2002 ANNUAL REPORT

Steel Dynamics, Inc.®

HERE'S WHAT WE'VE ACCOMPLISHED

STEEL DYNAMICS' 2002 RESULTS

- Net sales were **$864 million** (a record)
- Net income was **$78 million** (a record)
- Diluted earnings per share were **$1.64** (a record)
- Number of employees at year-end was **869**
- Revenues per employee were nearly **$1 million**
- Flat Roll Division revenues per division employee were **$1.5 million**
- Non-executive employees earned an average of **$72,200**
- Average profit-sharing bonus was an additional **$8,600**
- We produced **2,373,000 tons** of hot-band steel (a record)
- We shipped **2,390,000 tons** of steel (a record) to more than 275 customers in North America
- Capital invested for future growth was **$143 million**
- Cash flow from operations was **$115 million**

ALSO IN 2002...

- **WE COMPLETED CONSTRUCTION AND STARTED PRODUCTION AT OUR SECOND MINI-MILL,** the Structural and Rail Division steel mill at Columbia City, Indiana, increasing our production capacity by 50 percent, to 3.6 million tons per year.
- **WE BOUGHT A THIRD MILL,** a bar mill near Indianapolis, that is expected to produce 500,000 to 600,000 tons of steel per year after it reopens in 2004.

AFTER 7 YEARS OF OPERATION...

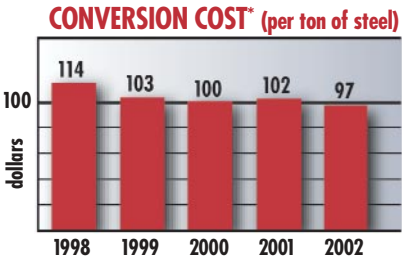
- Cumulative shipments totaled nearly **11.6 million tons** of steel valued at **$4.0 billion**
- Cumulative after-tax profits totaled **$210 million**
- Assets at the end of 2002 totaled **$1.3 billion**

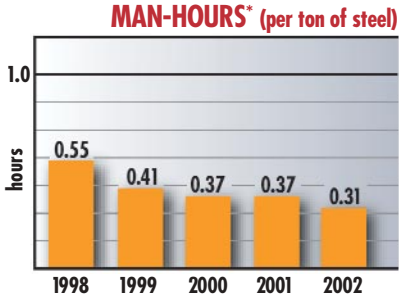
ON THE COVER:
Sparks fly as a huge carbide-tipped blade slices four steel beams to exact finished length. Another view of this cold saw in operation at our new Columbia City mill appears on page 16.

This publication contains predictive statements about future events. These statements are intended to be made as "forward-looking" within the safe-harbor protections of the Private Securities Litigation Reform Act of 1995. Reference is made to SDI's detailed explanation of the many factors and risks that may cause such predictive statements to turn out differently, as set forth in SDI's most recent Annual Report on Form 10-K and other reports from time to time filed with the Securities and Exchange Commission, available publicly on the SEC's Web site at www.sec.gov, or on SDI's Web site at www.steeldynamics.com.

PRODUCED BY NICHOLS & COMPANY, INC.

AND HERE'S HOW WE DID IT





1. **Low-cost producer**
◀ Efficient plants operated by employee teams focused on controlling processes and costs.

2. **Volume growth and product diversification** ▶

3. **Advanced manufacturing technologies**

4. **High-margin, value-added product mix** ▶

5. **Highly productive workforce**
◀ Our people are among the most productive in the U.S. steel industry.

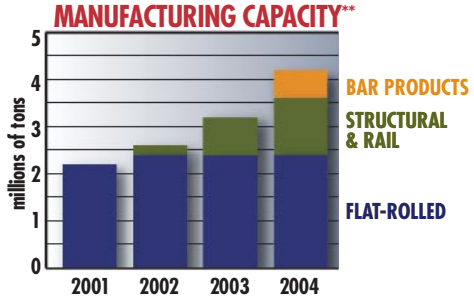
6. **Unique employee rewards**
Midwest work ethic combined with incentive-based compensation results in excellent performance.

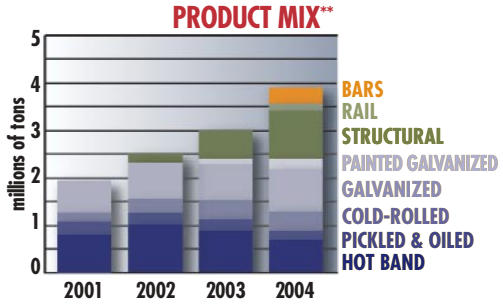
7. **Strong finances**
Financial flexibility results from strong cash flow, diversified capital structure.

8. **Experienced management**

9. **Strategic location**
Upper-Midwest locations provide easy access to customers and to lower-cost energy and steel scrap. ▶

10. **No legacy costs**
No retirement obligations—only profit-sharing.





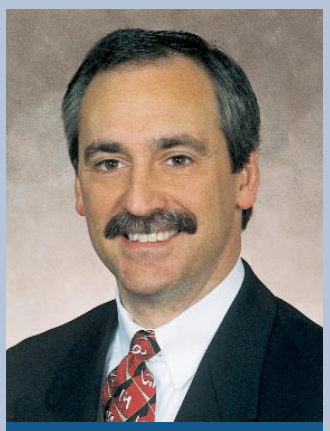
* Production of one ton of hot-rolled steel at SDI's flat-roll mill. Conversion cost is manufacturing cost excluding metallic raw material.

** Graphs show steel-production capacity estimates based on existing and planned facility capabilities, and product mix based on feasible shipping volumes. Actual future production capacities, product shipments, and product mix may differ from those depicted here.

A MESSAGE TO OUR SHAREHOLDERS

March 25, 2003

KEITH BUSSE
President & CEO



TRACY SHELLABARGER
Vice President & CFO

We are extremely proud of the achievements of the Steel Dynamics team in 2002, as this was our best year yet. SDI employees numbered 869 by year-end, with nearly 200 having joined us during the year, primarily related to the start-up of our new structural and rail mill. At Steel Dynamics, everyone shares in the company's success, and in early 2003 our employees received profit-sharing awards averaging $8,600 for their 2002 accomplishments. Our culture of rewarding individuals for outstanding performance is a key driver of outstanding achievement.

2002 ACHIEVEMENTS

Net sales in 2002 were $864 million and net income was $78 million, or $1.64 per diluted share, substantially exceeding any previous year's results. Operating income was $164 million and net cash flow from operations was a strong $115 million. As market opportunities arose early in 2002, Steel Dynamics was poised to move quickly to take advantage of them. Our operating and financial results improved each quarter.

Annual net sales per employee approached $1 million. Even more remarkably, the 531 employees of our Flat Roll Division at Butler, Indiana, produced revenues of $1.5 million per employee. Yet revenues tell only part of the story. In 2002, our Flat Roll Division broke previous annual records for hot-rolled steel production, man-hours per ton of hot-rolled steel produced, steel shipments, and operating profits per ton. Indeed, during 2002 we believe our Butler mill established new industry standards for a single flat-roll, thin-slab-cast mini-mill facility. Butler's excellent performance was the primary driver of our consolidated operating profit's reaching $74 per ton for the year, and setting a quarterly record of $98 per ton in the fourth quarter.

A large part of our success in 2002 was attributable to a dramatic change in domestic steel-industry conditions. Several large U.S. flat-rolled-steel producers terminated operations late in 2001, significantly reducing domestic steel-production capacity. Combined with reduced import activity in anticipation of expected U.S. fair-trade actions, steel prices began to strengthen quickly in early 2002. Demand for our products improved as we began to service customers that had previously bought from other, shuttered mills. Because of our responsiveness in meeting their product requirements, and their satisfaction with the quality of our steel, these new customers purchased, and continue to purchase, substantial volumes of our value-added, flat-rolled steel products.

Our strong performance in 2002 demonstrates the extraordinary capabilities of the manufacturing facilities we have put in place, the dedication and hard

work of our talented employees, and the effectiveness of our management team.

OUR GROWTH STRATEGY

Steel Dynamics was founded with the knowledge that a well-managed, low-cost mini-mill steel producer could become very profitable. This was not a niche strategy. We fully expected to grow and prosper, starting out with one flat-roll mini-mill, but planning to build on its success to expand the company's scope.

We are proceeding with that plan. Taking advantage of selected opportunities at the right time is obviously in the long-run best interest of our shareholders and employees. In 2002 and early 2003, we have taken advantage of several such opportunities to position the company for future revenue and profit growth.

SDI's growth takes various forms, as exemplified by the current initiatives discussed in detail in the next section of this letter:

- Greenfield steel operations
- Acquisitions of reasonably valued manufacturing assets or businesses
- Enhancements of the capabilities of existing businesses
- Strategic alliances
- New product and technology developments

We believe our current growth initiatives are very manageable from the standpoint of our technical and management capabilities, as well as in terms of our financial strength. The Steel Dynamics team has established a strong track record in conceiving, building, and managing successful steel operations and businesses. We have every confidence in the ability of our management, engineering, manufacturing, and marketing teams to successfully implement the multiple business initiatives currently underway, and we look forward to reporting on our progress in the future.

While we expect to continue to examine new growth opportunities, and would consider additional strategic investments should they meet our stringent financial criteria and fit our strategic business plan, our immediate plan is to focus our attention on completing current projects leading to our entry into new markets. After making planned capital expenditures in 2003, we expect significant free cash flow to be generated in 2004, allowing us to reduce our financial leverage by paying down debt.

GROWTH INITIATIVES

We made great strides in 2002 in positioning the company for future growth.

Our primary achievement was the completion of construction and the start-up of our second greenfield mini-mill—the Structural and Rail Division at Columbia City, Indiana. Built at a cost of $315 million plus capitalized interest, this state-of-the-art mill increases our annual output capacity by about 50 percent.

The Columbia City team achieved remarkable success in building this new mill and beginning operations within 13 months of the start of construction, meeting our aggressive construction timetable and coming in under budget. The team commenced equipment commissioning and began the production of beams in early July. Because the mill's start-up is during a period of soft demand for its products, due to the weakness in the non-residential construction market, we expect the mill to operate below its full operating capacity for the remainder of this year and early next year. We nevertheless remain optimistic that the mill could become profitable by the end of 2003.

In September of 2002, we acquired for $45 million the idled Qualitech SBQ mini-mill in Pittsboro, Indiana, near Indianapolis. After

modifications are completed, we expect this mill to manufacture from 500,000 to 600,000 tons per year of merchant shapes, such as angles, channels, flats, and rounds, as well as rebar and special-bar-quality steels. Even with an estimated additional capital expenditure of approximately $75 million, our total investment at Pittsboro will be less than 50 percent of the current estimated cost to build such a facility. We expect the new Bar Products Division to begin production in the first quarter of 2004.

In addition to these two major initiatives, we are leveraging the proven capabilities of our Butler flat-roll mill with the addition of a $25 million paint line that will allow us to increase the volume of higher-margin, valued-added, flat-rolled steels. The new facility's estimated annual painted-steel production capability is 240,000 tons. This highly automated facility is expected to begin production in the third quarter of 2003.

Additionally, we acquired in March 2003 a modern galvanizing plant located at Jeffersonville, Indiana, formerly operated by GalvPro. This facility will provide us with enhanced value-added, flat-roll galvanizing capabilities, increasing SDI's annual galvanizing capacity by approximately 360,000 tons. Located at the Clark Maritime Center on the Ohio River, the facility's port will also improve our prospects for sales to customer locations in the Southern U.S. due to lower transportation costs.

We believe the Qualitech and GalvPro asset purchases are prudent investments that will allow us to enter new markets, profitably diversify our product mix, gain more value from existing operations, and offer new career-advancement opportunities to our employees. These modern manufacturing assets, which we have acquired at very reasonable costs, will provide a better return on investment than building the equivalent greenfield facilities, and will allow us to put the assets into productive use on a faster timetable.

In February 2003, we announced plans to restart operations at our Iron Dynamics subsidiary at Butler, Indiana. Iron Dynamics will employ a unique coal-based process to directly reduce iron briquettes and then convert them into liquid pig iron. After several years of development and with the installation of new briquetting equipment, Iron Dynamics is expected to be ready for full-scale production in the second half of 2003. If successful, Iron Dynamics will offer raw-material cost advantages, particularly during periods of high pig-iron prices, and will additionally create production efficiencies which drive lower costs in SDI's flat-rolled steel-melting operations.

After buying New Process Steel's interest in New Millennium Building Systems, LLC, as well as the interest of other minority owners, Steel Dynamics became the sole owner of New Millennium during the first quarter of 2003. New Millennium is a producer of joists, girders, trusses, and steel decking. It will retain its existing management team and operate as a wholly-owned subsidiary of SDI. While the non-residential construction markets remain depressed, we believe New Millennium's low cost structure and innovative production methods will put it in a position to make a strong contribution to SDI's earnings when the building marketplace rebounds.

FINANCING OUR GROWTH

Cash flow from operations provided a large part of the funding for $143 million of capital investment in 2002, of which $88 million related to completion of the structural mill and $45 million was for the purchase of the bar-mill assets. We currently expect cash flow from operations in 2003 to provide sufficient funding for all of this year's planned capital expenditures, which we anticipate will be somewhat less than our capital expenditures in 2002.

To enhance our capital structure, we took advantage of market conditions in 2002 to diversify our debt structure. In March of 2002, Steel Dynamics raised $200 million in senior unsecured notes as part of a complete refinancing of our senior credit facilities. Then, in December and early January 2003, we completed a $115 million convertible subordinated note offering to repay a portion of our senior secured bank facility. These financing activities enabled SDI to enter the public debt markets for the first time.

As a result of these financing actions, the company will experience smaller annual principal amortizations on its debt in the near-term, and gain ready access to additional financing sources. We expect to meet our target of achieving a long-term debt-to-equity ratio below 50 percent in early 2003. We believe that this is an appropriate level for a company with our cash-generating capability and growth expectations. We have grown from a $340 million company at the end of 1996, as measured by total assets, to a $1.3 billion company in only six years, and have, at the same time, reduced our leverage from about 80 to nearly 50 percent.

OUR EMPLOYEE TEAM HAS PLAYED AN ESSENTIAL PART IN OUR SUCCESS

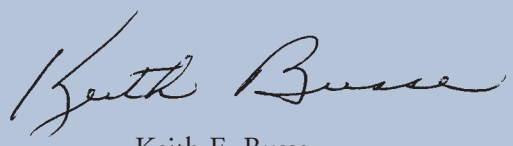
The year 2003 marks the tenth anniversary of the founding of Steel Dynamics. Our goal 10 years ago was to become one of America's top steel companies. We have, in less than a decade, invested in world-class production facilities, established a work environment where employees take ownership and work flexibly, and become one of the industry leaders in productivity and profitability. We have established our position as the industry's cost leader, producing steel with the industry's fewest man-hours per ton, and have consistently set the pace for industry operating profitability. We have also set new standards in the flat-roll mini-mill industry with our production and product capabilities, while at the same time being recognized for our excellent product quality.

Our shipments and revenues have grown consistently, to the point that we may soon surpass $1 billion in annual sales and ship over 3 million tons of steel per year. This has all been accomplished through the incredible efforts of one of the most productive and committed employee/management teams in the U.S. steel industry.

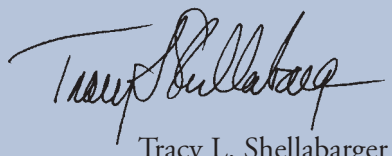
The following pages of this report tell the story of our growth, our culture, and our achievements—much of the story in the words of our employees. As you read their comments, we hope you will gain an appreciation of their knowledge, technical skills, and business acumen, as well as a sense of the importance of their commitment to the ongoing success of Steel Dynamics.

We are convinced that Steel Dynamics has the best steelmaking team in America today.

Sincerely,



Keith E. Busse
President and
Chief Executive Officer



Tracy L. Shellabarger
Vice President and
Chief Financial Officer

THE LANGUAG

GOOD THINGS HAPPEN WHEN AN ENTREPRENEURIAL

A message from SDI vice presidents Mark Millett and Dick Teets

MARK MILLETT
General Manager, Flat Roll Division

Companies have good years, bad years, and in-between years. In the end, what makes the difference is a company's character, which is to say its *culture*.

A company with a strong, can-do culture is always on the grow, planning during good years how to offset bad years, planning during bad years how to grow toward ultimate health. And all the while taking the ups and downs in stride, staying focused on what's primary: efficiency, safety, low-cost production, quality product—and, of course, ever-changing customer needs and how best to meet them.

Steel Dynamics has such a culture. At any of our northeast Indiana locations—our Flat Roll Division in Butler, our Structural and Rail Division in Columbia City, or our corporate headquarters in Fort Wayne—the language SDI employees use says much about this company that is setting records in the American steel industry.

VALUE-ADDED. MARKET ADVANTAGE. ACCOUNTABILITY. TEAMWORK.

Listen to our people describe their planning, processes, and products, and you'll hear a commitment to unparalleled quality, economies of scale, and market penetration. You'll hear evidence of a company culture based on a rock-solid Midwestern work ethic, freedom to make decisions with far-reaching consequences, and a desire to meet the highest standards for personal and product performance.

E OF SUCCESS

WORK CULTURE MEETS A DYNAMIC MARKETPLACE.

PRODUCT-MIX DIVERSIFICATION. SUPPLY-CHAIN MANAGEMENT. DESIGNING FOR CHANGE "ON THE FLY." SURPASSING EXPECTATIONS.

Our company's culture permeates our products—and we're developing new products all the time. SDI's people make use of cutting-edge technology, market knowledge, and proactive thinking to seize opportunities and generate new business prospects. Understanding that change is healthy for business, they anticipate and embrace it, positioning the company to better compete in constantly evolving markets.

INNOVATIVE. ENVIRONMENTALLY RESPONSIBLE. SUCCESSFUL.

From operating personnel to division general managers, our team members speak the language of success—of measured growth and calculated risk, of an entrepreneurial sensibility.

At SDI, there's nothing faddish about our management philosophy. Instead, we subscribe to a few basics: rewarding people well for taking personal responsibility for outcomes, keeping our costs low and our quality high, and always seeking new opportunities to diversify our product line.

We believe that how a company approaches growth speaks volumes about its core beliefs. Following are two stories of our entrance into new markets, and of the teamwork that makes this possible. We're proud to provide this glimpse of our people at work and of the products they create.

DICK TEETS
General Manager, Structural and Rail Division

Laboratory Technician Mike Langin inspects surface-critical steel on the galv line in the cold mill.

SURFACE CRITICAL

Strong and dependable, but typically not a thing of beauty, most steel serves unnoticed, behind the scenes, under the surface. But some steel performs in plain view. This is the world of "surface-critical" materials, a new product category for SDI's Flat Roll Division. Entering this new product realm has led to the development of what promises to be another profitable value-added business for SDI—a paint line. Both are examples of the proactive thinking that propels SDI employees to take calculated risks and succeed.

One day in the spring of 2001, Chris Stock phoned Stan Griffin with a request. Chris is the sales and marketing manager of the Flat Roll Division in Butler, Indiana, and Stan is a metallurgist in the division's cold mill. SDI's cold mill produces thinner-gauge steel from hot-rolled steel and applies various surface coatings and other value-added treatments.

Chris' message was brief and to the point: recent tough times in the domestic steel industry had convinced the Flat Roll Division's top managers that they needed a new product line to sell when orders for existing products were thin. "Our order book was so short in 2001 that we knew we had to develop a new product so that when the market shifted, we'd be in a stronger position," Chris recalls.

What Chris wanted was softer steel for use in such surface-critical products as garage doors and office furniture. This steel is produced with an eye toward both function *and* form. For these applications, steel must be highly formable and capable of accepting a flawless finish. Chris asked Stan and his fellow cold-mill metallurgists to develop this new product line as quickly as possible.

Stan was not surprised by Chris' message. In fact, for the past year, Stan and his co-workers had been experimenting with manufacturing processes to refine their softest steel, working hand-in-hand with Kevin

Metallurgist Hiro Kimura is a member of the team that helped develop the division's surface-critical products. Here he examines a steel sample in the cold mill at the Butler works.

◀ BETHANY LEE
Cold Mill Metallurgist

"I always brag about where I work. I get to work on projects here that I wouldn't have been able to elsewhere. I've known metallurgists with 37 years' experience who haven't gotten to do some of the things I have."

Skero of the hot mill and Brian Schart and Dave Blevins of melting and casting. Customers repeatedly had told Flat Roll Division salespeople that SDI's product was very similar, but not quite close enough, to the soft steel required for surface-critical applications.

"In order to develop new products for the market, we have to have an understanding of the potential uses of a product, good instincts born of solid metallurgical experience, and the ability to look creatively at our facility to combine processes in a new way," Stan says.

The first two were no problem; the last was more difficult, a labor of trial and error. In addition, such trial and error had to be worked into the mill's production schedule. The very cold-mill equipment the metallurgists needed to experiment with was the same equipment the mill was using to produce steel for existing customers.

Stan and fellow metallurgist Hiro Kimura got to work. New-product development is right up their alley, so they began manipulating steel chemistry and production conditions to soften their product further. Teaming up with metallurgist and process engineer Bethany Lee to alter the fine points of temperature, line speed, and other aspects of production, they got results very close to what they needed within a few months. Encouraged, the three colleagues repeatedly made minute changes in production variables. Finally, they found the key.

Process puzzles solved, Stan and Hiro began testing the new product with several customers. First a small amount was tested; then larger amounts were put to the appropriate applications. The new formulation held true. SDI had a new product to offer. And customers were lining up to qualify the Flat Roll Division as a potential supplier of soft steel for their products.

Then something happened that quickened the pace considerably, a development that attests to the notion that good fortune most readily finds those who are prepared to receive it.

A BREAK

Beginning in late 2000, the American steel industry went into serious decline, suffering both an avalanche of dumped steels from abroad and a reduction in domestic demand due to a slowing U.S. economy. Steel prices hit lows not seen in decades. Many steel producers closed their doors or filed Chapter 11. SDI was hit hard, but maintained profitability, thanks to its low-cost production model.

"Our metallurgists quickly developed the surface-critical product we needed," says Chris Stock. "Our customers are very pleased with the result and are using this product in high volume."

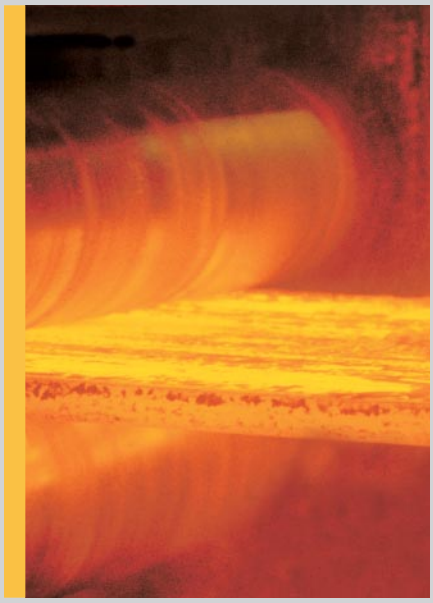
In December of 2001, a major supplier of soft steel to domestic garage-door manufacturers and office-furniture makers ceased production, leaving a substantial void in the marketplace. Manufacturers sorely needed a new

◄ **STAN GRIFFIN**
Cold Mill Metallurgist

"At SDI, there is an ongoing process of give-and-take between the metallurgists and the sales staff. Our combined knowledge of the market and the applications gives us an edge in new-product development, and our customers trust us."

HIRO KIMURA ►
Cold Mill Metallurgist

"When I first came to SDI, I thought I would not be allowed to change the way things are done. But here, we have the freedom to decide whether a new product is feasible—and if so, to go ahead with it."



Surface-critical product begins as a continuous thin-slab of 1,650-degree F steel emerging from the caster at SDI's Butler plant.

supply of surface-critical steel.

The situation was made-to-order. Because pushing the boundaries of steel production and performance is an ongoing activity at SDI, the Flat Roll Division was poised to take advantage of this market opportunity and soon became a major supplier to manufacturers requiring soft steel.

The sales department was pleased to have another product to offer in the marketplace. "Highly formable and surface-critical steel is sold at a premium," says Chris Stock. "Being able to make this high-margin product is a prestige point, too. Early on, it was said that mini-mills would never be able to manufacture steel for exposed applications. Now it's safe to say that SDI is the mini-mill leader in exposed applications."

Again, such success is a matter of culture. "Coming from a big-mill environment, as I did, I'm just amazed at what they let us do here," says Stan. "At my previous job, there were many people involved in every decision; everything was very top-down. At SDI, only a small number of people are involved, and the ideas and goals come from the people actually working with the product."

Says Hiro: "We have the culture at SDI to go ahead and try. If we fail, we resolve not to fail the next time. Then we move on to something else, and we make new things happen."

A BRAINSTORM

In an innovative, entrepreneurial culture, experimentation in one area fosters creative thinking in others. As Stan, Hiro, and Bethany tested the soft steel's capabilities with respect to customers' specific needs, Flat Roll Division managers began to speculate about yet another business idea—a high-margin, value-added venture inspired by their recent experience with garage-door manufacturers.

The Flat Roll Division was on the verge of shipping 10,000 to 12,000 tons of surface-critical steel a month to Midwestern coil-coating facilities to be painted. Could SDI capture much of this lucrative business by building a paint line of its own adjacent to its cold mill?

SDI had never been in the painting business, but it had years of experience running highly automated, continuous-process production lines employing sophisticated technologies—and doing so with world-record efficiency. Painting steel before it left the Butler works would appeal to customers seeking convenience, transportation-cost savings, and a significant reduction in supply-chain inventory—in short, all the benefits of one-stop shopping.

◀ GLENN PUSHIS
Cold Mill Manager

"Because we're a very approachable company and we're so people-oriented, it's easier for customers to deal with us than with our competitors. We aren't encumbered by complicated procedures and are quick to respond to customer needs."

Flat Roll Division managers concluded that SDI could turn a healthy profit on this value-added service while still offering customers a net price reduction over their current arrangements. After all, a paint line contiguous to the cold mill could share existing infrastructure with the rest of the Butler operation, including accounting services, sales, transportation, purchasing, and maintenance.

Such a move would also make SDI unique among American steel manufacturers, none of which have their own painting operations. (European and Japanese steelmakers have enjoyed the advantages and economies of painting their own steel for years.)

Convinced the idea merited further thought, Mark Millett, SDI vice president and general manager of the Flat Roll Division, asked Glenn Pushis, manager of the cold mill, to conduct a feasibility study. Glenn brought together a multi-disciplinary team to research the possibilities. The team's conclusion: the paint line made great sense.

"The key is finding efficiencies and spending the company's money as if it's your own," says Glenn. "When we see the opportunity for market-niche products, we can capitalize on it very quickly. We don't do a two-year market study. We want the increased profitability sooner rather than later."

Glenn and his team presented a proposal to Mark, who, in turn, took the plan to the SDI board, which recognized the outstanding growth opportunity it represented. The board unanimously approved the $25 million project. The new paint line was on the drawing board within six months of the division's undertaking a feasibility study.

"We aren't afraid to learn quickly and to act upon what we learn," says Chris Stock. "We don't have an army of people running around to create 14 committees to study a paint line. Instead, we thought like owners and seized an opportunity to increase profits."

BUILDING THE LINE

Construction began with groundbreaking on August 20, 2002.

A construction crew pours a concrete footer for a shuttle crane that will transfer steel coils from the cold mill to the paint line.

◄ GLENN CECKOWSKI
Paint Line Process Engineer

"Here, no one's trying to carve out a niche for themselves or get a bigger piece of the pie, or fight for a promotion, because that's not part of the culture. People cooperate. They respect each other's ideas and expertise. They focus on the job to be done."

JOE OSTROWSKI ►
Cold Mill Mechanical Engineer

"Our people have core competencies and strengths that complement one another. Grooming them and giving them the chance to advance benefits the company as well as the employees. When business opportunities arise, we can reshuffle the deck, move people around, and transition smoothly."

Pushis and his group of process and mechanical engineers began to move the paint line from blueprint to reality. Rather than hire a general contractor, team members stepped into that role themselves, supervising every step of planning, preparation, and procurement. This is how SDI builds capital assets more cost-effectively than any other company in the business—and in record time, too.

Using SDI steel in construction, the team will save the company a significant amount of money. As much as 50 percent of the structural steel used in the project has come from SDI's Structural and Rail Division in Columbia City, Indiana, and 100 percent of the manufactured steel joists, decking, and sheeting for the building has come from New Millennium Building Systems, SDI's wholly-owned subsidiary, just up the road from the Butler works.

Bringing the project to fruition has meant considerable ongoing consultation among SDI employees from a variety of disciplines and areas of responsibility, a process that will continue until the line is fully commissioned during the fall of 2003. Once operational, the line will be run by staff with the same high level of knowledge and motivation as those running existing SDI operations.

Company growth leads to employee growth. In fact, current

By late winter, the "U" shape of the paint line was evident along the wall of the cold mill. Much of the structural steel seen here was made at SDI's new structural and rail mill.

◀ **BOB BLY**
Paint Line Operations Supervisor

"Moving from the idea to actually building this multi-million-dollar paint line in only a matter of months says a lot about SDI. The company leaders have faith in us and confidence that we can make a solid idea work. When you're given a responsibility like this, you rise to the challenge."

SDI employees from other units will be encouraged to bid on these positions. By the time the paint operation is underway, employees running the line will thoroughly understand, and in many cases be able to repair, the equipment they operate. This, too, follows the SDI pattern: employees who will run an operation help plan and build it, working alongside contractors during every phase.

"We don't recognize the same kinds of boundaries they do at other places," says Bethany Lee, who came to SDI from an integrated-mill environment. "Our teamwork makes us different."

As with SDI's other mill operations, the highly automated paint line has been designed for flexible, responsive, and efficient performance. SDI has chosen to be held to the highest environmental standard in the American paint industry. In fact, equipment being installed will make the painting operation one of the most environmentally friendly in the world.

Even while the line is under construction, customer inquiries are already flowing in. "The idea of painting the product en route must be appealing to our customers, because they're coming to us as the new entry in the field," says Bob Soden, manager of engineering services.

Paint Line Process Engineer Glenn Ceckowski isn't surprised. "Customers are aware of the high quality of our product because they are already painting thousands of tons of it every month," he says. "The way we've laid out the equipment in this plant, we'll be able to change the paint color practically every other coil. We'll be able to service almost any size order and turn it around in a reasonable time. Customers will definitely be pleased with the result."

UNTOLD OPPORTUNITIES

During the market devastation of late 2000 through 2001, while other American steel companies were going under or merely surviving, SDI was developing new products, believing the market would take a turn for the better. The company's "growing familiarity with downstream markets" (as Glenn Pushis puts it) and its customer-focused approach to business have translated into bottom-line benefits for SDI customers and shareholders.

Once the paint line is in operation, the Flat Roll Division will be able to turn out a coil of premium steel, produced and painted to customer specifications, in about 10 days, versus two or three months at other mills. The combination of surface perfection and on-site painting will lead to untold opportunities, countless new applications for SDI's flat-rolled steel.

"One of the visions we had when we founded SDI in 1993 was to achieve automotive-surface quality," says Mark Millett. "We're there. And building a state-of-the-art paint line for a fraction of what others would spend creating such an operation is absolutely remarkable. The whole thing exudes SDI culture. Creative, ingenious thought drove these projects. It drives our culture in general. We have phenomenal people—an incredibly talented, enthusiastic, dedicated team that takes ownership. What they're doing becomes *their* project, not SDI's." ■

◄ **CHRIS GIONTI**
Plant Mechanical Engineer

"A lot of companies hire a general contractor when they build. The SDI way is for all of us to be involved. We bring both the engineering and operating points of view to the construction process, and we handle a lot of the things general contractors would."

BOB SODEN ►
Manager of Engineering Services

"SDI's bonus and production incentives motivate our people to keep the line working smoothly, even though we run lighter staffing than other mills. Our guys know their equipment. You never hear, 'That's the maintenance department's problem.'"

Jeff Hoger (standing) and Mark Wiesenberg operate the Structural and Rail Division's huge cold saw, where beams are sawed to exact finished lengths. At right: the first load of finished beams leaves the mill in early July 2002.

SDI's Structural and Rail Division began operations during 2002. The new mill has increased SDI's annual-output capacity by 50 percent. The Columbia City, Indiana, operation shares much with the Butler works. Both are technologically advanced, run by highly talented and motivated people, and capable of great flexibility in scheduling production of a broad range of products. But the structural mill is also unique, presenting its own distinct engineering and operational challenges. Now, less than a year after commissioning the new mill and beginning to manufacture structural steel, the division is preparing to enter a trial phase on yet another product line: rail.

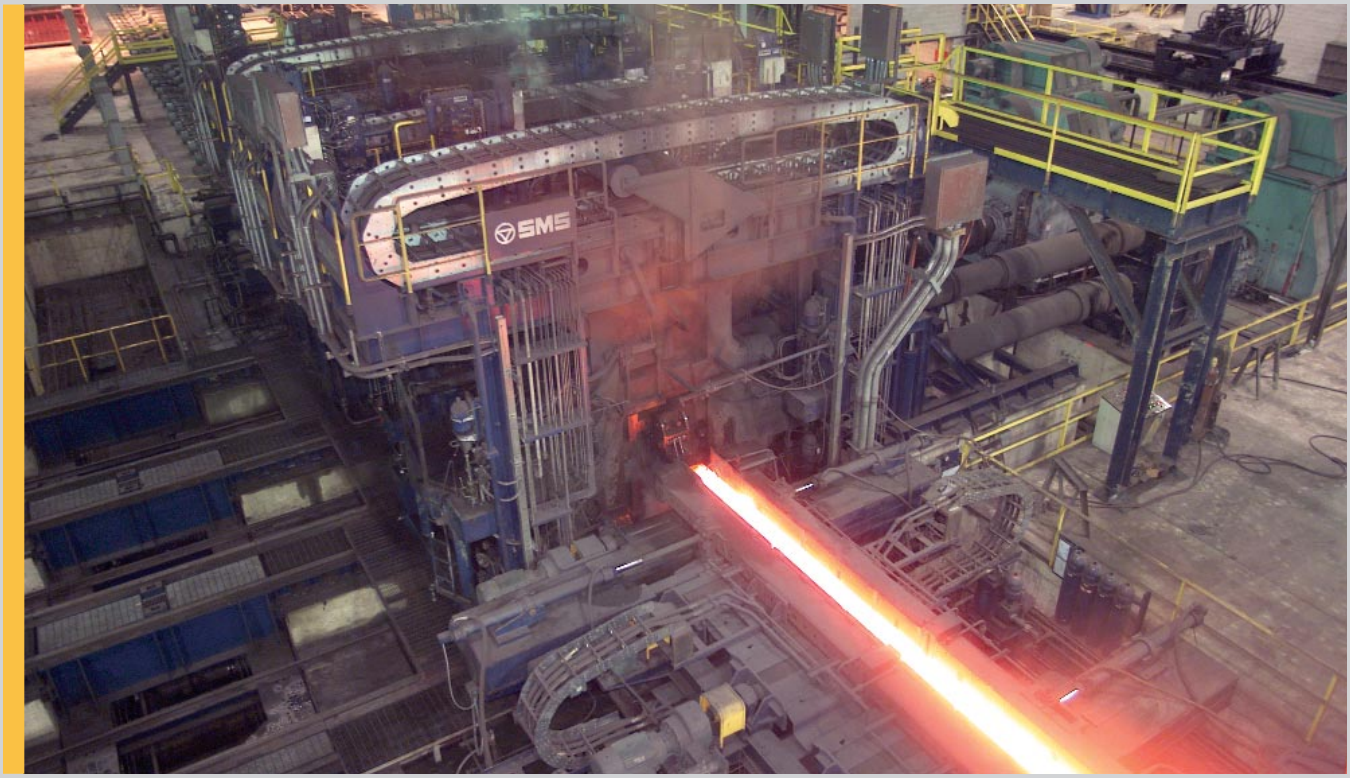
STRUCTURAL INTEGRITY

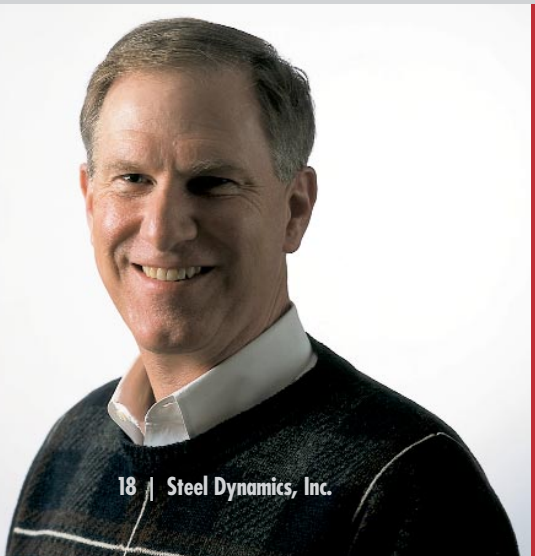
On the June 2002 evening when the tandem mill at SDI's Structural and Rail facility was fired up for its first trial, a storm raged. Dense sheets of rain pelted the building's metal roof. White-hot lightning charged the evening air, but the atmosphere in the plant was even more electric as employees and vendor representatives anticipated the massive, house-sized mechanism's stirring to life. This was where it all came together: the best of proven technology and the power of exacting execution.

This moment had been too long coming—two of the five years that had passed between the planning of the mill and the conclusion of construction had been spent in excruciating suspension, awaiting the plant's federal air permit. Finally, with the site-selection process and legal challenges settled, approvals in order, and SDI and construction crews working full-bore, the $315 million structural-steel complex had taken shape in an amazing 13 months.

Still, the pressure was on. Years of preparation had come down to this moment. Other parts of the state-of-the-art facility were already up and running. In fact, the steel

The multi-pass, three-stand tandem (or "combination") mill imparts the final size and shape to the steel beams produced at the state-of-the-art facility.





◀ **JIM WROBLE**
Sales and Marketing Manager

"Too many companies fall in love with their manufacturing processes and procedures, and lose their way because they forget about their customers' needs. We realize we have a business to run; we're not focused on the technology simply for its own sake."

"beam blank" to be used in tonight's demonstration had been born in the 3,000-degree heat of the melt shop's electric-arc furnace and given rough form in the mold of the continuous caster, which had proven itself in several trials. But commissioning the tandem mill was critical. The tandem mill would enable operators to impart the final cross-sectional shape to each structural-steel product.

Now, 26 feet of red-orange steel was discharged from the furnace and traveled along a channel to the breakdown mill. After several passes through the rollers of the breakdown mill, the steel, still red hot, moved on to the tandem mill.

The gathered crowd grew silent as the machinery of the tandem mill engaged. Back and forth on multiple passes through the tandem mill, the dogbone-shaped beam blank was progressively elongated and pared down to a clean-lined, wide-flange beam 212 feet long.

That very first beam was straight and strong, good enough to sell. A triumph. The crew was ecstatic.

SELLING STEEL

Set in the midst of fish-stocked ponds and rolling expanses of grass, the complex on 611 acres in Whitley County hardly fits the accepted profile of a steel mill. No noxious haze clouds the air. Wild geese wander the property. In this rural setting, normality bears witness to the fact that SDI is keeping its promises to local residents to be an environmentally friendly recycling operation. Old refrigerators and car bodies find new usefulness here, reincarnated as structural steel for the construction markets.

"Our steel products will be part of power plants, office buildings, shopping malls, schools, and stadiums," says Jim Wroble, sales and marketing manager for the Structural and Rail Division. "We also aim to supply standard and premium rail to North America's Class 1 railroads, regional railroads, and rapid-transit systems."

SDI had intended to become a player in the five- to seven-million-ton-per-year structural-steel industry since the company's founding 10 years ago. But as the original operation prospered, founders Keith Busse, Mark Millett, and Dick Teets became even more sure that their company's unique approach to business could exceed expectations for structural-steel users, just as it had for flat-roll consumers.

Location was a key. The founders couldn't help but notice that integrated structural mills had shut down in the Midwest, and the new

Following first production trials in June 2002, the Columbia City crew was soon producing beams in quantity, cut to various lengths, as illustrated by these stacks of wide-flange eight-inch beams.

◄ **CARY PINNICK**
Casting Supervisor

"At SDI, we focus a lot of our training on safety. Working around molten steel gives you respect for the stuff. You have to stay focused on what you're doing. Yes, we stress quality and output, but keeping people safe while they do their jobs is very important."

MARK FEDOR ►
Plant Mechanical Supervisor

"We all seem to share the personality trait of not wanting to ask other people to do things we can take care of ourselves. Everyone understands the critical path and is willing to do extra tasks to get the desired result."

A red-hot beam makes one of several runs through the tandem mill, coming closer to its final size and shape with each successive pass, as Chris Cheney (left) and Joe Sibley confer in the pulpit. Chris is a mill adjuster; Joe is a rolling-mill supervisor.

structural-steel mills built in the 1980s and '90s were in the South, hardly convenient for customers in the Midwest and East, regions that consume the most structural steel in the United States.

"We're the 'local' mill now," says Jim Wroble of the division's location in the Midwest. Being situated within 500 miles of core customers minimizes freight charges and transportation time.

Wide-flange beams represent 55 to 60 percent of all structural products on the market. Thus, wide-flange beams are at the center of SDI's offerings. Customers, however, demand many variations on that familiar shape. SDI is already selling a broad range of beams even as new products continue to be launched on almost a weekly basis. Because the dimensions and characteristics of these products require process adjustments, it takes time to incorporate each into the product line.

Staying attuned to customers' needs is one of SDI's greatest strengths. "We don't have a lot of organizational layers at this facility," Jim says. "A customer has an open door to all of our people. When customers leave here after a plant visit, they feel comfortable calling back to speak with any of us."

"Our philosophy has been to focus intently on customer satisfaction," says Doug Rees-Evans, manager of technical services. "Customers don't want to have to order from many different suppliers, getting one type of section here and another there; they prefer to purchase more sections from a few dependable sources. And our goal is for them to be able to get everything they need from us." Everything, that is, within the bounds of delivering top quality at a reasonable cost. Production personnel are required to maintain high internal quality standards. That expectation of quality is never compromised, even as the Structural and Rail Division

◀ **CHRIS CHENEY**
Mill Adjuster

"I even think about the quality of our steel when I'm away from work. At my daughter's swim meet, I looked up at the girders supporting the building's roof. It was fairly new construction. I thought, 'Look at those beams. Our steel wouldn't have pitting like that. That's not SDI quality.'"

targets new performance goals and broadens the scope of its early product offerings.

Diversification not only affords greater selection for the service centers and fabricators that purchase much of the mill's output, but also provides SDI with a hedge against market unpredictability. "That way, when the market for one product is down, hopefully the market for another is up," says Rolling Mill Supervisor Joe Sibley.

WELL-EQUIPPED

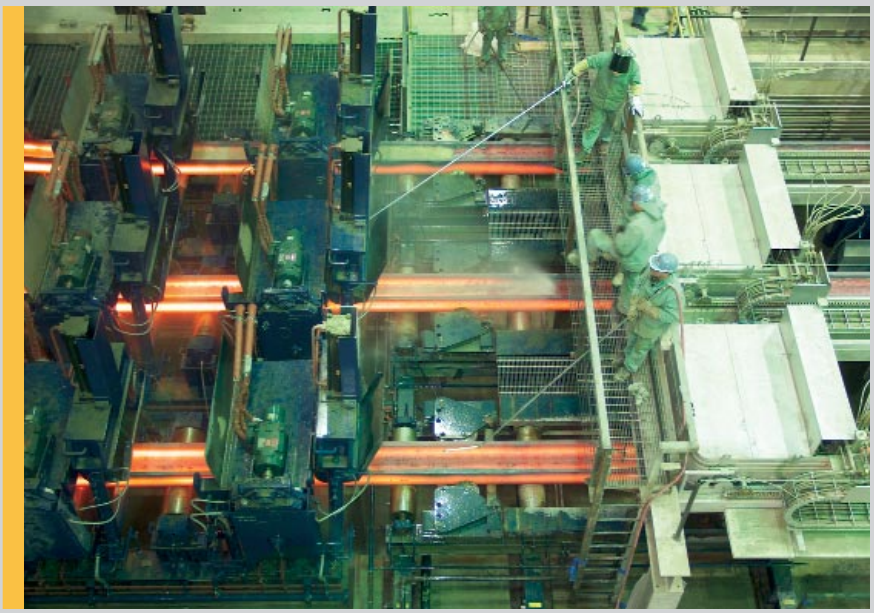
Equipment in the colossal 560,000-square-foot plant was selected for maximum flexibility in manufacturing capabilities, allowing for diversification and growth. In the months since that stormy night of the tandem-mill start-up, the Columbia City crew has worked continuously to refine processes still further and put additional structural shapes and sizes into production.

"One of the great things about this plant is that we didn't inherit anybody else's mistakes," says Dick Teets, SDI vice president and general manager of the Structural and Rail Division. "We gathered good people with expertise in their respective fields, brought them together with the best equipment, and asked, 'How can we do things better?'"

Believing that putting decision-making authority in the hands of people who create the product inspires prudent use of company funds, management gave division employees considerable latitude in setting up the facility. "Whenever we bought equipment," says Purchasing Agent Kevin Rupp, "it was because the guys who were going to run it let us know what they needed and why. They drove the process."

SDI employees have the knowledge and the experience to make good equipment function even better. Now that production is well underway, mill personnel are pushing systems to new performance levels. In this high-tech environment, crew members spend their time relentlessly

During start-up of the structural mill, crew members observe beam-blank castings emerging from the plant's three-stand continuous caster. The caster produces beam blanks or rectangular blooms, which are steel sections cut into 30- to 50-foot lengths.



◄ **WENDY SCHART**
Customer Service Representative

"We have quality products, nice people, and good prices, and we're easy to deal with. We work hard to be the best customer-service team in the industry. I used to work at the cold mill at the Butler plant, so when a customer asks for something special, I know what it will take to produce that."

TIM HELBING ►
Quality Coordinator

"There's a different mindset here. You're trained and encouraged and given the tools necessary to do your job properly. If you need to take time to get something done right, you can take it."

monitoring, calibrating, and maintaining equipment. "This place is so automated that you can walk through the mill and see almost no one," says Kevin Rupp. "We believe that we will put out quality steel with the fewest man-hours of any company in the industry."

IT'S ALL IN THE ATTITUDE

It was all in a day's work for Doug Rees-Evans and Ken Reid. Well, *three* days' work, actually. The plant needed a spectrometer, a device for analyzing the chemistry of steel, and metallurgist Ken located one in his native Canada. The $70,000 piece could be had for less than $10,000 *if* someone would pick it up and transport it. So Ken and Doug (also a native of Canada) rented a truck for a long bargain-hunter's roadtrip.

"We've gotten accustomed to handling all kinds of things ourselves," says Ken. "Heck, we set up the plant's lab from scratch—started from the bare concrete floor and drilled the bolts for the equipment ourselves." Ken, a veteran of a rigidly hierarchical steel-mill environment, speaks enthusiastically about SDI's fluid, open culture, which rewards a strong work ethic and ignores traditional compartmentalization of duties.

It's no accident that this "bring-it-on" attitude is so common among employees of the Structural and Rail Division. SDI's core belief that talented employees are the cornerstone of a successful business has given rise to a rigorous hiring process that targets problem-solvers. "Managers want people who can work well with others, accept new ideas, and see different ways of doing things," says Joe Sibley.

Over a half million square feet of Indiana farmland is now under roof in the new mill. Built in just 13 months, the project also came in under budget.

◀ **CHRIS GRAHAM**
Materials and Transportation Manager

"I think it's unique that SDI doesn't have an HR department to handle hiring. Department managers and supervisors hire their own people and are accountable for their performance. Two supervisors and I have interviewed about 300 people to fill 60 positions. In the end, it pays; we're only as strong as the people on our team."

Seeing a different way enabled Plant Mechanical Supervisor Mark Fedor to make an important contribution to the commissioning of the tandem mill. In most tandem mills, a feature called free tension control (FTC) makes minute adjustments to maintain uniform pressure on the beam as it is drawn through the machine. Early on, Mark developed a mathematical model that allowed precise operation of the mill before the computer-feedback systems were in place for FTC. This later astonished Toshiba Corporation's FTC expert, who was visiting SDI to program the FTC function for the tandem mill's computer system. He had never seen such precision achieved without FTC. And he wasn't the only vendor representative to be amazed at the technical skill of SDI team members, who set out to buy the best equipment for the job and then adapt it to their needs.

Everyone has a stake in the process. Generating quantity at the expense of quality is pointless, notes Casting Supervisor Cary Pinnick, because flawed product is unsaleable, a waste of resources, and costly for SDI stockholders. "At other places I've worked, we were urged to push more and more tons regardless," Cary says. "Here, we're still producing the tons, but we're working as a team to get the quality as good as it can be. We know that receiving consistently high-quality products means a lot to the people who buy steel from us."

The breakdown mill performs the initial shaping of a beam by feeding the heated steel back and forth through carefully machined rollers.

Shared responsibility for quality is backed up by technical protocols. Electrospectroscopy tests on the chemical composition of molten steel in the melt shop, and tensile-strength tests on beams in the rolling mill, provide ongoing information not only to operators in those departments, but to *all* crew members, who check monitors regularly.

RIDING THE RAILS

Structural and Rail Division employees are preparing for another new product: SDI plans to supply customers with standard- and premium-grade rail sections.

Once again, the company has taken the long view in opting to pursue this market, which offers good revenue prospects considering the efficiencies of sharing equipment that is already turning out structural products. "Rail is technically more sophisticated than the other structural products we make here," says Jim Wroble, "and you have to put more cost into it up front. In the long run, however, we believe we'll have a competitive advantage in this area."

The company expects the profit margin to more than justify the addition of new equipment to the plant specifically for rail production, and time spent perfecting a "recipe" for the "cleaner" steel necessary to qualify SDI with such major

◄ **DOUG REES-EVANS**
Manager of Technical Services

"They say that everyone's willing to be first in line to be second. We're first in line to be *first*. We look very carefully at technologies, and we're not afraid to be first to approach things in a new way. To be successful, you have to take reasonable risks."

KEVIN RUPP ►
Purchasing Agent

"At SDI, supervisors are delegated the authority to go out and purchase equipment, to make the decisions about what's best for their area and for the company as a whole."

railroads as CSX, Norfolk Southern, Union Pacific, Burlington Northern, Canadian National, and Canadian Pacific. These potential customers' standards are stringent. They have to be. After all, main-line rails receive considerable pounding over time. Gradually, the horizontal "head" surface, in contact with the train wheels, wears down, so manufacturing parameters must allow for the greatest possible hardness and the most desirable chemical composition.

Meeting the high standards for premium rail steel will take months of testing and evaluating with the railroads. Meanwhile, the plant will begin producing standard-grade rail for less-rigorous use by railroads and municipal transit systems.

The Columbia City plant's rolling mill was designed with entry into the rail market in mind. To that end, special head-hardening equipment, a vacuum degasser, an extra-long cooling bed to accommodate longer rails, and special material-handling capabilities have been incorporated into the facility. Longer rail lengths (ultimately up to 330 feet) are desirable in that they necessitate fewer welds per mile. Welds can become weak points. Fewer welds means fewer weak points—plus less-frequent rail replacement and, in the end, long-term cost savings for the railroads.

Once SDI's steel has been qualified by the railroads, rail is expected to become a significant contributor to the division's volume, amounting to 25 to 30 percent of output. Rail also has served as a kind of "tide raising all boats" with respect to the quality of the mill's structural products. Striving for the exceptional steel quality the major railroads demand has affected many aspects of the Columbia City plant's processes. "Our structural customers will benefit," says Ken Reid. "They, too, will get a great surface and excellent quality."

"Rail will be a challenge," says Dick Teets, "but I'm confident this group can deliver, just as they've delivered on every aspect of the planning, construction, and commissioning of this mill." ■

▼ **MARK REICHERT**
LMF 1st Helper

"At SDI, the layers of bureaucracy are missing. The supervisors are *working* supervisors; they work right alongside us. They know what it takes for us to deliver a good product."

▼ **KEN REID**
Mills Metallurgist

"Everyone's responsible for quality. Our philosophy is: 'Make the customer happy, and do things right the first time.' I've had to 'babysit' on other jobs, looking for things other people should have caught. Here, everybody's looking, not just the metallurgists. And I rely on the experience and expertise these guys have. It's all about mutual respect."

◄ **JOE SIBLEY**
Rolling Mill Supervisor

"In other companies, clerks handle a lot of the customer-service tasks. At SDI, we run with a leaner staff, so production employees are much more involved in the details of getting the customers' orders out. It works for the customers because they know exactly who they're dealing with."

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NOTICE OF ANNUAL MEETING

Grand Wayne Center
John Whistler Ballroom
120 West Jefferson Blvd.
Fort Wayne, Indiana 46802
May 29, 2003
9 a.m. EST

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AVAILABLE INFORMATION

Our Annual Report on Form 10-K and its accompanying exhibits are filed with the U.S. Securities and Exchange Commission and can be accessed at the SEC's EDGAR database at www.sec.gov or through the "Investor Information" section of our Internet site at www.steeldynamics.com. Copies of the Form 10-K are available free of charge upon written request to Investor Relations.

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STOCK LISTING

NASDAQ National Market
Trading Symbol: STLD

STOCK PRICES

2002	High	Low
First Quarter	$ 16.890	$ 11.400
Second Quarter	19.300	15.250
Third Quarter	18.400	10.610
Fourth Quarter	14.690	11.800

2001	High	Low
First Quarter	$ 13.250	$ 10.000
Second Quarter	14.950	10.688
Third Quarter	14.950	8.930
Fourth Quarter	12.040	9.000

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The three-stand continuous caster at the Structural and Rail Division's new mill near Columbia City, Indiana, produces "beam blanks," which are later shaped into beams sold for use in commercial construction projects.