

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):

	Net Income (Numerator)	2012 Shares (Denominator)	Three Months Ended March,		2011 Shares (Denominator)	Per Share Amount
			Per Share Amount	Net Income (Numerator)		
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)
-----------------------------------------------------	-----------

(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)
Elimination of intra-company debt		(147.4)
Other		(0.6)
	\$	(190.0)

(7) Certain segment deferred tax asset and liability accounts have been reclassified at March 31, 2011, to conform to the March 31, 2012 presentation. These reclassifications had no impact to the previously reported segment income statement information or consolidated income statements as previously reported, nor did they impact previously reported consolidated total assets or liabilities.

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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 2012, 2014, 2015, 2016, and 2020. Following are the company's condensed consolidating financial statements, including the guarantors, which present the financial position, results of operations and cash flows of (i) SDI (in each case, reflecting investments in its consolidated subsidiaries under the equity method of accounting), (ii) the guarantor subsidiaries of SDI, (iii) the non-guarantor subsidiaries of SDI, and (iv) the eliminations necessary to arrive at the information for the company on a consolidated basis. The following statements should be read in conjunction with the accompanying consolidated financial statements and the company's Annual Report on Form 10-K for the year ended December 31, 2011.

Condensed Consolidating Balance Sheets (in thousands)

As of March 31, 2012	Parent	Guarantors	Combined Non-Guarantors	Consolidating Adjustments	Total Consolidated
Cash and equivalents	\$ 273,952	\$ 67,989	\$ 15,868	\$	\$ 357,809
Investments in short-term commercial paper	64,982				64,982
Accounts receivable, net	314,044	801,967	11,469	(338,306)	789,174
Inventories	695,432	508,592	71,260	(4,343)	1,270,941
Other current assets	53,772	6,271	1,944	(18,036)	43,951
Total current assets	1,402,182	1,384,819	100,541	(360,685)	2,526,857
Property, plant and equipment, net	1,043,186	663,035	496,065	(2,777)	2,199,509
Intangible assets, net		442,277			442,277
Goodwill		743,441			743,441
Other assets, including investments in subs	2,788,045	32,191	9,555	(2,698,248)	131,543
Total assets	\$ 5,233,413	\$ 3,265,763	\$ 606,161	\$ (3,061,710)	\$ 6,043,627
Accounts payable	\$ 158,774	\$ 314,741	\$ 22,117	\$ (23,375)	\$ 472,257
Accrued expenses	139,704	93,131	9,156	(32,013)	209,978
Current maturities of long-term debt	434,489	300	42,072	(37,228)	439,633
Total current liabilities	732,967	408,172	73,345	(92,616)	1,121,868
Long-term debt	1,901,644		178,345	(147,970)	1,932,019
Other liabilities	252,578	2,124,643	38,110	(1,832,076)	583,255
Redeemable noncontrolling interest			73,924		73,924
Common stock	636	33,896	18,121	(52,017)	636
Treasury stock	(721,024)				(721,024)
Additional paid-in-capital	1,031,043	117,737	368,598	(486,335)	1,031,043
Retained earnings (deficit)	2,035,569	581,315	(130,619)	(450,696)	2,035,569
Total Steel Dynamics, Inc. equity	2,346,224	732,948	256,100	(989,048)	2,346,224

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Noncontrolling interests				(13,663)		(13,663)
Total equity	2,346,224	732,948	242,437	(989,048)	2,332,561	
Total liabilities and equity	\$ 5,233,413	\$ 3,265,763	\$ 606,161	\$ (3,061,710)	\$ 6,043,627	

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STEEL DYNAMICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 10. Condensed Consolidating Information (continued)

As of December 31, 2011	Parent	Guarantors	Combined Non-Guarantors	Consolidating Adjustments	Total Consolidated
Cash and equivalents	\$ 301,073	\$ 58,699	\$ 30,989	\$	\$ 390,761
Investments in short-term commercial paper	84,830				84,830
Accounts receivable, net	319,995	726,192	8,971	(332,367)	722,791
Inventories	584,079	533,022	85,046	(2,563)	1,199,584
Other current assets	83,116	4,119	2,304	(32,247)	57,292
Total current assets	1,373,093	1,322,032	127,310	(367,177)	2,455,258
Property, plant and equipment, net	1,059,011	660,048	477,514	(2,828)	2,193,745
Intangible assets, net		450,893			450,893
Goodwill		745,066			745,066
Other assets, including investments in subs	2,791,718	33,507	9,853	(2,700,814)	134,264
Total assets	\$ 5,223,822	\$ 3,211,546	\$ 614,677	\$ (3,070,819)	\$ 5,979,226
Accounts payable	\$ 155,220	\$ 273,049	\$ 23,195	\$ (30,640)	\$ 420,824
Accrued expenses	157,868	98,498	10,012	(30,863)	235,515
Current maturities of long-term debt	439,199	300	53,551	(48,972)	444,078
Total current liabilities	752,287	371,847	86,758	(110,475)	1,100,417
Long-term debt	1,905,199		169,797	(138,974)	1,936,022
Other liabilities	250,395	2,132,778	51,625	(1,862,605)	572,193
Redeemable noncontrolling interest			70,694		70,694
Common stock	636	33,896	18,121	(52,017)	636
Treasury stock	(722,653)				(722,653)
Additional paid-in-capital	1,026,157	117,737	347,151	(464,888)	1,026,157
Retained earnings (deficit)	2,011,801	555,288	(113,428)	(441,860)	2,011,801
Total Steel Dynamics, Inc. equity	2,315,941	706,921	251,844	(958,765)	2,315,941
Noncontrolling interests			(16,041)		(16,041)
Total equity	2,315,941	706,921	235,803	(958,765)	2,299,900
Total liabilities and equity	\$ 5,223,822	\$ 3,211,546	\$ 614,677	\$ (3,070,819)	\$ 5,979,226

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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, 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

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

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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, 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

For the three months ended, March 31, 2011	Parent	Guarantors	Combined Non-Guarantors	Consolidating Adjustments	Total Consolidated
Net cash provided by (used in) operating activities	\$ 53,444	\$ (39,355)	\$ (10,152)	\$	\$ 3,937
Net cash used in investing activities	(5,843)	(10,554)	(3,439)		(19,836)
Net cash provided by (used in) financing activities	(73,412)	48,257	15,351		(9,804)
Increase (decrease) in cash and equivalents	(25,811)	(1,652)	1,760		(25,703)
Cash and equivalents at beginning of period	173,563	10,628	2,322		186,513
Cash and equivalents at end of period	\$ 147,752	\$ 8,976	\$ 4,082	\$	\$ 160,810

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

Forward-Looking Statements

This report contains some predictive statements about future events, including statements related to conditions in domestic and global economies, conditions in the steel and recycled metals marketplaces, our revenue, costs of purchased materials, future profitability and earnings, and the operation of new or existing facilities. These statements are intended to be made as forward-looking, subject to many risks and uncertainties, within the safe harbor protections of the Private Securities Litigation Reform Act of 1995. Such predictive statements are not guarantees of future performance, and actual results could differ materially from our current expectations. Some factors that could cause such forward-looking statements to turn out differently than anticipated include: (1) the effects of a recurrent recession on 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, 2011, 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 (Income) Expense, 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, including premiums paid for refinancing activities.

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Net income was \$45.7 million, or \$0.20 per diluted share, during the first quarter of 2012, compared with net income of \$105.9 million, or \$0.46 per diluted share, during the first quarter of 2011, and net income of \$30.2 million, or \$0.14 per diluted share, during the fourth quarter of 2011. Our net sales decreased \$33.9 million, or 2%, to just under \$2.0 billion in the first quarter of 2012 versus the first quarter of 2011, while net sales increased \$123.7 million, or 7%, versus the fourth quarter of 2011. Our gross profit percentage was 10% during the first quarter of 2012 as compared to 15% for the first quarter of 2011, and 9% for the fourth quarter of 2011.

First quarter 2012 steel shipments were generally flat as compared to the first quarter of 2011; however the product mix differed significantly as flat roll shipments decreased 12%, or 107,000 tons, and long products shipments, most notably at our Structural and Rail Division, increased 19%, or 104,000 tons. Metals recycling and fabrication volumes also improved. Although 2012 first quarter consolidated net sales were consistent with those achieved in the prior year first quarter, comparative operating income decreased 42 percent, as gross margins decreased within the company's flat roll steel and metals recycling operations. The average external selling price per ton shipped for the company's steel operations in the first quarter of 2012 decreased \$15 per ton compared to the prior year first quarter while the average quarterly ferrous scrap cost per ton melted increased \$18 for the same comparative period.

Looking at the first quarter of 2012 as compared to the fourth quarter of 2011, aside from metals recycling and ferrous resources, specifically metals recycling, first quarter volumes in each of the company's reporting segments decreased when compared to the fourth quarter of 2011, while consolidated operating income increased 45%. The increase in sequential quarterly operating income was primarily the result of improvements in steel and metals recycling margins and increases in metals recycling volumes. Despite decreased volumes, operating income from steel operations increased 19%, as increases in selling prices in the beginning of the quarter were greater than corresponding increases in the cost of raw materials during the quarter, resulting in margin expansion. Flat roll earnings were nonetheless tempered by mid-quarter price reductions resulting from increased supply brought about by additional domestic flat roll production capacity and increased import activity. As is typical in the first quarter of the year, metals recycling volumes increased meaningfully when compared to the fourth quarter of 2011.

Segment Operating Results 2012 vs. 2011 (dollars in thousands)

	Three Months Ended March 31, %		Fourth Quarter		Linked Quarter %
	2012	Change	2011	2011	Change
Net sales					
Steel	\$ 1,234,479	(1)%	\$ 1,247,010	\$ 1,215,966	2%
Metals recycling and ferrous resources	1,111,120	0%	1,108,415	907,025	23%
Steel fabrication	74,896	42%	52,652	78,684	(5)%
Other	24,090	(14)%	28,132	20,884	15%
	2,444,585		2,436,209	2,222,559	
Intra-company	(462,545)		(420,240)	(364,214)	
Consolidated	\$ 1,982,040	(2)%	\$ 2,015,969	\$ 1,858,345	7%
Operating income (loss)					
Steel	\$ 137,308	(29)%	\$ 192,955	\$ 115,003	19%

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Metals recycling and ferrous resources	4,163	(89)%	39,490	(13,390)	131%
Steel fabrication	(2,668)	7%	(2,883)	(1,820)	(47)%
Other	(16,862)	30%	(24,256)	(17,027)	1%
	121,941	(41)%	205,306	82,766	47%
Eliminations	(2,125)		20	(276)	
Consolidated	\$ 119,816	(42)%	\$ 205,326	\$ 82,490	45%

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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 quarters of 2012 and 2011, our steel operations accounted for 60% and 59%, respectively, of our external net sales. Operating income for the steel segment decreased \$55.6 million or 29%, to \$137.3 million in the first quarter of 2012 compared to the first quarter of 2011. Gross margin, and correspondingly operating income, compressed due to a \$12 decrease in average segment selling prices per ton shipped coupled with an \$18 per ton increase in average ferrous scrap cost melted in the first quarter of 2012 as compared to the first quarter of 2011.

Steel Operations Shipments (net tons)

	Three Months Ended March 31,		Fourth Quarter 2011	
	2012	2011		
Flat Roll Division	658,505	709,614		678,961
The Techs	144,615	200,724		161,789
Sheet products	803,120	59%	910,338	68% 840,750 61%
Structural and Rail Division	261,006	190,661		250,602
Engineered Bar Products Division	157,489	159,015		171,020
Roanoke Bar Division	151,296	121,305		129,113
Steel of West Virginia	77,212	72,056		74,477
Long products	647,003	48%	543,037	40% 625,212 46%
Total shipments	1,450,123		1,453,375	1,465,962
Intra-segment shipments	(28,057)	(2)%	(36,471)	(3)% (28,548) (2)%
Segment shipments	1,422,066		1,416,904	1,437,414
Intra-company shipments	(66,119)	(5)%	(73,502)	(5)% (67,910) (5)%
External shipments	1,355,947		1,343,402	1,369,504

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 59% of our steel segment's shipped tons in the first quarter of 2012, as compared to 68% in the first quarter of 2011.

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

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Net sales for the segment decreased in the first quarter of 2012 by \$12.5 million, or 1%, compared to the first quarter of 2011. While total shipments in the first quarter of 2012 were consistent with the first quarter of 2011, there was a shift in mix with sheet products shipments decreasing 12%, or 107,000 tons, and long products sales volumes increasing 19%, or 104,000 tons. Increased domestic capacity along with attractively priced import opportunities created a headwind in the flat rolled market. While the SBQ market remained strong, our Engineered Bar Products division shipped less volume in the quarter than in the fourth quarter of 2011 as a result of a planned maintenance outage. Although the non-residential construction market continues to be depressed, we have seen improvement in sales, order entry and backlog at our Structural and Rail Division in 2012 as compared to 2011, particularly with our wide flange beam products. Our rail product shipments also continue to show steady improvement, comprising 13% of the mill's product mix in the first quarter of 2012 compared with 8% in the first quarter of 2011. Our first quarter 2012 average steel operations segment selling price per ton shipped, decreased \$12 compared with the first quarter of 2011.

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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 increased \$18 in the first quarter 2012 compared with the first quarter of 2011. During the first quarter of 2012 and 2011, respectively, our metallic raw material costs represented 69% and 66% 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 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 the first quarter of 2012 and 37% in the first quarter of 2011. Operating income for the metals recycling and ferrous resources operations segment decreased \$35.3 million in the first quarter of 2012, to \$4.2 million, compared to the first quarter of 2011, due primarily to decreased metal margins for both ferrous and nonferrous metals in metals recycling.

Metals Recycling and Ferrous Resources Operations Shipments

	2012	Three Months Ended March 31, 2011	Fourth Quarter 2011
Ferrous metal (gross tons)			
Total	1,582,840	1,528,191	1,314,588
Intra-segment			