

STEEL DYNAMICS INC
Form 10-Q
May 09, 2012
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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, 2012

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 30, 2012, Registrant had 219,084,717 outstanding shares of common stock.

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STEEL DYNAMICS, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	March 31, 2012 (unaudited)	December 31, 2011
Assets		
Current assets		
Cash and equivalents	\$ 357,809	\$ 390,761
Investments in short-term commercial paper	64,982	84,830
Accounts receivable, net	737,531	679,898
Accounts receivable-related parties	51,643	42,893
Inventories	1,270,941	1,199,584
Deferred income taxes	26,089	25,341
Income taxes receivable	2,833	16,722
Other current assets	15,029	15,229
Total current assets	2,526,857	2,455,258
Property, plant and equipment, net	2,199,509	2,193,745
Restricted cash	26,994	26,528
Intangible assets, net	442,277	450,893
Goodwill	743,441	745,066
Other assets	104,549	107,736
Total assets	\$ 6,043,627	\$ 5,979,226
Liabilities and Equity		
Current liabilities		
Accounts payable	\$ 462,492	\$ 414,240
Accounts payable-related parties	9,765	6,584
Income taxes payable	14,383	10,880
Accrued expenses	186,247	185,964
Accrued profit sharing	9,348	38,671
Current maturities of long-term debt	439,633	444,078
Total current liabilities	1,121,868	1,100,417
Long-term debt		
Term loan	257,812	
7 3/8% senior notes, due 2012		261,250
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	36,707	37,272
Total long-term debt	1,932,019	1,936,022
Deferred income taxes	500,642	489,915
Other liabilities	82,613	82,278
Commitments and contingencies		
Redeemable noncontrolling interest	73,924	70,694

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Equity

Common stock voting, \$.0025 par value; 900,000,000 shares authorized; 255,171,906 and 255,052,811 shares issued; and 219,074,339 and 218,873,720 shares outstanding, as of March 31, 2012 and December 31, 2011, respectively	636	636
Treasury stock, at cost; 36,097,567 and 36,179,091 shares, as of March 31, 2012 and December 31, 2011, respectively	(721,024)	(722,653)
Additional paid-in capital	1,031,043	1,026,157
Retained earnings	2,035,569	2,011,801
Total Steel Dynamics, Inc. equity	2,346,224	2,315,941
Noncontrolling interests	(13,663)	(16,041)
Total equity	2,332,561	2,299,900
Total liabilities and equity	\$ 6,043,627	\$ 5,979,226

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,	
	2012	2011
Net sales		
Unrelated parties	\$ 1,905,075	\$ 1,941,664
Related parties	76,965	74,305
Total net sales	1,982,040	2,015,969
Costs of goods sold	1,780,776	1,720,215
Gross profit	201,264	295,754
Selling, general and administrative expenses	64,384	65,141
Profit sharing	8,072	15,203
Amortization of intangibles	8,992	10,084
Total selling, general and administrative expenses	81,448	90,428
Operating income	119,816	205,326
Interest expense, net of capitalized interest	41,112	43,346
Other expense (income), net	10,248	(4,567)
Income before income taxes	68,456	166,547
Income taxes	26,679	62,317
Net income	41,777	104,230
Net loss attributable to noncontrolling interests	3,898	1,673
Net income attributable to Steel Dynamics, Inc.	\$ 45,675	\$ 105,903
Basic earnings per share attributable to Steel Dynamics, Inc. stockholders	\$.21	\$.49
Weighted average common shares outstanding	218,996	217,992
Diluted earnings per share attributable to Steel Dynamics, Inc. stockholders, including the effect of assumed conversions when dilutive	\$.20	\$.46
Weighted average common shares and share equivalents outstanding	236,526	236,224
Dividends declared per share	\$.100	\$.100

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,	
	2012	2011
Operating activities:		
Net income	\$ 41,777	\$ 104,230
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	55,572	54,746
Equity-based compensation	6,123	3,710
Deferred income taxes	9,197	12,935
Gain on disposal of property, plant and equipment	(739)	(43)
Changes in certain assets and liabilities:		
Accounts receivable	(60,820)	(261,748)
Inventories	(55,090)	(72,107)
Other assets	2,963	3,382
Accounts payable	34,902	94,175
Income taxes receivable/payable	17,392	45,439
Accrued expenses	(29,856)	19,218
Net cash provided by operating activities	21,421	3,937
Investing activities:		
Purchases of property, plant and equipment	(45,555)	(18,693)
Other investing activities	(1,864)	(1,143)
Net cash used in investing activities	(47,419)	(19,836)
Financing activities:		
Issuance of current and long-term debt	289,969	5,126
Repayment of current and long-term debt	(283,448)	(7,325)
Debt issuance costs	(2,191)	
Proceeds from exercise of stock options, including related tax effect	1,097	8,296
Contributions from noncontrolling investors, net	9,506	417
Dividends paid	(21,887)	(16,318)
Net cash used in financing activities	(6,954)	(9,804)
Decrease in cash and equivalents	(32,952)	(25,703)
Cash and equivalents at beginning of period	390,761	186,513
Cash and equivalents at end of period	\$ 357,809	\$ 160,810
Supplemental disclosure information:		
Cash paid for interest	\$ 18,753	\$ 15,110
Cash paid (received) for federal and state income taxes, net	\$ (955)	\$ 1,520

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 60% and 59% of the company's external net sales during the three-month periods ended March 31, 2012 and 2011, respectively.

Metals Recycling and Ferrous Resources Operations. Metals recycling and ferrous resources operations include OmniSource Corporation (OmniSource), the company's metals recycling, steel scrap procurement, and processing locations, and our two ironmaking initiatives: Iron Dynamics (IDI), a liquid pig iron production facility; and our Minnesota iron operations, an iron nugget production facility and planned operations to supply the nugget facility with its primary raw material, iron concentrate. Metals recycling and ferrous resources operations accounted for approximately 35% and 37% of the company's external net sales during each of the three-month periods ended March 31, 2012 and 2011, respectively.

Steel Fabrication Operations. Steel fabrication operations include the company's New Millennium Building Systems plants located throughout the United States and Northern Mexico. 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 4% and 3% of the company's external net sales during the three-month periods ended March 31, 2012 and 2011, 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, 2011.

Goodwill. The company's goodwill is allocated to the following reporting units at March, 2012, and December 31, 2011, (in thousands):

	March 31, 2012	December 31, 2011
OmniSource Metals Recycling/Ferrous Resources Segment	\$ 569,692	\$ 571,317
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
	\$ 743,441	\$ 745,066

OmniSource goodwill decreased \$1.6 million from December 31, 2011 to March 31, 2012, in recognition of the 2012 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 restricted shares, 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 3.9 million and 1.2 million shares were anti-dilutive at March 31, 2012 and 2011, 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,					
	Net Income (Numerator)	2012 Shares (Denominator)	Per Share Amount	Net Income (Numerator)	2011 Shares (Denominator)	Per Share Amount
Basic earnings per share	\$ 45,675	218,996	\$.21	\$ 105,903	217,992	\$.49
Dilutive stock option effect		1,148			1,850	
5.125% convertible senior notes, net of tax	2,358	16,382		2,358	16,382	
Diluted earnings per share	\$ 48,033	236,526	\$.20	\$ 108,261	236,224	\$.46

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, 2012	December 31, 2011
Raw materials	\$ 644,142	\$ 609,150
Supplies	258,061	251,716
Work-in-progress	106,110	106,609
Finished goods	262,628	232,109
Total inventories	\$ 1,270,941	\$ 1,199,584

Note 4. Debt

On January 11, 2012, the company expanded its senior secured credit facility by adding a \$275.0 million term loan that matures on September 30, 2016 (Term Loan). Quarterly principal payments under the Term Loan are required to be made in amounts ranging from 1.25% to 3.75% of the original principal amount, with the unpaid principal balance of approximately \$158.0 million due on the maturity date. The company used the net proceeds of the Term Loan, together with cash on hand, to fund the January 2012 purchase of \$279.7 million of the company's 7 3/8% Senior Notes, due 2012 pursuant to a tender offer. As a result of the tender the company recorded expenses of \$13.9 million related to the tender premium, unamortized debt issuance costs write-off, and tender expenses, which are reflected in other expenses in the consolidated statement of income for the three months ended March 31, 2012.

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STEEL DYNAMICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 5. 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, 2012	\$ 2,299,900	\$ 636	\$ 1,026,157	\$ 2,011,801	\$ (722,653)	\$ (16,041)
Proceeds from the exercise of stock options, including related tax effect	1,097		1,097			
Dividends declared	(21,907)			(21,907)		
Equity-based compensation and issuance of restricted stock	5,418		3,789		1,629	
Contributions from noncontrolling investors	6,314					6,314
Distributions to noncontrolling investor	(38)					(38)
Net income (loss)	41,777			45,675		(3,898)
Balances at March 31, 2012	\$ 2,332,561	\$ 636	\$ 1,031,043	\$ 2,035,569	\$ (721,024)	\$ (13,663)

Note 6. 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 and option contracts on various commodities are entered into to manage the price risk associated with forecasted purchases and sales of nonferrous metals (specifically aluminum, copper, nickel and silver) from the company's metals recycling operations. Interest rate swaps may be entered into to manage interest rate risk associated with the company's fixed and floating-rate borrowings. Forward exchange contracts on various foreign currencies may be entered into to manage foreign currency exchange rate risk as necessary. No interest rate swaps or significant forward exchange contracts on foreign currency existed for the periods presented.

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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 option and futures contract commitments as of March 31, 2012 (MT represents metric tons and Lbs represents pounds):

Commodity Options	nickel	60	MT
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Commodity Futures	Long/Short	Total	
Aluminum	Long	8,400	MT
Aluminum	Short	5,225	MT
Copper	Long	4,559	MT
Copper	Short	11,215	MT
Nickel	Long	132	MT
Nickel	Short	192	MT
Silver	Short	686	Lbs

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STEEL DYNAMICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 6. Derivative Financial Instruments (continued)

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, 2012, and December 31, 2011, and for the three-month periods ended March 31, 2012 and 2011 (in thousands):

Balance Sheets		Fair Value			
		March 31, 2012	December 31, 2011		
Commodity futures and options	net asset	Other current assets	\$ 784	\$	
Commodity futures	net liability	Accrued expenses			1,219

Statements of Income		Gain (Loss) for Three Months Ended			
		March 31, 2012	March 31, 2011		
Commodity futures		Costs of goods sold	\$ (3,618)	\$	2,923

Note 7. 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, 2012, and December 31, 2011 (in thousands):

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		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, 2012</u>				
Investment in short-term commercial paper	\$ 64,982	\$ 64,982	\$ 64,982	\$
Commodity options financial assets	37	37	37	
Commodity futures financial assets	3,046	3,046	3,046	
Commodity futures financial liabilities	2,299	2,299	2,299	
<u>December 31, 2011</u>				
Investment in short-term commercial paper	84,830	84,830	84,830	
Commodity futures financial assets	3,159	3,159	3,159	
Commodity futures financial liabilities	4,378	4,378	4,378	

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 short-term commercial paper and commodity futures and options 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, as determined by quoted market prices, was approximately \$2.5 billion (with a corresponding carrying amount in the consolidated balance sheet of \$2.4 billion) at both March 31, 2012 and December 31, 2011.

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STEEL DYNAMICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 8. Commitments and Contingencies

The company is involved, along with eight other steel manufacturing companies, in a class action antitrust complaint filed in federal court in Chicago, Illinois that alleges a conspiracy 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. 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. The case has been removed to federal court and transferred to the federal court in Chicago. 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 related primarily to class certification matters. Due to the uncertain nature of litigation, the company cannot presently determine the ultimate outcome of this litigation. However, the company believes that, based on the information available to us at this time, there is not presently a reasonable possibility (as that term is defined in ASC 450-20-20) that the outcome of these legal proceedings would have a material impact on the company's financial condition, results of operations, or liquidity.

Although not presently necessary or appropriate to make a dollar estimate of exposure to loss, if any, in connection with the above matter, the company may in the future determine that a loss accrual is necessary. Although the company may make loss accruals, if and as warranted, any amounts that the company may accrue from time to time could vary significantly from the amounts the company actually pays, due to the inherent uncertainties and shortcomings of the estimation process, the uncertainties involved in litigation and other factors. Additionally, under such circumstances an adverse result could have a material effect on the company's financial condition, results of operations and liquidity.

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STEEL DYNAMICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 9. 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, 2011, for more information related to the company's segment reporting. The company's segment results for the three-month periods ended March 31, 2012 and 2011 are as follows (in thousands):

For the three months ended March 31, 2012	Steel Operations	Metals Recycling/ Ferrous Resources	Steel Fabrication Operations	Other	Eliminations	Consolidated
Net Sales						
External	\$ 1,135,912	\$ 634,134	\$ 74,892	\$ 20,732	\$	\$ 1,865,670
External Non-U.S.	50,808	65,466		96		116,370
Other segments	47,759	411,520	4	3,262	(462,545)	
	1,234,479	1,111,120	74,896	24,090	(462,545)	1,982,040
Operating income (loss)	137,308	4,163	(2,668)	(16,862)(1)	(2,125)(2)	119,816
Income (loss) before income taxes	119,078	(4,273)	(4,184)	(40,040)	(2,125)	68,456
Depreciation and amortization	26,084	26,074	1,848	1,617	(51)	55,572
Capital expenditures	5,948	37,906	1,168	533		45,555
As of March 31, 2012						
Assets	2,677,623	2,610,476	231,284	712,673(3)	(188,429)(4)	6,043,627
Liabilities	494,177	574,598	14,542	2,732,432(5)	(178,607)(6)	3,637,142

Footnotes related to the three months ended March 31, 2012 segment results (in millions):

(1) Corporate SG&A	\$	(7.6)
Company-wide stock option expense		(3.7)
Profit sharing		(6.5)
Other, net		0.9

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	\$	(16.9)
(2) Gross profit reduction from intra-company sales	\$	(2.1)
(3) Cash and equivalents	\$	278.2
Investments in short-term commercial paper		65.0
Income taxes receivable		2.8
Deferred income taxes		26.1
Property, plant and equipment, net		84.6
Debt issuance costs, net		24.0
Intra-company debt		149.6
Other		82.4
	\$	712.7
(4) Elimination of intra-company receivables	\$	(27.9)
Elimination of intra-company debt		(149.6)
Other		(10.9)
	\$	(188.4)
(5) Accounts payable	\$	29.2
Income taxes payable		14.6
Accrued interest		54.5
Accrued profit sharing		6.6
Debt		2,333.6
Deferred income taxes		213.1
Other		80.8
	\$	2,732.4
(6) Elimination of intra-company payables	\$	(27.9)
Elimination of intra-company debt		(149.6)
Other		(1.1)
	\$	(178.6)

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STEEL DYNAMICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 9. Segment Information (continued)

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 (7)	2,731,625	2,582,048	209,232	504,989(3)	(200,289)(4)	5,827,605
Liabilities (7)	456,170	544,225	16,780	2,772,754(5)	(190,018)(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)
Other, net		2.0
	\$	(24.3)

(2) Gross profit reduction from intra-company sales	\$	(0.02)
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(3) Cash and equivalents	\$	149.9
Income taxes receivable		6.3
Deferred income taxes		21.0
Property, plant and equipment, net		69.0
Debt issuance costs, net		22.9
Intra-company debt		147.4
Other		88.5
	\$	505.0

(4) Elimination of intra-company receivables	\$	(42.0)
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Elimination of intra-company debt		(147.4)
Other		(10.9)
	\$	(200.3)

(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		228.2
Other		66.9
	\$	2,772.8

(6) Elimination of intra-company payables	\$	(42.0)
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