

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

FORM 8-K
CURRENT REPORT

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

Date of report (Date of earliest event reported): October 6, 2004

SCHNITZER STEEL INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

OREGON	0-22496	93-0341923
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(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)
3200 N.W. Yeon Ave. P.O. Box 10047 Portland, OR		97296-0047
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(Address of principal executive offices)		(Zip Code)

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

NO CHANGE

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

Item 2.02. Results of Operations and Financial Condition

On October 6, 2004, Schnitzer Steel Industries, Inc. issued a press release announcing financial results for the quarter and fiscal year ended August 31, 2004. A copy of this press release is being furnished as Exhibit 99.1 to this report on Form 8-K.

SIGNATURE

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

undersigned thereunto duly authorized.

SCHNITZER STEEL INDUSTRIES, INC.
(Registrant)

Date: October 6, 2004

By: /s/ Barry A. Rosen

Barry A. Rosen
Vice President, Finance and
Chief Financial Officer

Schnitzer Steel Reports Record Annual Revenues and Earnings

PORTLAND, Ore.--(BUSINESS WIRE)--Oct. 6, 2004--Schnitzer Steel Industries, Inc. (Nasdaq:SCHN) today reported net income of \$37.9 million or \$1.22 per diluted share on revenues of \$204.5 million for the fourth quarter ended August 31, 2004. In comparison, the Company reported net income of \$16.9 million or \$0.56 per diluted share on revenues of \$153.6 million for the quarter ended August 31, 2003.

For the fiscal year ended August 31, 2004, Schnitzer Steel reported record net income of \$111.2 million or \$3.58 per diluted share on record revenues of \$688.2 million. These amounts compare to net income of \$43.2 million or \$1.47 per diluted share on revenues of \$496.9 million during the 2003 fiscal year.

"It was just a year ago when we announced that Schnitzer completed its first decade as a publicly traded Company by reporting record revenues and earnings," said Robert W. Philip, Chairman and Chief Executive Officer. "Today, it's a pleasure to report that we began the second decade by again reporting record annual revenues and net income. Fiscal 2004's excellent performance was primarily the result of a strong pricing environment driven by improvements in the world economies that spurred demand for both finished steel and recycled metal products. However, much of this year's success is attributable to our excellent management team that helped position the Company to leverage the strong pricing environment. The credit for our record year goes directly to the management teams in both our wholly-owned businesses and our joint ventures, including Hugo Neu Corporation."

Referring to the Company's recent quarterly performance Mr. Philip added, "Our fourth quarter 2004 earnings grew 125% over the 2003 period and exceeded our earlier guidance. The earnings growth was due primarily to continued improvement in both the steel and recycled metal markets. The Company's earnings growth was led by our wholly-owned and joint venture metals recycling businesses that produced a combined operating profit of \$40.7 million, which was 100% above the fourth quarter of last year. We also saw significant profit gains in the Steel Manufacturing Business and continued earnings growth in the Auto Parts Business segment. Looking ahead into the first quarter of fiscal 2005, we continue to see good market conditions for all of our products, which are expected to result in strong earnings growth over the prior year quarter."

Chief Financial Officer's Retirement

The Company also announced that Barry A. Rosen, Vice President - Finance and Chief Financial Officer plans to retire in June 2005. Mr. Rosen has been the Company's Chief Financial Officer for the past 22 years. He was directly involved in Schnitzer's 1993 initial public stock offering and the development of the Company's strategic efforts to grow the business. During Mr. Rosen's tenure the Company saw significant growth both in size and geographic scope. Commenting on Mr. Rosen's pending retirement, Mr. Philip noted, "Barry is recognized by many for his expertise in the financial intricacies and nuances of the metals recycling and steel manufacturing industries and has built valuable relationships with the outside financial community. In addition to building external relationships, Barry also developed an excellent finance team, including very capable professionals who are well suited to succeed him as the Company's Chief Financial Officer. The combination of this strong team and Barry's continued active involvement as Chief Financial Officer during the next eight months gives us the ability to insure that the Company will undergo a smooth and orderly transition. As mentioned earlier, Schnitzer's business outlook remains very positive and our financial management will be seamless as we move ahead."

Metals Recycling Business

The Metals Recycling Business' fourth quarter 2004 operating income amounted to \$21.8 million representing an improvement of 54% over the fourth quarter of last year. The increase in profitability was largely driven by higher selling prices, offset in part by lower ferrous sales volumes and higher costs paid to procure unprocessed metal. Ferrous selling prices averaged \$199 per ton during the fourth quarter of fiscal 2004, which compares to \$137 per ton reported in last year's fourth quarter and \$237 per ton for the third quarter of

fiscal 2004. Prices generally increased during fiscal 2004; however, markets experienced significant price fluctuations throughout the year. Fourth quarter 2004 ferrous sales volumes amounted to 490,000 tons, which were 8% lower than the same quarter last year, but met the Company's expectations. The modestly lower sales volumes were caused by normal variations in shipments resulting from the timing of when export orders are received and ultimately shipped.

The Company is upgrading and modernizing certain of its metals processing facilities. These improvements include replacing equipment and rebuilding infrastructure and resulted in a fiscal 2004 fourth quarter charge of \$3.5 million to write-down the value of obsolete fixed assets.

Joint Venture Businesses

Fourth quarter 2004 operating income from joint ventures amounted to \$18.9 million, which included a \$6.1 million charge to account for this year's LIFO charge. In comparison, last year's fourth quarter income from joint ventures amounted to \$6.2 million and included a \$2.2 million charge for LIFO inventory valuation. The joint ventures benefited from similar market factors and pricing as described in the discussion above relating to the Metals Recycling Business. In addition, sales volumes from the processing joint ventures grew 15% from the fourth quarter of last year to 993,000 tons caused primarily by timing variances between when export orders are received and shipped. Brokerage sales volume increased 12% from the prior year quarter, which came primarily from increased market share in Mexico and Latin America coupled with product line expansion into other scrap metal related commodities.

Auto Parts Business

Fourth quarter operating income for the Auto Parts Business grew 27% over the prior year quarter to \$7.3 million. The improved profitability was due in part to the addition of three new stores in Canada that were purchased in March 2004 as well as from higher wholesale revenues caused by increasing recycled metal prices. These improvements were offset in part by higher costs to procure inventory and increases in costs to expand the infrastructure to support the Company's growth plans.

Steel Manufacturing Business

The Steel Manufacturing Business reported record operating profits of \$15.1 million in the fourth quarter of fiscal 2004, which compares to \$0.4 million in the same 2003 period. Selling prices averaged a record \$511 per ton in the fourth quarter of fiscal 2004, representing a 70% and 14% increase over the fourth quarter of 2003 and the third quarter of 2004, respectively. Selling prices have increased dramatically over the last three fiscal quarters due to rising raw material costs and improved demand for finished steel products.

Throughout fiscal 2004 finished steel demand was very good. Traditionally, the mill carries higher inventories into the fourth quarter that allow it to fulfill seasonably strong fourth quarter demand. However, the unusually high demand in the second and third quarters of fiscal 2004 caused the mill's finished goods inventory to decrease. Consequently, finished goods inventories at the beginning of the fourth quarter of 2004 were low and resulted in a fourth quarter 2004 sales volume decline of 9%.

On May 5, 2004, the Company announced that it retained Bear Stearns to explore strategic alternatives, including the possible sale, for the Steel Manufacturing Business. The Company is continuing to work with Bear Stearns, but has nothing new to report on this matter at this time.

General and Administrative Costs

The Company's general and administrative expense amounted to \$12.3 million in the fourth quarter of fiscal 2004 compared to \$8.6 million in last year's fourth quarter. The higher administrative costs were primarily driven by an increase in the Company's bonus accrual, which is based upon an Economic Value Added (EVA(R)) model and directly ties bonus payouts to the underlying financial performance of the Company. The Company's recent record financial performance has resulted in significantly higher bonus expense in the fiscal 2004

period. The EVA bonus plans cover approximately 400 of the Company's employees.

First Quarter 2005 Outlook

During the third quarter of fiscal 2004 ferrous recycled metal selling prices for new orders declined from the record highs that were achieved in March 2004. However, by early June prices began to firm and continued to rise throughout the fourth fiscal quarter. In August 2004 average market prices for ferrous metals actually exceeded the highs achieved in March 2004. Ferrous selling prices are volatile and have since moderated, but today remain ahead of the average prices realized in fiscal 2004. Overall demand for recycled metal remains good. The Metals Recycling Business normally accepts export orders 60 to 90 days before shipment. Based upon the Metals Recycling Business' current order backlog, contracted selling prices that are expected to be shipped in the first quarter of fiscal 2005 are, on average, significantly above the price levels reported in the first quarter of last year and even higher than the averages realized during the fourth quarter of 2004. The Company's wholly-owned Metals Recycling Business' first quarter 2005 ferrous sales volume is anticipated to be in the 430,000 to 475,000 ton range. Ocean freight rates eased in the fourth quarter of fiscal 2004 relative to the rates paid in the third quarter of 2004, but are now strengthening. The cost of unprocessed ferrous metal remains very competitive and volatile. The Company anticipates the cost of unprocessed metal to generally follow the trend of market selling prices.

It is anticipated that the joint venture processors in the metals recycling business will experience similar market trends as the Company's wholly-owned Metals Recycling Business; however, their financial results may vary depending on geographical locations, competition and other factors. The Company records its share of the joint venture's LIFO inventory adjustment in the fourth quarter of each year, thus no LIFO adjustment is expected in the first quarter of 2005.

Overall, it's anticipated that the Auto Parts Business' first quarter 2005 retail demand will remain steady relative to the fourth quarter. Comparing the first quarter of fiscal 2004 to the 2005 first quarter, it is anticipated that both revenues and income from operations will improve due to the addition of the three new Canadian stores acquired in March 2004 as well as expected increases in wholesale revenues resulting from higher pricing levels.

Throughout the 2004 fourth quarter finished steel selling prices generally increased, which is expected to result in modestly higher average selling prices in the first quarter of 2005. Consumption of steel remains good, but normally declines in the first fiscal quarter due to seasonal declines in demand. Also, we expect fabricators to reduce their inventories during this period. In recent months, we have seen increasing imports of certain steel products that have increased the supply for these selected items in the market. It is estimated that first quarter 2005 sales volumes will approximate 140,000 tons. Raw material costs, including the costs of alloys and electrodes are expected to rise; however, energy costs are anticipated to begin to decline relative to the costs paid in the fourth quarter of 2004 due to seasonal decreases in energy rates.

The Company's effective tax rate for the first quarter of fiscal 2005 should continue to benefit from Extraterritorial Income Exclusion benefits associated with certain export sales. These benefits as well as other factors are expected to result in a first quarter 2005 effective tax rate of approximately 35%.

The Company estimates its first quarter 2005 income from operations to be in the \$62 million to \$68 million range. This amount compares to income from operations of \$18.1 million reported for the first quarter of fiscal 2004 and \$57.2 million reported in the fourth quarter of fiscal 2004.

Fourth Quarter 2004 Conference Call

In conjunction with this release, Schnitzer Steel invites you to listen to its conference call that will be broadcast over the Internet today, October 6, 2004, at 11:30 a.m. EST with Robert W. Philip, Chairman and Chief Executive Officer and Barry A. Rosen, Vice President -- Finance and Chief Financial Officer. The call is being webcast by CCBN and can be accessed on Schnitzer Steel's web site at www.schnitzersteel.com.

Schnitzer Steel Industries, Inc. is one of the nation's largest recyclers of ferrous metals, a leading self-service used auto parts retailer with 26 locations in the U.S. and Canada, and manufacturer of finished steel products. The Company, with its joint venture partners, processes approximately 5.2 million tons of recycled ferrous metals per year as well as brokers nearly 3.0 million tons through various brokerage arrangements. In addition, the Company's steel mill has an annual production capacity of approximately 700,000 tons of finished steel products. The Company and its joint venture partners operate primarily along the West Coast and Northeastern seaboard of the United States.

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

For more information about Schnitzer Steel Industries, Inc. go to www.schnitzersteel.com. EVA(R) is a registered trademark of Stern Stewart & Company.

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

	For The Three Months		For The Year Ended	
	Ended		August 31,	
	August 31,		August 31,	
	2004	2003	2004	2003
	(Unaudited)		(Unaudited)	
REVENUES:				
Metals Recycling Business:				
Ferrous sales	\$110,466	\$ 83,501	\$392,992	\$255,232
Nonferrous sales	17,293	13,240	56,954	47,788
Other sales	1,617	1,204	6,356	5,533
	-----	-----	-----	-----
Total Metals				
Recycling Revenue	129,376	97,945	456,302	308,553
Auto Parts Business	23,319	17,020	81,518	65,225
Steel Manufacturing				
Business	86,165	56,684	271,293	191,861
Intercompany Eliminations	(34,369)	(18,053)	(120,893)	(68,773)
	-----	-----	-----	-----
Total Revenue	\$204,491	\$153,596	\$688,220	\$496,866
	-----	-----	-----	-----

OPERATING INCOME (LOSS):

Metals Recycling Business	\$ 21,772	\$ 14,104	\$ 77,319	\$ 35,781
Auto Parts Business	7,267	5,732	26,804	21,968
Steel Manufacturing Business	15,130	376	24,636	(2,522)
Joint ventures, including year-end LIFO adjustments	18,937	6,212	61,571	24,421
Corporate expense	(3,853)	(2,968)	(15,570)	(9,966)
Intercompany eliminations	1,489	1,247	(4,380)	1,203
Impairment and other nonrecurring charges	(3,500)	-	(3,500)	(2,100)
	-----	-----	-----	-----
Total Operating Income	\$ 57,242	\$ 24,703	\$166,880	\$ 68,785
	=====	=====	=====	=====

NET INCOME	\$ 37,940	\$ 16,873	\$111,181	\$ 43,201
	=====	=====	=====	=====

BASIC EARNINGS PER SHARE	\$ 1.26	\$ 0.59	\$ 3.71	\$ 1.55
	=====	=====	=====	=====

DILUTED EARNINGS PER SHARE	\$ 1.22	\$ 0.56	\$ 3.58	\$ 1.47
	=====	=====	=====	=====

Share Information (in thousands):

Basic shares outstanding	30,210	28,832	29,976	27,975
Diluted shares outstanding	31,077	30,282	31,058	29,480

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

	For the Three Months Ended August 31,		For the Year Ended August 31,	
	2004	2003	2004	2003
	-----	-----	-----	-----
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	\$204,491	\$153,596	\$688,220	\$496,866
	-----	-----	-----	-----
Operating expenses:				
Cost of goods sold	148,612	125,041	530,279	413,043
Impairment and nonrecurring charges	3,500	-	3,500	2,100
Selling	1,815	1,500	6,102	5,311
General and Administrative	12,259	8,564	43,030	32,048
	-----	-----	-----	-----
Income from wholly-owned operations	38,305	18,491	105,309	44,364
Operating income from joint ventures	18,937	6,212	61,571	24,421
	-----	-----	-----	-----
Operating income	57,242	24,703	166,880	68,785
Other income (expense):				
Interest expense	(560)	(644)	(2,048)	(1,778)
Other income, net	(345)	(262)	(506)	(540)
	-----	-----	-----	-----
	(905)	(906)	(2,554)	(2,318)

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Income before income taxes	56,337	23,797	164,326	66,467
Income tax provision	(17,718)	(6,484)	(50,669)	(17,946)
	-----	-----	-----	-----
Income before minority interests, pre-acquisition interests and cumulative effect of change in accounting principle	38,619	17,313	113,657	48,521
Minority interests, net of income taxes	(679)	(474)	(2,476)	(1,824)
Pre-acquisition interests, net of income taxes	-	34	-	(2,513)
	-----	-----	-----	-----
Income before cumulative effect of change in accounting principle	37,940	16,873	111,181	44,184
Cumulative effect of change in accounting principle	-	-	-	(983)
	-----	-----	-----	-----
Net income	\$ 37,940	\$ 16,873	\$111,181	\$ 43,201
	=====	=====	=====	=====
Basic earnings per share	\$ 1.26	\$ 0.59	\$ 3.71	\$ 1.55
	=====	=====	=====	=====
Diluted earnings per share	\$ 1.22	\$ 0.56	\$ 3.58	\$ 1.47
	=====	=====	=====	=====
Share information (thousands):				
Basic shares outstanding	30,210	28,832	29,976	27,975
	=====	=====	=====	=====
Diluted shares outstanding	31,077	30,282	31,058	29,480
	=====	=====	=====	=====

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

	Q1 FY04	Q2 FY04	Q3 FY04	Q4 FY04	FY04
	-----	-----	-----	-----	-----
Metals Recycling Business					
Ferrous Recycled Metal Sales Prices (\$/LT)					
Domestic	\$135	\$168	\$228	\$186	\$184
Export	\$144	\$154	\$243	\$208	\$187
Average	\$140	\$158	\$237	\$199	\$184
Ferrous Sales Volume (LT)					
Domestic - Processed	99,781	105,371	112,310	142,198	459,660
Domestic - Brokered	73,366	40,658	52,627	49,333	215,984
Export	235,481	355,304	280,493	298,484	1,169,762
	-----	-----	-----	-----	-----
Total	408,628	501,333	445,430	490,015	1,845,406
	=====	=====	=====	=====	=====
Includes sales to SMB	157,989	131,837	158,314	169,459	617,599
	=====	=====	=====	=====	=====

Steel Manufacturing

Business

Sales Prices (\$/NT)

Rebar	\$308	\$354	\$460	\$512	\$405
Other (including billets)	\$313	\$347	\$438	\$510	\$404
Average	\$310	\$351	\$448	\$511	\$404

Sales Volume (NT)

Rebar	91,204	89,699	71,069	88,462	340,434
Wire Rod	43,020	43,358	49,165	45,352	180,895
Other (including billets)	28,370	29,252	34,595	28,513	120,730
Total	162,594	162,309	154,829	162,327	642,059

JV Ferrous Recycled

Metal Sales Volume

(LT)

Processed LT	674,622	827,787	1,086,024	993,326	3,581,759
Brokered LT	677,395	623,077	620,640	754,981	2,676,093
	1,352,017	1,450,864	1,706,664	1,748,307	6,257,852

Q1 FY03	Q2 FY03	Q3 FY03	Q4 FY03	FY03
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Metals Recycling

Business

 Ferrous Recycled
 Metal Sales Prices
 (\$/LT)

Domestic	\$100	\$108	\$125	\$119	\$114
Export	\$104	\$113	\$140	\$144	\$127
Average	\$102	\$111	\$133	\$137	\$122

Ferrous Sales

Volume (LT)

Domestic - Processed	113,439	95,277	132,217	82,087	423,020
Domestic - Brokered	38,890	57,462	60,322	75,376	232,050
Export	142,199	402,437	239,801	372,658	1,157,095
Total	294,528	555,176	432,340	530,121	1,812,165

 Includes sales to
 SMB

114,988	140,823	144,274	134,787	534,872
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Steel Manufacturing

Business

Sales Prices (\$/NT)

Rebar	\$273	\$269	\$282	\$298	\$282
Other (including billets)	\$293	\$299	\$305	\$303	\$300
Average	\$284	\$283	\$293	\$300	\$291

Sales Volume (NT)

Rebar	64,652	74,160	88,323	99,829	326,964
Wire Rod	50,216	37,790	47,469	51,016	186,491
Other (including billets)	27,470	25,099	28,418	27,170	108,157
Total	142,338	137,049	164,210	178,015	621,612

JV Ferrous Recycled

Metal Sales Volume

(LT)

Processed LT	635,899	941,220	880,173	865,255	3,322,547
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Brokered LT	470,304	220,335	333,631	674,753	1,699,023

	1,106,203	1,161,555	1,213,804	1,540,008	5,021,570
	=====				

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

CONTACT: Schnitzer Steel Industries, Inc.
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