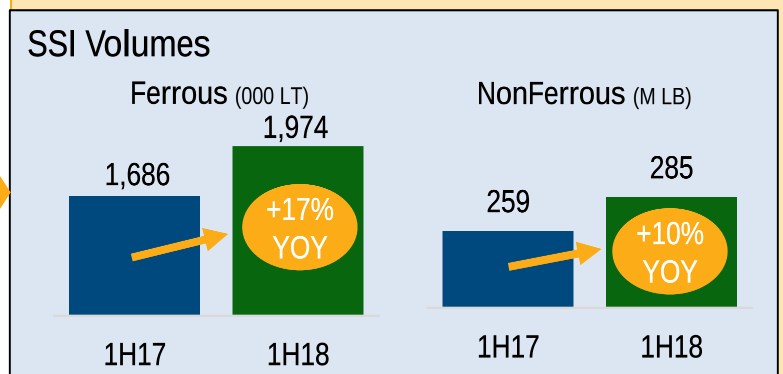
1H Fiscal 2018 Financial Highlights

Schnitzer

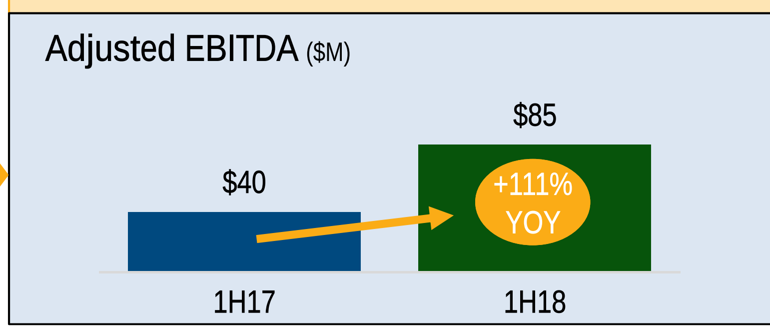
Higher revenues and operating income from expanded volumes and margins, sustained benefits from productivity initiatives and lower imports of finished steel

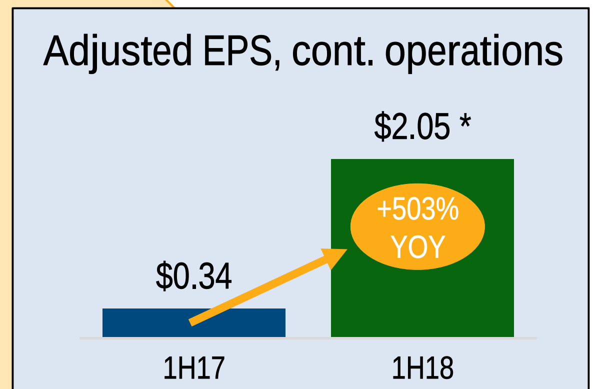


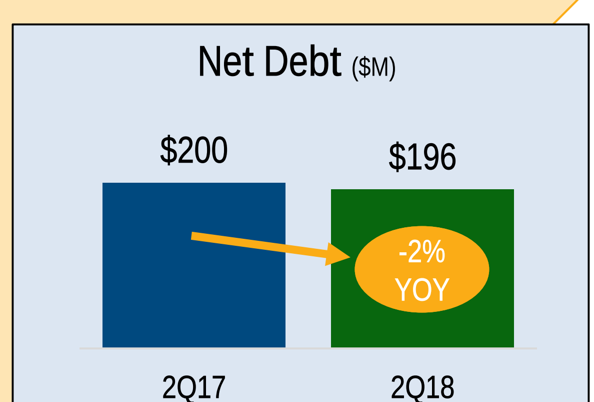
Achieved higher volumes through a combination of expanding supply channels, improved market conditions and further diversifying sales



Strong EBITDA from improved financial performance

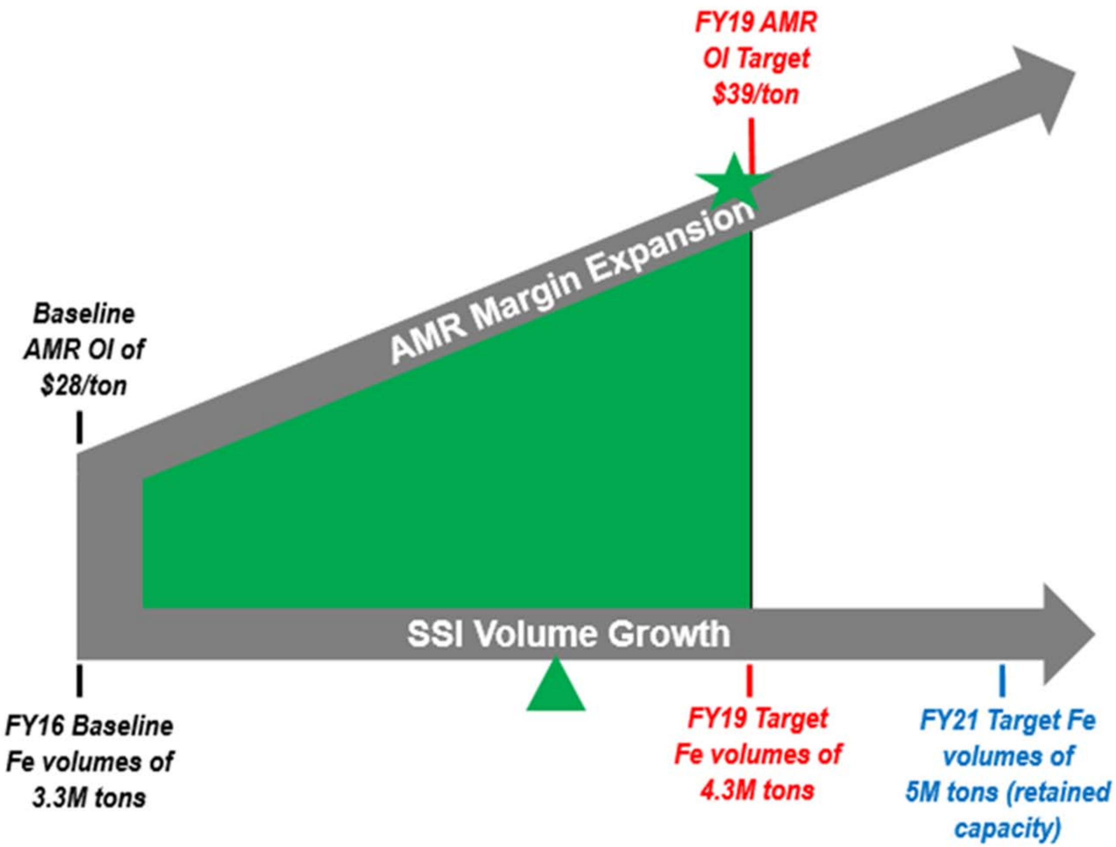






Note: For a reconciliation to U.S. GAAP of adjusted EBITDA, adjusted operating income, and adjusted EPS from continuing operations, see appendix.
*Includes discrete income tax benefits of $0.52 from tax reform and from the release of valuation allowances on certain deferred tax assets.

Strategic Initiatives and Positive Market Conditions Fueling Growth

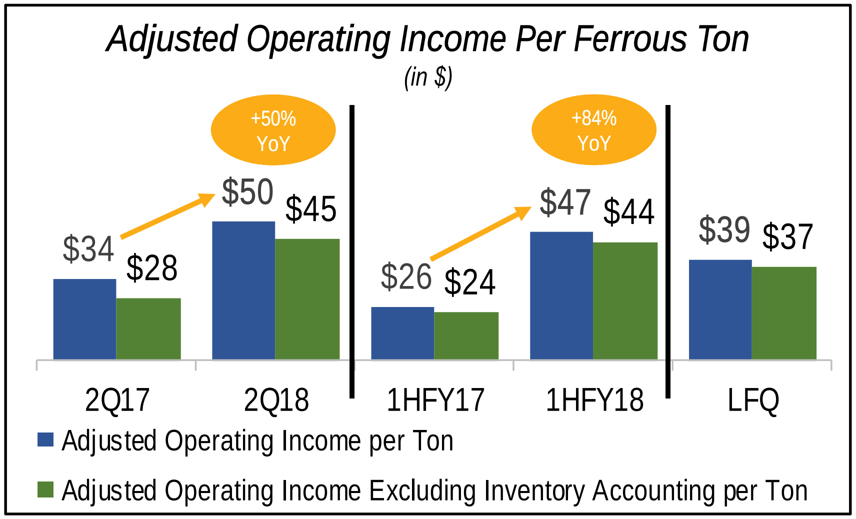


- ★ FY19 AMR Margin Target of $39/ton **achieved ahead of schedule in Q2/18 on LFQ[1] basis**
- ▲ SSI ferrous volumes of 3.9 million tons as of Q2/18[2] **tracking slightly ahead of schedule** on achievement of 4.3M FY19 target
- **FY21 Target:** **Targeting volume of 5M tons by FY21 using retained capacity**, enabling further expansion of margins through operating leverage, assuming continuation of supportive market conditions

(1) Last four quarters ended February 28, 2018

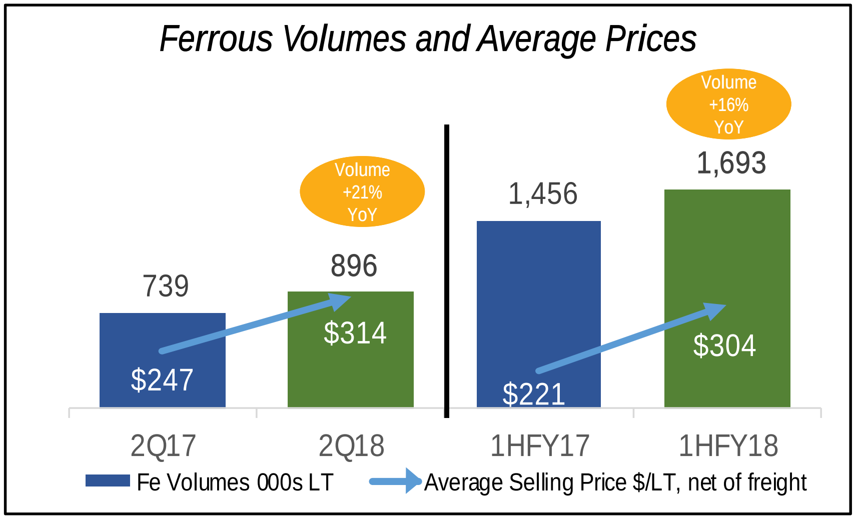
(2) SSI ferrous volumes of 3.9M long tons for last four quarters ended February 28, 2018 is ahead of the implied volume of 3.75M tons calculated assuming a linear interpolation of the targeted increase of 1M tons by the end of FY19 from the FY16 baseline of 3.3M tons.

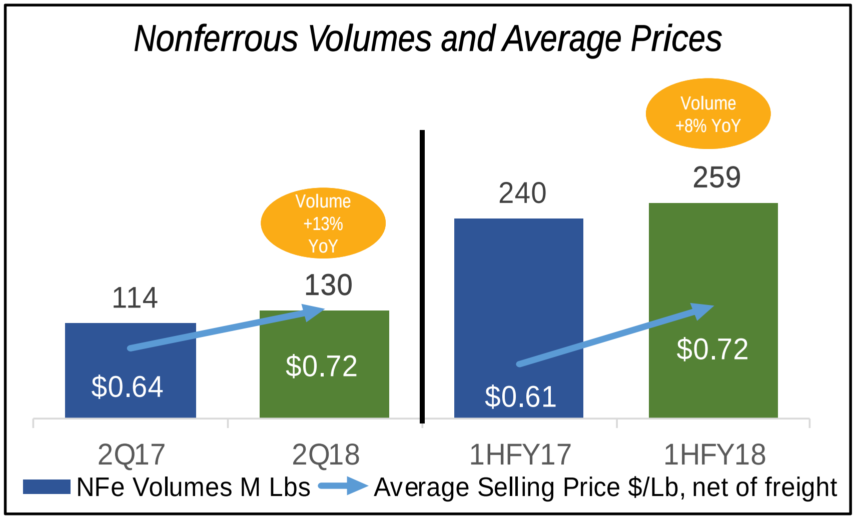
AMR Volume and Operating Trends



Best quarterly AMR operating performance since 2011

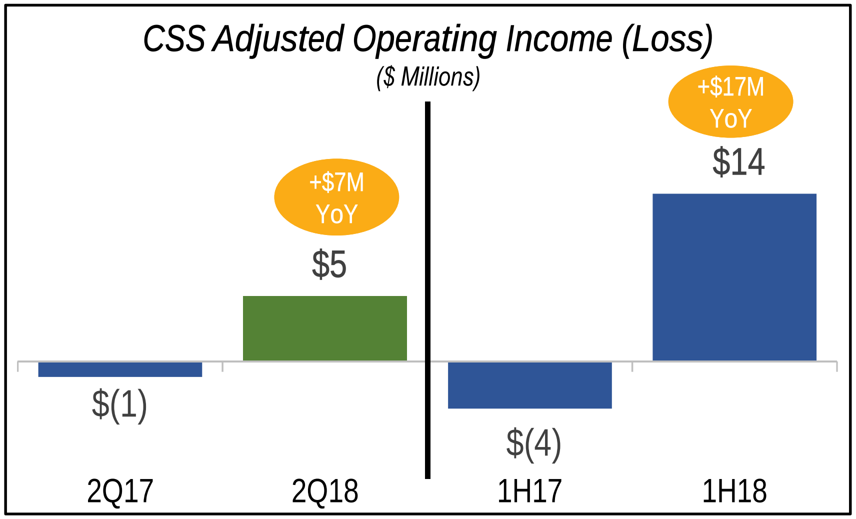
- 2Q18 adjusted operating income per ton of $50, up 50% YoY
  - LFQ adjusted operating income per ton of $39
- Ferrous sales volumes and average net selling prices were up YoY 21% and 27% in 2Q18, respectively
- Nonferrous sales volumes and average net selling prices were up YoY 13% and 13% in 2Q18, respectively
- Operating benefits from expanded metal spreads, higher volumes, and sustained productivity improvements
- 2Q18 positive impact from average inventory accounting of $5 per ton, compared to $6 per ton in 2Q17





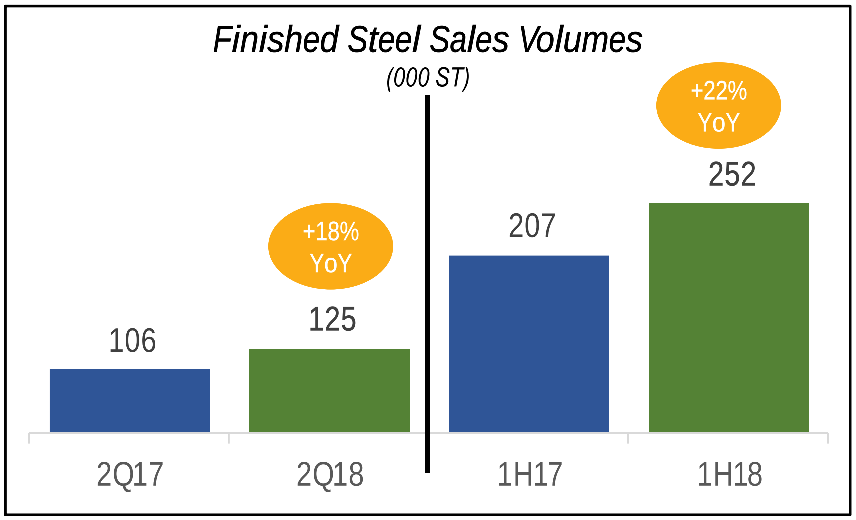
Note: For a reconciliation to U.S. GAAP of adjusted operating income, including quarterly estimated impact of average inventory accounting, see appendix.

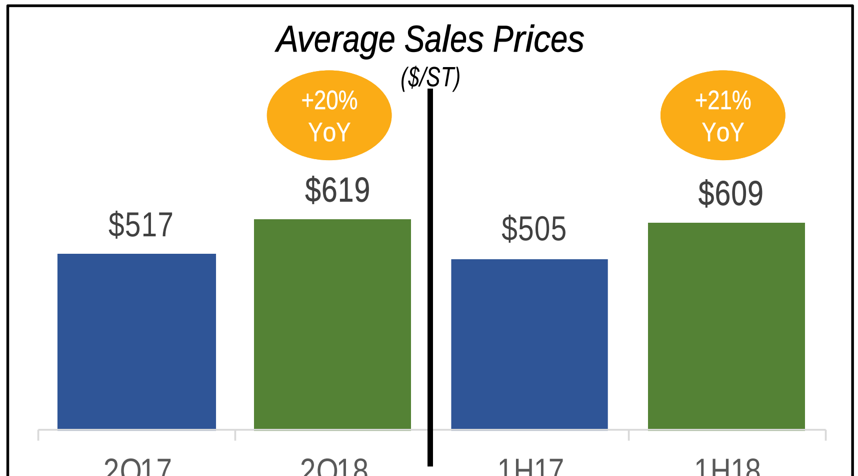
CSS Volume and Operating Trends



2Q18 and 1H18 performance improved significantly YoY

- 2Q18 adjusted operating income improved $7 million:
  - Finished steel sales volumes up 18% YoY in Q218 driven by lower West Coast rebar imports and steady market conditions
  - Selling prices up 20% YoY in 2Q18 reflecting higher raw material costs and lower imports
  - Expanded finished steel metal margins
  - Benefits from CSS integration synergies and productivity improvements
  - Contribution from ferrous export sales

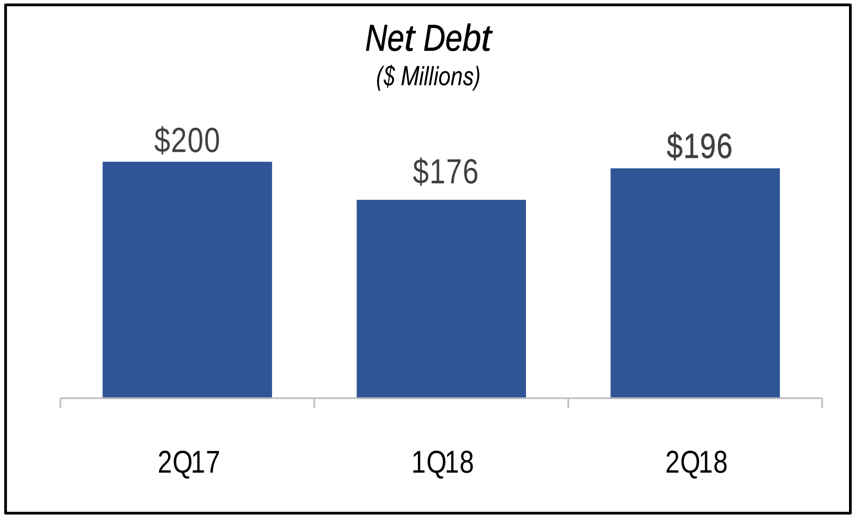


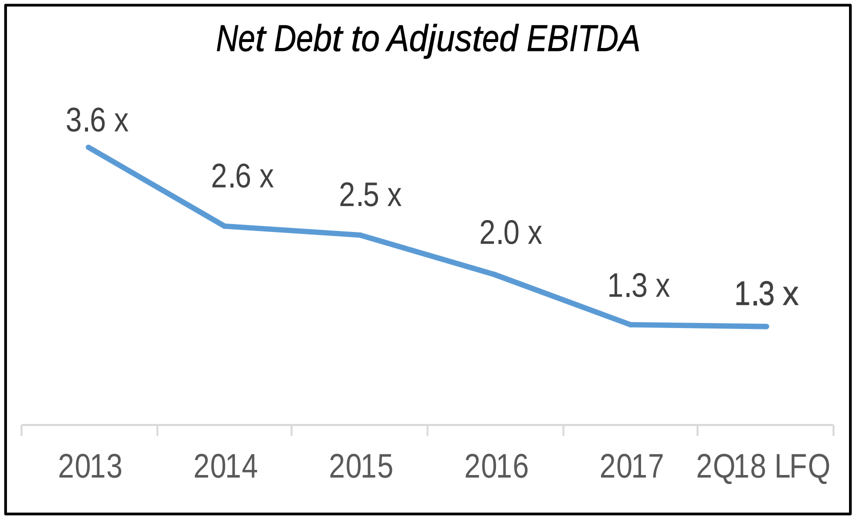


Average selling prices are net of freight

Note: For a reconciliation to U.S. GAAP of adjusted operating income (loss), see appendix. Amounts may not add due to rounding.

Capital Structure





Cash Flows & Debt

- Positive operating cash flow in 2Q18
- Lower net debt YoY, as stronger profitability offset higher working capital from higher price and volume environment

Strong Balance Sheet

- LFQ net debt to adj. EBITDA ratio of 1.3x
- Net debt to net capital ratio of 25%

Capital Allocation Priorities

- FY18 capital expenditures of $60M-$75M, investing in growth, and returning capital to shareholders while maintaining prudent leverage
- Share repurchases of $3.6M in 2Q18
- Consistently paid dividends

Note: Net debt is total debt, net of cash. For a reconciliation to U.S. GAAP of net debt, net debt leverage to adjusted EBITDA, and net debt to net capital ratio, see appendix.

Building on a Sustainable Foundation

Schnitzer

OUR IMPACT*

- 15% reduction in water use
- 11% decline in total energy use
- 8% reduction in carbon dioxide equivalent emissions/ferrous ton
- 6% reduction in landfilled waste per ferrous ton
- 86% of purchased electricity from renewable sources

OUR COMMITMENT

OUR PEOPLE

- Safety performance
- Diversity

OUR STAKEHOLDERS

- World's Most Ethical Companies
- Financial Performance

2015 2016 2017 2018 WORLD'S MOST ETHICAL COMPANIES WWW.ETHISPHERE.COM

OUR COMMUNITY

- *Recycling For a Better Tomorrow* Foundation
- Food Bank Campaign
- Ocean Cleanup
- Gun Recycling

OUR RECYCLED PRODUCTS**

- 3.6 million tons of ferrous scrap metal recycled
- 585 million pounds nonferrous scrap metal recycled
- 411 thousand cars recycled
- 496 thousand tons of finished steel produced from recycled scrap
- 4.7 million recycled parts sold from end-of-life vehicles

*Comparisons are YoY, FY15 to FY16
**Statistics based on FY16 Sustainability Report

Summary

Delivering Sustainable Growth

Strong Operating Performance	• SSI ferrous volume growth in Q2/18 of 25% YoY • Q2 AMR adjusted operating income of $50 per ton • Significant YoY improvement in CSS operating income • Sustained benefits from multi-year productivity initiatives
Delivering Organic Growth	• Margin target achieved ahead of schedule, reaching FY19 target supported by positive market conditions • Volumes tracking slightly ahead • Utilizing retained capacity to target an increase in ferrous volumes to 5 million tons by FY21, generating additional operating leverage
Strategic Priorities Underway	• Advanced processing technology • Enhanced analytics and automation • Transactional growth opportunities
Market Conditions	• Leading macro-economic and industry indicators trending positively, subject to impact of trade actions

Note: For a reconciliation to U.S. GAAP of adjusted operating income (loss), see appendix.

Historical Operating Statistics and Non-GAAP Measures

Second Quarter Fiscal 2018

Historical Segment Operating Statistics

The following provides recast values of segment data for AMR and CSS following the completed reorganization in 4Q17:

SCHNITZER STEEL INDUSTRIES, INC.

SELECTED OPERATING STATS

(Unaudited)

	1Q18	2Q18	1H 2018	1Q17	2Q17	3Q17	4Q17	Fiscal Year 2017	1Q16	2Q16	3Q16	4Q16	Fiscal Year 2016
Auto and Metals Recycling													
Ferrous selling prices ($/LT)[1]													
Domestic	$ 259	$ 278	$ 269	$ 169	$ 237	$ 263	$ 257	$ 236	$ 167	$ 155	$ 206	$ 214	$ 188
Export	$ 306	$ 327	$ 318	$ 203	$ 252	$ 255	$ 263	$ 244	$ 180	$ 175	$ 218	$ 207	$ 196
Average	$ 292	$ 314	$ 304	$ 194	$ 247	$ 258	$ 262	$ 242	$ 176	$ 169	$ 214	$ 209	$ 193
Ferrous sales volume (LT)													
Domestic	237,464	239,571	477,035	197,255	220,975	291,227	238,930	948,387	189,250	196,759	227,861	244,742	858,612
Export	559,154	656,738	1,215,892	519,510	518,200	534,164	625,168	2,197,042	515,109	454,924	509,502	560,642	2,040,177
Total	796,618	896,309	1,692,927	716,765	739,175	825,391	864,098	3,145,429	704,359	651,683	737,363	805,384	2,898,789
Nonferrous average price ($/LB)[1][2]	$ 0.73	$ 0.72	$ 0.72	$ 0.58	$ 0.64	$ 0.65	$ 0.64	$ 0.63	$ 0.61	$ 0.58	$ 0.59	$ 0.60	$ 0.60
Nonferrous sales volume (000s LB)[2]	129,137	129,549	258,686	125,817	114,275	150,356	150,343	540,791	103,135	116,452	114,726	139,425	473,737
Car purchase volume (000s)[3]	108	102	210	94	96	108	113	411	77	70	79	92	319
Auto stores at end of quarter	53	53	53	52	52	53	53	53	55	55	53	52	52
Cascade Steel and Scrap													
Finished steel average sales price ($/ST)[1]	$ 599	$ 619	$ 609	$ 492	$ 517	$ 545	$ 565	$ 534	$ 554	$ 504	$ 501	$ 528	$ 522
Sales volume (ST)													
Rebar	84,243	79,718	163,961	73,903	69,136	84,166	96,323	323,528	85,899	71,935	84,193	88,591	330,618
Coiled products	40,928	43,056	83,984	23,934	34,371	54,629	48,349	161,283	32,482	33,742	42,168	29,891	138,283
Merchant bar and other	2,049	1,937	3,986	3,038	2,482	2,426	2,759	10,705	4,757	3,974	6,490	4,080	19,301
Finished steel products sold	127,220	124,711	251,931	100,875	105,989	141,221	147,431	495,516	123,138	109,651	132,851	122,562	488,202
Rolling mill utilization[4]	95 %	83 %	89 %	65 %	89 %	85 %	95 %	83 %	68 %	61 %	53 %	71 %	63 %

(1) Price information is shown after a reduction for the cost of freight incurred to deliver the product to the customer.

(2) Excludes PGM metals in catalytic converters.

(3) Cars purchased by auto stores only.

(4) Rolling mill utilization for fiscal 2017 and 2018 is based on effective annual production capacity under current conditions of 580 thousand tons of finished steel products, reflecting a decrease in the effective finished steel production capacity resulting from the decommissioning of the older rolling mill during the first quarter of fiscal 2017.

Other Historical Segment Data

The following provides recast values of segment data for AMR and CSS following the completed reorganization in 4Q17:

Recast Segment Financials ($000s)	Quarter									
Auto and Metals Recycling	2Q18	1Q18	4Q17	3Q17	2Q17	1Q17	4Q16	3Q16	2Q16	1Q16
Reported operating income	$ 45,132	$ 35,172	$ 23,992	$ 29,520	$ 25,288	$ 12,606	$ 18,865	$ 26,219	$ (22,841)	$ 925
Adjusted operating income	45,132	34,755	24,435	28,305	24,871	12,467	18,310	26,080	2,415	925
Cascade Steel and Scrap	2Q18	1Q18	4Q17	3Q17	2Q17	1Q17	4Q16	3Q16	2Q16	1Q16
Reported operating income (loss)	$ 5,413	$ 8,476	$ 8,019	$ 1,163	$ (1,280)	$ (2,628)	$ 2,559	$ 408	$ (2,849)	$ 4,578
Adjusted operating income (loss)	5,413	8,388	7,085	1,163	(1,280)	(2,227)	4,783	408	(881)	4,578
Consolidated	2Q18	1Q18	4Q17	3Q17	2Q17	1Q17	4Q16	3Q16	2Q16	1Q16
Reported operating income	$ 33,358	$ 26,423	$ 22,108	$ 19,147	$ 14,171	$ 587	$ 18,376	$ 14,886	$ (37,076)	$ (4,028)
Adjusted operating income	33,449	26,018	21,707	18,025	13,260	1,050	19,069	15,289	(4,482)	(2,103)

Recast Segment and Total SSI Volumes	Quarter									
Auto and Metals Recycling	2Q18	1Q18	4Q17	3Q17	2Q17	1Q17	4Q16	3Q16	2Q16	1Q16
Ferrous volumes (LT)(1)	896,309	796,618	864,098	825,391	739,175	716,765	805,384	737,363	651,683	704,359
Nonferrous volumes (000 LB)(1)	129,549	129,137	150,343	150,356	114,275	125,817	139,425	114,726	116,452	103,135
Car Purchase Volumes (000s)	102	108	113	108	96	94	92	79	70	77
Cascade Steel and Scrap	2Q18	1Q18	4Q17	3Q17	2Q17	1Q17	4Q16	3Q16	2Q16	1Q16
Finished steel volumes (ST)	124,711	127,220	147,431	141,221	105,989	100,875	122,562	132,851	109,651	123,138
SSI Total Volumes(2)	2Q18	1Q18	4Q17	3Q17	2Q17	1Q17	4Q16	3Q16	2Q16	1Q16
Ferrous volumes (LT)	1,062,260	912,145	990,516	951,230	852,036	833,889	914,284	832,001	737,124	805,279
Nonferrous volumes (000s LB)	144,024	141,046	164,342	161,832	122,554	136,057	153,287	122,244	123,675	111,077

(1) Includes inter-segment sales to CSS.

(2) SSI total volumes include external sales for AMR and CSS, and CSS's internal deliveries of ferrous material.

Non-GAAP Financial Measures

This presentation contains performance based on adjusted net income (loss) and adjusted diluted earnings (loss) per share from continuing operations attributable to SSI; adjusted consolidated, AMR and CSS operating income (loss); adjusted EBITDA; net debt, net debt leverage ratio, and net debt to adjusted EBITDA leverage ratio; and adjusted operating income excluding average inventory accounting which are non-GAAP financial measures as defined under SEC rules. As required by SEC rules, the Company has provided reconciliations of these measures for each period discussed to the most directly comparable U.S. GAAP measure. Management believes that presenting adjusted non-GAAP financial measures provides a meaningful presentation of our results from business operations excluding adjustments for other asset impairment charges net of recoveries, restructuring charges and other exit-related activities, recoveries related to the resale or modification of certain previously contracted shipments, the non-cash write-off of debt issuance costs, and the income tax expense (benefit) associated with these adjustments, items which are not related to underlying business operational performance, and improves the period-to-period comparability of our results from business operations. Adjusted operating results in fiscal 2015 excluded the impact of the resale or modification of the terms, each at significantly lower prices due to sharp declines in selling prices, of certain previously-contracted bulk shipments for delivery during fiscal 2015. Recoveries resulting from settlements with the original contract parties, which began in the third quarter of fiscal 2016, are reported within selling, general and administrative expense in the quarterly statements of income and are also excluded from these measures. Further, management believes that debt, net of cash is a useful measure for investors because, as cash and cash equivalents can be used, among other things, to repay indebtedness, netting this against total debt is a useful measure of our leverage. Management believes that the ratio of total debt to total capital, both net of cash and cash equivalents, is also a useful measure of our leverage. These non-GAAP financial measures should be considered in addition to, but not as a substitute for, the most directly comparable U.S. GAAP measures.

Further, management believes that:

- Adjusted EBITDA is a useful measure of the Company's financial performance and liquidity;
- Net Debt to Adjusted EBITDA Ratio is a useful measure of the Company's liquidity; and
- Adjusted operating income excluding estimated impacts of average inventory accounting is a useful indicator of the Company's financial performance because it excludes the impact of the rapid changes in purchase prices compared to our cost of goods sold which adjusts more slowly due to use of average inventory accounting and provides a measure of operating performance excluding the differential.

These non-GAAP financial measures should be considered in addition to, but not as a substitute for, the most directly comparable U.S. GAAP measures.

Non-GAAP Financial Measures

The following is a reconciliation of each of these measures to the most directly comparable U.S. GAAP measure:

Consolidated Operating Income ($ in millions)	Quarter 2Q18	1Q18	4Q17	3Q17	2Q17	1Q17
Operating income	$ 33	$ 26	$ 22	$ 19	$ 14	$ 1
Other asset impairment charges, net of recoveries	—	—	—	(1)	—	—
Restructuring charges and other exit-related activities	—	—	—	—	—	—
Contract resale or modification, net of recoveries	—	—	—	—	—	—
Consolidated adjusted operating income(1)	$ 33	$ 26	$ 22	$ 18	$ 13	$ 1

AMR Operating Income ($ in millions)	Quarter 2Q18	1Q18	4Q17	3Q17	2Q17	1Q17
Operating income	$ 45	$ 35	$ 24	$ 30	$ 25	$ 13
Other asset impairment charges, net of recoveries	—	—	1	(1)	—	—
Contract resale or modification, net of recoveries	—	—	—	—	—	—
Adjusted AMR operating income(1)	$ 45	$ 35	$ 24	$ 28	$ 25	$ 12

CSS Operating Income (Loss) ($ in millions)	Quarter 2Q18	1Q18	4Q17	3Q17	2Q17	1Q17
Operating income (loss)	$ 5	$ 8	$ 8	$ 1	$ (1)	$ (3)
Other asset impairment charges	—	—	(1)	—	—	—
Adjusted CSS operating income (loss)(1)	$ 5	$ 8	$ 7	$ 1	$ (1)	$ (2)

(1) May not foot due to rounding.

Non-GAAP Financial Measures

The following is a reconciliation of each of these measures to the most directly comparable U.S. GAAP measure:

Net Income (Loss) from Continuing Operations Attributable to SSI ($ in millions)	Quarter 2Q18	1Q18	4Q17	3Q17	2Q17	1Q17	Fiscal 2016	Fiscal 2015
Net income (loss) from continuing operations attributable to SSI	$ 41	$ 18	$ 18	$ 17	$ 11	$ (1)	$ (18)	$ (190)
Goodwill impairment charges	—	—	—	—	—	—	9	$ 141
Other asset impairment charges, net of recoveries	—	—	—	(1)	—	—	21	45
Restructuring charges and other exit-related activities	—	—	—	—	—	—	7	13
Contract resale or modification, net of recoveries	—	—	—	—	—	—	(1)	7
Non-cash write-off of debt issuance costs	—	—	—	—	—	—	1	—
Income tax expense (benefit) allocated to adjustments(2)	—	—	—	—	—	—	1	(13)
Adjusted net income (loss) from continuing operations attributable to SSI(1)	$ 41	$ 18	$ 18	$ 16	$ 10	$ (1)	$ 19	$ 4

Diluted EPS from Continuing Operations Attributable to SSI ($ per share)	Quarter 2Q18	1Q18	4Q17	3Q17	2Q17	1Q17	Fiscal 2016	Fiscal 2015
Net income (loss) per share attributable to SSI	$ 1.42	$ 0.64	$ 0.64	$ 0.60	$ 0.40	$ (0.05)	$ (0.71)	$ (7.29)
Income (loss) per share from discontinued operations attributable to SSI	0.01	—	—	—	—	—	(0.05)	(0.27)
Net income (loss) per share from continuing operations attributable to SSI(1)	$ 1.42	$ 0.64	$ 0.65	$ 0.60	$ 0.40	$ (0.05)	$ (0.66)	$ (7.03)
Goodwill impairment charges, per share	—	—	—	—	—	—	0.32	5.22
Other asset impairment charges, net of recoveries	—	—	—	(0.04)	—	0.01	0.76	1.67
Restructuring charges and other exit-related activities	—	—	—	—	(0.02)	0.01	0.25	0.48
Contract resale or modification, net of recoveries	—	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.03)	0.26
Non-cash write-off of debt issuance costs, per share	—	—	—	—	—	—	0.03	—
Income tax expense (benefit) allocated to adjustments(2)	—	—	—	—	—	—	0.02	(0.47)
Adjusted diluted EPS from continuing operations attributable to SSI(1)	$ 1.42	$ 0.63	$ 0.63	$ 0.56	$ 0.37	$ (0.03)	$ 0.69	$ 0.13

(1) May not foot due to rounding.

(2) Income tax allocated to the aggregate adjustments reconciling reported and adjusted net income (loss) from continuing operations attributable to SSI and diluted earnings per share from continuing operations attributable to SSI is determined based on a tax provision calculated with and without the adjustments.

Non-GAAP Financial Measures

Adjusted EBITDA

- Adjusted EBITDA – Earnings before interest, taxes, depreciation, amortization, goodwill impairments and other asset impairments net of recoveries, restructuring charges and other exit-related activities, net income attributable to noncontrolling interests, discontinued operations, and contract resale or modification, net of recoveries.
- The following is a reconciliation of net income (loss) attributable to SSI and Adjusted EBITDA:

Adjusted EBITDA	Quarter						Fiscal	Fiscal
($ 000s)	2Q18	1Q18	4Q17	3Q17	2Q17	1Q17	2016	2015
Net Income (loss) attributable to SSI	$ 41,016	$ 18,364	$ 18,235	$ 16,565	$ 11,037	$ (1,326)	$ (19,409)	$ (197,009)
Plus net income attributable to noncontrolling interests	903	857	500	687	662	618	1,821	1,933
Plus interest expense	2,281	2,059	2,112	2,131	2,097	1,741	8,889	9,191
Plus tax expense (benefit)	(10,577)	5,957	586	161	637	(62)	735	(12,615)
Plus depreciation & amortization	12,160	12,522	12,381	12,318	12,598	12,543	54,630	67,114
Plus goodwill & other asset impairments, net	—	(88)	(74)	(1,044)	—	401	29,527	186,140
Plus restructuring charges and other exit-related activities	91	100	90	93	(494)	201	6,781	13,008
Plus loss (income) from discontinued operations, net of tax	(164)	35	114	127	95	53	1,348	7,227
Plus contract resale or modification, net of recoveries	—	(417)	(417)	(171)	(417)	(139)	(694)	6,928
Total Adjusted EBITDA	$ 45,710	$ 39,389	$ 33,527	$ 30,867	$ 26,215	$ 14,030	$ 83,628	$ 81,917

Non-GAAP Financial Measures

Schnitzer

Net Debt Leverage Ratio

- 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.
- The leverage ratio of net debt to net capital is the net debt as a percentage of net debt plus total equity.
- The following is a reconciliation of the net debt leverage ratio:

Net Debt Leverage Ratio	2Q18	1Q18	4Q17	3Q17	2Q17	1Q17
($000s)	2/28/2018	11/30/2017	8/31/2017	5/31/2017	2/28/2017	11/30/2016
Total Debt	$ 210,824	$ 184,882	$ 145,124	$ 184,443	$ 209,477	$ 187,645
Less Cash	(15,007)	(9,194)	(7,287)	(15,209)	(9,830)	(8,100)
Net Debt	$ 195,817	$ 175,688	$ 137,837	$ 169,234	$ 199,647	$ 179,545
Total Debt	$ 210,824	$ 184,882	$ 145,124	$ 184,443	$ 209,477	$ 187,645
Total Equity	587,096	551,617	537,493	517,558	502,684	494,067
Total Capital	$ 797,920	$ 736,499	$ 682,617	$ 702,001	$ 712,161	$ 681,712
Less Cash	(15,007)	(9,194)	(7,287)	(15,209)	(9,830)	(8,100)
Net Capital	$ 782,913	$ 727,305	$ 675,330	$ 686,792	$ 702,331	$ 673,612
Total Debt to Capital Ratio	26.4 %	25.1 %	21.3 %	26.3 %	29.4 %	27.5 %
Impact excluding cash from both Total Debt and Total Capital	(1.4)%	(0.9)%	(0.8)%	(1.6)%	(1.0)%	(0.9)%
Net Debt Leverage Ratio	25.0 %	24.2 %	20.4 %	24.6 %	28.4 %	26.7 %

Non-GAAP Financial Measures

Net Debt to Adjusted EBITDA Ratio

- The following is a reconciliation of cash flows from operating activities to adjusted EBITDA; debt to debt, net of cash; the debt to cash flows from operating activities ratio; and the net debt to adjusted EBITDA ratio:

Net Debt to Adjusted EBITDA Ratio	LFQ	Fiscal Year				
($ in 000)	2Q18	2017	2016	2015	2014	2013
Cash Flows from Operating Activities	$ 83,507	$ 100,370	$ 99,240	$ 144,628	$ 141,252	$ 39,289
Exit-related gains, asset impairments and accelerated depreciation, net	3	407	(1,790)	(6,502)	(566)	—
Write-off of debt issuance costs	—	—	(768)	—	—	—
Inventory write-down	(38)	—	(710)	(3,031)	—	—
Deferred income taxes	12,265	(2,278)	(507)	1,988	3,815	59,102
Undistributed equity in earnings of joint ventures	1,598	3,674	819	1,490	1,196	1,183
Share-based compensation expense	(13,372)	(10,847)	(10,437)	(10,481)	(14,506)	(11,475)
Excess tax benefit from share-based payment arrangements	—	—	—	343	194	343
Gain (loss) on disposal of assets	(626)	(448)	465	2,875	1,126	(131)
Unrealized foreign exchange gain (loss), net	(119)	(361)	109	1,909	(240)	(1,583)
Bad debt (expense) recoveries, net	(85)	(126)	(131)	264	(449)	(584)
Change in current assets and current liabilities	80,130	10,666	(19,317)	(76,736)	(39,011)	53,654
Changes in other operating assets and liabilities	(17,961)	(4,958)	(405)	2,252	(2,550)	(2,699)
Interest expense	8,583	8,081	8,889	9,191	10,595	9,623
Tax expense (benefit)	(3,873)	1,322	735	(12,615)	2,583	(56,943)
Restructuring charges and other exit-related activities	374	(109)	6,782	13,008	6,830	7,906
Loss from discontinued operations, net of tax	112	390	1,348	7,227	2,809	4,242
Depreciation and amortization from discontinued operations	—	—	—	(821)	(1,335)	(861)
Contract resale or modification, net of recoveries	(1,005)	(1,144)	(694)	6,928	—	—
Adjusted EBITDA	$ 149,493	$ 104,639	$ 83,628	$ 81,917	$ 111,743	$ 101,066
Debt	210,824	145,124	192,518	228,156	319,365	381,837
Cash and cash equivalents	(15,007)	(7,287)	(26,819)	(22,755)	(25,672)	(13,481)
Net Debt	$ 195,817	$ 137,837	$ 165,699	$ 205,401	$ 293,693	$ 368,356
Debt to Cash Flows from Operating Activities Ratio	2.5	1.4	1.9	1.6	2.3	9.7
Net Debt to Adjusted EBITDA Ratio	1.3	1.3	2.0	2.5	2.6	3.6

Non-GAAP Financial Measures

Adjusted Operating Income Excluding Estimated Average Inventory Accounting

- Estimated Effect of Average Inventory Accounting – We account for the cost of our inventory using the average cost method. In periods of rising or falling selling prices for our products, we seek to adjust the purchase price paid for raw materials. However, the cost of our inventory changes more slowly than the purchase prices due to the effect of the average cost method. As a result, changes in the average inventory cost recorded through our cost of goods sold lag the changes in purchase prices, thus generally impacting our operating results positively in periods of rising market prices and negatively in periods of falling market prices.
- The following is a presentation of the estimated impact of average inventory accounting during the comparable periods:

AMR Adjusted Operating Income Excluding Estimated Average Inventory Accounting Impact ($ in millions except for data per ton)	LFQ 2Q18	Quarter 2Q18	1Q18	4Q17	3Q17	2Q17	1Q17
Adjusted Operating Income	$ 133	$ 45	$ 35	$ 24	$ 28	$ 25	$ 12
Estimated Average Inventory Accounting Impact	7	4	—	3	(1)	4	(2)
Adjusted Operating Income excluding estimated average inventory accounting(1)	$ 126	$ 41	$ 35	$ 22	$ 29	$ 21	$ 14
Ferrous Volumes (000s LT)	3,382	896	797	864	825	739	717
Adjusted Operating Income Per Ton	$ 39	$ 50	$ 44	$ 28	$ 34	$ 34	$ 17
Adjusted Operating Income Per Ton excluding estimated average inventory accounting	$ 37	$ 45	$ 43	$ 25	$ 35	$ 28	$ 20

(1) May not foot due to rounding.