

STEEL DYNAMICS INC
Form 10-Q
May 09, 2013
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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, 2013

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.)

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7575 West Jefferson Blvd, Fort Wayne, IN
(Address of principal executive offices)

46804
(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, 2013, Registrant had 220,400,174, outstanding shares of common stock.

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STEEL DYNAMICS, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	March 31, 2013 (unaudited)	December 31, 2012
Assets		
Current assets		
Cash and equivalents	\$ 477,861	\$ 375,917
Investments in short-term commercial paper		31,520
Accounts receivable, net	703,896	599,499
Accounts receivable-related parties	49,405	42,864
Inventories	1,170,159	1,202,507
Deferred income taxes	23,564	23,449
Other current assets	24,056	20,469
Total current assets	2,448,941	2,296,225
Property, plant and equipment, net	2,232,413	2,231,198
Restricted cash	23,400	27,749
Intangible assets, net	408,832	416,635
Goodwill	736,912	738,542
Other assets	106,076	105,067
Total assets	\$ 5,956,574	\$ 5,815,416
Liabilities and Equity		
Current liabilities		
Accounts payable	\$ 401,407	\$ 344,953
Accounts payable-related parties	9,225	15,144
Income taxes payable	13,438	16,941
Accrued payroll and benefits	59,488	85,802
Accrued interest	19,290	35,306
Accrued expenses	80,257	81,900
Current maturities of long-term debt	231,582	29,631
Total current liabilities	814,687	609,677
Long-term debt		
Term note	240,625	247,500
Senior notes	1,500,000	1,600,000
Convertible senior notes	287,496	287,496
Other long-term debt	41,093	37,610
Total long-term debt	2,069,214	2,172,606
Deferred income taxes	546,722	537,304
Other liabilities	19,947	19,173
Commitments and contingencies		
Redeemable noncontrolling interest	99,414	98,814
Equity		
Common stock voting, \$.0025 par value; 900,000,000 shares authorized; 256,333,083 and 255,592,901 shares issued; and 220,333,057 and 219,522,655 shares outstanding, as of March	639	637

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31, 2013 and December 31, 2012, respectively

Treasury stock, at cost; 36,000,026 and 36,070,246 shares, as of March 31, 2013 and December 31, 2012, respectively	(719,076)	(720,479)
Additional paid-in capital	1,045,973	1,037,687
Retained earnings	2,111,597	2,087,620
Total Steel Dynamics, Inc. equity	2,439,133	2,405,465
Noncontrolling interests	(32,543)	(27,623)
Total equity	2,406,590	2,377,842
Total liabilities and equity	\$ 5,956,574	\$ 5,815,416

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,	
	2013	2012
Net sales		
Unrelated parties	\$ 1,728,401	\$ 1,905,075
Related parties	67,295	76,965
Total net sales	1,795,696	1,982,040
Costs of goods sold	1,619,432	1,780,776
Gross profit	176,264	201,264
Selling, general and administrative expenses	65,262	64,384
Profit sharing	6,643	8,072
Amortization of intangible assets	8,127	8,992
Total selling, general and administrative expenses	80,032	81,448
Operating income	96,232	119,816
Interest expense, net of capitalized interest	34,629	41,112
Other expense (income), net	(1,046)	10,248
Income before income taxes	62,649	68,456
Income taxes	21,397	26,679
Net income	41,252	41,777
Net loss attributable to noncontrolling interests	6,963	3,898
Net income attributable to Steel Dynamics, Inc.	\$ 48,215	\$ 45,675
Basic earnings per share attributable to Steel Dynamics, Inc. stockholders	\$.22	\$.21
Weighted average common shares outstanding	219,995	218,996
Diluted earnings per share attributable to Steel Dynamics, Inc. stockholders, including the effect of assumed conversions when dilutive	\$.21	\$.20
Weighted average common shares and share equivalents outstanding	238,087	236,526
Dividends declared per share	\$.11	\$.10

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,	
	2013	2012
Operating activities:		
Net income	\$ 41,252	\$ 41,777
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	57,061	55,572
Equity-based compensation	4,753	6,123
Deferred income taxes	10,935	9,197
Gain on disposal of property, plant and equipment	(1,383)	(739)
Changes in certain assets and liabilities:		
Accounts receivable	(110,938)	(60,820)
Inventories	32,348	(55,090)
Other assets	3,358	2,963
Accounts payable	38,988	34,902
Income taxes receivable/payable	(3,022)	17,392
Accrued expenses and liabilities	(43,642)	(29,856)
Net cash provided by operating activities	29,710	21,421
Investing activities:		
Purchases of property, plant and equipment	(45,346)	(45,555)
Other investing activities	33,934	(1,864)
Net cash used in investing activities	(11,412)	(47,419)
Financing activities:		
Issuance of current and long-term debt	409,261	289,969
Repayment of current and long-term debt	(305,691)	(283,448)
Debt issuance costs	(5,997)	(2,191)
Proceeds from exercise of stock options, including related tax effect	7,614	1,097
Contributions from noncontrolling investors, net	411	9,506
Dividends paid	(21,952)	(21,887)
Net cash provided by (used in) financing activities	83,646	(6,954)
Increase (decrease) in cash and equivalents	101,944	(32,952)
Cash and equivalents at beginning of period	375,917	390,761
Cash and equivalents at end of period	\$ 477,861	\$ 357,809
Supplemental disclosure information:		
Cash paid for interest	\$ 49,732	\$ 18,753
Cash paid (received) for federal and state income taxes, net	\$ 11,165	\$ (955)

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 60% of the company's external net sales during the three-month periods ended March 31, 2013 and 2012, 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 operations to supply the nugget facility with its primary raw material, iron concentrate. Metals recycling and ferrous resources operations accounted for approximately 35% of the company's external net sales during each of the three-month periods ended March 31, 2013 and 2012, 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 5% and 4% of the company's external net sales during the three-month periods ended March 31, 2013 and 2012, 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, 2012.

Goodwill. The company's goodwill is allocated to the following reporting units at March 31, 2013, and December 31, 2012, (in thousands):

	March 31, 2013	December 31, 2012
OmniSource Metals Recycling/Ferrous Resources Segment	\$ 563,163	\$ 564,793
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
	\$ 736,912	\$ 738,542

OmniSource goodwill decreased \$1.6 million from December 31, 2012 to March 31, 2013, in recognition of the 2013 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, restricted and deferred stock units, restricted shares, and dilutive shares related to the company's 5.125% convertible senior notes. Common share equivalents are excluded from the computation in periods in which they have an anti-dilutive effect. Options to purchase 3.0 million and 3.9 million shares were anti-dilutive at March 31, 2013 and 2012, 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)	2013 Shares (Denominator)	Per Share Amount	Net Income (Numerator)	2012 Shares (Denominator)	Per Share Amount
Basic earnings per share	\$ 48,215	219,995	\$ 0.22	\$ 45,675	218,996	\$ 0.21
Dilutive common share equivalents		1,460			1,148	
5.125% convertible senior notes, net of tax	2,358	16,632		2,358	16,382	
Diluted earnings per share	\$ 50,573	238,087	\$ 0.21	\$ 48,033	236,526	\$ 0.20

Note 3. Inventories

Inventories are stated at lower of cost or market. Cost is determined using a weighted average method for scrap, and a first-in, first-out basis for all other inventory. Inventories consisted of the following (in thousands):

	March 31, 2013	December 31, 2012
Raw materials	\$ 526,280	\$ 594,388
Supplies	277,400	278,494
Work in progress	113,542	82,934
Finished goods	252,937	246,691
Total inventories	\$ 1,170,159	\$ 1,202,507

Note 4. Debt

On March 25, 2013, the company issued \$400.0 million of 5¹/₄% Senior Notes due 2023 (2023 Notes). Interest on the 2023 Notes is due semiannually on April 15 and October 15, with the first payment due on October 15, 2013. The 2023 Notes are redeemable at any time after April 15, 2018. The redemption price (expressed as a percentage of principal amount) is 102.625% during the period April 15, 2018 to April 14, 2019; 101.750% during the period April 15, 2019 to April 14, 2020; 100.875% during the period April 15, 2020 to April 14, 2021; and 100% on and after April 15, 2021, plus accrued interest to the redemption date. In addition, at any time before April 15, 2016, the company may redeem up to 35% of the principal amount of the 2023 Notes with the net cash proceeds from one or more sales of the company's common stock at a redemption price (expressed as a percentage of principal amount) of 105.250%, plus accrued interest to the redemption date. The 2023 Notes are unsecured and rank pari passu with all existing and future senior unsubordinated unsecured indebtedness and senior in right of payment to all subordinated indebtedness.

A portion of the proceeds from the issuance of the 2023 Notes was used to fund the March 25, 2013 purchase of \$301.7 million (plus accrued interest) of the company's 6³/₄% Senior Notes due 2015 (2015 Notes) pursuant to a tender offer. As a result of the tender offer to purchase the 2015 Notes, the company recorded expenses of \$2.0 million related to tender premiums, unamortized debt issuance costs write-off, and tender expenses, which is reflected in other expenses in the consolidated statement of income for the three months ended March 31, 2013. On April 9, 2013, the company used the remaining proceeds from the issuance of the 2023 Notes, along with available cash, to repay the remaining outstanding 2015 Notes due at a price of 100% of the principal amount of \$198.3 million (plus accrued interest).

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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 and redeemable amounts attributable to the noncontrolling interests (in thousands):

Balances at January 1, 2013	\$	637	\$	1,037,687	\$	2,087,620	\$	(720,479)	\$	(27,623)	\$	2,377,842	\$	98,814
Proceeds from the exercise of stock options, including related tax effect		2		7,612								7,614		
Dividends declared						(24,238)						(24,238)		
Equity-based compensation and issuance of restricted stock				2,906				1,403				4,309		
Acquisition of noncontrolling interest				(2,232)						2,232				
Contributions from noncontrolling investors										112		112		600
Distributions to noncontrolling investors										(301)		(301)		
Net income (loss)						48,215				(6,963)		41,252		
Balances at March 31, 2013	\$	639	\$	1,045,973	\$	2,111,597	\$	(719,076)	\$	(32,543)	\$	2,406,590	\$	99,414

Note 6. Derivative Financial Instruments

The company is exposed to certain risks relating to its ongoing business operations. The company utilizes derivative instruments to mitigate interest rate risk, foreign currency exchange rate risk, and commodity margin risk. 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. The company routinely enters into forward exchange traded futures and option contracts to manage the price risk associated with nonferrous metals inventory as well as purchases and sales of nonferrous metals (specifically aluminum, copper, nickel and silver). The company offsets fair value amounts recognized for derivative instruments executed with the same counterparty under master netting agreements. The company began to designate certain of its nonferrous metals, forward exchange futures contracts as fair value hedges of inventory and firm sales commitments in January 2013.

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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 futures contract commitments as of March 31, 2013 (MT represents metric tons and Lbs represents pounds):

Commodity Futures	Long/Short	Total	
Aluminum	Long	2,950	MT
Aluminum	Short	3,050	MT
Copper	Long	2,813	MT
Copper	Short	11,884	MT
Nickel	Short	78	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, 2013, and December 31, 2012, and for the three-month periods ended March 31, 2013 and 2012 (in thousands):

	Balance sheet location	Asset Derivatives		Liability Derivatives	
		Fair Value		Fair Value	
		March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
<i>Derivative instruments designated as fair value hedges -</i>					
Commodity futures	Other current assets	\$ 3,417		\$ (521)	
<i>Derivative instruments not designated as hedges -</i>					
Commodity futures	Other current assets	\$ 2,296	\$ 4,024	\$ (327)	\$ (1,854)
Total derivative instruments		\$ 5,713	\$ 4,024	\$ (848)	\$ (1,854)

	Location of gain (loss) recognized in income on derivatives	Amount of gain (loss) recognized in income on derivatives for the three months ended		Hedged items in fair value hedge relationships	Location of gain (loss) recognized in income on related hedged item	Amount of gain (loss) recognized in income on related hedged items for the three months ended	
		March 31, 2013	March 31, 2012			March 31, 2013	March 31, 2012
<i>Derivatives in fair value hedging relationships -</i>							
Commodity futures	Cost of goods sold	\$ 5,684		Firm commitments	Cost of goods sold	\$ 1,316	
				Inventory	Cost of goods sold	(6,779)	
						\$ (5,463)	
<i>Derivatives not designated as hedging instruments -</i>							
Commodity futures	Cost of goods sold	\$ 2,401	\$ (3,618)				

Derivatives accounted for as fair value hedges had ineffectiveness resulting in a gain of \$221,000, and a gain excluded from hedge effectiveness testing of \$2.3 million, that reduced cost of goods sold during the three month period ended March 31, 2013.

Note 7. Fair Value Measurements

FASB accounting standards provide a comprehensive framework for measuring fair value and set forth a definition of fair value and establish 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.

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STEEL DYNAMICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 7. Fair Value Measurements (Continued)

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, 2013, and December 31, 2012 (in thousands):

		Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
March 31, 2013					
Commodity futures	financial assets	\$ 5,713		\$ 5,713	\$
Commodity futures	financial liabilities	848		848	
December 31, 2012					
Investments in short-term commercial paper		\$ 31,520	\$	\$ 31,520	\$
Commodity futures	financial assets	4,024		4,024	
Commodity futures	financial liabilities	1,854		1,854	

The carrying amounts of financial instruments including cash and equivalents approximate fair value. 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 (Level 2), was approximately \$2.4 billion and \$2.3 billion (with a corresponding carrying amount in the consolidated balance sheets of \$2.3 billion and \$2.2 billion) at March 31, 2013 and December 31, 2012, respectively.

Note 8. Commitments and Contingencies

The company is involved in various routine litigation matters, including administrative proceedings, regulatory proceedings, governmental investigations, environmental matters, and commercial and construction contract disputes, none of which are expected to have a material impact on our financial condition, results of operations, or liquidity.

The company is involved, along with eight other steel manufacturing companies, in a class action antitrust complaint filed in federal court in Chicago, Illinois in September 2008, which 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 were brought on behalf of a purported class consisting of all direct purchasers of steel products between January 1, 2005, and the present. The other Complaint was brought on behalf of a purported class consisting of all indirect purchasers of steel products within the same time period. In addition, in

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December 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. That case has been removed to the federal court in Chicago that is hearing the main complaint. All Complaints seek treble damages and costs, including reasonable attorney fees, pre- and post-judgment interest and injunctive relief. In January 2009, Steel Dynamics and the other defendants filed a Joint Motion to Dismiss all of the direct purchaser lawsuits, but this motion was denied in June 2009. Following a period of preliminary discovery relating to class certification matters, Plaintiffs filed their Motion for Class Certification in May 2012, and on February 28, 2013, Defendants filed their Joint Memorandum in Opposition to Plaintiffs' Motion for Class Certification, together with joint motions to exclude the expert opinions of both of Plaintiffs' two retained experts. Additional briefing is anticipated on all issues related to the pending motions. Due to the uncertain nature of litigation, we cannot presently determine the ultimate outcome of this litigation. However, we have determined, based on the information available at this time, that 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 our 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, we may in the future determine that a loss accrual is necessary. Although we may make loss accruals, if and as warranted, any amounts that we may accrue from time to time could vary significantly from the amounts we actually pay, due to inherent uncertainties and the inherent shortcomings of the estimation process, the uncertainties involved in litigation and other factors. Additionally, an adverse result could have a material effect on our 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, 2012, for more information related to the company's segment reporting. The company's segment results for the three-month periods ended March 31, 2013 and 2012 are as follows (in thousands):

For the three months ended March 31, 2013	Steel Operations	Metals Recycling / Ferrous Resources	Steel Fabrication Operations	Other	Eliminations	Consolidated
Net Sales						
External	\$ 1,011,195	\$ 557,611	\$ 93,797	\$ 19,371		\$ 1,681,974
External Non-U.S.	50,117	63,517		88		113,722
Other segments	61,048	276,364	578	5,395	(343,385)	
	1,122,360	897,492	94,375	24,854	(343,385)	1,795,696
Operating income (loss)	119,301	(9,824)	1,530	(16,439)(1)	1,664(2)	96,232
Income (loss) before income taxes	105,007	(17,854)	(76)	(26,092)	1,664	62,649
Depreciation and amortization	26,387	27,136	2,057	1,532	(51)	57,061
Capital expenditures	24,726	19,069	881	670		45,346
As of March 31, 2013						
Assets	2,566,642	2,529,951	254,176	822,064(3)	(216,259)(4)	5,956,574
Liabilities	557,404	526,457	15,646	2,556,590(5)	(205,527)(6)	3,450,570

Footnotes related to the three months ended March 31, 2013 segment results (in millions):

(1) Corporate SG&A	\$ (8.0)	(2) Gross profit increase from intra-company sales	\$ 1.7
Company-wide equity-based compensation	(3.2)		
Profit sharing	(5.9)		

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Other, net		0.7		
	Total	\$	(16.4)	
(3) Cash and equivalents	\$	445.8	(4) Elimination of intra-company receivables	\$ (49.4)
Deferred income taxes		23.5	Elimination of intra-company debt	(156.0)
Property, plant and equipment, net		74.8	Other	(10.9)
Debt issuance costs, net		31.3	Total	\$ (216.3)
Intra-company debt		156.0		
Other		90.7		
	Total	\$	822.1	
(5) Accounts payable	\$	38.8	(6) Elimination of intra-company payables	\$ (49.7)
Income taxes payable		13.4	Elimination of intra-company debt	(156.0)
Accrued interest		19.1	Other	0.2
Debt		2,247.1	Total	\$ (205.5)
Deferred income taxes		213.8		
Other		24.4		
	Total	\$	2,556.6	

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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, 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)	(2) Gross profit reduction from intra-company sales	\$	(2.1)
Company-wide equity-based compensation\		(3.7)			
Profit sharing		(6.5)			
Other, net		0.9			
	\$	(16.9)			
(3) Cash and equivalents	\$	278.2	(4) Elimination of intra-company receivables	\$	(27.9)
Investments in short-term commercial paper		65.0	Elimination of intra-company debt		(149.6)
Deferred income taxes		26.1	Other		(10.9)
Property, plant and equipment, net		84.6		\$	(188.4)
Debt issuance costs, net		24.0			
Intra-company debt		149.6			
Other		85.2			
	\$	712.7			
(5) Accounts payable	\$	29.2	(6) Elimination of intra-company payables	\$	(27.9)
Income taxes payable		14.6	Elimination of intra-company debt		(149.6)
Accrued interest		54.5	Other		(1.1)
Debt		2,333.6		\$	(178.6)
Deferred income taxes		213.1			
Other		87.4			

\$ 2,732.4

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STEEL DYNAMICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 10. 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 2014, 2015, 2019, 2020, 2022 and 2023. 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 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, 2012.

Condensed Consolidating Balance Sheets (in thousands)

As of March 31, 2013	Parent	Guarantors	Combined Non-Guarantors	Consolidating Adjustments	Total Consolidated
Cash and equivalents	\$ 441,989	\$ 22,546	\$ 13,326	\$	\$ 477,861
Investments in short-term commercial paper					
Accounts receivable, net	290,332	874,233	25,813	(437,077)	753,301
Inventories	604,370	482,512	88,668	(5,391)	1,170,159
Other current assets	51,597	8,443	6,298	(18,718)	47,620
Total current assets	1,388,288	1,387,734	134,105	(461,186)	2,448,941
Property, plant and equipment, net	1,018,938	657,918	558,130	(2,573)	2,232,413
Intangible assets, net		408,832			408,832
Goodwill		736,912			736,912
Other assets, including investments in subs	2,745,488	25,784	8,724	(2,650,520)	129,476
Total assets	\$ 5,152,714	\$ 3,217,180	\$ 700,959	\$ (3,114,279)	\$ 5,956,574
Accounts payable	\$ 186,419	\$ 232,442	\$ 63,767	\$ (71,996)	\$ 410,632
Accrued expenses	104,882	91,586	10,179	(34,174)	172,473
Current maturities of long-term debt	215,991	300	41,517	(26,226)	231,582
Total current liabilities	507,292	324,328	115,463	(132,396)	814,687
Long-term debt	2,033,955		198,695	(163,436)	2,069,214
Other liabilities	172,334	2,067,830	49,376	(1,722,871)	566,669
Redeemable noncontrolling interest			99,414		99,414
Common stock	639	33,896	18,121	(52,017)	639
Treasury stock	(719,076)				(719,076)
Additional paid-in-capital	1,045,973	117,737	479,648	(597,385)	1,045,973
Retained earnings (deficit)	2,111,597	673,389	(227,215)	(446,174)	2,111,597
Total Steel Dynamics, Inc. equity	2,439,133	825,022	270,554	(1,095,576)	2,439,133

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Noncontrolling interests				(32,543)		(32,543)
Total equity	2,439,133	825,022	238,011	(1,095,576)	2,406,590	
Total liabilities and equity	\$ 5,152,714	\$ 3,217,180	\$ 700,959	\$ (3,114,279)	\$ 5,956,574	

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STEEL DYNAMICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 10. Condensed Consolidating Information (Continued)

As of December 31, 2012	Parent	Guarantors	Combined Non-Guarantors	Consolidating Adjustments	Total Consolidated
Cash and equivalents	\$ 322,707	\$ 41,675	\$ 11,535	\$	\$ 375,917
Investments in short-term commercial paper	31,520				31,520
Accounts receivable, net	277,428	772,868	11,293	(419,226)	642,363
Inventories	564,882	536,331	107,422	(6,128)	1,202,507
Other current assets	51,268	7,253	4,006	(18,609)	43,918
Total current assets	1,247,805	1,358,127	134,256	(443,963)	2,296,225
Property, plant and equipment, net	1,017,587	664,332	551,903	(2,624)	2,231,198
Intangible assets, net		416,635			416,635
Goodwill		738,542			738,542
Other assets, including investments in subs	2,768,360	30,862	9,189	(2,675,595)	132,816
Total assets	\$ 5,033,752	\$ 3,208,498	\$ 695,348	\$ (3,122,182)	\$ 5,815,416
Accounts payable	\$ 150,191	\$ 219,415	\$ 56,472	\$ (65,981)	\$ 360,097
Accrued expenses	144,719	98,484	9,877	(33,131)	219,949
Current maturities of long-term debt	14,237	300	52,595	(37,501)	29,631
Total current liabilities	309,147	318,199	118,944	(136,613)	609,677
Long-term debt	2,140,958		169,223	(137,575)	2,172,606
Other liabilities	178,182	2,087,957	41,581	(1,751,243)	556,477
Redeemable noncontrolling interest			98,814		98,814
Common stock	637	33,896	18,121	(52,017)	637
Treasury stock	(720,479)				(720,479)
Additional paid-in-capital	1,037,687	117,737	476,677	(594,414)	1,037,687
Retained earnings (deficit)	2,087,620	650,709	(200,389)	(450,320)	2,087,620
Total Steel Dynamics, Inc. equity	2,405,465	802,342	294,409	(1,096,751)	2,405,465
Noncontrolling interests			(27,623)		(27,623)
Total equity	2,405,465	802,342	266,786	(1,096,751)	2,377,842
Total liabilities and equity	\$ 5,033,752	\$ 3,208,498	\$ 695,348	\$ (3,122,182)	\$ 5,815,416

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STEEL DYNAMICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 10. Condensed Consolidating Information (Continued)*Condensed Consolidating Statements of Operations (in thousands)*

For the Three Months Ended, March 31, 2013	Parent	Guarantors	Combined Non-Guarantors	Consolidating Adjustments	Total Consolidated
Net sales	\$ 827,201	\$ 2,015,487	\$ 66,370	\$ (1,113,362)	\$ 1,795,696
Costs of goods sold	706,387	1,914,058	95,941	(1,096,954)	1,619,432
Gross profit (loss)	120,814	101,429	(29,571)	(16,408)	176,264
Selling, general and administrative	28,686	53,992	2,138	(4,784)	80,032
Operating income (loss)	92,128	47,437	(31,709)	(11,624)	96,232
Interest expense, net of capitalized interest	22,046	12,039	1,701	(1,157)	34,629
Other (income) expense, net	(820)	(200)	(1,183)	1,157	(1,046)
Income (loss) before income taxes and equity in net income of subsidiaries	70,902	35,598	(32,227)	(11,624)	62,649
Income taxes	11,394	12,919	699	(3,615)	21,397
	59,508	22,679	(32,926)	(8,009)	41,252
Equity in net loss of subsidiaries	(11,293)			11,293	
Net loss attributable to noncontrolling interests			6,963		6,963
Net income (loss) attributable to Steel Dynamics, Inc.	\$ 48,215	\$ 22,679	\$ (25,963)	\$ 3,284	\$ 48,215

For the Three Months Ended, March 31, 2012	Parent	Guarantors	Combined Non-Guarantors	Consolidating Adjustments	Total Consolidated
Net sales	\$ 913,193	\$ 2,308,156	\$ 46,835	\$ (1,286,144)	\$ 1,982,040
Costs of goods sold	785,567	2,198,898	63,894	(1,267,583)	1,780,776
Gross profit (loss)	127,626	109,258	(17,059)	(18,561)	201,264
Selling, general and administrative	27,566	54,555	2,459	(3,132)	81,448
Operating income (loss)	100,060	54,703	(19,518)	(15,429)	119,816
Interest expense, net of capitalized interest	27,217	13,606	1,710	(1,421)	41,112
Other (income) expense, net	10,769	(1,064)	(877)	1,420	10,248
Income (loss) before income taxes and equity in net income of subsidiaries	62,074	42,161	(20,351)	(15,428)	68,456
Income taxes (benefit)	15,870	16,134	353	(5,678)	26,679
	46,204	26,027	(20,704)	(9,750)	41,777
Equity in net loss of subsidiaries	(4,427)			4,427	
Net loss attributable to noncontrolling interests			3,898		3,898
Net income (loss) attributable to Steel Dynamics, Inc.	\$ 41,777	\$ 26,027	\$ (16,806)	\$ (5,323)	\$ 45,675

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STEEL DYNAMICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 10. Condensed Consolidating Information (Continued)*Condensed Consolidating Statements of Cash Flows (in thousands)*

For the Three Months Ended, March 31, 2013	Parent	Guarantors	Combined Non-Guarantors	Consolidating Adjustments	Total Consolidated
Net cash provided by (used in) operating activities	\$ 29,373	\$ 14,903	\$ (17,530)	\$ 2,964	\$ 29,710
Net cash used in investing activities	(8,837)	(11,985)	(6,805)	16,215	(11,412)
Financing activities					
Issuance of long term debt	400,425		23,980	(15,144)	409,261
Repayments of long term debt	(304,471)	(1,203)	(9,836)	9,819	(305,691)
Other	2,792	(20,844)	11,982	(13,854)	(19,924)
Net cash provided by (used in) financing activities	98,746	(22,047)	26,126	(19,179)	83,646
Increase (decrease) in cash and equivalents	119,282	(19,129)	1,791		101,944
Cash and equivalents at beginning of period	322,707	41,675	11,535		375,917
Cash and equivalents at end of period	\$ 441,989	\$ 22,546	\$ 13,326	\$	\$ 477,861

For the Three Months Ended, March 31, 2012	Parent	Guarantors	Combined Non-Guarantors	Consolidating Adjustments	Total Consolidated
Net cash provided by (used in) operating activities	\$ (31,015)	\$ 58,900	\$ (7,596)	\$ 1,132	\$ 21,421
Net cash used in investing activities	(3,436)	(40,889)	(21,708)	18,614	(47,419)
Net cash provided by (used in) financing activities	7,330	(8,721)	14,183	(19,746)	(6,954)
Increase (decrease) in cash and equivalents	(27,121)	9,290	(15,121)		(32,952)
Cash and equivalents at beginning of period	301,073	58,699	30,989		390,761
Cash and equivalents at end of period	\$ 273,952	\$ 67,989	\$ 15,868	\$	\$ 357,809

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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 in the steel and recycled metals markets, our revenues, 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. Some factors that could cause such forward-looking statements to turn out differently than anticipated include: (1) the effects of a recurrent slowing in industrial demand; (2) changes in economic conditions, either generally or in any of the steel or scrap-consuming sectors which affect demand for our products, including the strength of the non-residential and residential construction, automotive, appliance, and other steel-consuming industries; (3) fluctuations in the cost of key raw materials (including steel scrap, iron units, and energy costs) and our ability to pass-on any cost increases; (4) the impact of domestic and foreign import price competition; (5) risks and uncertainties involving product and/or technology development; and (6) occurrences of unexpected plant outages or equipment failures.

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, 2012, 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 are scrap and scrap substitutes (which represent the most significant single component of our consolidated costs of goods sold), steel, direct and indirect labor and related benefits, alloys, zinc, transportation and freight, repairs and maintenance, utilities (most notably electricity and natural gas), and depreciation.

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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 Expense (Income), net. Other income consists of interest income earned on our temporary cash deposits and investments; 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, such as certain financing expenses.

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Net income was \$48.2 million, or \$0.21 per diluted share, during the first quarter of 2013, compared with net income of \$45.7 million, or \$0.20 per diluted share, during the first quarter of 2012, and net income of \$60.6 million, or \$0.27 per diluted share, during the fourth quarter of 2012. Our net sales decreased \$186.3 million, or 9%, to \$1.8 billion in the first quarter of 2013 versus the first quarter of 2012, while net sales increased \$90.7 million, or 5%, versus the fourth quarter of 2012. Our gross profit percentage was 10% during both the first quarter of 2013 and 2012, and 11% during the fourth quarter of 2012.

First quarter 2013 external steel shipments decreased 1% as compared to the first quarter of 2012 (with total sheet products shipments increasing 7% and long products shipments decreasing 5%), and external ferrous scrap shipments decreased 4% and external nonferrous scrap shipments decreased 5%. Conversely, steel fabrication external shipments increased 28% in the first quarter of 2013 compared to the same period in 2012. Operating income decreased 20% to \$96.2 million in the first quarter 2013, as compared to the same period in 2012, primarily due to reduced operating income of \$18.0 million from our steel operations as product pricing decreased more than raw material costs.

Comparing the first quarter of 2013 to the fourth quarter of 2012, external steel shipments also decreased 1% and external ferrous scrap shipments increased 19%, while external nonferrous scrap shipments increased 12%. Steel fabrication continued its trend of increasing external shipments, showing a 1% sequential quarter gain. Consolidated quarterly operating income increased 1% sequentially, due primarily to increased volumes across all our operating segments. Within steel operations, increased long products volumes more than offset weaker sheet steel shipments and slightly lower steel metal spreads. Within metals recycling operations, increased volumes were more than offset by decreased metal margins.

Segment Operating Results 2013 vs. 2012 (dollars in thousands)

	2013	Three Months Ended March 31, % Change	2012	Fourth Quarter 2012	Linked Quarter % Change
Net sales					
Steel	\$ 1,122,360	(9)%	\$ 1,234,479	\$ 1,106,900	1%
Metals recycling and ferrous resources	897,492	(19)%	1,111,120	789,852	14%
Steel fabrication	94,375	26%	74,896	98,301	(4)%
Other	24,854	3%	24,090	20,708	20%
	2,139,081		2,444,585	2,015,761	
Intra-company	(343,385)		(462,545)	(310,760)	
Consolidated	\$ 1,795,696	(9)%	\$ 1,982,040	\$ 1,705,001	5%
Operating income (loss)					
Steel	\$ 119,301	(13)%	\$ 137,308	\$ 114,808	4%
Metals recycling and ferrous resources	(9,824)	(336)%	4,163	(5,603)	(75)%
Steel fabrication	1,530	157%	(2,668)	1,448	6%
Other	(16,439)	3%	(16,862)	(17,535)	6%

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	94,568	(22)%	121,941	93,118	2%
Eliminations	1,664		(2,125)	1,811	
Consolidated	\$ 96,232	(20)%	\$ 119,816	\$ 94,929	1%

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, agriculture and industrial machinery markets. In the first quarter of 2013 and 2012, our steel operations accounted for 59% and 60% of our external net sales, respectively. Operating income for the steel segment decreased \$18.0 million, or 13%, to \$119.3 million in the first quarter of 2013, compared to the same period of 2012. While total shipments increased 1% gross margin, and thus operating income, decreased 11% primarily due to an \$87 decrease in average segment selling prices per ton shipped versus only a \$66 per ton decrease in average ferrous scrap cost melted in the first quarter of 2013, as compared to the first quarter of 2012.

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	Three Months Ended March 31,		Fourth Quarter 2012	
	2013	2012	2013	2012
Flat Roll Division	704,290	658,505	713,770	
The Techs	151,137	144,615	180,451	
Sheet products	855,427	58% 803,120	55% 894,221	61%
Structural and Rail Division	280,897	261,006	262,441	
Engineered Bar Products Division	112,821	157,489	98,858	
Roanoke Bar Division	139,950	151,296	127,952	
Steel of West Virginia	80,707	77,212	73,581	
Long products	614,375	42% 647,003	45% 562,832	39%
Total shipments	1,469,802	1,450,123	1,457,053	
Intra-segment shipments	(32,090)	(2%) (28,057)	(2%) (31,665)	(2%)
Segment shipments	1,437,712	1,422,066	1,425,388	
Intra-company shipments	(93,280)	(6%) (66,119)	(5%) (71,107)	(5%)
External shipments	1,344,432	1,355,947	1,354,281	

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. Sheet products represented 58% of total steel shipments in the first quarter of 2013, as compared to 55% in the first quarter of 2012.

Long Products. Our Structural and Rail Division sells structural steel beams and pilings to the construction market, and also sells standard-grade rail to the railroad industry. Our Engineered Bar Products Division primarily sells engineered, special-bar-quality and merchant bar quality rounds, and round-cornered squares. Our Roanoke Bar Division primarily sells 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 steel segment decreased \$112.1 million, or 9%, in the first quarter of 2013 when compared to the first quarter of 2012, as total shipments increased 1% and average selling prices decreased 10%, or \$87 per ton. There was also a shift in sales mix as sheet product shipments increased 7% and long product shipments decreased 5%, due primarily to lower volumes at the Engineered Bar Products Division.

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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 decreased \$66 in the first quarter of 2013, compared with the first quarter of 2012. During the first quarter of 2013 and 2012, respectively, our metallic raw material costs represented 65% and 69% of our steel operations manufacturing costs, excluding the operations of The Techs, which purchases, rather than produces, the steel it further processes.

Metals Recycling and Ferrous Resources Operations

Metals Recycling and Ferrous Resources Operations. This operating segment primarily includes our metals recycling operations (OmniSource); our liquid pig iron production facility, Iron Dynamics (IDI); and our Minnesota iron operations. Our metals recycling and ferrous resources operations segment accounted for 35% of our external net sales in both the first quarter of 2013 and 2012. Operating income for the metals recycling and ferrous resources operations segment decreased \$14.0 million compared to the first quarter of 2012, due primarily to the use and write-down of higher cost raw material inventory at our Minnesota iron operations, and decreased product pricing at our IDI facility.

Metals Recycling and Ferrous Resources Operations Shipments

	Three Months Ended March 31,		Fourth Quarter
	2013	2012	2012
Ferrous metal (gross tons)			
Total	1,342,929	1,582,840	1,238,143
Intra-segment	(1,969)	(1,787)	(1,248)
Segment shipments	1,340,960	1,581,053	1,236,895
Intra-company	(551,921)	(761,980)	(572,045)
External shipments	789,039	819,073	664,850
Nonferrous metals (thousands of pounds)			
Total and segment shipments	279,656	291,636	251,080
Intra-company	(3,529)	(1,958)	(3,456)
External shipments	276,127	289,678	247,624
Minnesota iron nuggets (metric tons) intra-company	59,685	46,230	36,481
Iron Dynamics (metric tons) intra-company	64,685	56,628	57,117

Metals Recycling. Our metals recycling operations represent our metals sourcing and processing operations and are the most significant source of net sales 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. Our metals recycling operations represented 93% and 95% of this segment's net sales during the first quarter of 2013 and 2012, respectively.

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During the first quarter of 2013, metals recycling recorded sales of \$835.0 million on shipments of 1.3 million gross tons of ferrous metals and 279.7 million pounds of nonferrous metals, compared with sales of \$1.1 billion on shipments of 1.6 million gross tons of ferrous and 291.6 million pounds of nonferrous metals during the same period in 2012. During the first quarter of 2013 and 2012, the metals recycling operations provided approximately 43% and 52%, respectively, of the steel scrap purchased by our steel mills. This represented 41% and 48% of the metals recycling operations' ferrous shipments for the first quarter of 2013 and 2012, respectively. Sales prices of ferrous metals decreased 17% in the first quarter of 2013 versus the same period in 2012, while nonferrous sales prices increased 1% for the same periods.

Operating income for metals recycling increased \$682,000 in the first quarter of 2013 to \$19.5 million compared to the first quarter of 2012 despite decreased volumes, due to a 6% increase in ferrous metal margins and decreased operating expenses.

Ferrous Resources. Our ferrous resources operations consist of our two ironmaking initiatives: Iron Dynamics and our Minnesota iron operations. IDI primarily produces liquid pig iron, which is used as a scrap substitute raw material exclusively at our Flat Roll Division. Our Minnesota iron operations consists of Mesabi Nugget, (owned 81% by us); our planned future iron mining operations which is currently in the permitting process, Mesabi Mining; and, our iron tailings operations, Mining Resources (owned 80% by us). The construction of the Mesabi Nugget facility was completed in 2009, and initial production of iron nuggets commenced January 2010. Since that time, we have continued to refine this pioneering production process and changed equipment configurations to increase production, improve quality, and increase plant availability. A planned six-week outage in the fall of 2012 was used to complete the groundwork necessary for the implementation of further improvements which are being made in the second quarter of 2013. These modifications are expected to improve production volume. The facility's designed annual production capacity is 500,000 metric tons. In the first quarter of 2013 and 2012, Mesabi Nugget produced 60,000 and 46,000 metric tons of iron-nuggets, respectively, for use by our own steel mills. Our iron tailings operation, Mining Resources, started operations in September of 2012 and expects to be at full capacity during the first half of 2013. This operation provides iron ore tailings to be concentrated for use by Mesabi Nugget as low-cost iron concentrate in the nugget production process. This is critical to our Minnesota operations as we will now be able to benefit from the use of lower-cost iron concentrate rather than much higher priced third-party material. Losses from our Minnesota iron operations reduced our net income in the first quarter of 2013 by approximately \$13.8 million, \$4.2 million more than in the first quarter of 2012.

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Steel Fabrication Operations

Our steel fabrication operations represent 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 5% and 4% of our external net sales during the first quarter of 2013 and 2012, respectively. The segment achieved operating income of \$1.5 million in the first quarter of 2013, compared to a \$2.7 million loss in the first quarter of 2012. Modest selling price decreases were more than offset by higher shipments, improved metal margins, and reduced conversion costs.

Net sales for the segment increased \$19.5 million, or 26%, in the first quarter of 2013 compared to the first quarter of 2012, as volumes increased 29%. However, the segment's average selling price per ton shipped decreased \$28, or 2%, during the same period. Increased first quarter 2013 shipments were the result of continued modest improvement in the non-residential construction market and market share gains.

The purchase of various steel products is the largest single cost of production for our steel fabrication operations. During the first quarter of 2013 and 2012, the cost of steel products purchased represented 69% and 70% of the total cost of manufacturing for our steel fabrication operations, respectively; while the average cost of steel consumed decreased in the first quarter of 2013, as compared to the same period in 2012, by \$65 per ton.

First Quarter Consolidated Results 2013 vs. 2012

Selling, General and Administrative Expenses. Selling, general and administrative expenses (including profit sharing and amortization of intangible assets) were \$80.0 million during the first quarter of 2013, as compared to \$81.4 million during the first quarter of 2012, a decrease of \$1.4 million, or 2%. Our selling, general and administrative expenses represented 4% of our total net sales during both the first quarter of 2013 and 2012. The decrease in our selling, general and administrative expenses during the first quarter of 2013 as compared to the same period in 2012 was due primarily to decreased profit sharing and performance-based compensation, consistent with the lower levels of profitability in the first quarter of 2013.

Interest Expense, net of Capitalized Interest. During the first quarter of 2013, gross interest expense decreased \$6.0 million to \$35.4 million, and capitalized interest increased \$487,000, to \$791,000, when compared to the same period in 2012. 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 decrease in gross interest expense is due to debt repayment of \$175 million during the third quarter of 2012 in conjunction with our refinancing activities, which also reduced our overall cost of debt and extended our maturity schedule. We anticipate further reductions in gross interest expense in 2013, as a result of additional refinancing activities and debt repayments of \$100.0 million during March and April 2013.

Other Expense (Income), net. Other income was \$1.0 million during the first quarter of 2013, as compared to expense of \$10.2 million during the same period in 2012. First quarter 2012 results included \$13.9 million of charges related to the partial tender of our 73/8% Senior Notes, and first quarter 2013 results included \$2.0 million of charges related to the partial tender of our 63/4% Senior Notes.

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Income Taxes. During the first quarter of 2013, our income tax expense was \$21.4 million, as compared to \$26.7 million during the same period in 2012. Our effective income tax rate before noncontrolling interests was 34.2% and 39.0%, during the first quarter of 2013 and 2012, respectively. The lower effective tax rate in the first quarter of 2013 is due to a favorable adjustment related to 2012 research and development tax credits that were enacted into the tax code in January 2013.

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. Trade receivables increased \$110.9 million during the first quarter of 2013 related to increased sales, when compared to the fourth quarter of 2012. Total inventories decreased \$32.3 million, or 3%, to \$1.2 billion. Our raw materials, primarily steel scrap inventories, decreased by approximately \$68.1 million during the first quarter of 2013, with scrap volumes decreasing by 53,000 gross tons (8%), and costs per gross ton decreasing 8%. Our work-in-process and finished goods inventories increased \$36.9 million, with volumes increasing by 77,000 tons. Our trade payables and general accruals increased \$6.6 million, or 1%, during the first quarter of 2013, as trade payables were higher due to higher production levels, while 2012 profit sharing and bonus amounts were paid in the first quarter of 2013.

Capital Investments. During the first quarter of 2013, we invested \$45.3 million in property, plant and equipment, of which over half related to announced growth or expansion projects at three of our steel mills and OmniSource. We estimate total capital expenditures for 2013 to be in the range of \$200 to \$225 million.

Capital Resources and Long-term Debt. On March 25, 2013, we issued \$400.0 million of 51/4% Senior Notes due 2023 (2023 Notes). Interest on the 2023 Notes is due semiannually on April 15 and October 15, with the first payment due on October 15, 2013. The 2023 Notes are redeemable at any time after April 15, 2018. The redemption price (expressed as a percentage of principal amount) is 102.625% during the period April 15, 2018 to April 14, 2019; 101.750% during the period April 15, 2019 to April 14, 2020; 100.875% during the period April 15, 2020 to April 14, 2021; and 100% on and after April 15, 2021, plus accrued interest to the redemption date. In addition, at any time before April 15, 2016, we may redeem up to 35% of the principal amount of the 2023 Notes with the net cash proceeds from one or more sales of our common stock at a redemption price (expressed as a percentage of principal amount) of 105.250%, plus accrued interest to the redemption date. The 2023 Notes are unsecured and rank pari passu with all existing and future senior unsubordinated unsecured indebtedness and senior in right of payment to all subordinated indebtedness.

A portion of the proceeds from the issuance of the 2023 Notes was used to fund the March 25, 2013 purchase of \$301.7 million (plus accrued interest) of our 6 3/4% Senior Notes due 2015 (2015 Notes) pursuant to a tender offer. As a result of the tender offer to purchase the 2015 Notes, we recorded expenses of \$2.0 million related to tender premiums, unamortized debt issuance costs write-off, and tender expenses, which is reflected in other expenses in the consolidated statement of income for the quarter ended March 31, 2013. On April 9, 2013, we used the remaining proceeds from the issuance of the 2023 Notes, along with available cash, to repay the remaining outstanding 2015 Notes due at a price of 100% of the principal amount of \$198.3 million (plus accrued interest). As a result of this refinancing activity, our overall outstanding debt decreased \$100.0 million, we extended and laddered our debt maturities, and we reduced our overall effective interest rate.

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While total outstanding debt at March 31, 2013, of \$2.3 billion was \$98.6 million higher than at December 31, 2012, after consideration of the refinancing completed on April 9, 2013, total debt decreased by \$99.7 million. Post the debt payment on April 9, 2013, 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 our total stockholders' equity, decreased to 45.6%, as compared to 47.1% at December 31, 2012.

We have a senior secured credit facility (Facility) that matures in September 2016 which provides for a \$1.1 billion revolver (Revolver). Subject to certain conditions, we have the opportunity to increase the Revolver capacity by an additional \$125.0 million. The Facility is guaranteed by certain of our subsidiaries and is secured by substantially all of our accounts receivable and inventories and pledges of shares of our wholly owned subsidiaries' capital stock. The Revolver is available to fund working capital, capital expenditures, and other general corporate purposes.

The outstanding balance on the Revolver must be the lesser of \$1.1 billion less other applicable commitments such as letters of credit and other secured debt, as defined within the Facility or the sum of 85% of our eligible accounts receivable and 65% of our eligible inventories, less other applicable commitments. At March 31, 2013, we had \$1.1 billion of availability on the Revolver, \$14.0 million of outstanding letters of credit and other obligations which reduce availability, and no outstanding borrowings.

The Facility 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 the financial and other covenants.

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The financial covenants under our Facility 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 Facility) by our LTM gross interest expense. In addition, a net debt (as defined in the Facility) to consolidated LTM adjusted EBITDA ratio (leverage ratio) of not more than 5.00:1.00 must be maintained. If the net debt to EBITDA ratio exceeds 3.50:1.00 at any time, our ability to make restricted payments as defined in the credit agreement (which includes cash dividends to stockholders and share purchases, among other things), is limited. At March 31, 2013, our interest coverage ratio and net debt leverage ratio were 4.17:1.00 and 3.13:1.00, respectively. We were therefore in compliance with these covenants at March 31, 2013, and we anticipate we will continue to be in compliance during the remainder of the year.

Cash Dividends. We declared cash dividends of \$24.2 million, or \$0.11 per common share, during the first quarter of 2013, a 10% increase over the \$0.10 per common share, or \$21.9 million, dividends declared during the first quarter of 2012. We paid cash dividends of \$22.0 million and \$21.9 million during the first quarter of 2013 and 2012, respectively. Our board of directors approves the payment of dividends on a quarterly basis. During the remainder of 2013, 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 may 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 additional borrowings under our senior secured credit agreement through its term, which expires in September 2016, will be adequate for the next twelve months for making required payments of principal and interest on our indebtedness, 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

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No material changes have occurred to the indicated critical accounting policies and estimates as disclosed in our 2012 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 during the three month periods ended March 31, 2013 or 2012.

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 raw materials used in our operations, such as metallic raw materials, electricity, natural gas, iron concentrate, fuel and zinc. 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 electricity, natural gas and its transportation, iron concentrate, fuel, and zinc. Certain of these commitments contain provisions which require us to take or pay for specified quantities without regard to actual usage for periods of up to 39 months for physical commodity requirements and for up to 8 years for commodity transportation requirements. We also purchase electricity consumed at our Flat Roll Division pursuant to a contract which extends through December 2014. 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, 2013, 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, 2012. 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.

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 or supplier. At March 31, 2013, we had a cumulative unrealized gain associated with these financial contracts of \$4.9 million, substantially all of which have a settlement date within the next twelve months. We believe the customer and supplier contracts associated with the financial contracts will 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 principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2013. 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, 2013, our principal executive officer and principal 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, 2013 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

We are involved in various routine litigation matters, including administrative proceedings, regulatory proceedings, governmental investigations, environmental matters, and commercial and construction contract disputes.

We are also involved, along with eight other steel manufacturing companies, in a class action antitrust complaint filed in federal court in Chicago, Illinois in September 2008, which 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 were brought on behalf of a purported class consisting of all direct purchasers of steel products between January 1, 2005, and the present. The other Complaint was brought on behalf of a purported class consisting of all indirect purchasers of steel products within the same time period. In addition, in December 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. That case has been removed to the federal court in Chicago that is hearing the main complaint. All Complaints seek treble damages and costs, including reasonable attorney fees, pre- and post-judgment interest and injunctive relief. In January 2009, Steel Dynamics and the other defendants filed a Joint Motion to Dismiss all of the direct purchaser lawsuits, but this motion was denied in June 2009. Following a period of preliminary discovery relating to class certification matters, Plaintiffs filed their Motion for Class Certification in May 2012, and on February 28, 2013, Defendants filed their Joint Memorandum in Opposition to Plaintiffs Motion for Class Certification, together with joint motions to exclude the expert opinions of both of Plaintiffs two retained experts. Additional briefing is anticipated on all issues related to the pending motions. Due to the uncertain nature of litigation, we cannot presently determine the ultimate outcome of this litigation. However, we have determined, based on the information available at this time, that 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 our 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, we may in the future determine that a loss accrual is necessary. Although we may make loss accruals, if and as warranted, any amounts that we may accrue from time to time could vary significantly from the amounts we actually pay, due to inherent uncertainties and the inherent shortcomings of the estimation process, the uncertainties involved in litigation and other factors. Additionally, an adverse result could have a material effect on our financial condition, results of operations and liquidity.

ITEM 1A. RISK FACTORS

No material changes have occurred to the indicated risk factors as disclosed in our 2012 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 4. MINE SAFETY DISCLOSURES

The information required to be furnished pursuant to Item 4 concerning mine safety disclosure matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K (17 CFR 229.104) is included in Exhibit 95 to this Quarterly Report.

ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS

Executive Officer Certifications

31.1*	Certification of Principal 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 Principal 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.
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.

Other

95*	Mine Safety Disclosures.
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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 9, 2013

STEEL DYNAMICS, INC.

By:

/s/ Theresa E. Wagler
Theresa E. Wagler
Executive Vice President and Chief Financial Officer
(Principal Accounting Officer)