

STEEL DYNAMICS INC  
Form 10-Q/A  
March 09, 2005

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-Q/A**

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Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the period ended June 30, 2004

OR

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.)

**6714 Pointe Inverness Way, Suite 200, Fort Wayne,  
IN**

(Address of principal executive offices)

**46804**

(Zip Code)

Registrant's telephone number, including area code: (260) 459-3553

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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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes      No

As of August 4, 2004, Registrant had 49,615,159 outstanding shares of Common Stock.

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**STEEL DYNAMICS, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands, except share data)

	<b>June 30, 2004</b>	<b>December 31, 2003</b>
	<b>(unaudited)</b>	
<b>ASSETS</b>		
Current assets:		
Cash and equivalents	\$ 38,441	\$ 65,430
Accounts receivable, net	171,034	100,933
Accounts receivable-related parties	28,120	25,090
Inventories	280,170	184,496
Deferred taxes	12,563	23,217
Other current assets	18,105	8,769
	<hr/>	<hr/>
Total current assets	548,433	407,935
Property, plant and equipment, net	1,018,005	1,001,116
Restricted cash	4,215	2,636
Other assets	33,301	36,752
	<hr/>	<hr/>
Total assets	\$ 1,603,594	\$ 1,448,439
	<hr/>	<hr/>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 120,961	\$ 42,698
Accounts payable-related parties	□	36,628
Accrued interest	14,862	11,312
Other accrued expenses	57,722	46,678
Current maturities of long-term debt	5,000	15,988
	<hr/>	<hr/>
Total current liabilities	198,545	153,304
Long-term debt including unamortized bond premium of \$7,991 and \$8,834 as of June 30 2004 and December 31 2003 respectively	563,287	591,586
Deferred taxes	137,647	115,703
Minority interest	1,823	613
Commitments and contingencies		
Stockholders' equity:		
Common stock voting, \$.01 par value; 100,000,000 shares authorized; 51,824,065 and 51,011,839 shares issued; and 49,446,939 and 48,645,246 shares outstanding as of June 30 2004 and December 31 2003 respectively	517	509
Treasury stock at cost; 2,377,126 and 2,366,593 shares at June 30 2004 and December 31 2003 respectively	(28,908)	(28,670)
Additional paid-in capital	376,945	362,328
Retained earnings	356,508	257,254
Other accumulated comprehensive loss	(2,410)	(4,188)

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Total stockholders' equity	<u>702,652</u>	<u>587,233</u>
Total liabilities and stockholders' equity	<u>\$ 1,603,954</u>	<u>\$ 1,448,439</u>

See notes to consolidated financial statements

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**STEEL DYNAMICS, INC.**  
**UNAUDITED CONSOLIDATED STATEMENTS OF INCOME**  
(in thousands, except per share data)

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
Net sales:				
Unrelated parties	\$ 474,317	\$ 187,342	\$ 809,983	\$ 389,488
Related parties	51,340	31,290	99,819	64,648
Total net sales	525,657	218,632	909,802	454,136
Cost of goods sold	382,459	186,724	685,014	372,693
Gross profit	143,198	31,908	224,788	81,443
Selling, general and administrative expenses	28,082	14,682	51,132	29,657
Operating income	115,116	17,226	173,656	51,786
Interest expense	10,592	8,938	20,096	18,104
Other income	(3,143)	(399)	(5,246)	(250)
Income before income taxes	107,667	8,687	158,806	33,932
Income taxes	40,375	3,257	59,552	12,724
Net income	\$ 67,292	\$ 5,430	\$ 99,254	\$ 21,208
Basic earnings per share	\$ 1.36	\$ .11	\$ 2.02	\$ .45
Weighted average common shares outstanding	49,340	47,650	49,143	47,625
Diluted earnings per share, including effect of assumed conversions	\$ 1.20	\$ .11	\$ 1.78	\$ .44
Weighted average common shares and share equivalents outstanding	56,545	47,853	56,379	47,820

See notes to consolidated financial statements.

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**STEEL DYNAMICS, INC.**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)

	Three Months Ended June 30,		Six Months ended June 30,	
	2004	2003	2004	2003
Operating activities:				
Net income	\$ 67,292	\$ 5,430	\$ 99,254	\$ 21,208
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	23,629	16,643	42,408	32,919
Deferred income taxes	20,930	6,186	32,598	11,430
Loss on disposal of property, plant and equipment	31	□	175	59
Minority interest	562	24	1,211	(627)
Changes in certain assets and liabilities:				
Accounts receivable	(34,558)	9,706	(73,131)	6,240
Inventories	(44,181)	(5,740)	(95,674)	(20,220)
Other assets	(2,360)	(2,549)	(10,764)	(1,855)
Accounts payable	(7,628)	(450)	41,635	15,680
Accrued expenses	19,700	4,427	16,370	(6,490)
Net cash provided by operating activities	43,417	33,677	54,082	58,344
Investing activities:				
Purchases of property, plant and equipment	(30,755)	(23,670)	(54,660)	(61,105)
Other investing activities	□	8	□	(8,283)
Net cash used in investing activities	(30,755)	(23,662)	(54,660)	(69,388)
Financing activities:				
Issuance of long-term debt	134,182	26,768	164,121	48,480
Repayments of long-term debt	(169,749)	(28,482)	(203,408)	(49,900)
Issuance of common stock, net of expenses and proceeds and tax benefits from exercise of stock options	4,539	663	14,625	1,670
Purchase of treasury stock	□	□	(238)	(176)
Debt issuance costs	(1,487)	(277)	(1,511)	(1,320)
Net cash used in financing activities	(32,515)	(1,328)	(26,411)	(1,246)
Increase (decrease) in cash and equivalents	(19,853)	8,687	(26,989)	(12,290)
Cash and equivalents at beginning of period	58,294	3,241	65,430	24,218
Cash and equivalents at end of period	\$ 38,441	\$ 11,928	\$ 38,441	\$ 11,928
Supplemental disclosure of cash flow information:				
Cash paid for interest	\$ 5,420	\$ 7,052	\$ 20,345	\$ 22,684
Cash paid for federal and state income taxes	\$ 11,850	\$ 6,860	\$ 11,927	\$ 7,474

See notes to consolidated financial statements.





[Back to Contents](#)**STEEL DYNAMICS, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****Note 1. Summary of Accounting Policies**

*Principles of Consolidation.* The consolidated financial statements include the accounts of Steel Dynamics, Inc. (SDI), together with its subsidiaries after elimination of significant intercompany accounts and transactions. Minority interest represents the minority shareholders' proportionate share in the equity or income of the company's consolidated subsidiaries.

*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; valuation allowances for trade receivables, inventories and deferred income tax assets; potential environmental liabilities, 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 included in the company's Annual Report on Form 10-K for the year ended December 31, 2003.

*Stock-Based Compensation.* At June 30, 2004, the company had three incentive stock option plans and accounted for these plans under the recognition and measurement principles of Accounting Standards Board APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. Under APB 25, no stock-based employee compensation cost related to the incentive stock option plans is reflected in net income, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant.

The following table illustrates the effect on net income and earnings per share if the company had applied the fair value recognition provisions of FAS 123 to its stock-based employee compensation for the three and six-month periods ended June 30 (in thousands, except per share data):

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
Net income, as reported	\$ 67,292	\$ 5,430	\$ 99,254	\$ 21,208
Stock-based employee compensation expense, using the fair value based method, net of related tax effect	(714)	(544)	(1,430)	(1,127)
Net income, pro forma	\$ 66,578	\$ 4,886	\$ 97,824	\$ 20,081
Basic earnings per share:				
As reported	\$ 1.36	\$ .11	\$ 2.02	\$ .45
Pro forma	1.35	.10	1.99	.42
Diluted earnings per share:				
As reported	\$ 1.20	\$ .11	\$ 1.78	\$ .44
Pro forma	1.19	.10	1.76	.42

**Note 2. Earnings Per Share**

The company computes and presents earnings per common share in accordance with FASB Statement No. 128, "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, in addition to the above, the weighted average dilutive effect of common share equivalents outstanding during the period. Common share equivalents represent dilutive stock options and dilutive shares related to the company's convertible subordinated debt and

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are excluded from the computation in periods in which they have an anti-dilutive effect.

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 for the three and six-month periods ended June 30 (in thousands, except per share data):

	<b>Three Months Ended</b>					
	<b>2004</b>			<b>2003</b>		
	<b>Net Income (Numerator)</b>	<b>Shares (Denominator)</b>	<b>Per Share Amount</b>	<b>Net Income (Numerator)</b>	<b>Shares (Denominator)</b>	<b>Per Share Amount</b>
Basic earnings per share	\$ 67,292	\$ 49,340	\$ 1.36	\$ 5,430	\$ 47,650	\$ 0.11
Dilutive stock option effect	□	442		□	203	
Convertible subordinated debt effect	683	6,763		□	□	
Diluted earnings per share	<u>\$ 67,975</u>	<u>\$ 56,545</u>	\$ 1.20	<u>\$ 5,430</u>	<u>\$ 47,853</u>	\$ 0.11

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## STEEL DYNAMICS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## Six Months Ended

	2004			2003		
	Net Income (Numerator)	Shares (Denominator)	Per Share Amount	Net Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic earnings per share	\$ 99,254	\$ 49,143	\$ 2.02	\$ 21,208	\$ 47,625	\$ .45
Dilutive stock option effect	□	473		□	195	
Convertible subordinated debt effect	1,328	6,763		□	□	
Diluted earnings per share	\$ 100,582	\$ 56,379	\$ 1.78	\$ 21,208	\$ 47,820	\$ .44

The following table presents the common share equivalents that were excluded from the company's diluted earnings per share calculation because they were anti-dilutive or not convertible at June 30 (in thousands):

	2004	2003
Stock options	39	1,158
Convertible subordinated debt	□	6,763
Excluded common share equivalents	39	7,921

**Note 3. Comprehensive Income**

The following table presents the company's components of comprehensive income, net of related tax, for the three and six-months ended June 30 (in thousands):

	Three Months Ended		Six Months Ended	
	2004	2003	2004	2003
Net income available to common shareholders	\$ 67,292	\$ 5,430	\$ 99,254	\$ 21,208
Unrealized gain on derivative instruments	1,176	590	1,823	975
Unrealized gain (loss) on available-for-sale securities	(345)	114	(45)	57
Comprehensive income	\$ 68,123	\$ 6,134	\$ 101,032	\$ 22,240
Hedge ineffectiveness gain	\$ □	\$ 257	\$ 275	\$ □

**Note 4. Inventories**

Inventories are stated at lower of cost (principally standard cost which approximates actual cost on a first-in, first-out basis) or market. Inventory consisted of the following (in thousands):

June 30, 2004	December 31, 2003

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Raw materials	\$ 110,419	\$ 46,347
Supplies	69,797	60,420
Work-in-progress	30,061	15,996
Finished goods	69,893	61,733
	<hr/>	<hr/>
Total inventories	\$ 280,170	\$ 184,496
	<hr/>	<hr/>

**Note 5. Segment Information**

The company has two reportable segments: steel operations and steel scrap substitute operations. The steel operations segment includes the company's Flat Roll Division, Structural and Rail Division, and Bar Products Division. The Flat Roll Division sells a broad range of hot-rolled, cold-rolled and coated steel products, including a large variety of specialty products such as thinner gauge hot-rolled products, galvanized products, and painted products. The Flat Roll Division sells directly to end-users and service centers located primarily in the Midwestern United States and these products are used in numerous industry sectors, including the automotive, construction and commercial industries.

The Structural and Rail Division produces and sells structural steel beams, pilings, and other steel components directly to end-users and steel service centers to be used primarily in the construction, transportation and industrial machinery markets. This facility is also designed to produce and sell a variety of standard and premium-grade rail for the railroad industry. The company completed standard rail production trials in the second quarter and anticipates beginning rail shipments during the second half of 2004.

On December 29, 2003, the company's Bar Products Division began commissioning and successfully produced certain SBQ and MBQ rounds. The company continues to increase its SBQ and MBQ product offerings and anticipates the addition of angles, flats and channels during the third quarter. The facility's anticipated annual production capacity is between 500,000 and 600,000 tons. The Bar Products Division markets its products directly to end-users and to service centers for the construction, transportation and industrial machinery markets.

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## STEEL DYNAMICS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*Steel Scrap Substitute Operations.* Steel scrap substitute operations include the revenues and expenses associated with the company's wholly owned subsidiary, Iron Dynamics. From the time operations were halted in 2001 through the fourth quarter of 2002, the costs incurred at IDI were composed of those expenses required to maintain the facility and further evaluate the project and its related benefits. During the fourth quarter of 2002, IDI successfully completed certain operating trials utilizing a modified production process. This process may significantly reduce the eventual per-unit cost of liquid pig iron production. Throughout 2003, the company invested \$13.3 million for capital expenditures required to implement this modified production process, and Iron Dynamics restarted operations mid-November 2003. Since restart, the Flat Roll Division has successfully used these iron briquettes as a part of its metallic raw material inputs. During the first half of 2004, IDI produced 83,700 tonnes of hot briquetted iron and after restarting the submerged arc furnace in the second quarter produced 6,400 tonnes of liquid pig iron.

Revenues included in the category "All Other" are from two subsidiary operations that are below the quantitative thresholds required for reportable segments. These revenues are from the fabrication of trusses, girders, steel joists and steel decking for the non-residential construction industry; from the further processing, or slitting, and sale of certain steel products; and from the resale of certain secondary and excess steel products. In addition, "All Other" also includes certain unallocated corporate accounts, such as the company's senior secured credit facilities, senior unsecured notes, convertible subordinated notes and certain other investments.

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. Intersegment sales and any related profits are eliminated in consolidation. The external net sales of the company's steel operations include sales to non-U.S. companies of \$10.5 million and \$12.4 million for the three months ended June 30, 2004 and 2003, respectively, and \$21.4 million and \$52.7 million for the six months ended June 30, 2004 and 2003, respectively. The company's segment results for the three months ended March 31 are as follows (in thousands):

	Three Months Ended		Six Months Ended	
	2004	2003	2004	2003
<b>Steel Operations</b>				
Net sales				
External	\$ 489,853	\$ 199,264	\$ 842,636	\$ 415,838
Other segments	22,980	10,375	43,265	22,804
Operating income	127,434	22,262	192,351	63,303
Assets	1,338,748	1,100,426	1,338,748	1,100,426

**Steel Scrap Substitute Operations**

Net sales				
External	\$ 9,656	\$ 2	\$ 16,549	\$ 2
Other segments				
Operating loss	(3,357)	(2,294)	(6,041)	(4,388)
Assets	161,102	152,114	161,102	152,114

**All Other**

Net sales				
External	\$ 35,804	\$ 19,368	\$ 67,166	\$ 38,298
Other segments	292	139	645	256
Operating loss	(8,092)	(3,372)	(10,954)	(8,113)
Assets	195,364	161,038	195,364	161,038

**Eliminations**

Net sales				
External	\$	□	\$	□
Other segments		(32,928)		(10,514)
Operating income (loss)		(869)		630
Assets		(91,260)		(102,448)
				(60,459)
				(23,062)
				(1,700)
				984
				(102,448)

**Consolidated**

Net sales	\$	525,657	\$	218,632	\$	909,802	\$	454,136
Operating income		115,116		17,226		173,656		51,786
Assets		1,603,954		1,311,130		1,603,954		1,311,130

**Note 6. Short-Term Bond Transaction**

During the first quarter of 2004, the company entered into a transaction relating to the short-sale of \$66.0 million of U.S. Treasury Securities. The transaction was intended to address interest rate exposure and generate capital gains. As a result of this transaction, the company recorded short-term capital gains of \$3.2 million, interest income of \$175,000 and interest expense of \$3.5 million during the six-months ended June 30, 2004. The company has an obligation to repurchase, on or before November 12, 2004, \$66.0 million of U.S. Treasury Securities that had a market value of \$68.4 million at June 30, 2004. The company has placed the proceeds of \$73.0 million from the short sale into an interest-bearing collateral account to provide for this repurchase. At June 30, 2004, the net obligation of this transaction was \$202,000, which included net accrued interest payable of \$4.8 million.

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## STEEL DYNAMICS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**Note 7. Condensed Consolidating Information**

Certain 100%-owned subsidiaries of SDI have fully and unconditionally guaranteed all of the indebtedness relating to the issuance of \$300.0 million of senior notes due March 2009. Following are condensed consolidating financial statements of the company, including the guarantors. The following condensed consolidating financial statements 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 condensed consolidating financial statements should be read in conjunction with the accompanying consolidated financial statements of the company and the company's Annual Report on Form 10-K for the year ended December 31, 2003.

*Condensed Consolidating Balance Sheets (in thousands)*

As of June 30, 2004

	Parent	Guarantors	Combined non-guarantors	Consolidating adjustments	Total consolidated
Cash	\$ 32,514	\$ 577	\$ 5,350	\$ □	\$ 38,441
Accounts receivable	166,006	158,768	23,233	(148,853)	199,154
Inventories	222,819	36,417	21,203	(269)	280,170
Other current assets	28,876	864	1,117	(189)	30,668
<b>Total current assets</b>	<b>450,215</b>	<b>196,626</b>	<b>50,903</b>	<b>(149,311)</b>	<b>548,433</b>
Property, plant and equipment, net	735,678	131,887	150,558	(118)	1,018,005
Other assets	360,975	90,531	143	(414,133)	37,516
<b>Total assets</b>	<b>\$ 1,546,868</b>	<b>\$ 419,044</b>	<b>\$ 201,604</b>	<b>\$ (563,562)</b>	<b>\$ 1,603,954</b>
Accounts payable	\$ 102,749	\$ 21,534	\$ 18,043	\$ (21,365)	\$ 120,961
Accrued expenses	61,433	5,034	6,816	(699)	72,584
Current maturities of long-term debt	2,924	□	2,097	(21)	5,000
<b>Total current liabilities</b>	<b>167,106</b>	<b>26,568</b>	<b>26,956</b>	<b>(22,085)</b>	<b>198,545</b>
Other liabilities	104,845	142,206	10,949	(120,353)	137,647
Long-term debt	562,417	□	1,032	(162)	563,287
Minority interest	□	□	□	1,823	1,823
Common stock	517	89,426	202,184	(291,610)	517
Treasury stock	(28,908)	□	□	□	(28,908)
Additional paid in capital	376,945	116,868	□	(116,868)	376,945
Retained earnings	366,373	43,976	(39,534)	(14,307)	356,508
Other accumulated comprehensive loss	(2,427)	□	17	□	(2,410)
<b>Total stockholders' equity</b>	<b>712,500</b>	<b>250,270</b>	<b>162,667</b>	<b>(422,785)</b>	<b>702,652</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 1,546,868</b>	<b>\$ 419,044</b>	<b>\$ 201,604</b>	<b>\$ (563,562)</b>	<b>\$ 1,603,954</b>

As of December 31, 2003



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	<u>Parent</u>	<u>Guarantors</u>	<u>Combined non-guarantors</u>	<u>Consolidating adjustments</u>	<u>Total consolidated</u>
Cash	\$ 64,008	\$ 496	\$ 926	\$ □	\$ 65,430
Accounts receivable	123,315	119,785	13,037	(130,114)	126,023
Inventories	164,024	2,579	18,397	(504)	184,496
Other current assets	32,938	68	168	(1,188)	31,986
<b>Total current assets</b>	<b>384,285</b>	<b>122,928</b>	<b>32,528</b>	<b>(131,806)</b>	<b>407,935</b>
Property, plant and equipment, net	755,707	96,757	148,769	(117)	1,001,116
Other assets	260,538	36,855	262	(258,267)	39,388
<b>Total assets</b>	<b>\$ 1,400,530</b>	<b>\$ 256,540</b>	<b>\$ 181,559</b>	<b>\$ (390,190)</b>	<b>\$ 1,448,439</b>
Accounts payable	\$ 64,069	\$ 15,618	\$ 11,025	\$ (11,386)	\$ 79,326
Accrued expenses	52,365	1,699	5,046	(1,120)	57,990
Current maturities of long-term debt	11,765	□	4,243	(20)	15,988
<b>Total current liabilities</b>	<b>128,199</b>	<b>17,317</b>	<b>20,314</b>	<b>(12,526)</b>	<b>153,304</b>
Other liabilities	108,680	73,310	(13,587)	(52,700)	115,703
Long-term debt	575,608	□	24,826	(8,848)	591,586
Minority interest	28	□	□	585	613
Common stock	509	46,482	189,735	(236,217)	509
Treasury stock	(28,670)	□	□	□	(28,670)
Additional paid in capital	362,328	116,868	□	(116,868)	362,328
Retained earnings	257,919	2,563	(39,612)	36,384	257,254
Other accumulated comprehensive loss	(4,071)	□	(117)	□	(4,188)
<b>Total stockholders' equity</b>	<b>588,015</b>	<b>165,913</b>	<b>150,006</b>	<b>(316,701)</b>	<b>587,233</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 1,400,530</b>	<b>\$ 256,540</b>	<b>\$ 181,559</b>	<b>\$ (390,190)</b>	<b>\$ 1,448,439</b>

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For the Three Months Ended, June 30, 2004

	<b>Parent</b>	<b>Guarantors</b>	<b>Combined non-guarantors</b>	<b>Consolidating adjustments</b>	<b>Total consolidated</b>
Net sales	\$ 471,903	\$ 512,833	\$ 45,752	\$ (504,831)	\$ 525,657
Cost of goods sold	337,053	500,539	42,413	(497,546)	382,459
Gross profit (loss)	134,850	12,294	3,339	(7,285)	143,198
Selling, general and administrative	21,547	3,806	2,840	(111)	28,082
Operating income (loss)	113,303	8,488	499	(7,174)	115,116
Interest expense	9,989	4	427	□	10,592
Other (income) expense	27,862	(30,865)	□	(140)	(3,143)
Income (loss) before income taxes and equity in net loss of subsidiaries	75,452	39,349	72	(7,206)	107,667
Income taxes	29,062	14,004	27	(2,718)	40,375
Equity in net income of subsidiaries	46,390	25,345	45	(4,488)	67,292
	25,390	□	□	(25,390)	□
Net income (loss)	\$ 71,780	\$ 25,345	\$ 45	\$ (29,878)	\$ 67,292

For the Three Months Ended, June 30, 2003

	<b>Parent</b>	<b>Guarantors</b>	<b>Combined non-guarantors</b>	<b>Consolidating adjustments</b>	<b>Total consolidated</b>
Net sales	\$ 209,640	\$ □	\$ 19,506	\$ (10,514)	\$ 218,632
Cost of goods sold	177,905	□	19,911	(11,092)	186,724
Gross profit (loss)	31,735	□	(405)	578	31,908
Selling, general and administrative	11,480	949	2,305	(52)	14,682
Operating income (loss)	20,255	(949)	(2,710)	630	17,226
Interest expense	8,981	(287)	430	(186)	8,938
Other (income) expense	12,353	(12,967)	(1)	216	(399)
Income (loss) before income taxes and equity in net loss of subsidiaries	(1,079)	12,305	(3,139)	600	8,687
Income taxes	130	4,304	(1,177)	□	3,257
Equity in net income of subsidiaries	(1,209)	8,001	(1,962)	600	5,430
	6,040	□	□	(6,040)	□
Net income (loss)	\$ 4,831	\$ 8,001	\$ (1,962)	\$ (5,440)	\$ 5,430



[Back to Contents](#)**STEEL DYNAMICS, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**For the Six Months Ended,  
June 30, 2004

	<u>Parent</u>	<u>Guarantor</u>	<u>Combined non-guarantors</u>	<u>Consolidating adjustments</u>	<u>Total consolidated</u>
Net sales	\$ 836,004	\$ 885,901	\$ 84,360	\$ (896,463)	\$ 909,802
Cost of goods sold	620,233	868,514	77,663	(881,396)	685,014
Gross profit	215,771	17,387	6,697	(15,067)	224,788
Selling, general and administrative	38,430	7,268	5,702	(268)	51,132
Operating income (loss)	177,341	10,119	995	(14,799)	173,656
Interest expense	19,872	(629)	843	10	20,096
Other (income) expense	48,147	(53,444)	(2)	53	(5,246)
Income (loss) before income taxes and Equity in net loss of subsidiaries	109,322	64,192	154	(14,862)	158,806
Income taxes	42,377	22,779	58	(5,662)	59,552
Equity in net income of subsidiaries	66,945	41,413	96	(9,200)	99,254
	41,509	□	□	(41,509)	□
Net income (loss)	\$ 108,454	\$ 41,413	\$ 96	\$ (50,709)	\$ 99,254

For the Six Months Ended,  
June 30, 2003

	<u>Parent</u>	<u>Guarantor</u>	<u>Combined non-guarantors</u>	<u>Consolidating adjustments</u>	<u>Total consolidated</u>
Net sales	\$ 438,643	\$ □	\$ 38,555	\$ (23,062)	\$ 454,136
Cost of goods sold	356,745	□	39,565	(23,617)	372,693
Gross profit	81,898	□	(1,010)	555	81,443
Selling, general and administrative	24,215	1,455	4,416	(429)	29,657
Operating income (loss)	57,683	(1,455)	(5,426)	984	51,786
Interest expense	18,068	(520)	885	(329)	18,104
Other (income) expense	26,352	(26,989)	(2)	389	(250)
Income (loss) before income taxes and Equity in net loss of subsidiaries	13,263	26,054	(6,309)	924	33,932
Income taxes	5,966	9,124	(2,366)	□	12,724
Equity in net income of subsidiaries	7,297	16,930	(3,943)	924	21,208
	12,988	□	□	(12,988)	□
Net income (loss)	\$ 20,285	\$ 16,930	\$ (3,943)	\$ (12,064)	\$ 21,208

*Condensed Consolidating Statements of Cash Flows (in thousands)*

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For the Six Months Ended,  
June 30, 2004

	<u>Parent</u>	<u>Guarantors</u>	<u>Combined non-guarantors</u>	<u>Total consolidated</u>
Net cash provided by (used in) operations	\$ 112,333	\$ (57,245)	\$ (1,006)	\$ 54,082
Net cash used in investing activities	(12,677)	(36,511)	(5,472)	(54,660)
Net cash provided by (used in) in financing activities	(131,150)	93,837	10,902	(26,411)
Increase (decrease) in cash and equivalents	(31,495)	82	4,424	(26,989)
Cash and equivalents at beginning of year	64,008			