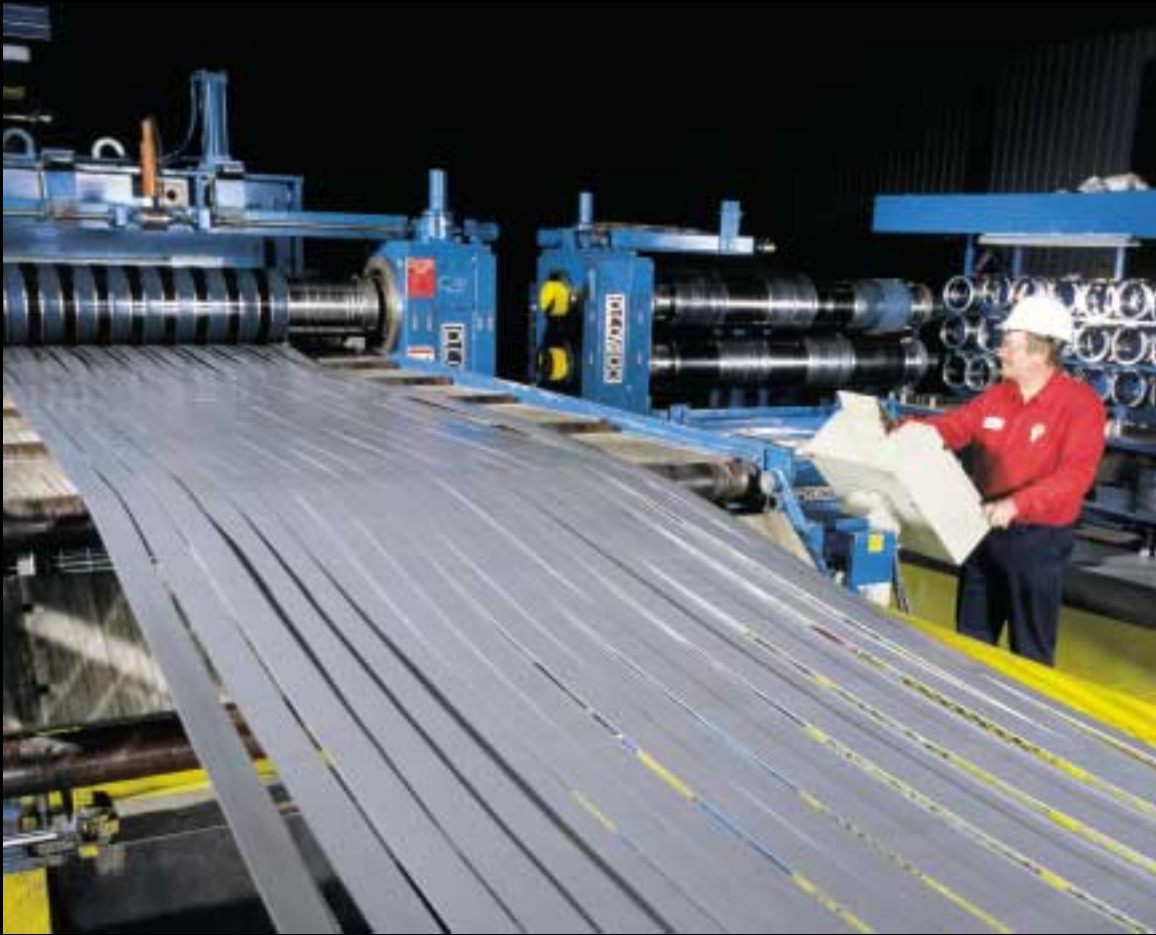




A World of Applications





A worker at Heidtman Steel at Butler, Indiana, slits a coil of SDI steel into narrow bands to meet a customer's exacting specifications. SDI's biggest customer, Heidtman operates a steel service center adjacent to our Butler steelworks. For more on how SDI goes to market and examples of products in which our steel is used, see our feature, beginning on page 7.

Photo credits, cover:
Cabinetry: Coilplus
All-terrain vehicle: Polaris
Welder: New Millennium Building Systems

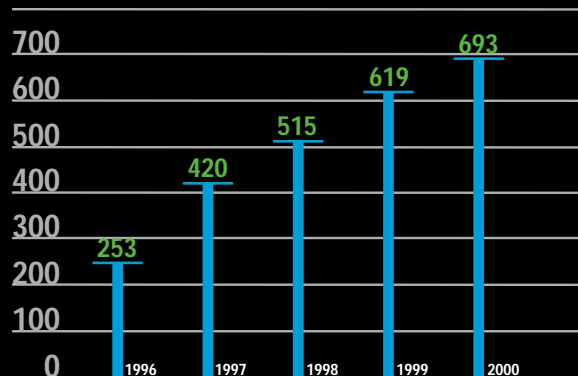


Financial Highlights (dollars in millions, except earnings per share)

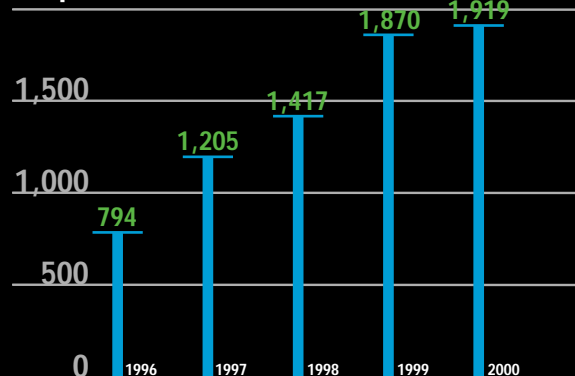
	Year ended December 31					2000
	1996	1997	1998	1999	2000	% increase
Net sales	\$253	\$420	\$515	\$619	\$693	12%
Net income (loss)	(10)	44	32	39	54	38%
Diluted earnings per share	(.28)	.90	.65	.82	1.15	40%
Income from operations	18	65	65	89	105	18%
Total assets	522	641	907	992	1,067	8%
Stockholders' equity	265	338	351	391	419	7%

Steel Dynamics is a growing, profitable Midwestern producer of flat-rolled steel products. We manufacture prime steel from recycled steel scrap in a technologically advanced electric-furnace mini-mill at Butler, Indiana.

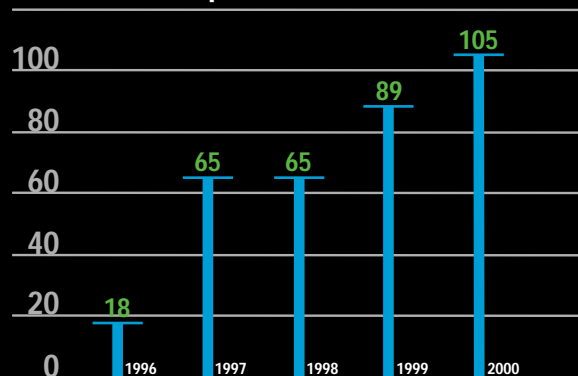
Net Sales (dollars in millions)



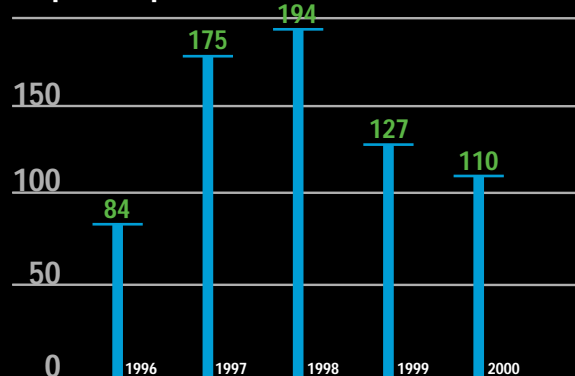
Shipments (net tons in thousands)



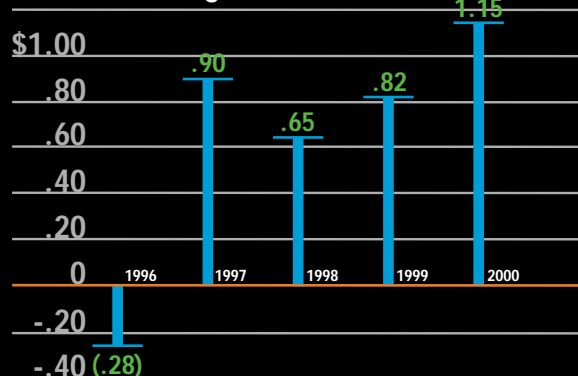
Income from Operations (dollars in millions)



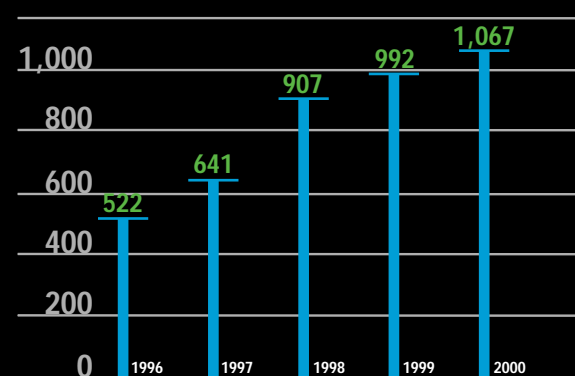
Capital Expenditures (dollars in millions)



Diluted Earnings Per Share



Total Assets (dollars in millions)



TO OUR SHAREHOLDERS, CUSTOMERS, AND EMPLOYEES:

March 23, 2001

STEEL DYNAMICS had an excellent year in 2000, achieving our best financial performance since beginning steelmaking operations five years ago. Strong marketing and operating performances resulted in record revenues and earnings. Our fifth year of operation also marked another milestone as we exceeded two million tons of hot-rolled steel production at our continuous-strip mini-mill in Butler, Indiana.

In spite of slowing demand for our products in the second half of 2000, attributable mainly to the continuing import crisis and a general economic slowdown, we were able to maintain reasonably strong capacity utilizations, operating efficiencies, and shipments. And, unlike a number of domestic steel producers, we remained profitable throughout the year, retained our strong financial condition, and avoided any serious production outages.

Financial results

SDI posted very strong financial results in 2000.

Sales reached \$693

million, up 12 percent over 1999. Net income was \$53.8 million, a 36 percent increase. Net income per diluted share for 2000 was \$1.15, up 40 percent from \$.82 in 1999. SDI continued its share-repurchase program in 2000, buying back 2.5 million shares, as we believed the declining market price of our shares represented an outstanding value. Industry and SDI share values improved somewhat in the first quarter of 2001, hopefully ending a long drought of equity investment in the steel sector.

Our flat-roll steel mill at Butler again achieved an industry-leading operating performance. Operating profits in 2000 (earnings before taxes, interest, and start-up costs) grew to \$125 million, up 18 percent over 1999. Operating profit per ton reached \$65, compared with \$58 in 1999. The 2,031,000 tons of hot-band steels produced set a new

production record, and required an average of only .37 man-hours of labor per ton. Revenue per mill employee reached \$1.3 million. I commend all of our Butler employees for their continued extraordinary performance and their outstanding success in controlling manufacturing costs.

Our hot-rolled and finished flat-roll products continue to receive strong customer acceptance due to consistent product quality and service, a wide selection of product

offerings, and competitive pricing. In this year's report, we illustrate numerous customer applications in which our sheet steels are used, and further describe how they are processed for end-product use.

New business ventures


In 2000, New Millennium Building Systems began fabricating joists, trusses, and girders, as well as roll-forming roof and floor decking at its new plant in Butler. This business, co-owned by Steel Dynamics and New Process Steel

Corporation, has already developed a strong following in the Midwestern commercial and industrial construction markets. We expect that New Millennium will expand its business in the near future, adding additional facilities in other parts of the country.

Our Iron Dynamics scrap-substitute facility underwent significant modifications in 2000. The submerged-arc furnace was completely redesigned and replaced by a larger, more technically advanced unit. Numerous other design enhancements were made to other components of the manufacturing process in a rebuilding effort that extended through the second half of 2000. The facility resumed start-up activity in March of 2001, as natural-gas prices eased somewhat. Although this pioneering project has taken longer and has required more of our resources



Keith Busse (far right) with John Nolan, vice president of sales and marketing; Richard Teets, Jr., vice president and general manager of Structural Steel Division; Tracy Shellabarger, vice president of finance and chief financial officer; and Mark Millett, vice president and general manager of Flat Roll Steel Division.



than originally anticipated, we remain confident that Iron Dynamics will now be able to achieve its goal of producing liquid pig iron in quantities that provide operational advantages and cost savings to SDI.

We have faced continuing delays in obtaining the final environmental-permit approvals that would allow us to begin construction of our second steelworks, a structural mini-mill to be located in Whitley County, Indiana. Unfortunately, legal challenges to the issuance of these required permits have put the project almost two years behind our initial schedule. An appeal of the revised air permit for the mill has been filed with the EPA's Environmental Appeals Board by a group of citizens opposing the project. We believe, however, that the revised permit will be upheld, and that we are, at long last, nearing the end of this process. We are pleased to report that a major opponent to the project has now withdrawn its objections.

After the regulatory and legal issues are resolved, we expect to commence fast-track construction of the mill, hoping to complete this facility by the third quarter of 2002. The structural-steel business offers us an opportunity to complement our flat-rolled steel and building-components businesses with additional potentially high-margin products, offering the possibility of increased earnings stability through diversification into new markets.

The U.S. steel industry and the outlook for SDI

There has been considerable recent discussion concerning the declining state of the steel industry in the United States. There is no question that the steel industry has been hard hit, both by a continuing avalanche of dumped steels from abroad and by a reduction in domestic demand due to a slowing of the U.S. economy. These conditions collectively have brought steel prices down to their lowest levels in several decades.

Fortunately, our low cost structure and operational efficiency allow Steel Dynamics to be price-competitive with any domestic or foreign competitor, provided these steels are fairly traded. It is difficult, though, to compete against steels that are brought into the U.S. and sold well below a foreign producer's home-market price and/or their respective cost of production. Significant quantities of these imports are also being sold well below U.S. market prices, thereby injuring the domestic industry. Thus, we have joined with other domestic producers in renewed efforts calling for our government to act against

illegally dumped steel imports entering the U.S. market. I believe the recent actions taken against certain foreign producers of hot-rolled steel will, in the near term, help to stabilize this segment of the domestic market. It will continue to be SDI's policy to pursue trade actions when appropriate.

Given the dire financial circumstances facing some steelmakers, including bankruptcy, we are once again hearing calls for government-guaranteed loans and bailouts for certain troubled domestic producers. Subsidies, we believe, are not the answer, as they are not in the best interest of U.S. taxpayers, nor are they, in the long run, in the best interest of the domestic steel industry. To enhance U.S. competitiveness, we must allow inefficient mills to shut down, and ultimately be replaced by more efficient capacity.

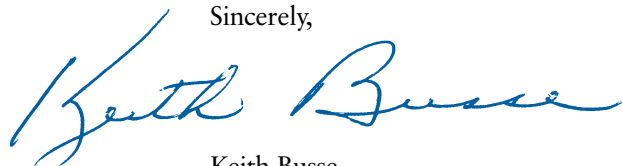
We remain guardedly optimistic about attaining continued revenue and profit growth in 2001. We are hoping to return to near full capacity production at our Butler mill by mid-year, but recognize the considerable uncertainty regarding the U.S. economy in 2001, its impact on the demand for steel, and the risk of continued weakness in selling values.

Steel Dynamics' markets

In the following pages, we highlight applications of our steel in a number of familiar products. A part of this story is how the steel we produce is processed to become a part of the end products featured. Steel Dynamics has established strong relationships with many steel processors, such as Heidtman Steel Products, Inc., Paragon Steel, Ferralloy Corporation, Worthington Steel, and numerous others. Our relationship with New Process Steel Corporation, which became an SDI customer only a few years ago, has led to our collaboration in forming New Millennium Building Systems, a new enterprise that shows great promise.

We believe there are still many good business opportunities in the American steel sector, and Steel Dynamics intends to continue to take advantage of the best of these ideas in years to come.

Sincerely,



Keith Busse
President and Chief Executive Officer



A WHOLE NEW WORLD OF APPLICATIONS

*For an efficient, cost-effective steel producer in today's market,
the possibilities are limited only by the imagination.*

4



Chris Stock
Manager of Sales



John Nolan
Vice President of Sales and Marketing



Michael Busse
Manager of Corporate Accounts

SDI'S approach to the steel marketplace is to partner with steel processors and distributors to maximize their benefits and benefits to their end-use customers. Says John Nolan, vice president of sales and marketing: "It's simple. Our marketing strategy is a distribution strategy. That is, we emphasize the distribution of our products to end applications through steel processors and distributors who have been successful in their chosen niches of the steel marketplace. Our job is to provide them the steel products they need to become even more successful."

OUR PRODUCTS

Every coil of steel we manufacture is made to a customer's order. Our capabilities allow us to manufacture hot- and cold-rolled sheet steels of higher quality and lighter gauge than many other mills. In addition, our control of liquid metallurgy allows us to provide steel alloys to meet various and exacting customer specifications. Our hot bands have consistently better shape characteristics than hot bands from most other mills and, when further processed, compete favorably with certain more expensive cold-rolled products. Thus, some of our customers are able to substitute lower-cost hot bands

and hot-rolled processed coils for our competitors' cold-rolled steel, resulting in considerable cost savings.

"Providing value to the customer," says Nolan, "is the focus of our marketing proposition. We continually strive to improve the value we provide, be it in product characteristics and quality, or in short-cycle production and delivery, or in certain commercial capabilities. For example, in 2000 we made product-certification and order-status information available to customers via the Internet. We run our plant network using standard Internet protocols, so it was a natural extension to make the data available to customers on the Web."

OUR PEOPLE

A knowledgeable, well-versed sales team helps strengthen our customer relationships. Four regional sales managers cover various geographic areas and have full responsibility for closing sales, as well as coordinating sales support and customer service for their customers. When a new customer application requires special review or analysis, the regional sales manager consults with product-engineering specialists at the plant, often one of our control metallurgists or manufacturing engineers. As the "point person"

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Lori Hahn
Manager, Midwestern Regional Sales

Jeff Cordill
Manager, Southern Regional Sales

Charlie Trowbridge
Manager, Mideastern Regional Sales

representing the company to our customers, each sales manager serves an essential role.

Backing them up is a marketing-support and customer-service team at the Butler plant. These individuals handle product application, order entry, scheduling, pricing, and order tracking. They have at their disposal a sophisticated computer network that allows them to interact with the flat-roll mill's production-control systems. Instantly, they can check on the production or shipping status of an order, and make necessary changes. Using these tools, they are able to provide quick, courteous responses to customer inquiries. "Good customer service is not only a matter of having current information, but also demonstrating a positive attitude," says Chris Stock, sales manager at Butler. "We are fortunate to have a group of people who are motivated to accommodate customer needs. In fact, this 'can-do' attitude extends across the company. We can depend on our people in engineering, manufacturing, finance, transportation—whatever area—to pitch in to solve problems and address customer needs."

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OUR CUSTOMERS: KEY TO SDI'S SUCCESS

SDI manufactures sheet steel in large coils, most of which we sell to steel service centers, which pickle, cut to length, coat, paint, shape, or slit our steel. They then

send it on to an original-equipment manufacturer (OEM), such as an automobile or office-furniture manufacturer. Ultimately, companies in this important channel of distribution are the key to our success in the marketplace.

We seek customers with whom we can develop and maintain long, mutually satisfactory business relationships—customers whose business practices are similar to ours, who manage their businesses for growth, and who have developed a reputation for strong performance and profitability. In several cases, our commercial relationships with these organizations have evolved into mutual or complementary business investments.

A leading example is Heidtman Steel, an independently owned steel processor based in Toledo, Ohio. From the outset of SDI's operations, Heidtman has been our biggest customer, as well as a significant investor in Steel Dynamics. Heidtman



An operator at Heidtman Steel's Butler facility bands cut steel for shipment to a customer. Heidtman is SDI's biggest customer.

Cindy Young
Inside Sales Representative

Syd Hughes
Excess & Secondary Sales, E-commerce

Roger Taylor
Inside Sales Representative

Tammy Davis
Inside Sales Representative

operates a national network of state-of-the-art steel-processing service centers, specializing in high-strength steels and offering a broad range of processing services, such as slitting, leveling, blanking, edging, and shearing.

Although we supply steel to a number of Heidtman's facilities, their processing center next door to our mill at Butler is our biggest steel consumer. This facility is just a short rail-car ride away from our shipping dock.

Like many steel processors, Heidtman serves a variety of end-product markets. This market diversity tends to even out the ups and downs of demand of individual markets. While Heidtman is stronger as a supplier to the automotive industry, other SDI processors are stronger in markets such as pipe and tube, construction, and commercial and industrial applications.

After several years of supplying steel to New Process Steel Corporation—a privately held steel processor based in Houston, Texas—SDI and New Process formed New Millennium Building Systems (see inside back cover for more information on this relationship). Like Heidtman, New Process has chosen to locate a steel service center adjacent to



Coils of SDI steel cut into narrow bands await shipment to a host of different end-use customers at New Process Steel's Butler plant.

our Butler mill. This new facility, constructed and opened in 2000, slits large coils of steel into narrow bands of steel, and breaks down large coil lengths into smaller coils. Nearly all the steel used at this service center is made at our mill next door.

Another customer with which we have developed a mutually beneficial arrangement is Paragon Steel. Paragon buys, reprocesses, and markets much of SDI's excess prime and secondary steel. Ferralloy Corporation also operates a cut-to-length processing line in a facility near SDI's Butler mill. Both companies are developing plans to expand their presence and capabilities at Butler.

THESE examples illustrate SDI's creative management approach to relationships with customers and our openness to new business opportunities. Our product, high-quality steel, remains very important to many segments of the American economy. We see in today's steel market great opportunities—a whole new world for flexible, responsive, and efficient operators. And we're confident that SDI will continue to excel in this world.



John Hann
Inside Sales Representative

Jeremy Campbell
Customer Service Representative

Marc Krouse
Inside Sales Representative

Dana Vinson
Mill Scheduler

Shannon Lilly
Sales Administrative Assistant

An aerial photograph of a busy multi-lane highway. A yellow school bus is prominently featured in the center lane, moving towards the viewer. The bus has "SCHOOL BUS" written on its front. Surrounding the bus are numerous other vehicles, including cars, trucks, and a motorcycle, all traveling in the same direction. The scene is captured from a high angle, showing the flow of traffic and the layout of the road.

Transportation

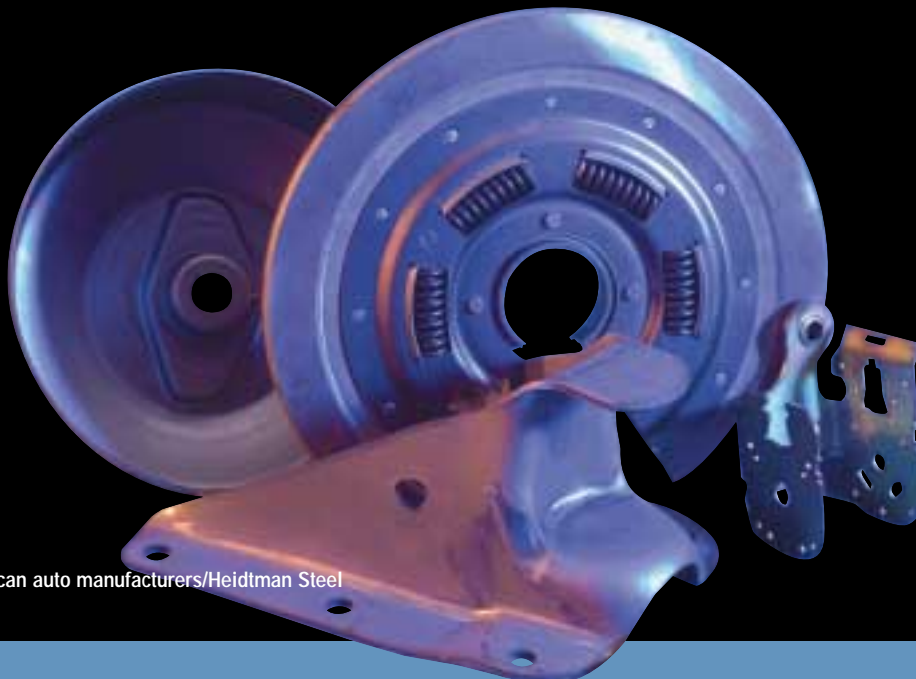
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STEEL is a mainstay material in virtually all modes of ground transportation. Automobiles, buses, and trucks immediately come to mind.



Steel Dynamics supplies a wide range of steels to the domestic automotive industry, primarily through steel service centers. We estimate that more than 30 percent of our steel products are used in automotive applications, primarily in the manufacture of mechanical and chassis components.

Other transportation applications for our steel include railroad rolling stock, over-the-road trailers, recreational vehicles, and personal motorized vehicles.



American auto manufacturers/Heidtman Steel



Home and Leisure

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Polaris/Metals USA-Horicon

LIFESTYLES of America's consumers dictate many of their buying

decisions. Increasingly, these decisions include products that utilize steel—new work-saving kitchen devices, major appliances, swimming pools and spas, exercise and recreational equipment.

For leisure-time activity—golf carts, off-the-road all-terrain vehicles, and

snowmobiles are good examples.

Even in the construction of new homes, steel is taking on a bigger role—steel framing has become a workable alternative to wood studs, offering numerous advantages.

Steel-paneled garage doors have gained acceptance, offering both attractiveness and durability. Our steel is used in these and other home-construction applications.



Fort Wayne Pools/Paragon Steel Trading Corporation

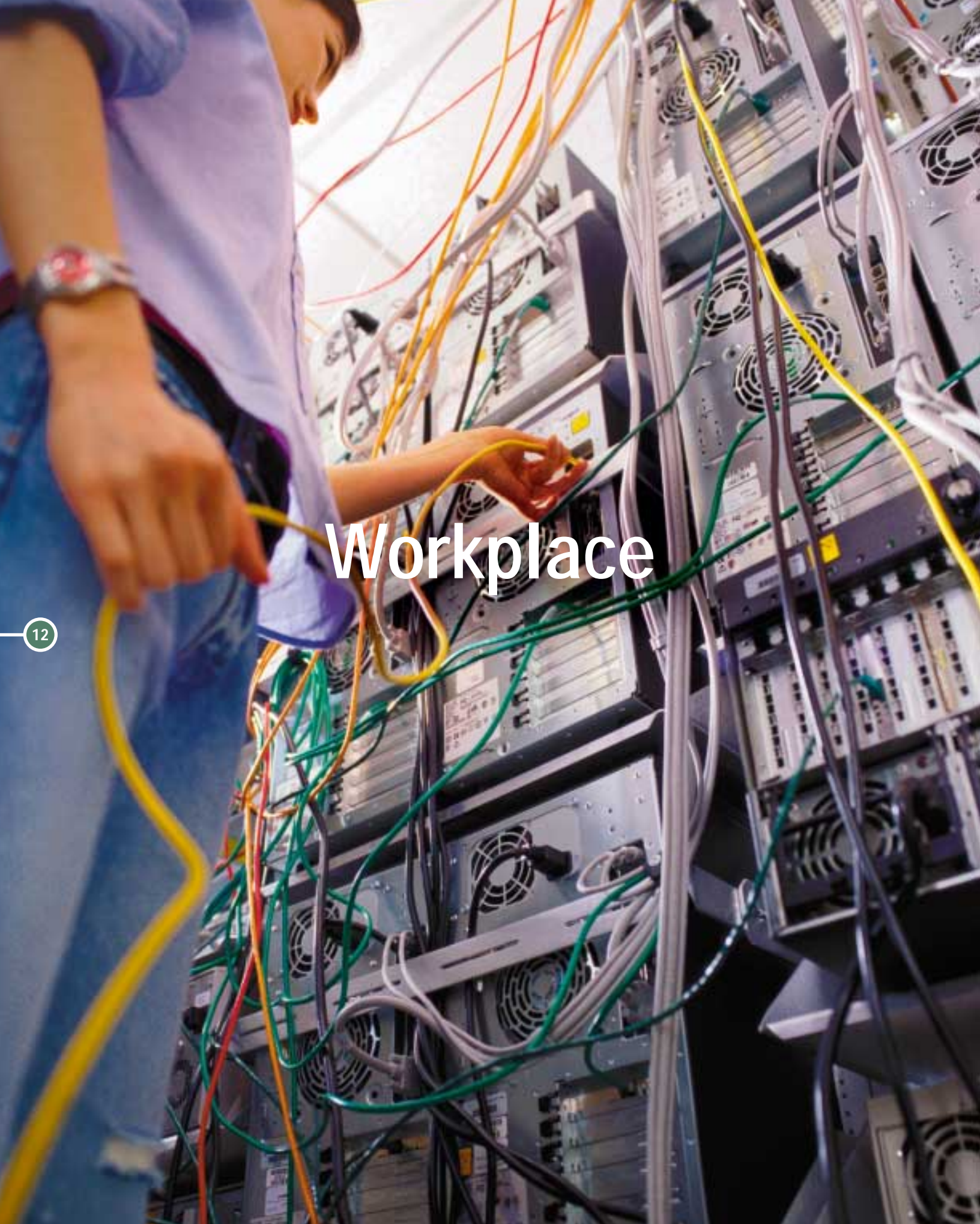


Raynor Garage Doors



The Holmes Group, Rival Division/Darco Metal Litho Co.





Workplace



DIVERSE applications characterize the commercial and industrial markets. Stalwart steel enjoys quiet-partner status in many high-tech products. Much of the Internet's infrastructure is housed in racks, chassis, and enclosures of steel—computers, switches, network routers, disk arrays.



Steel also plays a part in other less-glamorous but thriving commercial markets—applications such as room-sized walk-in refrigerators found in fast-food restaurants; sleek office furniture and ubiquitous cubicle partitions; sturdy steel racks and shelving laden with merchandise at every Wal-Mart, Home Depot, and Staples.



Above, below: Coilplus

Beyond the office and stores, steel remains ruggedly essential for myriad industrial-equipment applications, including forklifts, cranes, conveyers, industrial piping, and a wide variety of manufacturing and logistics equipment. We estimate that about 20 percent of the steel SDI sells is used in commercial and industrial applications.





Construction

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DEMANDING

construction

requirements call out for the use of steel.

Steel's strength and durability explain why virtually all commercial, industrial, and institutional building construction depends on steel. Steel is also used extensively in public-works projects for bridges, retaining walls, pilings, pipelines, and culverts.

Currently, less than 20 percent of Steel Dynamics' shipments are made for use in the construction market. This percentage is expected to grow in the future, however,



because two of our new business ventures target the construction marketplace: steel building components manufactured by New Millennium Building Systems, and steel beams, channels, angles, and pilings to be produced by our Structural Steel Division.

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Johnston Fargo Culvert/Viking Materials



Left and right: New Millennium Building Systems