

STEEL DYNAMICS INC
Form 10-Q
May 06, 2011
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**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 March 31, 2011

OR

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

Commission File Number 0-21719

Steel Dynamics, Inc.

(Exact name of registrant as specified in its charter)

Indiana

(State or other jurisdiction of incorporation or organization)

35-1929476

(I.R.S. Employer Identification No.)

7575 West Jefferson Blvd, Fort Wayne, IN

46804

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(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: **(260) 969-3500**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company (see definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act). (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of April 29, 2011, Registrant had 218,414,086 outstanding shares of common stock.

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STEEL DYNAMICS, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

| | March 31, 2011 (unaudited) | December 31, 2010 |
|---|----------------------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash and equivalents | \$ 160,810 | \$ 186,513 |
| Accounts receivable, net | 828,514 | 584,068 |
| Accounts receivable-related parties | 55,423 | 38,121 |
| Inventories | 1,186,168 | 1,114,063 |
| Deferred income taxes | 21,007 | 20,684 |
| Income taxes receivable | 6,285 | 37,311 |
| Other current assets | 18,913 | 19,243 |
| Total current assets | 2,277,120 | 2,000,003 |
| Property, plant and equipment, net | 2,187,698 | 2,213,333 |
| Restricted cash | 21,448 | 23,132 |
| Intangible assets, net | 479,480 | 489,240 |
| Goodwill | 750,029 | 751,675 |
| Other assets | 111,830 | 112,551 |
| Total assets | \$ 5,827,605 | \$ 5,589,934 |
| Liabilities and Equity | | |
| Current liabilities | | |
| Accounts payable | \$ 437,531 | \$ 335,031 |
| Accounts payable-related parties | 15,883 | 13,570 |
| Income taxes payable | 19,640 | 5,227 |
| Accrued expenses | 199,211 | 175,041 |
| Accrued profit sharing | 16,163 | 23,524 |
| Current maturities of long-term debt | 1,216 | 8,924 |
| Total current liabilities | 689,644 | 561,317 |
| Long-term debt | | |
| 7 3/8% senior notes, due 2012 | 700,000 | 700,000 |
| 5.125% convertible senior notes, due 2014 | 287,500 | 287,500 |
| 6 3/4% senior notes, due 2015 | 500,000 | 500,000 |
| 7 3/4% senior notes, due 2016 | 500,000 | 500,000 |
| 7 5/8% senior notes, due 2020 | 350,000 | 350,000 |
| Other long-term debt | 40,780 | 40,397 |
| | 2,378,280 | 2,377,897 |
| Deferred income taxes | 469,043 | 457,432 |
| Other liabilities | 62,944 | 62,159 |
| Commitments and contingencies | | |
| Redeemable noncontrolling interest | 54,294 | 54,294 |

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Equity

| | | |
|--|---------------------|---------------------|
| Common stock voting, \$.0025 par value; 900,000,000 shares authorized; 254,642,621 and 254,002,799 shares issued; and 218,303,530 and 217,574,826 shares outstanding, as of March 31, 2011 and December 31, 2010, respectively | 635 | 633 |
| Treasury stock, at cost; 36,339,091 and 36,427,973 shares, as of March 31, 2011 and December 31, 2010, respectively | (725,849) | (727,624) |
| Additional paid-in capital | 1,010,698 | 998,728 |
| Retained earnings | 1,905,207 | 1,821,133 |
| Total Steel Dynamics, Inc. equity | 2,190,691 | 2,092,870 |
| Noncontrolling interests | (17,291) | (16,035) |
| Total equity | 2,173,400 | 2,076,835 |
| Total liabilities and equity | \$ 5,827,605 | \$ 5,589,934 |

See notes to consolidated financial statements.

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STEEL DYNAMICS, INC.

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(in thousands, except per share data)

| | Three Months Ended March 31, | |
|--|---------------------------------|------------------|
| | 2011 | 2010 |
| Net sales | | |
| Unrelated parties | \$ 1,941,664 | \$ 1,496,082 |
| Related parties | 74,305 | 59,708 |
| Total net sales | 2,015,969 | 1,555,790 |
| Costs of goods sold | 1,720,215 | 1,345,308 |
| Gross profit | 295,754 | 210,482 |
| Selling, general and administrative expenses | 65,141 | 57,160 |
| Profit sharing | 15,203 | 9,444 |
| Amortization of intangibles | 10,084 | 11,581 |
| Total selling, general and administrative expenses | 90,428 | 78,185 |
| Operating income | 205,326 | 132,297 |
| Interest expense, net of capitalized interest | 43,346 | 37,515 |
| Other income, net | (4,567) | (3,081) |
| Income before income taxes | 166,547 | 97,863 |
| Income taxes | 62,317 | 34,474 |
| Net income | 104,230 | 63,389 |
| Net loss attributable to noncontrolling interests | 1,673 | 1,580 |
| Net income attributable to Steel Dynamics, Inc. | \$ 105,903 | \$ 64,969 |
| Basic earnings per share attributable to Steel Dynamics, Inc. stockholders | \$.49 | \$.30 |
| Weighted average common shares outstanding | 217,992 | 216,284 |
| Diluted earnings per share attributable to Steel Dynamics, Inc. stockholders, including the effect of assumed conversions when dilutive | \$.46 | \$.29 |
| Weighted average common shares and share equivalents outstanding | 236,224 | 234,659 |
| Dividends declared per share | \$.100 | \$.075 |

See notes to consolidated financial statements.

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STEEL DYNAMICS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in thousands)

| | Three Months Ended March 31, | |
|--|---------------------------------|-------------------|
| | 2011 | 2010 |
| Operating activities: | | |
| Net income | \$ 104,230 | \$ 63,389 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 54,746 | 56,272 |
| Equity-based compensation | 3,710 | 2,769 |
| Deferred income taxes | 12,935 | 8,468 |
| (Gain) loss on disposal of property, plant and equipment | (43) | 956 |
| Changes in certain assets and liabilities: | | |
| Accounts receivable | (261,748) | (223,140) |
| Inventories | (72,107) | (48,058) |
| Other assets | 3,382 | 940 |
| Accounts payable | 94,175 | 118,217 |
| Income taxes receivable/payable | 45,439 | 37,133 |
| Accrued expenses | 19,218 | 55,796 |
| Net cash provided by operating activities | 3,937 | 72,742 |
| Investing activities: | | |
| Purchases of property, plant and equipment | (18,693) | (30,684) |
| Other investing activities | (1,143) | 504 |
| Net cash used in investing activities | (19,836) | (30,180) |
| Financing activities: | | |
| Issuance of current and long-term debt | 5,126 | 544,550 |
| Repayment of current and long-term debt | (7,325) | (351,330) |
| Debt issuance costs | | (6,538) |
| Issuance of common stock (net of expenses) and proceeds from exercise of stock options, including related tax effect | 8,296 | 3,454 |
| Contributions from noncontrolling investors, net | 417 | |
| Dividends paid | (16,318) | (16,200) |
| Net cash provided by (used in) financing activities | (9,804) | 173,936 |
| Increase (decrease) in cash and equivalents | (25,703) | 216,498 |
| Cash and equivalents at beginning of period | 186,513 | 9,008 |
| Cash and equivalents at end of period | \$ 160,810 | \$ 225,506 |
| Supplemental disclosure information: | | |
| Cash paid for interest | \$ 15,110 | \$ 3,769 |
| Cash paid (received) for federal and state income taxes, net | \$ 1,520 | \$ (13,010) |

See notes to consolidated financial statements.

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STEEL DYNAMICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1. Description of the Business and Significant Accounting Policies

Description of the Business

Steel Dynamics, Inc. (SDI), together with its subsidiaries (the company), is a domestic manufacturer of steel products and metals recycler. The company has three reporting segments: steel operations, metals recycling and ferrous resources operations, and steel fabrication operations.

Steel Operations. Steel operations include the company's Flat Roll Division, Structural and Rail Division, Engineered Bar Products Division, Roanoke Bar Division, Steel of West Virginia (SWVA) and The Techs operations. These operations consist of mini-mills, producing steel from steel scrap, using electric arc furnaces, continuous casting, automated rolling mills, and downstream finishing facilities. The company's steel operations sell directly to end users and service centers. These products are used in numerous industry sectors, including the automotive, construction, commercial, transportation and industrial machinery markets. Steel operations accounted for approximately 59% and 63% of the company's external net sales during the three-month periods ended March 31, 2011 and 2010, respectively.

Metals Recycling and Ferrous Resources Operations. Metals recycling and ferrous resources operations primarily are composed of the company's steel scrap procurement and processing locations, operated through the company's wholly-owned subsidiary, OmniSource Corporation (OmniSource), as well as Iron Dynamics (IDI), the company's liquid pig iron facility. In addition, the impact related to the ongoing start-up of the Mesabi Nugget ironmaking facility and future mining operations, both in Hoyt Lakes, Minnesota is also included in this segment. Metals recycling and ferrous resources operations accounted for approximately 37% and 34% of the company's external net sales during the three-month periods ended March 31, 2011 and 2010, respectively.

Steel Fabrication Operations. Steel fabrication operations represent the company's New Millennium Building Systems plants located throughout the United States. Revenues from these plants are generated from the fabrication of trusses, girders, steel joists and steel decking used within the non-residential construction industry. Steel fabrication operations accounted for approximately 3% and 2% of the company's external net sales during the three-month periods ended March 31, 2011 and 2010, respectively.

Significant Accounting Policies

Principles of Consolidation. The consolidated financial statements include the accounts of SDI, together with its wholly and majority-owned or controlled subsidiaries, after elimination of significant intercompany accounts and transactions. Noncontrolling interests represent the noncontrolling owner's proportionate share in the equity, income, or losses of the company's majority-owned or controlled consolidated subsidiaries.

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Use of Estimates. These financial statements are prepared in conformity with accounting principles generally accepted in the United States and, accordingly, include amounts that require management to make estimates and assumptions that affect the amounts reported in the financial statements and in the notes thereto. Significant items subject to such estimates and assumptions include the carrying value of property, plant and equipment, intangible assets and goodwill; valuation allowances for trade receivables, inventories and deferred income tax assets; income taxes; unrecognized income tax benefits; potential environmental liabilities; and litigation claims and settlements. Actual results may differ from these estimates and assumptions.

In the opinion of management, these financial statements reflect all normal recurring adjustments necessary for a fair presentation of the interim period results. These financial statements and notes should be read in conjunction with the audited financial statements and notes thereto included in the company's Annual Report on Form 10-K for the year ended December 31, 2010.

Goodwill. The company's goodwill is allocated to the following reporting units at March 31, 2011 and December 31, 2010, (in thousands):

| | March 31, 2011 | December 31, 2010 |
|--|---------------------------|------------------------------|
| OmniSource Metal Recycling/Ferrous Resources Segment | \$ 576,280 | \$ 577,926 |
| The Techs Steel Segment | 142,783 | 142,783 |
| Roanoke Bar Division Steel Segment | 29,041 | 29,041 |
| New Millennium Building Systems Fabrication Segment | 1,925 | 1,925 |
| | \$ 750,029 | \$ 751,675 |

OmniSource goodwill decreased \$1.6 million from December 31, 2010 to March 31, 2011 in recognition of the 2011 tax benefit related to the amortization of the component of OmniSource tax-deductible goodwill in excess of book goodwill.

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STEEL DYNAMICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 2. Earnings Per Share

Basic earnings per share is based on the weighted average shares of common stock outstanding during the period. Diluted earnings per share assumes the weighted average dilutive effect of common share equivalents outstanding during the period applied to the company's basic earnings per share. Common share equivalents represent potentially dilutive stock options and dilutive shares related to the company's 5.125% convertible senior notes and are excluded from the computation in periods in which they have an anti-dilutive effect. Options to purchase 1.2 million and 1.3 million shares were anti-dilutive at March 31, 2011 and 2010, respectively.

The following table presents a reconciliation of the numerators and the denominators of the company's basic and diluted earnings per share computations for net income attributable to Steel Dynamics, Inc. (in thousands, except per share data):

| | Three Months Ended March 31, | | | | | |
|---------------------------------|------------------------------|---------------------------------|---------------------|---------------------------|---------------------------------|---------------------|
| | Net Income (Numerator) | 2011 Shares (Denominator) | Per Share Amount | Net Income (Numerator) | 2010 Shares (Denominator) | Per Share Amount |
| Basic earnings per share | \$ 105,903 | 217,992 | \$.49 | \$ 64,969 | 216,284 | \$.30 |
| Dilutive stock option effect | | 1,850 | | | 1,993 | |
| 5.125% convertible senior notes | 2,358 | 16,382 | | 2,377 | 16,382 | |
| Diluted earnings per share | \$ 108,261 | 236,224 | \$.46 | \$ 67,346 | 234,659 | \$.29 |

Note 3. Inventories

Inventories are stated at lower of cost or market. Cost is determined principally on a first-in, first-out basis. Inventories consisted of the following (in thousands):

| | March 31, 2011 | December 31, 2010 |
|-------------------|-------------------|----------------------|
| Raw materials | \$ 624,445 | \$ 589,859 |
| Supplies | 235,421 | 231,816 |
| Work-in-progress | 96,975 | 94,346 |
| Finished goods | 229,327 | 198,042 |
| Total inventories | \$ 1,186,168 | \$ 1,114,063 |

Note 4. Changes in Equity

The following table provides a reconciliation of the beginning and ending carrying amounts of total equity, equity attributable to stockholders of Steel Dynamics, Inc. and equity attributable to the noncontrolling interests (in thousands):

| | Stockholders of Steel Dynamics, Inc. | | | | | | |
|---|---|-------------------------|---|------------------------------|---------------------------|-------------------------------------|--|
| | Total Equity | Common Stock | Additional Paid-In Capital | Retained Earnings | Treasury Stock | Noncontrolling Interests | |
| Balances at January 1, 2011 | \$ 2,076,835 | \$ 633 | \$ 998,728 | \$ 1,821,133 | \$ (727,624) | \$ (16,035) | |
| Proceeds from the exercise of stock options, including related tax effect | 8,296 | 2 | 8,294 | | | | |
| Dividends declared | (21,829) | | | (21,829) | | | |
| Equity-based compensation and issuance of restricted stock | 5,451 | | 3,676 | | 1,775 | | |
| Contributions from noncontrolling investors | 597 | | | | | 597 | |
| Distributions to noncontrolling investor | (180) | | | | | (180) | |
| Net and comprehensive income (loss) | 104,230 | | | 105,903 | | (1,673) | |
| Balances at March 31, 2011 | \$ 2,173,400 | \$ 635 | \$ 1,010,698 | \$ 1,905,207 | \$ (725,849) | \$ (17,291) | |

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STEEL DYNAMICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 5. Derivative Financial Instruments

The company is exposed to certain risks relating to its ongoing business operations. At times the company utilizes derivative instruments to mitigate commodity margin risk, interest rate risk, and foreign currency exchange rate risk. Forward contracts on various commodities are entered into to manage the price risk associated with forecasted purchases and sales of nonferrous materials (specifically aluminum, copper, nickel and silver) from the company's metals recycling operations. Interest rate swaps are entered into to manage interest rate risk associated with the company's fixed and floating-rate borrowings. Forward exchange contracts on various foreign currencies are entered into to manage the foreign currency exchange rate risk as necessary.

Cash Flow Hedging Strategy. For derivative instruments that are designated and qualify as a cash flow hedge (i.e., hedging the exposure to variability in expected future cash flows that is attributable to a particular risk), the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income and reclassified into earnings in the same line item associated with the forecasted transaction and in the same period or periods during which the hedged transaction affects earnings (e.g., in interest expense when the hedged transactions are interest cash flows associated with floating-rate borrowings). The remaining gain or loss on the derivative instrument in excess of the cumulative change in the present value of future cash flows of the hedged item, if any (i.e., the ineffectiveness portion), or hedge components excluded from the assessment of effectiveness, are recognized in the statement of income during the current period.

Commodity Futures Contracts. If the company is long on futures contracts, it means the company has more futures contracts purchased than futures contracts sold for the underlying commodity. If the company is short on futures contracts, it means the company has more futures contracts sold than futures contracts purchased for the underlying commodity. The following summarizes the company's commodity futures contract commitments as of March 31, 2011 (MT represents metric tons and Lbs represents pounds):

| Commodity | Long/Short | Total |
|-----------|------------|---------|
| Aluminum | Long | 3,250MT |
| Aluminum | Short | 2,500MT |
| Copper | Long | 6,895MT |
| Copper | Short | 9,412MT |
| Silver | Long | 343Lbs |
| Silver | Short | 343Lbs |

The following summarizes the location and amounts of the fair values and gains or losses related to derivatives included in the company's financial statements as of March 31, 2011 and December 31, 2010, and for the three-month periods ended March 31, 2011 and 2010 (in thousands):

| Balance Sheets | Fair Value | |
|----------------|----------------|-------------------|
| | March 31, 2011 | December 31, 2010 |

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| | | | | | |
|---------------------------------|----------------------|----|-------|----|-------|
| Commodity futures net asset | Other current assets | \$ | 4,536 | \$ | |
| Commodity futures net liability | Accrued expenses | | | | 4,988 |

| Statements of Operations | | Gain for Three Months Ended | | | |
|-----------------------------|---------------------|-----------------------------|-------|----------------|-------|
| | | March 31, 2011 | | March 31, 2010 | |
| Commodity futures contracts | Costs of goods sold | \$ | 2,923 | \$ | 1,931 |

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STEEL DYNAMICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 6. Fair Value Measurements

FASB accounting standards provide a comprehensive framework for measuring fair value and sets forth a definition of fair value and establishes a hierarchy prioritizing the inputs to valuation techniques, giving the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable value inputs. Levels within the hierarchy are defined as follows:

- Level 1 Unadjusted quoted prices for identical assets and liabilities in active markets;
- Level 2 Quoted prices for similar assets and liabilities in active markets (other than those included in Level 1) which are observable for the asset or liability, either directly or indirectly; and
- Level 3 Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The following table sets forth financial assets and liabilities measured at fair value in the consolidated balance sheets and the respective levels to which the fair value measurements are classified within the fair value hierarchy as of March 31, 2011, and December 31, 2010 (in thousands):

| | | | Quoted Prices in Active Markets for Identical Assets (Level 1) | | Significant Other Observable Inputs (Level 2) | | Significant Unobservable Inputs (Level 3) |
|--------------------------|-----------------------|-------|--|----|---|--------|--|
| | | Total | | | | | |
| <u>March 31, 2011</u> | | | | | | | |
| Commodity futures | financial assets | \$ | 5,854 | \$ | \$ | 5,854 | \$ |
| Commodity futures | financial liabilities | | 1,318 | | | 1,318 | |
| <u>December 31, 2010</u> | | | | | | | |
| Commodity futures | financial assets | | 7,052 | | | 7,052 | |
| Commodity futures | financial liabilities | | 12,040 | | | 12,040 | |

The carrying amounts of financial instruments including cash and equivalents, accounts receivable and accounts payable approximate fair value, because of the relatively short maturity of these instruments. The fair values of commodity futures contracts are estimated by the use of quoted market prices, estimates obtained from brokers, and other appropriate valuation techniques based on references available. The fair value of long-term debt, including current maturities, was approximately \$2.6 billion (with a corresponding carrying amount in the consolidated balance sheet of \$2.4 billion) and \$2.5 billion (with a corresponding carrying amount in the consolidated balance sheet of \$2.4 billion) at March 31, 2011, and December 31, 2010, respectively, and was based on quoted market prices.

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STEEL DYNAMICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 7. Commitments and Contingencies

On September 17, 2008, the company and eight other steel manufacturing companies were served with a class action antitrust complaint, filed in the United States District Court for the Northern District of Illinois in Chicago by Standard Iron Works of Scranton, Pennsylvania, alleging violations of Section 1 of the Sherman Act. The Complaint alleges that the defendants conspired to fix, raise, maintain and stabilize the price at which steel products were sold in the United States, starting in 2005, by artificially restricting the supply of such steel products. Seven additional lawsuits, each of them materially similar to the original, have also been filed in the same federal court, each of them likewise seeking similar class certification. All but one of the Complaints purport to be brought on behalf of a class consisting of all direct purchasers of steel products between January 1, 2005, and the present. The other Complaint purports to be brought on behalf of a class consisting of all indirect purchasers of steel products within the same time period. In addition, on December 28, 2010, the company and the other co-defendants were served with a substantially similar complaint in the Circuit Court of Cocke County, Tennessee, purporting to be on behalf of indirect purchasers of steel products in Tennessee. Defendants removed the case to federal court and are seeking to transfer it to and to consolidate it with the cases pending in the Northern District of Illinois, but Plaintiff is seeking to have the case remanded back to the Tennessee state court. All Complaints seek treble damages and costs, including reasonable attorney fees, pre- and post-judgment interest and injunctive relief.

On January 2, 2009, Steel Dynamics and the other defendants filed a Joint Motion to Dismiss all of the direct purchaser lawsuits. On June 12, 2009, however, the Court denied the Motion. The parties are currently conducting discovery. Although the company believes that the lawsuits are without merit and we are aggressively defending these actions, it cannot presently predict the outcome of this litigation or make any judgment with respect to its potential exposure, if any.

On October 25, 2010, the company's wholly-owned indirect subsidiary, OmniSource Indianapolis LLC, was indicted by a Grand Jury in Marion, County, Indiana, on multiple criminal charges, some involving the alleged receipt or attempted receipt of stolen property, and some asserting various Corrupt Business Influence racketeering charges pursuant to Indiana's RICO statute. A week earlier, the company had initiated a civil (replevin) lawsuit against the Marion County Prosecutor, seeking the return of a sum of cash unlawfully seized by the police during a 2009 search of our Indianapolis facilities.

In the company's lawsuit against the Prosecutor, the company maintained that the police action and the conduct of the Prosecutor, subsequently evidenced by the criminal and related civil proceedings against us, constituted part of a meritless plan to extract money from OmniSource, under a threat of potential civil forfeiture of millions of dollars' worth of the company's property. And, as the company expected, on December 30, 2010, the Prosecutor, based upon what the company believed to be meritless Corrupt Business Influence charges in the criminal proceeding, filed a counterclaim to the company's replevin complaint, seeking the forfeiture of all of the company's Indianapolis scrap facilities and certain other valuable properties, as well as other remedies.

The company maintained from the outset that these charges, all of them involving small dollar individual retail scrap metal transactions, were baseless, and the company promptly initiated a vigorous defense. On December 30, 2010, the company filed a Motion to Dismiss all counts of the indictment, on multiple grounds. On February 4, 2011, after briefing by the parties, the company's Motion was argued, and on May 4, 2011, the Judge of the Marion Superior Court ruled on the company's Motion, dismissing all of the Corrupt Business Influence (racketeering) charges, while leaving for trial a total of only five attempted receipt of stolen property charges with a combined total retail value of less than \$200, each

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of which, even upon a conviction, carries a maximum \$10,000 fine. The company believes that the dismissal of the Corrupt Business Influence charges eviscerates the basis of the Prosecutor's civil forfeiture counterclaim, and the company will take all necessary further action in that regard. In addition, the company will continue to defend as well against the remaining minor, but what the company believes are equally baseless attempted receipt of stolen property charges.

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STEEL DYNAMICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 8. Segment Information

The company has three reportable segments: steel operations, metals recycling and ferrous resources operations, and steel fabrication operations. These operations are described in Note 1 to the financial statements. Revenues included in the category *Other* are from subsidiary operations that are below the quantitative thresholds required for reportable segments and primarily consist of further processing, slitting, and sale of certain steel products and the resale of certain secondary and excess steel products. In addition, *Other* also includes certain unallocated corporate accounts, such as the company's senior secured credit facilities, senior notes and convertible senior notes, certain other investments, and certain profit sharing expenses.

The company's operations are primarily organized and managed by operating segment. Operating segment performance and resource allocations are primarily based on operating results before income taxes. The accounting policies of the reportable segments are consistent with those described in Note 1 to the financial statements. Intra-segment and intra-company sales and any related profits are eliminated in consolidation. Refer to the company's Annual Report on Form 10-K for the year ended December 31, 2010, for more information related to the company's segment reporting. The company's segment results for the three-month periods ended March 31, 2011 and 2010 are as follows (in thousands):

| For the three months ended March 31, 2011 | Steel Operations | Metals Recycling / Ferrous Resources | Steel Fabrication Operations | Other | Eliminations | Consolidated |
|--|------------------|---|---------------------------------|--------------|--------------|--------------|
| Net Sales | | | | | | |
| External | \$ 1,146,489 | \$ 672,341 | \$ 52,079 | \$ 25,524 | \$ | \$ 1,896,433 |
| External Non-U.S. | 48,575 | 70,824 | | 137 | | 119,536 |
| Other segments | 51,946 | 365,250 | 573 | 2,471 | (420,240) | |
| | 1,247,010 | 1,108,415 | 52,652 | 28,132 | (420,240) | 2,015,969 |
| Operating income (loss) | 192,955 | 39,490 | (2,883) | (24,256)(1) | 20(2) | 205,326 |
| Income (loss) before income taxes | 172,709 | 29,084 | (4,445) | (30,742) | (59) | 166,547 |
| Depreciation and amortization | 27,193 | 24,914 | 1,502 | 1,188 | (51) | 54,746 |
| Capital expenditures | 7,279 | 10,251 | 532 | 631 | | 18,693 |
| As of March 31, 2011 | | | | | | |
| Assets | 2,553,428 | 2,522,940 | 205,650 | 792,356(3) | (246,769)(4) | 5,827,605 |
| Liabilities | 277,973 | 485,117 | 13,198 | 3,060,121(5) | (236,498)(6) | 3,599,911 |

Footnotes related to March 31, 2011 segment results (in millions):

| | | |
|-----------------------------------|----|--------|
| (1) Corporate SG&A | \$ | (9.3) |
| Company-wide stock option expense | | (3.7) |
| Profit sharing | | (13.3) |

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| | | |
|--|----|---------|
| Other, net | | 2.0 |
| | \$ | (24.3) |
| (2) Margin impact from intra-company sales | \$ | (0.02) |
| (3) Cash and equivalents | \$ | 149.9 |
| Property, plant and equipment, net | | 69.0 |
| Debt issuance costs, net | | 22.9 |
| Intra-company debt receivable | | 147.4 |
| Deferred income taxes | | 308.4 |
| Other | | 94.8 |
| | \$ | 792.4 |
| (4) Elimination of intra-company receivables | \$ | (42.0) |
| Deferred income tax elimination | | (46.5) |
| Elimination of intra-company debt | | (147.4) |
| Other | | (10.9) |
| | \$ | (246.8) |
| (5) Accounts payable | \$ | 41.7 |
| Income taxes payable | | 19.6 |
| Accrued interest | | 61.8 |
| Accrued profit sharing | | 13.6 |
| Debt | | 2,341.0 |
| Deferred income taxes | | 515.5 |
| Other | | 66.9 |
| | \$ | 3,060.1 |
| (6) Elimination of intra-company payables | \$ | (42.0) |
| Elimination of intra-company debt | | (147.4) |
| Deferred income tax elimination | | (46.5) |
| Other | | (0.6) |
| | \$ | (236.5) |

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STEEL DYNAMICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 8. Segment Information (continued)

| For the three months ended March 31, 2010 | Steel Operations | Metals Recycling / Ferrous Resources | Steel Fabrication Operations | Other | Eliminations | Consolidated |
|--|------------------|---|---------------------------------|--------------|--------------|--------------|
| Net Sales | | | | | | |
| External | \$ 943,218 | \$ 475,417 | \$ 23,961 | \$ 27,078 | \$ | \$ 1,469,674 |
| External Non-U.S. | 29,349 | 56,646 | | 121 | | 86,116 |
| Other segments | 39,929 | 224,240 | 37 | 2,219 | (266,425) | |
| | 1,012,496 | 756,303 | 23,998 | 29,418 | (266,425) | 1,555,790 |
| Operating income (loss) | 134,738 | 24,134 | (6,580) | (18,875)(1) | (1,120)(2) | 132,297 |
| Income (loss) before income taxes | 117,888 | 13,413 | (7,756) | (23,923) | (1,759) | 97,863 |
| Depreciation and amortization | 28,160 | 25,684 | 1,373 | 1,082 | (27) | 56,272 |
| Capital expenditures | 12,071 | 17,676 | 107 | 1,468 | (638) | 30,684 |
| As of March 31, 2010 | | | | | | |
| Assets | 2,365,971 | 2,374,955 | 162,304 | 1,006,296(3) | (327,404)(4) | 5,582,122 |
| Liabilities | 272,136 | 521,034 | 8,083 | 3,044,426(5) | (321,452)(6) | 3,524,227 |

Footnotes related to March 31, 2010 segment results (in millions):

| | | |
|--|----|---------|
| (1) Corporate SG&A | \$ | (9.5) |
| Company-wide stock option expense | | (2.3) |
| Profit sharing | | (8.5) |
| Other, net | | 1.4 |
| | \$ | (18.9) |
| (2) Margin impact from intra-company sales | \$ | (1.1) |
| (3) Cash and equivalents | \$ | 218.1 |
| Income taxes receivable | | 125.0 |
| Property, plant and equipment, net | | 45.4 |
| Debt issuance costs, net | | 28.7 |
| Intra-company debt receivable | | 209.8 |
| Deferred income taxes | | 307.0 |
| Other | | 72.3 |
| | \$ | 1,006.3 |
| (4) Elimination of intra-company receivables | \$ | (36.6) |
| Deferred taxes elimination | | (71.7) |
| Elimination of intra-company debt | | (209.8) |
| Other | | (9.3) |
| | \$ | (327.4) |

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| | | |
|---|----|---------|
| (5) Accounts payable | \$ | 39.0 |
| Income taxes payable | | 30.7 |
| Accrued interest | | 62.3 |
| Accrued profit sharing | | 8.7 |
| Debt | | 2,341.2 |
| Deferred income taxes | | 497.6 |
| Other | | 64.9 |
| | \$ | 3,044.4 |
| (6) Elimination of intra-company payables | \$ | (37.1) |
| Elimination of intra-company debt | | (209.8) |
| Deferred income tax elimination | | (74.1) |
| Other | | (0.5) |
| | \$ | (321.5) |

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STEEL DYNAMICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 9. Condensed Consolidating Information

Certain 100%-owned subsidiaries of SDI have fully and unconditionally guaranteed all of the indebtedness relating to the issuance of the company's senior notes due 2012, 2014, 2015, 2016, and 2020. Following are the company's condensed consolidating financial statements, including the guarantors, which present the financial position, results of operations and cash flows of (i) SDI (in each case, reflecting investments in its consolidated subsidiaries under the equity method of accounting), (ii) the guarantor subsidiaries of SDI, (iii) the non-guarantor subsidiaries of SDI, and (iv) the eliminations necessary to arrive at the information for the company on a consolidated basis. The following statements should be read in conjunction with the accompanying consolidated financial statements and the company's Annual Report on Form 10-K for the year ended December 31, 2010.

Condensed Consolidating Balance Sheets (in thousands)

| As of March 31, 2011 | Parent | Guarantors | Combined Non-Guarantors | Consolidating Adjustments | Total Consolidated |
|---|--------------|--------------|----------------------------|------------------------------|-----------------------|
| Cash and equivalents | \$ 147,752 | \$ 8,976 | \$ 4,082 | \$ | \$ 160,810 |
| Accounts receivable, net | 372,097 | 790,087 | 16,465 | (294,712) | 883,937 |
| Inventories | 592,672 | 524,191 | 75,817 | (6,512) | 1,186,168 |
| Other current assets | 65,268 | 10,723 | 1,927 | (31,713) | 46,205 |
| Total current assets | 1,177,789 | 1,333,977 | 98,291 | (332,937) | 2,277,120 |
| Property, plant and equipment, net | 1,094,612 | 673,400 | 422,668 | (2,982) | 2,187,698 |
| Intangible assets, net | | 479,480 | | | 479,480 |
| Goodwill | | 750,029 | | | 750,029 |
| Other assets, including investments in subs | 3,142,781 | 35,919 | 7,333 | (3,052,755) | 133,278 |
| Total assets | \$ 5,415,182 | \$ 3,272,805 | \$ 528,292 | \$ (3,388,674) | \$ 5,827,605 |
| Accounts payable | \$ 150,051 | \$ 316,205 | \$ 26,728 | \$ (39,570) | \$ 453,414 |
| Accrued expenses | 155,856 | 95,292 | 7,881 | (24,015) | 235,014 |
| Current maturities of long-term debt | 423 | 313 | 19,273 | (18,793) | 1,216 |
| Total current liabilities | 306,330 | 411,810 | 53,882 | (82,378) | 689,644 |
| Long-term debt | 2,344,290 | | 197,025 | (163,035) | 2,378,280 |
| Other liabilities | 573,871 | 2,223,528 | 27,612 | (2,293,024) | 531,987 |
| Redeemable noncontrolling interest | | | 54,294 | | 54,294 |
| Common stock | 635 | 33,896 | 16,121 | (50,017) | 635 |
| Treasury stock | (725,849) | | | | (725,849) |
| Additional paid-in-capital | 1,010,698 | 117,737 | 258,058 | (375,795) | 1,010,698 |
| Retained earnings | 1,905,207 | 485,834 | (61,409) | (424,425) | 1,905,207 |
| Total Steel Dynamics, Inc. equity | 2,190,691 | 637,467 | 212,770 | (850,237) | 2,190,691 |
| Noncontrolling interests | | | (17,291) | | (17,291) |
| Total equity | 2,190,691 | 637,467 | 195,479 | (850,237) | 2,173,400 |
| Total liabilities and equity | \$ 5,415,182 | \$ 3,272,805 | \$ 528,292 | \$ (3,388,674) | \$ 5,827,605 |

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STEEL DYNAMICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 9. Condensed Consolidating Information (continued)*Condensed Consolidating Balance Sheets (in thousands)*

| As of December 31, 2010 | Parent | Guarantors | Combined Non-Guarantors | Consolidating Adjustments | Total Consolidated |
|---|--------------|--------------|----------------------------|------------------------------|-----------------------|
| Cash and equivalents | \$ 173,563 | \$ 10,628 | \$ 2,322 | \$ | \$ 186,513 |
| Accounts receivable, net | 283,883 | 614,412 | 7,282 | (283,388) | 622,189 |
| Inventories | 548,726 | 487,298 | 84,183 | (6,144) | 1,114,063 |
| Other current assets | 96,040 | 9,757 | 3,444 | (32,003) | 77,238 |
| Total current assets | 1,102,212 | 1,122,095 | 97,231 | (321,535) | 2,000,003 |
| Property, plant and equipment, net | 1,110,350 | 684,118 | 421,897 | (3,032) | 2,213,333 |
| Intangible assets, net | | 489,240 | | | 489,240 |
| Goodwill | | 751,675 | | | 751,675 |
| Other assets, including investments in subs | 3,069,880 | 36,617 | 7,601 | (2,978,415) | 135,683 |
| Total assets | \$ 5,282,442 | \$ 3,083,745 | \$ 526,729 | \$ (3,302,982) | \$ 5,589,934 |
| Accounts payable | \$ 127,246 | \$ 227,823 | \$ 26,015 | \$ (32,483) | \$ 348,601 |
| Accrued expenses | 123,498 | 102,114 | 8,497 | (30,317) | 203,792 |
| Current maturities of long-term debt | 7,554 | 325 | 34,604 | (33,559) | 8,924 |
| Total current liabilities | 258,298 | 330,262 | 69,116 | (96,359) | 561,317 |
| Long-term debt | 2,344,399 | | 168,278 | (134,780) | 2,377,897 |
| Other liabilities | 586,875 | 2,158,725 | 27,072 | (2,253,081) | 519,591 |
| Redeemable noncontrolling interest | | | 54,294 | | 54,294 |
| Common stock | 633 | 33,901 | 16,121 | (50,022) | 633 |
| Treasury stock | (727,624) | | | | (727,624) |
| Additional paid-in-capital | 998,728 | 117,737 | 256,905 | (374,642) | 998,728 |
| Retained earnings | 1,821,133 | 443,120 | (49,022) | (394,098) | 1,821,133 |
| Total Steel Dynamics, Inc. equity | 2,092,870 | 594,758 | 224,004 | (818,762) | 2,092,870 |
| Noncontrolling interests | | | (16,035) | | (16,035) |
| Total equity | 2,092,870 | 594,758 | 207,969 | (818,762) | 2,076,835 |
| Total liabilities and equity | \$ 5,282,442 | \$ 3,083,745 | \$ 526,729 | \$ (3,302,982) | \$ 5,589,934 |

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STEEL DYNAMICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 9. Condensed Consolidating Information (continued)*Condensed Consolidating Statements of Operations (in thousands)*

| For the three months ended, March 31, 2011 | Parent | Guarantors | Combined Non-Guarantors | Consolidating Adjustments | Total Consolidated |
|---|------------|--------------|----------------------------|------------------------------|-----------------------|
| Net sales | \$ 912,817 | \$ 2,301,547 | \$ 47,522 | \$ (1,245,917) | \$ 2,015,969 |
| Costs of goods sold | 729,541 | 2,165,378 | 57,595 | (1,232,299) | 1,720,215 |
| Gross profit | 183,276 | 136,169 | (10,073) | (13,618) | 295,754 |
| Selling, general and administrative | 36,664 | 55,893 | 2,122 | (4,251) | 90,428 |
| Operating income | 146,612 | 80,276 | (12,195) | (9,367) | 205,326 |
| Interest expense, net of capitalized interest | 25,696 | 17,262 | 2,314 | (1,926) | 43,346 |
| Other (income) expense, net | (3,179) | (2,675) | (718) | 2,005 | (4,567) |
| Income before income taxes and equity in net income of subsidiaries | 124,095 | 65,689 | (13,791) | (9,446) | 166,547 |
| Income taxes | 40,929 | 24,904 | 43 | (3,559) | 62,317 |
| | 83,166 | 40,785 | (13,834) | (5,887) | 104,230 |
| Equity in net income of subsidiaries | 22,737 | | | (22,737) | |
| Net loss attributable to noncontrolling interests | | | 1,673 | | 1,673 |
| Net income attributable to Steel Dynamics, Inc. | \$ 105,903 | \$ 40,785 | \$ (12,161) | \$ (28,624) | \$ 105,903 |

| For the three months ended, March 31, 2010 | Parent | Guarantors | Combined Non-Guarantors | Consolidating Adjustments | Total Consolidated |
|--|------------|--------------|----------------------------|------------------------------|-----------------------|
| Net sales | \$ 727,033 | \$ 1,732,431 | \$ 31,410 | \$ (935,084) | \$ 1,555,790 |
| Costs of goods sold | 607,982 | 1,622,755 | 39,456 | (924,885) | 1,345,308 |
| Gross profit | 119,051 | 109,676 | (8,046) | (10,199) | 210,482 |
| Selling, general and administrative | 28,891 | 50,047 | 2,347 | (3,100) | 78,185 |
| Operating income (loss) | 90,160 | 59,629 | (10,393) | (7,099) | 132,297 |
| Interest expense, net of capitalized interest | 21,847 | 15,181 | 2,111 | (1,624) | 37,515 |
| Other (income) expense, net | (2,784) | (2,850) | 290 | 2,263 | (3,081) |
| Income (loss) before income taxes and equity in net income of subsidiaries | 71,097 | 47,298 | (12,794) | (7,738) | 97,863 |
| Income taxes (benefit) | 23,986 | 17,573 | (4,796) | (2,289) | 34,474 |
| | 47,111 | 29,725 | (7,998) | (5,449) | 63,389 |
| Equity in net income of subsidiaries | 17,858(1) | | | (17,858)(1) | |
| Net loss attributable to noncontrolling interests | | | 1,580 | | 1,580 |
| Net income (loss) attributable to Steel Dynamics, Inc. | \$ 64,969 | \$ 29,725 | \$ (6,418) | \$ (23,307) | \$ 64,969 |

(1) The Parent Statement of Operations for the three-month period ended March 31, 2010, was adjusted to change Equity in Net Income of Subsidiaries to \$17,858 (from \$21,727) to reflect in net income attributable to Steel Dynamics, Inc. the net loss attributable to the noncontrolling interests, and the net loss effect of consolidating adjustments. These adjustments had no impact on previously reported combined non-guarantors or total consolidated amounts.

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STEEL DYNAMICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 9. Condensed Consolidating Information (continued)

Condensed Consolidating Statements of Cash Flows (in thousands)

| | | | | |
|---|-----------|-------------|-------------|----------|
| Net cash provided by (used in) operating activities | \$ 53,478 | \$ (39,355) | \$ (10,152) | \$ 3,971 |
| Net cash provided by (used in) financing activities | (73,446) | 48,257 | 15,351 | (9,838) |
| Cash and equivalents at beginning of period | 173,563 | 10,628 | 2,322 | 186,513 |

| | | | | | |
|---|------------|------------|-------------|----------|-----------|
| Net cash provided by (used in) operating activities | \$ 102,341 | \$ (3,071) | \$ (26,202) | \$ (326) | \$ 72,742 |
| Net cash provided by financing activities | 156,810 | 12,833 | 4,293 | 173,936 | |
| Cash and equivalents at beginning of period | 430 | 6,363 | 2,215 | 9,008 | |

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

Forward-Looking Statements

This report contains some predictive statements about future events, including statements related to conditions in domestic and global economies, conditions in the steel and recycled metals marketplaces, our revenue, costs of purchased materials, future profitability and earnings, and the operation of new or existing facilities. These statements are intended to be made as forward-looking, subject to many risks and uncertainties, within the safe harbor protections of the Private Securities Litigation Reform Act of 1995. Such predictive statements are not guarantees of future performance, and actual results could differ materially from our current expectations. Factors that could cause such predictive statements to turn out other than as anticipated or predicted include, among others: the effects of a prolonged recession resulting in a decrease of demand for our products; cyclical changes in market supply and demand for steel and recycled metals consumption; the impact of price competition, whether domestic or the result of foreign imports; risks and uncertainties involving new products or new technologies; changes in the availability or cost of steel scrap or substitute materials; increases in energy costs; occurrence of unanticipated equipment failures and plant outages; labor unrest; and the effect of the elements on production or consumption.

More specifically, we refer you to the sections titled *Special Note Regarding Forward-Looking Statements* and *Risk Factors* in our annual report on Form 10-K for the year ended December 31, 2010, as well as in other reports which we file with the Securities and Exchange Commission, for a more detailed discussion of some of the many factors, variable risks and uncertainties that could cause actual results to differ materially from those we may have expected or anticipated. These reports are available publicly on the SEC web site, www.sec.gov, and on our web site, www.steeldynamics.com. Forward-looking or predictive statements we make are based upon information and assumptions, concerning our businesses and the environments in which they operate, which we consider reasonable as of the date on which these statements are made. Due to the foregoing risks and uncertainties however, as well as, matters beyond our control which can affect forward-looking statements, you are cautioned not to place undue reliance on these predictive statements, which speak only as of the date of this report. We undertake no duty to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Operating Statement Classifications

Net Sales. Net sales from our operations are a factor of volumes shipped, product mix and related pricing. We charge premium prices for certain grades of steel, product dimensions, certain smaller volumes, and for value-added processing or coating of the steel products. Except for our steel fabrication operations segment, we recognize revenue from sales and the allowance for estimated costs associated with returns from these sales at the time the title of the product is transferred to the customer. Provision is made for estimated product returns and customer claims based on estimates and actual historical experience. Net sales from steel fabrication operations are recognized from construction contracts utilizing a percentage-of-completion method, which is based on the percentage of steel consumed to date as compared to the estimated total steel required for each contract.

Costs of Goods Sold. Our costs of goods sold represent all direct and indirect costs associated with the manufacture of our products. The principal elements of these costs for our steel operations are steel scrap and scrap substitutes (which represent the most significant single component of our consolidated costs of goods sold), alloys, zinc, natural gas, argon, direct and indirect labor and related benefits, electricity, oxygen, electrodes, depreciation, materials and freight. The principal elements of these costs for our metals recycling and ferrous resources operations are the costs of procuring the unprocessed scrap materials, material transportation costs, and processing expenses, such as direct and indirect labor and related benefits, depreciation and utilities. The principal elements of these costs for our steel fabrication operations include purchased steel and direct and indirect labor and related benefit expenses.

Selling, General and Administrative Expenses. Selling, general and administrative expenses consist of all costs associated with our sales, finance and accounting, and administrative departments. These costs include, among other items, labor and related benefits, professional services, insurance premiums, property taxes, profit sharing, and amortization of intangible and other assets.

Interest Expense, net of Capitalized Interest. Interest expense consists of interest associated with our senior credit facilities and other debt net of interest costs that are required to be capitalized during the construction period of certain capital investment projects.

Other (Income) Expense, net. Other income consists of interest income earned on our temporary cash deposits and any other non-operating income activity, including gains on certain short-term investments and income from non-consolidated investments accounted for under the equity method. Other expense consists of any non-operating costs.

Overview

Net income was \$105.9 million, or \$.46 per diluted share, during the first quarter of 2011, compared with net income of \$65.0 million, or \$.29 per diluted share, during the first quarter of 2010, and compared with net income of \$7.8 million, or \$0.04 per diluted share, during the fourth quarter of 2010. Our net sales increased \$460.2 million, or 30%, to \$2.0 billion in the first quarter of 2011 versus the first quarter of 2010, and our first quarter 2011 net sales increased \$487.8 million, or 32% versus the fourth quarter of 2010. Our gross profit percentage was 15% during the first quarter of 2011 as compared to 14% for the first quarter of 2010, and 9% for the fourth quarter of 2010.

During the first quarter of 2011, our gross margin and our operating income margin percentages increased 1% and 2%, respectively, compared to the first quarter of 2010, and 6% and 7%, respectively, compared to the fourth quarter of 2010. The improvements for the first quarter 2010 versus the fourth quarter 2010 were primarily the result of increased shipping volumes and metal spreads within our steel operations and metals recycling operations. We have continued to experience improved demand in most of our markets, with non-residential construction continuing to be the notable exception. We currently anticipate overall relative steady demand and pricing in our markets in the second quarter.

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Segment Operating Results 2011 vs. 2010 (dollars in thousands)

| | Three Months Ended March 31, % | | Fourth Quarter | | Linked Quarter % |
|---|--------------------------------------|--------|-------------------|--------------|------------------------|
| | 2011 | Change | 2010 | 2010 | Change |
| Net sales | | | | | |
| Steel | \$ 1,247,010 | 23% | \$ 1,012,496 | \$ 966,828 | 29% |
| Metals recycling and ferrous resources | 1,108,415 | 47% | 756,303 | 769,682 | 44% |
| Steel fabrication | 52,652 | 119% | 23,998 | 57,193 | (8)% |
| Other | 28,132 | (4)% | 29,418 | 18,103 | 55% |
| | 2,436,209 | | 1,822,215 | 1,811,806 | |
| Intra-company | (420,240) | | (266,425) | (283,672) | |
| Consolidated | \$ 2,015,969 | 30% | \$ 1,555,790 | \$ 1,528,134 | 32% |
| Operating income (loss) | | | | | |
| Steel | \$ 192,955 | | \$ 134,738 | \$ 88,710 | |
| Metals recycling and ferrous resources | 39,490 | | 24,134 | (12,464) | |
| Steel fabrication | (2,883) | | (6,580) | (13,269) | |
| Other | (24,256) | | (18,875) | (15,713) | |
| | 205,306 | | 133,417 | 47,264 | |
| Eliminations | 20 | | (1,120) | (443) | |
| Consolidated | \$ 205,326 | | \$ 132,297 | \$ 46,821 | |

Steel Operations

Steel Operations. Steel operations consist of our five electric-arc furnace mini-mills, producing steel from steel scrap, utilizing continuous casting, automated rolling mills, and various downstream finishing facilities, including The Techs operations. Collectively, our steel operations sell directly to end users and service centers. These products are used in numerous industry sectors, including the automotive, construction, commercial, transportation and industrial machinery markets. In the first quarters of 2011 and 2010, our steel operations accounted for 59% and 63%, respectively, of our external net sales, and accounted for 60% of our external net sales in the fourth quarter of 2010. Operating income for steel operations increased \$58.2 million or 43%, to \$193.0 million in the first quarter of 2011 compared to the first quarter of 2010, and increased \$104.2 million, or 118%, on a linked-quarter basis. The increases in the first quarter 2011 versus the first quarter 2010 and fourth quarter 2010 were due primarily to improved margins, as the increase in steel selling prices, particularly in sheet steel products, was greater than the increase in the cost of steel scrap consumed during the quarter. Steel operations shipping volumes for the respective periods were as follows:

| | Three Months Ended March 31, | | Fourth Quarter | |
|------------------------------|---------------------------------|---------|-------------------|-----------------|
| | 2011 | 2010 | 2010 | 2010 |
| Shipments (net tons) | | | | |
| Flat Roll Division | 709,614 | 749,258 | 649,019 | |
| The Techs | 200,724 | 210,545 | 146,149 | |
| Sheet products | 910,338 | 68% | 959,803 | 73% 795,168 65% |
| Structural and Rail Division | 190,661 | 155,349 | 158,683 | |

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| | | | | | | |
|---------------------------|-----------|------|-----------|------|-----------|------|
| Engineered Bar Products | | | | | | |
| Division | 159,015 | | 125,059 | | 161,220 | |
| Roanoke Bar Division | 121,305 | | 109,186 | | 140,866 | |
| Steel of West Virginia | 72,056 | | 53,405 | | 61,727 | |
| Long products | 543,037 | 40% | 442,999 | 34% | 522,496 | 43% |
| Total shipments | 1,453,375 | | 1,402,802 | | 1,317,664 | |
| Intra-company and segment | (109,973) | (8)% | (81,953) | (6)% | (94,041) | (8)% |
| External shipments | 1,343,402 | | 1,320,849 | | 1,223,623 | |

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Sheet Products. Our Flat Roll Division sells a broad range of sheet steel products, such as hot rolled, cold rolled and coated steel products, including a large variety of specialty products such as light gauge hot rolled, galvanized, Galvalume® and painted products. The Techs operations, comprised of three galvanizing lines, also sells specialized galvanized sheet steels used in non-automotive applications. During the first quarter of 2011, our sheet operations represented 64% of our steel segment's operating income, as compared to 77% in the first quarter of 2010. The decrease in the percentage in the first quarter of 2011 from the same quarter in 2010 is due primarily to the improved profitability of the Engineered Bar Products and Structural and Rail divisions during the first quarter of 2011 relative to the segment as a whole.

Long Products. Our Structural and Rail Division sells structural steel beams and pilings and is also designed to produce and sell a variety of standard and premium-grade rail for the railroad industry. Our Engineered Bar Products Division primarily sells special bar quality and merchant bar quality rounds and round-cornered squares. Our Roanoke Bar Division sells billets and merchant steel products, including angles, plain rounds, flats and channels. Steel of West Virginia primarily sells merchant beams, channels and specialty structural steel sections.

Net sales for the segment increased by \$234.5 million, or 23%, compared to the first quarter of 2010, and increased \$280.2 million, or 29%, on a linked-quarter basis. First quarter 2011 total shipments were up 4% in total compared to the same period in 2010 due primarily to the improved markets for our long products, with increased automotive and heavy machinery demand, causing a 23% increase in shipments. Linked-quarter total shipments increased 10%, driven by sheet products which increased 14%, with long products shipments increasing 4%. Recent order entry and backlogs for sheet products have leveled somewhat from early in the first quarter, but we anticipate sustained strength in these markets into the second quarter. In addition, we are seeing continued improvement in the markets for our long products, particularly within special bar quality steel. The automotive, transportation, energy, industrial, agricultural, and construction equipment industries continue to rebound. Our first quarter 2011 average steel operations' selling price per ton shipped, including intra-company shipments, increased \$153 compared with the first quarter of 2010 and \$135 compared with the fourth quarter of 2010. In sheet products, our first quarter 2011 average selling price per ton shipped increased \$138 per ton compared with the first quarter of 2010 and \$152 on a linked-quarter basis. Long products average selling prices increased \$169 per ton compared with the first quarter of 2010 and \$107 on a linked-quarter basis.

Metallic raw materials used in our electric arc furnaces represent our single most significant manufacturing cost. Our metallic raw material cost per net ton consumed in our steel operations increased \$86 in the first quarter 2011 compared with the first quarter of 2010 and \$60 on a linked-quarter basis. During the first quarter of 2011 and 2010 and fourth quarter of 2010, our metallic raw material costs represented 66%, 61% and 61%, respectively, of our steel operations' manufacturing costs, excluding the operations of The Techs, which purchases, rather than produces, the steel it further processes.

Table of Contents**Metals Recycling and Ferrous Resources Operations**

Metals Recycling and Ferrous Resources Operations. This operating segment includes our metals recycling operations, liquid pig iron manufacturing facility and iron nugget manufacturing facility. In the first quarter of 2011 and 2010, and fourth quarter of 2010, our metals recycling and ferrous resources operations accounted for 37%, 34%, and 35%, respectively, of our external net sales. Operating income for the segment increased \$15.4 million to \$39.5 million in the first quarter of 2011 compared to the first quarter of 2010, and increased \$52.0 million compared to the fourth quarter of 2010; due primarily to increased demand of both ferrous and nonferrous scrap, as well as better pricing and margins.

Metals recycling and ferrous resources shipping volumes during the respective periods were as follows:

| | | Three Months Ended March 31, | | Fourth Quarter 2010 |
|---|---------------|---------------------------------|-----------|---------------------------|
| | | 2011 | 2010 | |
| Ferrous metal shipments (gross tons) | | | | |
| Combined | | 1,528,191 | 1,230,075 | 1,237,677 |
| Intra-company | | (669,628) | (519,306) | (522,267) |
| | External | 858,563 | 710,769 | 715,410 |
| Nonferrous metals shipments (thousands of pounds) | | | | |
| Combined | | 286,645 | 238,245 | 229,881 |
| Intra-company | | (2,261) | (2,194) | (2,962) |
| | External | 284,384 | 236,051 | 226,919 |
| Mesabi Nugget shipments (metric tons) | Intra-company | 35,767 | 7,179 | 18,275 |
| Iron Dynamics shipments (metric tons) | | | | |
| Liquid pig iron | | 54,598 | 46,428 | 46,881 |
| Hot briquetted iron | | 6,005 | 11,372 | 6,862 |
| Other | | 540 | 698 | 1,118 |
| | Intra-company | 61,143 | 58,498 | 54,861 |

Metals Recycling. Our metals recycling operations represent our metals sourcing and processing operations and are the most significant source of income in this segment. These operations sell ferrous metals to steel mills and foundries, and nonferrous metals, such as copper, brass, aluminum and stainless steel to, among others, ingot manufacturers, copper refineries and mills, smelters, and specialty mills. During the first quarter of 2011, our metals recycling operations represented 95% of this segment's net sales as compared to 96% during the first quarter of 2010 and fourth quarter of 2010.

Ferrous Resources. Our ferrous resource operations consist of the revenues and expenses associated with our scrap substitute manufacturing facility, Iron Dynamics (IDI); our iron-nugget manufacturing facility, Mesabi Nugget; and our potential future mining operations, Mesabi Mining. IDI primarily produces liquid pig iron, which is used as a scrap substitute raw material input exclusively at our Flat Roll Division. Mesabi Nugget began initial, limited production of iron nuggets in January 2010. Throughout 2010 and the first quarter of 2011, we have been refining the production process and changing equipment configurations, as needed, in order to increase production and plant availability. During the remainder of 2011, we anticipate reaching improved sustainable production levels, moving toward the facility's anticipated annual production

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capacity of 500,000 metric tons, and potentially reach breakeven monthly operations by the end of the year. The operating loss attributable to our Mesabi Nugget start-up operations of \$13.8 million (including noncontrolling interest) in the first quarter of 2011 was \$2.0 million higher than the first quarter of 2010, but \$2.4 million less than the fourth quarter 2010.

Net sales for the segment in the first quarter of 2011 increased by \$352.1 million, or 47%, compared to the first quarter of 2010, and increased \$338.7 million, or 44%, on a linked-quarter basis. The first quarter 2011 increase over 2010 was due primarily to increased scrap volumes and selling prices as the scrap markets in the first quarter of 2011 were much healthier than in 2010. Ferrous metals prices increased 19% and 21%, respectively, compared to those achieved in the first and fourth quarters of 2010. Additionally, nonferrous pricing increased across all our products in the first quarter 2011 versus the first and fourth quarters 2010, with stainless showing the most improvement.

During the first quarter of 2011, metal recycling recorded combined shipments of 1.5 million gross tons of ferrous metals and 286.6 million pounds of nonferrous materials, compared with 1.2 million gross tons and 238.2 million pounds during the same period in 2010. On a linked-quarter basis, combined shipments of ferrous metals increased by 291,000 gross tons while shipments of nonferrous metals increased by 56.8 million pounds, or 25%. During the first quarter of 2011, the metals recycling operations provided approximately 54% of the steel scrap purchased by our steel mills. This represented 44% of the metals recycling operations ferrous shipments for the quarter as compared to 42% during the first quarter of 2010 and the fourth quarter of 2010. Domestic steel mill utilization rates in the first quarter 2011 increased to 75%, from 61% in the first quarter 2010 and 68% in the fourth quarter 2010. As a major consumer of ferrous scrap, this has resulted in increased demand of our ferrous products.

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Steel Fabrication Operations

Our steel fabrication operations include six operating and two idled New Millennium Building Systems plants located in the Midwest, Southeastern and Southwestern parts of the United States. Revenues from these plants are generated from the fabrication of trusses, girders, steel joists and steel decking used within the non-residential construction industry. Steel fabrication operations accounted for 3% of our external net sales during the first quarter of 2011, 4% during the fourth quarter of 2010, and 2% during the first quarter of 2010. The operating loss for the segment was \$2.9 million in the first quarter of 2011 compared to an operating loss of \$6.6 million in the first quarter of 2010, and an operating loss of \$13.3 million on a linked-quarter basis. The fourth quarter 2010 operating loss included a non-cash impairment charge of \$12.8 million related to our idled South Carolina facility.

Net sales for the segment increased by \$28.7 million, or 119% in the first quarter 2011 compared to the first quarter of 2010, but decreased \$4.5 million, or 8% on a linked-quarter basis. Both volumes and pricing increased in the first quarter 2011 when compared with the same period in 2010, with our average steel fabrication operations selling price per ton shipped increasing \$261, or 28%, and volumes increasing 18 thousand tons, or 72%. While pricing increased \$41 per ton, or 4%, on a linked-quarter basis, volumes declined by 11% compared to the fourth quarter of 2010.

The purchase of various steel products is the largest single cost of production for our steel fabrication operations. During the first quarter of 2011 and 2010, the cost of steel products purchased represented 71% and 64%, respectively, of the total cost of manufacturing for our steel fabrication operations. The cost of steel increased in the first quarter of 2011 as compared to the same period in 2010 by \$89 per ton. However, as the increase in selling prices outpaced the increase in scrap costs (our most significant input cost), and volumes increased 72%, gross margin and thus operating income, increased for the segment in the first quarter of 2011 as compared to the same quarter in 2010.

The recovery of non-residential construction activity continues to lag behind the recovery of the broader domestic economy, negatively impacting the performance of this segment. We did however experience slightly positive trends in order entry activity, backlogs and product pricing in the first quarter of 2011.

First Quarter Consolidated Results 2011 vs. 2010

Selling, General and Administrative Expenses. Selling, general and administrative expenses (including profit sharing and amortization of intangible assets) were \$90.4 million during the first quarter of 2011, as compared to \$78.2 million during the first quarter of 2010, an increase of \$12.2 million, or 16%. Our selling, general and administrative expenses represented 4% and 5% of our total net sales during the first quarter of 2011 and 2010, respectively. The percentage decrease is primarily a result of improved net sales in the first quarter of 2011 compared with the prior year as measured against certain fixed cost components in selling, general and administrative expenses.

The most significant increase in our selling, general and administrative expenses in the first quarter of 2011 compared to the same period in 2010 was profit sharing expense, which increased due to our improved operating results. During the first quarter of 2011, we recorded expense of \$13.3 million related to our Steel Dynamics performance-based profit sharing plan (and \$1.9 million of other profit sharing), while only \$8.5 million of expense was recorded in the first quarter of 2010. The contribution percentage for this plan consists of 2% of consolidated pretax earnings plus a unique percentage of each of our operating segments' pretax earnings. The resulting total contribution percentage was 7% of consolidated pretax earnings (before profit sharing) during the first quarter of 2011 and 8% during the first quarter of 2010.

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Interest Expense, net of Capitalized Interest. During the first quarter of 2011, gross interest expense increased \$2.7 million, or 7%, to \$43.7 million, and capitalized interest decreased \$3.1 million to \$349,000, when compared to the same period in 2010. The increase in gross interest expense for the first quarter of 2011 compared to the first quarter of 2010 is primarily a result of our issuance in March 2010 of \$350.0 million of 7 5/8% senior notes due 2020. The interest capitalization that occurred during these periods resulted from the interest required to be capitalized with respect to construction activities at our various operating segments. The level of construction projects was not as significant in the first quarter 2011 as it was during the first quarter of 2010. Our weighted-average interest rate on our outstanding borrowings was 7.3% and 7.2% at March 31, 2011 and 2010, respectively. We currently anticipate gross interest expense to remain consistent through the remainder of the year.

Other Income, net. Other income was \$4.6 million during the first quarter of 2011, as compared to \$3.1 million during the same period in 2010. During the first quarter of 2011, we recorded interest income of \$1.0 million versus \$914,000 in the same period in 2010.

Income Taxes. During the first quarter of 2011, our income tax expense was \$62.3 million, as compared to \$34.5 million during the same period in 2010. Our effective income tax rate before noncontrolling interests was 37.4% and 35.2% during the first quarter of 2011 and 2010, respectively. The effective tax rate in the first quarter of 2010 was lower due to discrete tax benefits recorded during that quarter.

Liquidity and Capital Resources

Our business is capital intensive and requires substantial expenditures for, among other things, the purchase and maintenance of equipment used in our steelmaking and finishing operations and to remain in compliance with environmental laws. Our short-term and long-term liquidity needs arise primarily from capital expenditures, working capital requirements and principal and interest payments related to our outstanding indebtedness. We have met these liquidity requirements with cash provided by operations, issuances of common stock, long-term borrowings and state and local grants.

Working Capital. During the first three months of 2011, our operational working capital position, representing our cash invested in trade receivables, inventories and income taxes receivable, less current liabilities other than debt, increased \$166.8 million to \$1.4 billion compared to December 31, 2010. Trade receivables increased \$261.7 million, or 42%, during the first quarter of 2011 to \$883.9 million, of which over 98% were current or less than 60 days past due. Our largest customer is an affiliated company, Heidtman Steel, which represented 6% and 5% of our outstanding trade receivables at March 31, 2011 and December 31, 2010, respectively. Trade receivables increased during the first quarter of 2011 consistent with the increase in quarterly sales compared to the fourth quarter of 2010. Total inventories increased \$72.1 million, or 6%, to \$1.2 billion during the first quarter of 2011. Our raw materials, primarily steel scrap inventories, increased by approximately \$34.6 million during the first quarter of 2011. Scrap volumes increased by 10,000 gross tons, or 1%, and scrap cost increased 7%. Likewise our work-in-process and finished goods inventories increased \$33.9 million, or 12%, due primarily to the increase in average cost, caused by the increasing cost of scrap, and an increase in the volume of steel of 4,000 net tons, or 1%. Our trade payables and general accruals increased \$136.0 million, or 25%, during the first three months of 2011. The increase in trade payables of \$105 million is primarily a reflection of the increased production activities and commodity raw material purchasing prior to March 31, 2011, compared to that at December 31, 2010, and the increase in accrued expenses is due primarily to the increase in accrued interest due to the timing of semiannual interest payments.

Capital Investments. During the first three months of 2011, we invested \$18.7 million in property, plant and equipment, of which \$7.3 million was within our steel operations, \$6.6 million related to our metals recycling operations, and \$1.8 million related to our Mesabi Nugget and Mesabi Mining facilities. We believe these capital investments will benefit our net sales and related cash flows as each project reaches completion and attains appropriate operational metrics. We project capital expenditures for the remainder of 2011 to be between \$155 to \$180

million, and depreciation to be approximately \$200 million.

Capital Resources and Long-term Debt. During the first three months of 2011, our total outstanding debt decreased \$7.3 million to \$2.4 billion. Our total long-term debt to capitalization ratio, representing our long-term debt, including current maturities, divided by the sum of our long-term debt, redeemable noncontrolling interest, and total equity, was 51.6% at March 31, 2011, and 52.8% at December 31, 2010. At March 31, 2011, there were no outstanding borrowings under our senior secured revolver, which is subject to a monthly borrowing base.

Our senior secured credit agreement contains financial covenants and other covenants that limit or restrict our ability to make capital expenditures; incur indebtedness; permit liens on property; enter into transactions with affiliates; make restricted payments or investments; enter into mergers, acquisitions or consolidations; conduct asset sales; pay dividends or distributions and enter into other specified transactions and activities. Our ability to borrow funds within the terms of the revolver is dependent upon our continued compliance with our financial covenants, and other covenants contained in the senior secured credit agreement.

The current financial covenants under our senior secured credit agreement state that we must maintain an interest coverage ratio of not less than 2.50:1.00. Our interest coverage ratio is calculated by dividing our last-twelve trailing months (LTM) consolidated adjusted EBITDA (earnings before interest, taxes, depreciation, amortization, and certain other non-cash transactions as allowed in our senior secured credit agreement) by our LTM gross interest expense. We must also maintain a first lien debt to LTM EBITDA ratio of not more than 3.00:1.00. In addition, a total debt to consolidated LTM adjusted EBITDA ratio of not more than 5.00:1.00 must be maintained. If the total debt to EBITDA ratio exceeds 3.50:1.00 at any time however, the ability of the company to make restricted payments as defined in the credit agreement (which includes cash dividends to stockholders and share purchases, among other things), is limited to \$25.0 million per quarter.

At March 31, 2011, our first lien leverage ratio, interest coverage ratio, and total debt leverage ratio was 0.02:1.00, 4.10:1.00, and 3.37:1.00, respectively. We were in compliance with these covenants at March 31, 2011, and we expect to remain in compliance during the remainder of 2011.

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The senior secured credit agreement also contains a monthly borrowing base requirement regarding the maximum availability for the revolver. At the end of each month, our revolver must be the lesser of:

1. \$924.0 million less other applicable commitments, such as letters of credit and other secured debt, as defined within the credit agreement; or
2. The sum of 85% of our eligible accounts receivable and 65% of our eligible inventories, less other applicable commitments, such as letters of credit and other secured debt, as defined within the credit agreement.

At March 31, 2011, we had \$907.5 million of funding availability pursuant to our senior secured revolving credit agreement

Cash Dividends. We declared cash dividends of \$21.8 million, or \$.10 per common share, during the first quarter of 2011 and \$16.2 million, or \$.075 per common share, during the first quarter of 2010. We paid cash dividends of \$16.3 million and \$16.2 million during the first quarter of 2011 and 2010, respectively. Our board of directors, along with executive management, approves the payment of dividends on a quarterly basis. During the remainder of 2011, we anticipate maintaining our current level of quarterly dividends; however, the determination to pay cash dividends in the future will be at the discretion of our board of directors, after taking into account various factors, including our financial condition, results of operations, outstanding indebtedness, current and anticipated cash needs and growth plans. In addition, the terms of our senior secured revolving credit agreement and the indenture relating to our senior notes restrict the amount of cash dividends we can pay.

Other. Our ability to meet our debt service obligations and reduce our total debt will depend upon our future performance which, in turn, will depend upon general economic, financial and business conditions, along with competition, legislation and regulatory factors that are largely beyond our control. In addition, we cannot assure you that our operating results, cash flow, access to credit markets and capital resources will be sufficient for repayment of our indebtedness in the future. We believe that based upon current levels of operations and anticipated growth, cash flow from operations, together with other available sources of funds, including borrowings under our senior secured credit agreement, will be adequate for the next twelve months for making required payments of principal and interest on our indebtedness, and funding working capital requirements and anticipated capital expenditures.

Other Matters

Inflation. We believe that inflation has not had a material effect on our results of operations.

Environmental and Other Contingencies. We have incurred, and in the future will continue to incur, capital expenditures and operating expenses for matters relating to environmental control, remediation, monitoring, and compliance. We believe, apart from our dependence on environmental construction and operating permits for our existing and proposed manufacturing facilities, that compliance with current environmental laws and regulations is not likely to have a materially adverse effect on our financial condition, results of operations or liquidity; however, environmental laws and regulations have changed rapidly in recent years, and we may become subject to more stringent environmental

laws and regulations in the future, such as the impact of United States government or various governmental agencies introducing regulatory changes in response to the potential of climate change.

Critical Accounting Policies and Estimates

No material changes have occurred to the indicated critical accounting policies and estimates as disclosed in our 2010 Annual Report on Form 10-K.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

In the normal course of business, we are exposed to interest rate changes. Our objectives in managing exposure to interest rate changes are to limit the impact of these rate changes on earnings and cash flows and to lower overall borrowing costs. To achieve these objectives, we primarily use interest rate swaps to manage net exposure to interest rate changes related to our portfolio of borrowings. We did not have any interest rate swaps in place at March 31, 2011, nor did we have any in 2010.

Commodity Risk

In the normal course of business we are exposed to the market risk and price fluctuations related to the sale of steel products and to the purchase of commodities used in our production process, such as metallic raw materials, electricity, natural gas and alloys. Our risk strategy associated with product sales has generally been to obtain competitive prices for our products and to allow operating results to reflect market price movements dictated by supply and demand.

Our risk strategy associated with the purchase of raw materials utilized within our operations has generally been to make some commitments with suppliers relating to future expected requirements for certain commodities such as fuel, zinc, electricity and natural gas and its transportation. Certain commitments contain provisions which require us to take or pay for specified quantities without regard to actual usage for periods of up to 24 months for physical commodity requirements and for up to 10 years for commodity transportation requirements. We also purchase electricity consumed at our Flat Roll Division pursuant to a contract which extends through December 2012. The contract designates 160 hours annually as interruptible service and establishes an agreed fixed-rate energy charge per Mill/kWh consumed for each year through the expiration of the agreement. At March 31, 2011, no material changes had occurred related to these commodity risks from the information disclosed in our Annual Report on Form 10-K for the year ended December 31, 2010. We utilized such take or pay requirements during the past three years under these contracts. We believe that production requirements will be such that consumption of the products or services purchased under these commitments will occur in the normal production process.

In our metals recycling operations we have certain fixed price contracts with various customers and suppliers for future delivery of nonferrous metals. Our risk strategy has been to enter into base metal financial contracts with the goal to protect the profit margin, within certain parameters, that was contemplated when we entered into the transaction with the customer. At March 31, 2011, we had a cumulative unrealized gain associated with these financial contracts of \$4.5 million all of which have a settlement date within the next twelve months. We expect the customer contracts associated with the financial contracts to be fully consummated.

ITEM 4. CONTROLS AND PROCEDURES

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(a) ***Evaluation of Disclosure Controls and Procedures.*** Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2011. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Based on the evaluation of our disclosure controls and procedures as of March 31, 2011, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective.

(b) ***Changes in Internal Controls Over Financial Reporting.*** No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal quarter ended March 31, 2011 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The company as well as its various subsidiaries, is from time to time involved in various lawsuits and/or governmental claims in the ordinary course of business. None of these lawsuits or claims at the present time, singly or in the aggregate, except as disclosed below, is material.

On September 17, 2008, we and eight other steel manufacturing companies were served with a class action antitrust complaint, filed in the United States District Court for the Northern District of Illinois in Chicago by Standard Iron Works of Scranton, Pennsylvania, alleging violations of Section 1 of the Sherman Act. The Complaint alleges that the defendants conspired to fix, raise, maintain and stabilize the price at which steel products were sold in the United States, starting in 2005, by artificially restricting the supply of such steel products. Seven additional lawsuits, each of them materially similar to the original, have also been filed in the same federal court, each of them likewise seeking similar class certification. All but one of the Complaints purport to be brought on behalf of a class consisting of all direct purchasers of steel products between January 1, 2005, and the present. The other Complaint purports to be brought on behalf of a class consisting of all indirect purchasers of steel products within the same time period. In addition, on December 28, 2010, we and the other co-defendants were served with a substantially similar complaint in the Circuit Court of Cocke County, Tennessee, purporting to be on behalf of indirect purchasers of steel products in Tennessee. Defendants removed the case to federal court and are seeking to transfer it to and to consolidate it with the cases pending in the Northern District of Illinois, but Plaintiff is seeking to have the case remanded back to the Tennessee state court. All Complaints seek treble damages and costs, including reasonable attorney fees, pre- and post-judgment interest and injunctive relief.

On January 2, 2009, Steel Dynamics and the other defendants filed a Joint Motion to Dismiss all of the direct purchaser lawsuits. On June 12, 2009, however, the Court denied the Motion. The parties are currently conducting discovery. Although we believe that the lawsuits are without merit and we are aggressively defending these actions, we cannot presently predict the outcome of this litigation or make any judgment with respect to its potential exposure, if any.

On October 25, 2010, our wholly-owned indirect subsidiary, OmniSource Indianapolis LLC, was indicted by a Grand Jury in Marion, County, Indiana, on multiple criminal charges, some involving the alleged receipt or attempted receipt of stolen property, and some asserting various Corrupt Business Influence racketeering charges pursuant to Indiana's RICO statute. A week earlier, we had initiated a civil (replevin) lawsuit against the Marion County Prosecutor, seeking the return of a sum of cash unlawfully seized by the police during a 2009 search of our Indianapolis facilities.

In our lawsuit against the Prosecutor, we maintained that the police action and the conduct of the Prosecutor, subsequently evidenced by the criminal and related civil proceedings against us, constituted part of a meritless plan to extract money from OmniSource, under a threat of potential civil forfeiture of millions of dollars' worth of our property. And, as we expected, on December 30, 2010, the Prosecutor, based upon what we believed to be meritless Corrupt Business Influence charges in the criminal proceeding, filed a counterclaim to our replevin complaint, seeking the forfeiture of all of our Indianapolis scrap facilities and certain other valuable properties, as well as other remedies.

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We maintained from the outset that these charges, all of them involving small dollar individual retail scrap metal transactions, were baseless, and we promptly initiated a vigorous defense. On December 30, 2010, we filed a Motion to Dismiss all counts of the indictment, on multiple grounds. On February 4, 2011, after briefing by the parties, our Motion was argued, and on May 4, 2011, the Judge of the Marion Superior Court ruled on our Motion, dismissing all of the Corrupt Business Influence (racketeering) charges, while leaving for trial a total of only five attempted receipt of stolen property charges with a combined total retail value of less than \$200, each of which, even upon a conviction, carries a maximum \$10,000 fine. We believe that the dismissal of the Corrupt Business Influence charges eviscerates the basis of the Prosecutor's civil forfeiture counterclaim, and we will take all necessary further action in that regard. In addition, we will continue to defend as well against the remaining minor, but what we believe are equally baseless attempted receipt of stolen property charges.

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ITEM 1A. RISK FACTORS

No material changes have occurred to the indicated risk factors as disclosed in our 2010 Annual Report on Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Executive Officer Certifications

31.1* Certification of Chief Executive Officer required by Item 307 of Regulation S-K as promulgated by the Securities and Exchange Commission and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2* Certification of Chief Financial Officer required by Item 307 of Regulation S-K as promulgated by the Securities and Exchange Commission and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1* Certification of Chief Executive Officer Pursuant to 18 U.S.C Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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32.2* Certification of Chief Financial Officer Pursuant to 18 U.S.C Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

XBRL Documents

101.INS* XBRL Instance Document
101.SCH* XBRL Taxonomy Extension Schema Document
101.CAL* XBRL Taxonomy Extension Calculation Document
101.LAB* XBRL Taxonomy Extension Label Document
101.PRE* XBRL Taxonomy Presentation Document
101.DEF* XBRL Taxonomy Definition Document

* Filed concurrently herewith

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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.

May 6, 2011

STEEL DYNAMICS, INC.

By: /s/ Theresa E. Wagler
Theresa E. Wagler
Chief Financial Officer

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