

Steel Dynamics Reports Sharp Increase in Q3 Profitability



FORT WAYNE, INDIANA, October 19, 2009— Steel Dynamics, Inc. (NASDAQ/GS: STLD) today announced net income of \$69 million for the third quarter of 2009, or \$0.30 per diluted share. The quarter's earnings compared to a net loss of \$16 million, or \$0.08 per diluted share, in the second quarter of 2009 and net income of \$193 million, or \$0.98 per diluted share, in the third quarter of 2008. The principal drivers as to why third quarter earnings exceeded our September guidance were stronger-than-anticipated cost compression, resulting from higher production and shipping volumes at the Flat Roll Division, and better than expected performance in metals recycling.

Third quarter net sales of \$1.2 billion increased significantly from \$792 million in the second quarter of 2009, up 48 percent, but were down 54 percent from \$2.6 billion when compared to the third quarter of 2008, a period when pricing reached historical peaks. Sequentially, shipping volumes in all segments except fabrication were up in the third quarter, as were selling prices. Steel shipments for the third quarter were 1.2 million tons, 41 percent higher than the second quarter. SDI's average steel selling price for the third quarter increased \$33 per ton, to \$627 from \$594 per ton in the second quarter. Average scrap cost per net ton charged increased \$49 compared to the second quarter. This further demonstrates the excellent cost compression achieved by both increased volume and team effort. In metals recycling, OmniSource's ferrous metals shipments were 1.3 million tons, up 54 percent from the second quarter, and nonferrous shipments were 217 million pounds, up 28 percent from the second quarter.

"In the third quarter, the company's steel operations produced operating income of \$128 million, or \$105 per ton, while OmniSource made significant strides in earnings growth, resulting in operating income of \$50 million during the quarter," said Keith Busse, Chairman and CEO. "I salute SDI's employees as these results are testament to our focus on efficient operations and cost control throughout the company. Our steelmaking divisions all produced pre-tax profits in the quarter, including the Structural and Rail Division which continues to face very challenging conditions in the construction marketplace. Our steel fabricating operations showed an operating loss of \$3 million on continued weakness in non-residential construction.

"Current business conditions remain relatively steady. Orders for flat-rolled steel products continue to be strong; merchant, specialty and engineered bars are reasonably good; but structural steel backlogs remain weak. Our flat- roll steel business, inclusive of The Techs, continues to run at near full capacity utilization rates, while the bar divisions are running at 60 to 70 percent of capacity. The Structural and Rail Division has seen modest improvement, with utilization now in the low thirty-percent range, which is now being calculated on the basis of its expanded annual production capacity of 1.8 million tons. OmniSource has experienced improved metals flows and is now processing at about 75 to 80 percent of capacity.

"Our outlook for the fourth quarter anticipates a slight easing in current operating rates, which could result in somewhat lower earnings than the third quarter. We expect to provide quantitative guidance later in the quarter. Factors that could affect fourth quarter results include lower flat-roll steel shipments, due to seasonality coupled with a slight slowing in market momentum, and margin compression in metals recycling due to lower scrap prices. We also expect to incur increased expenses related to the anticipated start-up of the Mesabi Nugget plant. Overall, though, we expect the combined metals recycling and ferrous resources segment to remain profitable in the fourth quarter on the strength of OmniSource. We currently believe that SDI's second-half earnings will offset first-half losses and foresee the company generating a small profit for the year 2009, a feat few, if any, other steelmakers will accomplish in this very challenging and difficult environment.

"As the Flat Roll Division, The Techs, and OmniSource demonstrated in the third quarter, our Steel Dynamics operations are capable of ramping up quickly to meet renewed demand for our products. Business conditions remain somewhat uncertain for the foreseeable future, but we remain optimistic the recovery will continue to gain a head of steam, and we will continue to be in excellent position to take advantage of it," Busse said.

Third Quarter 2009 Operating Segment Information

The following highlights third quarter 2009 results for each of SDI's three primary operating segments.

Steel Operations. Steel Operations achieved net sales of \$782 million for the third quarter and represented 63 percent of the company's external sales. This segment includes five steel mills and related steel processing facilities, including The Techs. SDI's five steel mills produce a wide variety of flat-rolled and long steel products. The Techs galvanize steel sheet that is sourced primarily from third parties.

Third quarter 2009 Steel Operations shipments were 1.2 million tons, of which 877,000 tons were flat-rolled steel shipments. Based on tons shipped, including steel shipments made by The Techs, flat-rolled products accounted for 70 percent of third quarter steel segment shipments, 11 percent was structural steel shipments, 8 percent was merchant bars, 6 percent was engineered bars, and 5 percent was Steel of West Virginia shipments. The third quarter operating profit for the steel segment was \$128 million, or \$105 per ton shipped, compared to an operating profit of \$41 per ton in the second quarter. These figures exclude amortization related to the segment's intangible assets and certain non- allocated corporate overhead expenses, such as profit-sharing costs.

The third quarter's average selling price per ton for Steel Operations was \$627, an increase of \$33 per ton from \$594 in the second quarter of 2009 and a decrease of \$559 per ton from the year-ago quarter. The average scrap cost per net ton charged increased \$49 compared to the second quarter.

Most notable for the quarter was the performance of the Butler, Indiana, Flat Roll Division. After completion of an electric-furnace upgrade early in July, the mill in August achieved a new monthly production record, operating at an annualized rate slightly exceeding 3 million tons per year.

Metals Recycling and Ferrous Resources. This segment includes ferrous and non-ferrous metals recycling by OmniSource Corporation (processing and trading) and SDI's Iron Dynamics scrap-substitute operation that produces pig iron for use by the Flat Roll Division. The segment also includes expenses related to the Mesabi Nugget project, which currently is under construction.

The segment's net sales for third quarter 2009 were \$555 million, and represented 33 percent of SDI's third quarter external sales. The operating income for this segment was \$45 million, excluding amortization related to the segment's intangible assets and certain non-allocated corporate overhead expenses, such as profit-sharing costs. OmniSource's \$50 million in operating profit was partially offset by losses at Iron Dynamics (related to lower market-based pig-iron prices) and to expenses related to the Mesabi Nugget project as it nears the expected start-up in November.

For the third quarter, total ferrous scrap shipments, including shipments to SDI's Steel Operations, were 1.3 million tons, 26 percent lower than the year-ago-quarter and 54 percent higher than the second quarter of 2009. Non-ferrous scrap shipments for the third quarter of 2009 were 217 million pounds, 11 percent lower than the year-ago quarter and 28 percent higher than second quarter 2009 shipments.

During the third quarter, the company's scrap operations supplied 576,000 tons of ferrous scrap to SDI's Steel Operations, which was 45 percent of the total tonnage of ferrous scrap OmniSource shipped and was 50 percent of the tonnage of ferrous scrap purchased by our mills during the quarter.

Steel Fabrication Operations. Steel Fabrication Operations are the New Millennium Building Systems fabricating plants that produce joists, trusses, and steel deck used in the construction of non-residential buildings. Third quarter net sales were \$33 million, or 3 percent of SDI's third quarter external sales. New Millennium reported an operating loss of \$3 million for the quarter. Third quarter shipments totaled 35,000 tons at an average selling price of \$953 per ton. Third quarter shipments were 56 percent lower than the year-ago quarter, and 2 percent lower than the second quarter of 2009.

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