

### A RECORD YEAR: VOLUME GROWTH WITH PRODUCT DIVERSIFICATION

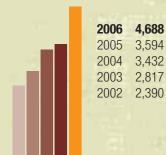
Roanoke Bar

Steel of West Virginia New Millennium

#### **NET SALES** \$ millions



#### **SHIPMENTS** thousand tons



#### **NET INCOME**

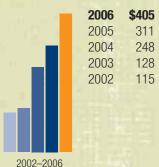
2002-2006



#### **CASH FLOW** FROM OPERATIONS

2002-2006

\$ millions



#### STEEL PRODUCT MIX\* **SHIPMENTS** million tons 2006 4.7 2003 2.8 2000 1.9 Flat Roll Structural and Rail **Engineered Bar Products**

#### FINANCIAL HIGHLIGHTS (Dollars in millions, except per-share amounts)

2000

103,284

113,053

2006

109,779

95,185

2003

OFF FOTED FINANCIAL DATA					
SELECTED FINANCIAL DATA	2006	2005	2004	2003	2002
Net Sales	\$3,239	\$2,185	\$2,145	\$987	\$864
Operating Income	659	393	507	97	158
Net Income	397	222	295	47	78
Cash Flow from Operations	405	311	248	128	115
		1	4.0		
EARNINGS PER SHARE	2006	2005	2004	2003	2002
Net Income per Share—Basic	\$4.22	\$2.49	\$3.00	\$.49	\$.83
Shares Outstanding <sup>1</sup>	93,931	89,242	98,574	95,659	94,288
Net Income per Share—Diluted	\$3.77	\$2.17	\$2.64	\$.45	\$.83

<sup>&</sup>lt;sup>1</sup> Weighted average, shares outstanding adjusted for 2-for-1 split effected November 20, 2006

105,774

#### **OPERATING HIGHLIGHTS**

Shares & Share Equivalents Outstanding<sup>1</sup>

SELECTED OPERATING INFORMATION	2006	2005	2004	2003	2002
	2000	2005	2004	2003	2002
Operating Margin	20%	18%	24%	10%	18%
Operating Income per Ton Shipped	\$141	\$109	\$148	\$34	\$66
Return on Sales	12%	10%	14%	5%	9%
Consolidated Shipments (thousands of tons)	4,688	3,594	3,432	2,817	2,390
Employees at Year-end	3,490	1,795	1,645	1,397	869
Average Selling Price per Ton Shipped	\$691	\$608	\$625	\$350	\$361

#### Forward-looking statement

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 the "risk factors" section in SDI's most recent Annual Report on Form 10-K, which describes the many factors and risks that may cause such predictive statements to turn out differently. A copy of the 2006 Form 10-K is included with this Annual Report.

#### On the cover

A pattern is formed by stacks of merchant-bar angles produced by SDI's Roanoke Bar Division in Roanoke, Virginia. Learn more about these products and others produced by Steel Dynamics starting on page 7.

<sup>\*</sup> For steel and steel-fabrication business segments

# A LETTER TO OUR SHAREHOLDERS



Keith Busse, President & Chief Executive Officer

**2006 Annual Report** April 2, 2007

was another outstanding year for Steel Dynamics. We achieved record shipments, record sales, record earnings,

and record cash flow from operations. Net sales increased 48 percent to \$3.2 billion, while consolidated shipments grew 30 percent to 4.7 million tons. Net income increased 79 percent to \$397 million. In addition, SDI generated \$405 million in cash flow from operations. Our operating margin was 20 percent, and we earned operating income of \$141 for each ton of steel shipped. I am pleased to report that during 2006, SDI's stock appreciated 83 percent, closing at \$32.45.

A major contributor to the company's record results in 2006 was the Flat Roll Division, which was our initial business and remains the company's largest division. The Flat Roll Division's continued strong operating performance was manifested in record shipments of more than 2.5 million tons of steel and in excellent operating profits. Our mill at Butler, Indiana, continues to be one of the most productive, highest-volume flat-rolled-steel mini-mills in the world.

Also significant to note about 2006 was SDI's growing success in the "long-products" segment of the steel marketplace. This success stems from the investments we have made in highly productive steelmaking assets over the past several years, as well as the acquisition in 2006 of Roanoke Electric Steel Corporation (Roanoke Electric).

In 2006, both the Structural and Rail and the Engineered Bar Products divisions ran exceptionally well. Taking advantage of strong markets and market opportunities, they achieved record shipping volumes and gained market share. In its fifth year of operation, the structural mill at Columbia City, Indiana, rolled and shipped more than 1 million tons of structural steel, predominantly wide-flange beams. In its third year of operation, the engineered-bar mill at Pittsboro, Indiana, for the first time produced and shipped more than 500,000 tons of primarily special-bar-quality (SBQ) rounds. Both of these efficient, modern long-products mills approached their operating capacities and generated record operating profits in 2006.

Likewise, the two Roanoke Electric steelmaking operations that became a part of Steel Dynamics in April 2006 achieved record shipping rates and operating profitability in 2006. The Roanoke Bar Division in Roanoke, Virginia, produces merchant bars, and Steel of West Virginia, Inc., in Huntington, West Virginia, produces a variety of light structural shapes.

The integration of Roanoke Electric operations into Steel Dynamics proceeded smoothly throughout the year. We are very pleased to welcome Roanoke Electric employees to the Steel Dynamics family; we have been impressed with their positive attitude and their commitment to the combined company. Investments are

being made to modernize the acquired steelmaking and fabrication facilities.

As a result of the merger and the strong volume growth in beams and SBQ bars, Steel Dynamics at the end of 2006 had become a larger and more diversified steel producer. Diversification has come both in terms of a wider range of steel product offerings and end markets served by the company.

Five years ago, about a third of our shipments went to the automotive industry. In 2006, due to the growth in other markets, our automotive business decreased to about 15 percent. An increasing percentage now goes to the construction market—primarily non-residential construction—while a large part of our business is spread among a variety of light commercial, industrial, business equipment, agricultural, transportation, construction equipment, mining, and other applications. On the pages following this letter, we show the breadth of our current product offerings and profile several customers to illustrate some of the diverse applications in which our steels are used.

#### STEEL DYNAMICS: TARGETING GROWTH

The consolidation of the U.S. steel industry over the past few years has been widely reported. Some have suggested the consolidation and globalization of many of the larger North American steel companies limit the opportunities for the remaining steel producers in the United States. The success of Steel Dynamics suggests otherwise; we have been, and expect to continue to be, successful in identifying and capitalizing on promising business opportunities in the U.S. steel market.

Steel Dynamics efficiently produces high-quality steel products to meet specific customer needs, providing good service and reliable regional delivery, allowing us to compete effectively with larger steel companies and with imported steel. We operate some of the most efficient and productive steelmaking operations in the world.

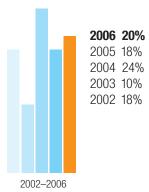
We continue to add new products and expand our operations to focus on promising segments of the steel market. We have also

moved into value-added processing of the steels we produce, such as zinc-coating and painting of flat-rolled steels, and into inspecting, sawing, turning, polishing, and heat-treating of bar steels. Targeting

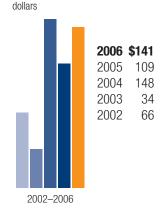
specific growth opportunities and maintaining very productive, low-cost production operations have been the keys to SDI's success.

#### percent P

**PROFIT MARGIN** 

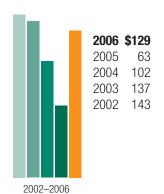


#### OPERATING INCOME PER TON SHIPPED



#### **CAPITAL EXPENDITURES**

millions of dollars



#### STRATEGIC DIRECTION

Recently a Wall Street analyst accurately said, "Steel Dynamics is a growth company in steel industry clothing." Since our start-up and first shipments of flat-rolled steel in 1996, SDI has seen remarkable growth, not only in our volume of steel shipments and increasing revenues, but also in profits and cash flow. We expect future growth could come from a combination of organic growth of our existing steel businesses, including new products that complement our existing offerings, and/or from acquiring assets or businesses that fit our culture and business model. To accommodate internal growth, we are currently busy expanding existing facilities and adding new operations. We continue to be interested in M&A opportunities that offer growth, a compatible culture, and reasonable returns. This would include opportunities for downstream integration, along the lines of our New Millennium Building Systems steel-fabrication business, and upstream integration, such as in ferrous-resource procurement and processing. as well as steelmaking.

With our business success, we have generated \$964 million in cash flow from operations over the past three years. This cash allows us to proceed with sound investments to support our growth. In 2006, our capital expenditures totaled \$129 million, but they are currently expected to grow to nearly \$400 million in 2007 for plant expansions and production-technology upgrades at several of our facilities.

In 2006, we shipped 4.7 million tons of steel and estimate that our annualized steelmaking capacity at the end of the year was about 5.2 million tons.

Projects under way that are expected to be completed in 2008 should increase our steelmaking capacity to as much as 6.5 million tons per year.

#### **2006 BUSINESS HIGHLIGHTS**

It is instructive to review the operational highlights for the various parts of our business in 2006 and to discuss the improvements we are making in each division to facilitate continued profitable growth.

#### FLAT ROLL DIVISION

During the first three quarters of 2006, the market for flat-rolled steel was very strong, but it weakened in the fourth quarter as the inventories of flat-rolled steel at steel service centers rose, primarily due to an oversupply of imported steel. As the order rates slowed in the fourth quarter, Steel Dynamics, as well as other domestic producers, cut back significantly on production. Prices fell for flat-rolled steel, reducing profit margins. Nevertheless, 2006 was a very strong, profitable year for the division, with record production of hot-rolled steel as well as cold-rolled, galvanized, and painted steel. The division again benefited from the mill's diverse product mix, including value-added coated products.

Significant process improvements that were made at the Flat Roll Division in 2006 are expected to lead to a 20-percent increase in the mill's hot-band production capacity. Modifications to Butler's thin-slab casters, as well as related changes in the melt shop, are expected to increase the mill's capacity from 2.5 million tons per year to 3 million tons per year. These upgrades, costing less than \$15 million, were completed with minimal disruption to ongoing production.

We have capitalized on an attractive business opportunity for valueadded products with our paint line at Butler, which started up in 2003 and now supplies custom pre-painted coils to a variety of end-users. It shipped 247,000 tons of painted steel in 2006, exceeding its rated capacity of 240,000 tons. In February 2006,



A 22-ton coil of painted, galvanized steel is hoisted to be wrapped with a protective cover for shipment. The most popular paint color? White.

we announced our decision to build a second paint line to be located at the division's light-gauge galvanizing plant at Jeffersonville, Indiana. The new paint line will be dedicated to painting lighter-gauge steel than can be painted at Butler, allowing us to enter construction markets that we have not previously

served, such as coated metal roofing. We also plan to add the capability to produce corrosion-resistant Galvalume\* and acrylic-coated steels at Jeffersonville. Construction for this project is in progress, and we plan to begin shipping these products during the third quarter of 2007.

#### STRUCTURAL AND RAIL DIVISION

The non-residential construction market, which began to show strength in the second half of 2005, gained significant momentum in 2006. The Structural and Rail Division, which produces beams for the construction market, broke into new territory as its order

backlog continued to grow. Monthly production and shipping rates grew throughout the year.

Amid high product demand, the division performed a juggling act to meet customer requirements, and gained the respect of established and new customers by not overpromising and by shipping promised orders on time.



In 2006, the cooling bed at the Columbia City structural mill was extended 80 feet to handle wide-flange beams and rail sections up to 320 feet in length.

The mill shipped more than 1 million tons of wide-flange beams and H-piling in 2006, close to the mill's capacity, considering the mix of product sizes produced. Structural-steel pricing remained strong all year.

The Columbia City mill is equipped to produce rail as well as beams, but because the demand for beams was so strong, SDI made the decision early in the year to postpone offering rail for sale to the Class I railroads.

In April 2006, we announced a \$200 million expansion of the Columbia City facility that includes modifications to melting and casting operations and the addition of a second rolling mill. This new medium-section mill will produce the lighter sections currently produced on the existing rolling mill, freeing up time on the existing

<sup>\*</sup>Galvalume® is a trademark of BIEC International Inc.

mill for rail production. When in full operation, the combined facilities are expected to be able to produce about 1.8 million tons of steel per year, of which rail production could be 300,000 to 350,000 tons. The mill expansion is planned for completion by the end of 2007 with start-up early in 2008.

#### **ENGINEERED BAR PRODUCTS DIVISION**

The Engineered Bar Products Division at Pittsboro, Indiana, made significant progress in 2006 in gaining qualification of its products with a number of important customers. The nature of this business is such that products must be engineered to meet the specific requirements of the customer's application. Evaluation samples are provided for customer testing—and must gain customer approval before orders are placed. Once our products are qualified, we stand a good chance of gaining the business and, in some cases, winning long-term supply contracts. In 2006, we made excellent progress in this arena.

Recognizing the performance that the Engineered Bar Products Division has achieved in fine-tuning its steel-manufacturing processes to produce high-grade steels, Caterpillar recently awarded Steel Dynamics its 2006 Quality Excellence Award.

This award cites Steel Dynamics for "providing defect-free SBQ steel to Caterpillar N.A. in 2006."

During the second quarter of 2006, Pittsboro began operation of its new on-site \$18 million bar-finishing facility. A key capital investment to support the division's growth, this facility performs a variety of finishing and inspection operations that are required by some customers and are a convenience to others. These processing services provide additional revenue and enhance the division's margins, while meeting customer requirements for finished and inspected products.

In March 2007, we announced plans for an additional investment of \$35 million to modify the engineered-bar mill to improve process flow through casting and rolling operations. This investment is expected to increase the mill's annual capacity to about 725,000 tons from its current capacity of 500,000 tons.

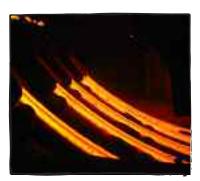
#### **ROANOKE BAR DIVISION**

In a strong market for its products throughout 2006, the Roanoke Bar Division achieved record shipments and sales. The Roanoke Bar Division is SDI's newest division: the flagship mill of the former



Roanoke Electric Steel Corporation. Roanoke has earned a reputation as a respected supplier of merchant bars—including angles, rounds, channels, and flats—and has consistently received awards for its high level of customer service. It primarily serves steel service centers and OEMs in the eastern United States. A significant volume of its finished products is supplied to the company's joist-fabrication plants.

We are pleased that Joe Crawford, former president of Roanoke Electric, has stayed on as a vice president of Steel Dynamics and general manager of the Roanoke division. He and the Roanoke mill managers have been very effective during the transition in



Roanoke Electric was the first American steelmaker to employ continuous-casting technology to produce steel. Today, the Roanoke Bar Division casts strands of billets four at a time.

implementing SDI's incentive-compensation programs, which have already resulted in increased mill output and higher pay for the mill's employees.

The Roanoke mill's raw-steel production capacity exceeds its rolling capability, allowing the mill to sell a portion of the billets that it casts. Plans are under way to

utilize the excess billet production by increasing rolling-mill output through a combination of investment in new equipment and changes in operations. An investment of between \$40 million and \$50 million is planned to upgrade the Roanoke melt shop and rolling mill. These improvements are expected to increase the mill's billet capacity to 750,000 tons per year and rolling capacity to 550,000 tons per year. The mill produced and shipped at a record rate in 2006, shipping 458,000 tons, post-merger with Steel Dynamics.

#### STEEL OF WEST VIRGINIA

Steel of West Virginia (SWVA) is a wholly owned subsidiary of Steel Dynamics acquired with the Roanoke Electric merger. SWVA operates a steel mill in Huntington, West Virginia, and a fabricating plant, Marshall Steel, in Memphis, Tennessee. The company produces a wide range of light structural carbon-steel products and specialty shapes, many of which are engineered for custom applications. SWVA is sole-source supplier of a number of products, including steel products used in the manufacture of fork-lift trucks and over-the-road truck trailers.

Tim Duke, who has served as the president of SWVA, Inc., since 1987, continues to serve as president and is now a vice president of Steel Dynamics. With his management team, Tim has effectively managed this business to establish its strong position in a number of niche markets for carbon-steel shapes. We are pleased with the performance of Steel of



A robotic welder attaches an end plate to a trailer beam at the Steel of West Virginia plant in Huntington. SWVA uses automated welding when fabricating high-volume products, while manually welding those with lower volumes.

West Virginia and believe its employees share a strong commitment to the continued success of the business.

The Huntington mill produces only some of the billets it needs for rolling its products. Additional billets are supplied by the Roanoke Bar Division. SWVA has an annual rolling capacity of approximately 350,000 tons per year. The demand for SWVA's products was strong throughout 2006. After the April merger, SWVA shipped 237,000 tons.

#### **NEW MILLENNIUM BUILDING SYSTEMS**

2006 was a transition year for New Millennium Building Systems as it focused on integrating into its business the three joist-manufacturing plants that were acquired in the merger with Roanoke Electric: the John W. Hancock plant in Salem, Virginia, and the Socar plants in Florence, South Carolina, and Continental, Ohio.

These operations produce steel joists, trusses, and girders for use in non-residential buildings. The acquired operations enjoy a strong market position in their regions, but their facilities were in need of updating with new production equipment and methods to reduce costs and streamline production



A large industrial truck at New Millennium's Florence, South Carolina, plant moves a stack of completed steel joists toward the shipping yard.

flow. In 2006, we initiated an investment program, which will extend through midyear 2007, to prepare these facilities to operate at higher volumes and with greater efficiency. The expected cost for the

upgrades of the three plants, including the addition of a steel-deck production facility at the Salem location, is expected to be between \$50 million and \$60 million.

2006 was a very strong year for the original New Millennium plant at Butler, Indiana. In the second year after its start-up, the new plant at Lake City, Florida, continued to establish its position in the southeastern U.S. market. The three acquired plants operated at a somewhat reduced pace in 2006 due to the disruption caused by the modernization activity. We believe this network of five joist-and-deck plants covering the eastern half of the United States will begin to demonstrate its earnings potential in the second half of 2007.

#### SHAREHOLDER VALUE

Although we believe that our continued investments in support of the future growth of the company and our consistent delivery of outstanding results are the most effective ways to enhance shareholder value, in 2006 we continued to pursue additional avenues to reward our shareholders.

#### **QUARTERLY DIVIDENDS**



We declared cash dividends of \$.50 per common share during 2006, an increase over our 2005 cash dividends of \$.20 per common share. Our board of directors continues to have confidence in our growth and earnings potential and believes

it is important to provide this shareholder benefit while also taking into consideration the company's other funding requirements.

In addition, in 2006 we repurchased 9.4 million shares of our common stock at a cost of \$247 million. During the last three years, we have repurchased 24.4 million shares at a cost of \$489 million. At the end of the year, we had 5.6 million authorized shares remaining for repurchase.

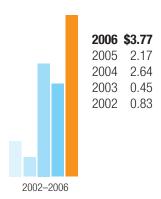
On November 20, 2006, Steel Dynamics effected a two-for-one split of our common stock. At year-end, there were 97 million shares outstanding.

#### **FINANCIAL CONDITION**

Our total outstanding debt was \$439 million at the end of 2006, and our long-term debt-to-capitalization ratio was 26 percent. We had outstanding borrowings of \$80 million under our \$350 million

senior secured revolving line of credit, resulting in liquidity of \$299 million. We believe that with our current levels of operations and anticipated growth, and with other available sources of funding, we have more than sufficient sources of funds to support our current growth plans.

#### **DILUTED EARNINGS PER SHARE** dollars



#### **SAFETY**

Nothing at Steel Dynamics is more important than the health, safety, and well-being of our employees and their families. As we added the Roanoke operations, we undertook an extensive program to emphasize the importance of safe practices in the workplace, including investments in new and improved safety equipment. As we strive to maintain and continually improve our strong safety record, we expect equally strong employee commitments to their personal safety and that of others, making safety a top priority in our daily work activities.

#### **EMPLOYEE-DRIVEN SUCCESS**

In closing, I want to thank our employees for their steadfast efforts in making 2006 such a successful year for Steel Dynamics. This includes the new members of our family who joined us from Roanoke Electric, many of whom had contributed long years of service at Roanoke. They, as well as employees at our other operations, continue to set new performance goals, work to achieve them, and often exceed them.

Our culture of rewarding individual and team initiative through incentive-compensation programs tailored to each work unit has proven very successful. All of our employees participate in annual profit sharing, and are very well compensated through incentive-bonus programs. Aligning employees' interests with those of the company results in success for both.

I am very proud of the strong commitment our employees make each and every day. That commitment is one of the most important elements in the company's success—today and in the future.

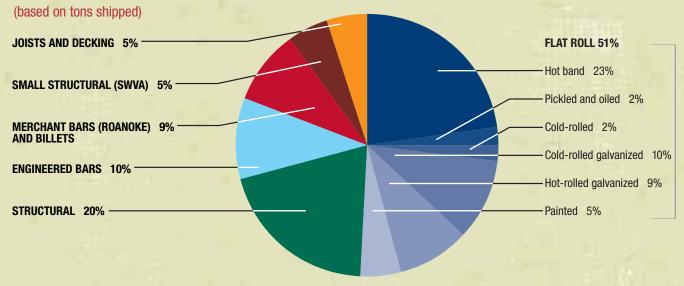
Sincerely,

Leth Busse

# PRODUCTS AND MARKETS

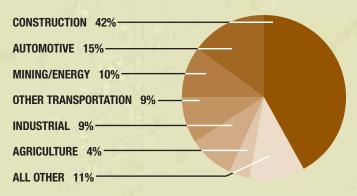
Steel Dynamics produces a wide range of steel products at 12 production facilities across the eastern United States. The next four pages show photos of the company's products and provide brief descriptions. Then, on the following pages, we provide a small sampling of the many applications in which our products are used. Visiting our customers' operations offers insights not only into how our steel is used, but also into who these customers are and the high regard they have for Steel Dynamics as a supplier. These examples are representative of hundreds of customers and thousands of applications for our products.

#### **2006 SHIPMENTS BY PRODUCT TYPE**



#### **2006 SHIPMENTS BY MARKET\***

(based on tons shipped)

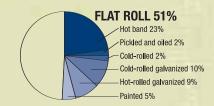


<sup>\*</sup> Note: Market-category percentages shown are our best estimates. Significant steel shipments are made to steel service centers that do not report to us the end uses of steel they sell to their customers. Our end-use estimates for automotive and construction markets are believed to be most accurate because product-to-market tracking is more transparent.

Data shown include steel and steel-fabrication business segments.

# FLAT ROLL DIVISION





The Flat Roll Division produces hot-rolled steel, finishing and coating a high proportion of the coils it produces. The hot mill can produce coils up to 61 inches wide and specializes in thin-gauge, high-strength alloy steels that can be rolled down to .045-inch thickness. Cold-finishing mill capabilities include pickling, cold-rolling, tempering, annealing, galvanizing, and painting of coils.







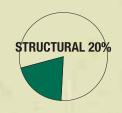






# STRUCTURAL AND RAIL DIVISION



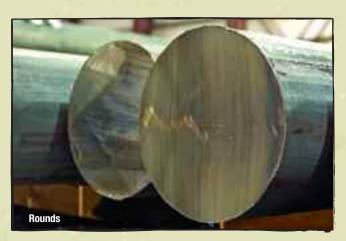


The Structural and Rail Division produces wide-flange beams with web heights ranging from 6 inches to 36 inches (see photo) in a range of flange sizes and weights. It also produces H-piling, a related product driven into the ground to support buildings. The mill has the capability to produce rails, which to date have been sold in limited quantities.





# ENGINEERED BAR PRODUCTS DIVISION





The Engineered Bar Products Division produces special-barquality steel (SBQ) in round bars ranging from 1½-inch to 9-inch diameters. Its products are typically high-strength carbon or alloy steel custom-formulated to meet demanding customer specifications. The division also has capabilities to provide a variety of bar-finishing and testing services.



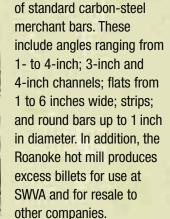


## ROANOKE BAR DIVISION





MERCHANT BARS (ROANOKE) 9% AND BILLETS



The Roanoke Bar Division produces a broad range





# STEEL OF WEST VIRGINIA, INC.











Steel of West Virginia produces a wide variety of carbon-steel specialty shapes, as well as a line of standard merchant shapes and light structural steel. A major product is fabricated trailer beams for use in truck trailers and truck bodies. SWVA also supplies OEMs with customengineered asymmetric shapes for unique applications.

Industrial truck components

# NEW MILLENNIUM BUILDING SYSTEMS







New Millennium Building Systems produces two types of steel products, both used in the construction of non-residential buildings. One type is fabricated joists, trusses, and girders used to support a building's roof and floors. The other type is decking, which is applied over the joists to serve as a base for the floor or roofing.







# A REWARDING COMBINATION

With help from SDI and New Process Steel, Amarr Garage Doors continues to grow as one of America's foremost garage-door makers.



SDI's Flat Roll Division is a top supplier of painted steel coil to the domestic garage-door industry. Its partner for a portion of this business is New Process Steel,

a Texas-based steel service center with five locations around the country, including one at Butler, Indiana, just down the road from SDI's flat-roll mill. New Process, which specializes in coated-steel products, is a substantial SDI customer.

Even though several garage-door makers buy their steel directly from New Process, SDI is part of a unique collaboration with New Process and the manufacturers it supplies. A good example of this is the working relationship between New Process, SDI, and Amarr, one of the nation's foremost producers of raised-panel steel residential and commercial garage doors.

"People in these three organizations have the same mindset," says Delbert Phlipot, vice president of manufacturing for Amarr, which is based in Winston-Salem, North Carolina,

but whose principal factory is in Lawrence, Kansas. "We get together several times a year to devise ways to stay competitive, to reduce costs, to look at the whole supply chain." SDI has also worked with New Process and Amarr to develop steel products with custom properties that meet Amarr's applications. And when there's been a steel shortage, SDI and New Process have kept Amarr in supply. "That," Phlipot says, "has allowed us to grow our business."

Amarr, which had sales of more than \$300 million in 2006, has grown at about 15 percent per year since 1998, when it bought out the second of its two partners and became an independent company, producing garage doors under the Amarr name. Today, Amarr sells to installing dealers through 65 distribution centers around the world. It has established business with Lowe's, Sears, and Costco, plus a new Lowe's program to stock Amarr-manufactured "Reliabilt" brand doors at about 1,200 of its retail stores. Amarr has a Customer Service Call Center in Lawrence that handles the Lowe's orders and lines up installation and collections.

"SDI, New Process, and Amarr have a relationship based on great trust and integrity," Phlipot says. "We're on the same page when it comes to how to run a business."

PREVIOUS PAGE Finished residential-garage-door panels stacked in the staging area of Amarr's Lawrence, Kansas, plant await shipment. The tall commercial doors marked with numbers on the back wall are Amarr products as well.

BELOW, LEFT At the paint line at SDI's flat-roll mill, steel receives a yellow prime coat. "Having steel painted at the mill where it's made reduces damage by taking



another set of hands out of play," says Amarr's Delbert Phlipot. **BELOW, RIGHT** Wrapped painted-steel coils are stacked in Amarr's receiving area, fresh off trucks from New Process Steel's Butler, Indiana, facility. New Process serves as Amarr's inventory buffer. It handles all incoming-steel logistics for Amarr and performs value-added work, such as coil slitting.





**ABOVE, LEFT** An Amarr employee insulates garage-door panels. Customers have three insulation choices, up to R12. The Lawrence facility has 685 employees working on three shifts. **ABOVE, RIGHT** These carriage-house doors are part of Amarr's Classica Collection. Their appearance notwithstanding, these are actually



overhead doors. "We're very proud of the aesthetics of our doors," says Phlipot. **BELOW** These partially finished doors have been textured with a pattern that resembles wood grain, roll-formed, and cut to length. Now they're ready for hardware and insulation, after which they'll await shipping in the staging area.









# A PREFERRED WAY TO OPERATE

Knapheide Manufacturing prefers to rely on deeper relationships with fewer suppliers. SDI is glad to be one of them.



Each workday, four to five New Process Steel trucks arrive from Chicago at the Quincy, Illinois, factory of The Knapheide Manufacturing Company.

The trucks deliver galvanneal sheet made by the Flat Roll Division and processed—slitted, punched, stamped, and, in some cases, fabricated—by New Process. This steel is used to construct the 150 service- and utility-truck bodies Knapheide makes each day. With 50 percent of the market, Knapheide is the largest U.S. manufacturer of these products.

Knapheide is an excellent example of the advantages of SDI's partnering with a steel service center to meet the needs of a customer. Knapheide is a direct customer of New Process Steel. New Process is a direct customer of SDI. New Process chose to introduce SDI to Knapheide a few years ago to facilitate an even more productive working relationship—a move Knapheide heartily approved.

"It's in our best interest to be recognized as the end-user," says Peggy Magliari, director of materials and a 23-year

Knapheide employee. "After all, our primary component is steel. It makes sense for SDI to understand who we are and how we use their product."

Magliari says Knapheide has sought to reduce the number of suppliers it deals with, favoring deeper, long-lasting vendor relationships that bring continuity of supply and service—and considerable growth potential. "We have a high degree of confidence in our alliance with New Process and SDI," Magliari says. Both are bent on solving problems quickly: "We were extremely pleased that three people from SDI came here to see some difficulties we were dealing with on the shop floor," she says. "SDI identified the problem, told us what they were going to do about it, and then did it. That's an excellent attitude."

"We were founded in 1848, so we're used to taking a longer view of things, used to dealing with people for a long time. It's our natural and preferred way to operate," says H.W. "Knap" Knapheide III, the fifth president of the company, founded by his great-great-grandfather to build wooden wagons for farmers.

PREVIOUS PAGE Working on one of seven assembly lines at the Knapheide plant in Quincy, Illinois, a welder secures an inner compartment into a "KUV"— Knapheide Utility Vehicle—an enclosed unit that will be installed on a pickup truck chassis. BELOW, LEFT Knapheide offers more than 150 different truck-body designs for a wide range of sizes and types of utility vehicles. Each unit is fully



customizable to meet customer specifications. **BELOW, RIGHT** The key to Knapheide's flexibility is a computer-aided design and manufacturing system using a CNC machine that laser-cuts and punches steel panels from large sheets of galvanized steel. Within four-and-a-half hours of the cutting of the steel panels, the steel becomes part of a completed utility body, ready for painting.





ABOVE, LEFT Completed units emerge on a conveyor from the painting operation, where the entire body is dunked in a huge tank to receive a thorough anti-corrosive primer. Covered truck bodies, such as the KUVs, may each contain as much as a ton of steel, with about one-half of the steel being a special anti-corrosive galvanneal steel made by SDI. ABOVE, RIGHT A completed KUV is outfitted to transport tools and materials for a variety of users ranging from local plumbers and electricians to corporate fleets owned by telecommunications, construction, oil-service, and industrial-service companies as well as gas and electric utilities.



KUVs are also used in fleets operated by the various levels of government. Knapheide sells its units through distributors, operates a multistate network of "company stores" that finish and customize the truck bodies, and is a primary national OEM-supplier of utility- and service-bodies for commercial vehicles sold through the dealer networks of the Detroit Three auto companies. **BELOW** Large primed KUV bodies are stacked outside for shipment to facilities where each unit will be finish-painted (most likely white), mounted on a truck chassis, and outfitted with a number of custom extras.







HSi HELGESON STEEL, INC.

# **CLOSE AT HAND**

SDI is the only producer of structural steel in the Midwest—good news for fabricators like Helgeson Steel.



Before the structural steel that SDI makes can be used in a building project, a fabricator must prepare the steel beams to a contractor's specifications. What arrives at the fabricator's

shop are wide-flange beams of various sizes and lengths. What leaves are bundles of pieces that have been cut, drilled, punched, welded, ground, prime-painted, and clearly labeled so that iron workers at the building site can assemble them.

"It's just like a big erector set," says Fred Helgeson, president of Helgeson Steel in Elkhart, Indiana, a fabricator that has worked primarily as a subcontractor for general contractors in northern Indiana, eastern Illinois, western Ohio, and southern Michigan since its founding 24 years ago.

Pleased to have a reliable source of material close at hand, fabricators like Helgeson have become significant customers of SDI's structural and rail mill. And because the mill has a shorter order/production cycle, it is all the more responsive to customer needs. Its location enables it to supply fabricators and wholesalers in the midwestern and eastern United States and central and eastern Canada more quickly than other structural mills.

That's especially important for Helgeson just now because the company is in the midst of its two busiest years ever. Helgeson, with 20 employees, has been working six-day weeks for over a year. A biodiesel plant at Claypool, Indiana, is its biggest project to date—more than 1,200 tons of structural steel fabricated—and has come in the midst of several other large efforts.

(Interestingly, other projects Helgeson is working on include fabricating steel for contractors working on construction projects at several SDI facilities. Long before Helgeson was an SDI customer, it fabricated steel for construction of SDI's flatroll and structural mills. On projects where Helgeson serves as prime contractor, it often subcontracts joist-and-deck work to SDI subsidiary New Millennium Building Systems.)

Working with SDI has made all the difference for Helgeson during this busy period. "Week in, week out, the salespeople at SDI are extra helpful," says Christine Helgeson, vice president of operations. "Kelly Penrod, Sandy Swing, and Rob Carter try to help us any way they can, always telling us what the mill is rolling now, what's available now. And SDI's piece markings—indicating heat number, size, and so on—are always very clear. That helps us."

"It's good to work with good people," says Nick Bayer, general manager.

**PREVIOUS PAGE** A Helgeson employee fabricates a structural column, grinding the end of a wide-flange beam so that the steel will better accept the welds that



will fasten a baseplate to it. **BELOW, LEFT** Baseplates for columns are drilled. **BELOW, RIGHT** A Helgeson worker punches connection holes in beams.





**ABOVE, LEFT** Wide-flange beams prepared by Helgeson Steel have been bolted into place to support a floor in a new biodiesel plant under construction at Claypool, Indiana. Beams manufactured by Steel Dynamics' Structural and Rail Division are employed in a variety of non-residential structures. **ABOVE, RIGHT** A new 200,000-square-foot distribution center for Vera Bradley Designs, a maker of designer handbags and luggage, is under construction south



of Fort Wayne, Indiana. The vertical support columns and roof-support structure were fabricated by Helgeson Steel from beams provided by Steel Dynamics. The roof utilizes joists and is covered with steel decking supplied by New Millennium Building Systems. **BELOW** Painted beams prepared by Helgeson Steel, such as those shown in the foreground, form the framework for the large biodiesel facility being erected at Claypool.







# FROM SCRAP TO FINISH

When a customer needs only the best carbon and alloy steel bars, and one-stop shopping, SDI's Engineered Bar Products Division is the place to call.



Long round bars of high-grade carbon and alloy steel are produced at SDI's three-year-old Engineered Bar Products Division in Pittsboro, Indiana. How is this steel used?

"If equipment has moving parts that wear, and the parts have demanding mechanical requirements placed on them, then there's a good chance that our steel goes into the parts," says General Manager Glenn Pushis. "The special-barquality (SBQ) bars that we make are utilized in a variety of industrial machinery and transportation applications. Typical uses include axles, drive shafts, gears, and engine parts."

Located centrally in the Midwest, just west of Indianapolis, SDI's engineered-bar mill began production in January 2004. Since then, it has become a valued supplier of SBQ rounds to many manufacturers in the nation's heartland, shipping more than 500,000 tons of steel bars in 2006.

SBQ bars ranging from  $1\frac{1}{2}$  to 9 inches in diameter are produced at the Pittsboro mill. Nearly every application requires special metallurgy, using custom blends of scrap

inputs, adding precise amounts of alloys, and "purifying" molten steel through a vacuum-degassing process. Over the past three years, Pittsboro's metallurgists and production crews have succeeded in refining manufacturing processes to produce a wide range of specialty grades of SBQ steels.

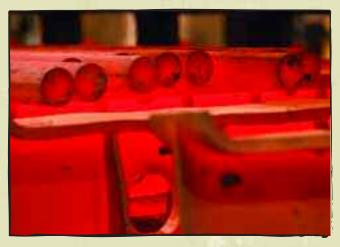
A new on-site 150,000-square-foot bar-finishing plant came on stream in the summer of 2006. While most of the mill's output is shipped as unfinished steel, the new facility provides the capability to perform a number of processing and finishing operations, such as heat-treating, cutting, straightening, turning, polishing, and testing. This new facility can process up to a third of the mill's current output.

"Investing in the finishing operation was the next logical step," Pushis says, "providing value-added downstream processing of our steel. Instead of our customers sending their raw-steel bars elsewhere for finishing, they now can get 'one-stop shopping' with us. This cuts down on their shipping, in-process inventory, and administrative costs—while also shortening order-to-delivery cycle time. Winning customer approvals for these high-value-added SBQ steel products has facilitated the division's growth and has permitted Steel Dynamics to enter a variety of new end markets."

PREVIOUS PAGE Banded bundles of bright bars await shipment at the Pittsboro bar-finishing plant. BELOW, LEFT It's hard to believe, but those shiny new bars began life as a mix of various grades of scrap steel. The recycled scrap steel is melted in a large electric furnace, cast into billets, and rolled into rounds while hot. Then the rolled bars are cut to length.



**BELOW, RIGHT** In one of five furnaces at the new state-of-the-art bar-finishing facility at Pittsboro, long SBQ bars undergo heat-treating, a process that can be controlled to make the steel either harder or softer. Afterward, bars may be straightened, turned, polished, precision-cut to length, or chamfered, and undergo various types of non-destructive testing.





**ABOVE, LEFT** Most of the Engineered Bar Products Division's sales go directly to original equipment manufacturers that use the round bars in a variety of products, such as construction equipment. **ABOVE, RIGHT** Another application for the steel made by the Engineered Bar Products Division is the axles used in heavy-duty trucks. SBQ steel also makes its way into equipment used by the energy industry, such as pumps and generators used on offshore drilling rigs.



**BELOW** SDI SBQ is incorporated in a variety of agricultural equipment. In addition to "rotating" applications, SBQ steel is used in some "stationary" applications, such as munitions casings and specialty tubing. While Pittsboro is primarily an SBQ mill, it occasionally accepts orders for rebar for use in the Indianapolis area. For example, rebar has been supplied for expansion of the Indianapolis International Airport and, notably, for a new football stadium under construction for the 2007 Super Bowl-champion Indianapolis Colts.









# CARRYING THE LOAD

Carry-On Trailer
Corporation supplies
big-box retailers with
a full line of light- and
medium-duty utility trailers.



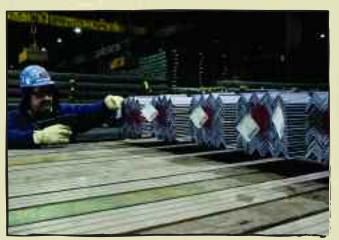
J. Pearson seemed
destined to spend much
of his life dealing with
utility trailers. As a
12-year-old member
of Future Farmers of
America, he built a utility
trailer to haul bales

of hay on his family's Virginia farm. As a young man, he went to work for an Ohio company that built farm machinery, trailers, and hitches. J. ran the hitch division. Later, he became partner in a concern that sold electrical hook-ups for trailers and the cars that pulled them.

Later still, J. founded Carry-On Trailer Corporation to manufacture utility trailers. His parents bet the family farm on the success of his start-up company, putting up the property as collateral on a line of credit for Carry-On. The bet paid off in a big way.

Today, Carry-On Trailer Corporation—based in Lavonia, Georgia—is the nation's largest producer of light- and medium-duty trailers. The company's biggest customers are big-box retailers Tractor Supply, Lowe's, and Menards. In fact, Carry-On supplies 100 percent of the utility trailers sold at these outlets. It also sells some product to independent dealers.

**PREVIOUS PAGE** Assembled trailer frames move on a conveyor line en route to be dip-painted black at Carry-On's Lavonia, Georgia, factory. **BELOW, LEFT** A truckload of steel angles is prepared at the Roanoke Bar Division's Virginia plant



With revenues of \$144 million in 2006, Carry-On has become a multistate concern, with manufacturing operations in Virginia, Texas, Iowa, and Nevada, in addition to Georgia. An Ohio sister corporation to Carry-On manufactures light, tractor-pulled agricultural products, such as rotary cutters, graders, and hay balers.

From the beginning, Carry-On has bought steel, its chief material, from Roanoke Electric Steel, now the Roanoke Bar Division of Steel Dynamics. Today, Carry-On buys angles and channels for its Georgia and Virginia plants at a rate of several truckloads per week. "I'm glad we extended favorable credit terms to Carry-On at the start," says Parker Arthur, sales manager at Roanoke. "They've become one of our top-10 customers."

"We couldn't have made it without Roanoke," J. Pearson says. "We couldn't have grown our business at a rate of 20 to 30 percent per year without a steady supply of quality steel."

J. recently had the trailer he built as a boy moved from the family farm in Virginia to Carry-On's 55-acre Georgia complex, where he intends to restore it. Then, late in 2007, when Carry-On manufactures its millionth utility trailer, J. plans to display the two trailers side by side at his headquarters, where he'll explain to visitors that building trailers was his destiny.

for shipment to Carry-On in Georgia. **BELOW, RIGHT** In addition to its open utility trailers, Carry-On offers a varied line of covered trailers whose undercarriages are also made of steel supplied by the Roanoke Bar Division.





**ABOVE, LEFT** Each fabrication employee assembles a trailer himself. His work then undergoes rigorous scrutiny by an inspector. Only after his work has passed inspection, or after any faults have been corrected and reinspected, can a fabricator move on to the next assembly. **ABOVE, RIGHT** An employee applies pinstriping to the fender of a painted trailer.



**BELOW** Finished trailers are loaded for shipment to Tractor Supply, Lowe's, or Menards. The large foam spacer blocks help prevent damage during transit. Carry-On owns 72 trucks that deliver its trailers to big-box outlets. Drivers are trained to set up and make repairs to trailers they deliver.









# IN IT FOR THE LONG HAUL

Wabash National, a leading truck-trailer manufacturer, uses crossbeams fabricated by Steel of West Virginia.



Wabash National manufactures 50,000 to 60,000 truck trailers per year, most at its Lafayette, Indiana, plant. Steel of West Virginia has supplied steel crossmembers

for these trailers since Wabash National Corporation was founded in 1985.

These transverse-mounted trailer beams provide a platform for the trailer's floor, and, for enclosed trailers, they support the van's roof and sides. The beams are supplied by Steel of West Virginia (SWVA) in Huntington, and by its Marshall Steel subsidiary in Memphis, Tennessee.

Wabash National has achieved a leading position in the U.S. truck-trailer industry, with a 27-percent market share of the dry-freight van trailers delivered in 2006.

Wabash National's early success has been attributed to the supportive attitude of suppliers such as Steel of West Virginia that extended credit and favorable terms in supplying the steel components essential to begin trailer production.

Tim Duke, president of SWVA, says the longstanding relationship with Wabash National has benefited both companies: "We take pride in supplying high volumes of steel to Wabash National, a premier builder of over-the-road trailers. Over the years, the volume of our shipments to Wabash has grown because of their success in designing and building innovative products, such as their DuraPlate® composite trailer.

"We have developed a number of proprietary process innovations to produce high-quality trailer beams—including equipment to shear, punch, and robotically weld the end plates through which the trailer's side rails are bolted—as well as advanced coating systems. These techniques allow us to produce these products efficiently and in high volume."

The beams provided to Wabash National and other trailer manufacturers are unique in that SWVA not only makes the steel, but also performs several fabrication and finishing operations. The company also provides a number of other specialty steel products for a variety of end uses, including specially engineered shapes that are used in industrial-truck masts, conductor rails used in rapid-transit systems, and frame sections for off-highway equipment.

DuraPlate® is a registered trademark of Wabash National, L.P.

PREVIOUS PAGE Welders at the Wabash National plant in Lafayette, Indiana, space steel trailer beams about a foot apart to support the trailer's wood floor. They weld the crosspieces to steel beams that run the length of the trailer. At the ends of the crossbeams are the end plates to which the trailer's side rails are bolted. These end plates are made from flat-rolled steel provided



by SDI's Flat Roll Division. **BELOW, LEFT** Crossmembers hang on a conveyor system to cool after being submerged in a bath of hot paraffin to coat them for corrosion protection. **BELOW, RIGHT** Stacked and banded bundles of finished trailer beams are marshaled in preparation for shipment to a Wabash National plant.





**ABOVE, LEFT** The underside of a finished trailer illustrates the large number of crossmembers used to support an oak floor and the trailer's payload. Once trailer beams are delivered to the Wabash National plant and welded to long rails to form the trailer chassis, the side rails, sides, roof, doors, and mechanical components are added to finish a trailer.



**ABOVE, RIGHT** A finished DuraPlate® HD trailer shows the square pattern of exterior bolts along the side of the trailer, the bolts fastening the side of the trailer to the crossmembers of the undercarriage. Some of the vans that Wabash National builds employ outer skins made of steel. Steel Dynamics is a supplier of painted, cold-rolled galvanized steel for this purpose.









# A HUB OF ACTIVITY

Products from New
Millennium Building
Systems are a big part
of the new student center
at Tri-State University.



Steel from SDI plays
a big role in Tri-State
University's new
University Center—a
project clearly illustrating
the pervasiveness of
steel in modern building
construction. New

Millennium Building Systems supplied the steel joists that support the building's floors and roof. SDI's Structural and Rail Division furnished wide-flange beams to give vertical support to the trusses. Flat-rolled steel from the Flat Roll Division is used in the manufacture of steel wall studs and joists, and in the building's floor and roof decking.

New Millennium Building Systems, a wholly owned subsidiary of Steel Dynamics, works hand in hand with architects and contractors to design, engineer, and fabricate custom joist-and-decking systems for buildings of many types. The curved, wide expanses of the University Center illustrate New Millennium's engineering expertise in executing creative architectural designs to produce functional and aesthetically pleasing structures.

Michael Bock, Tri-State University's vice president for student and university operations, states, "This new

PREVIOUS PAGE The steel skeleton of the new University Center, under construction in February 2007, takes shape. The center's design makes inventive use of a variety of steel products from Steel Dynamics. BELOW, LEFT New Millennium production crews—like this crew at Lake City, Florida—assemble and weld steel joists, custom-made for each building project. Steel Dynamics now operates five plants



\$15 million building will occupy a city block at the center of our campus and will serve as the hub of student activity. It will include a commons area, cafeteria, bookstore, radio station, student offices, a 325-seat theater, and a 'Center for Technology'—a high-tech digital library offering students wireless access to educational resources."

Tri-State University, located in Angola, Indiana, is a private university of 1,475 students, about 60 percent majoring in engineering. With SDI's largest production facility located nearby, Tri-State and Steel Dynamics have developed a close working relationship. Keith Busse, SDI president and CEO, serves as a member of the school's board of trustees.

"We are excited about the opportunities this facility will offer our students," says Tri-State President Dr. Earl Brooks. "Steel Dynamics is a strong supporter of the university, and we are delighted to see so much locally produced steel used in the project."

Another view of the University Center's steel framework is shown on the opposite page. Above right are photos of buildings that are typical of the wide variety of non-residential structures for which New Millennium provides joist-and-decking systems.

in the eastern United States producing building components. **BELOW, RIGHT** Finished "jobs" of steel components are shipped by truck to the building site where they'll be erected. **OPPOSITE PAGE, BOTTOM** A unifying, wide, S-shaped central corridor is framed in steel. Wide-open spaces are made possible with long spans of steel.





Dupont Hospital Fort Wayne, Indiana



Georgetown Branch Library Fort Wayne, Indiana



Buffalo Wild Wings Fort Wayne, Indiana



Union Township Elementary School Zionsville, Indiana



Tom O'Brien Chrysler Jeep Indianapolis, Indiana



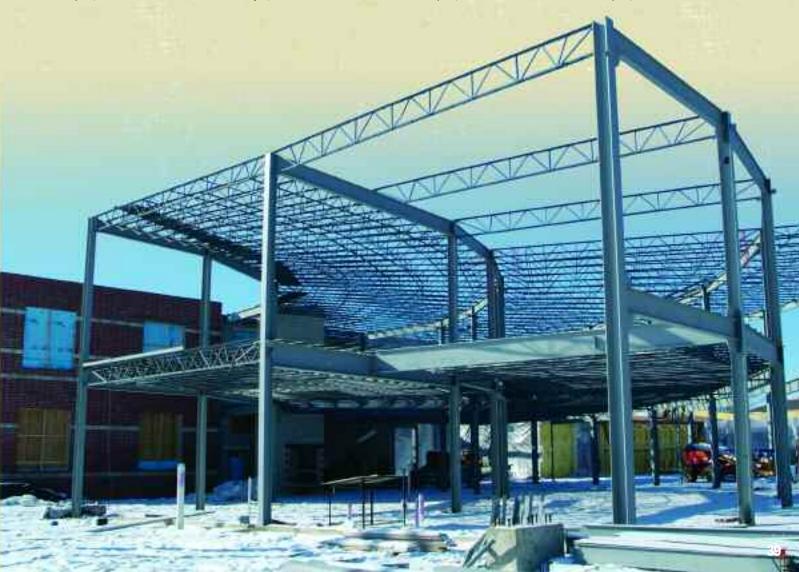
Vera Bradley Distribution Center Fort Wayne, Indiana



Dick's Sporting Goods Indianapolis, Indiana



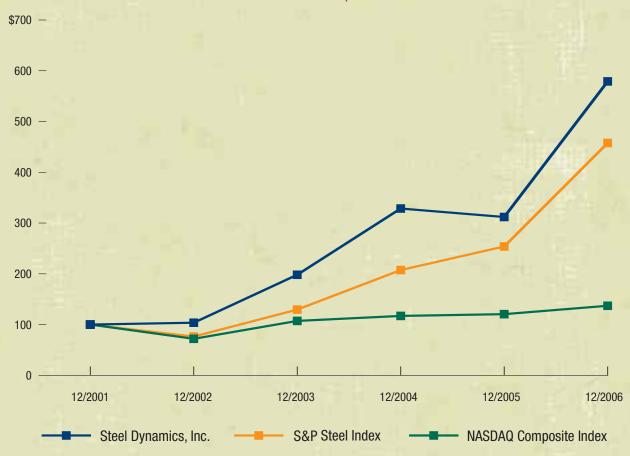
Andy Mohr Toyota Indianapolis, Indiana



# **CUMULATIVE RETURN**

#### **COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN\***

Among Steel Dynamics, Inc., the S&P Steel Index, and the NASDAQ Composite Index



<sup>\* \$100</sup> invested on 12/31/01 in stock or index—including reinvestment of dividends. Fiscal year ending December 31.

## **CORPORATE INFORMATION**

#### 2006 Board of Directors

Keith E. Busse

President and Chief Executive Officer Steel Dynamics, Inc.

Mark D. Millett

Vice President Steel Dynamics, Inc.

Richard P. Teets, Jr.

Vice President Steel Dynamics, Inc.

John C. Bates

President and Chief Executive Officer Heidtman Steel Products, Inc.

Frank D. Byrne, M.D.

President
St. Marys Hospital
Medical Center
Madison, Wisconsin

Paul B. Edgerley

Managing Director Bain Capital, Inc.

Richard J. Freeland

President and Chief Executive Officer Pizza Hut of Fort Wayne, Inc.

Dr. Jürgen Kolb

Retired

Former member of Executive Board Salzgitter, AG

James Marcuccilli

President and Chief Executive Officer STAR Financial Bank

Joseph D. Ruffolo

Principal

Ruffolo Benson, LLC

#### Officers and Key Management

Keith E. Busse

President and Chief Executive Officer

Mark D. Millett

Vice President General Manager, Flat Roll Division

Richard P. Teets, Jr.

Vice President General Manager, Structural and Rail Division

**Gary E. Heasley** 

Vice President of Finance Chief Financial Officer

T. Joseph Crawford

Vice President

General Manager, Roanoke Bar Division

Timothy R. Duke

Vice President President, Steel of West Virginia, Inc.

Richard J. Brady

Vice President of Ferrous Resources

Bert D. Hollman

Vice President
President,
New Millennium Building Systems, LLC

John W. Nolan

Vice President of Sales & Marketing

Glenn A. Pushis

Vice President General Manager,

Engineered Bar Products Division

Theresa E. Wagler

Vice President and Corporate Controller

Janice E. Conwell

Corporate Health & Safety Manager

Mary L. Fink

Director of Tax & Benefits

Robert E. Francis

Information Technology Manager

**Brent A. Ritenour** 

Internal Audit Manager

Fredrick A. Warner

Investor Relations Manager

#### **Stockholder Information**

#### **ANNUAL MEETING**

May 17, 2007 9 a.m. Eastern/8 a.m. Central Grand Wayne Center Calhoun Ballroom 120 West Jefferson Boulevard Fort Wayne, Indiana 46802

#### STOCKHOLDER RECORDS

Computershare Trust Company, N.A. P.O. Box 43078 Providence, Rhode Island 02940-3078 (877) 282-1168 www.computershare.com

Thanks to the customers who appear in this annual report for contributing their time and support.

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#### **MARKET INFORMATION**

The company's stock trades on the NASDAQ Global Select Market under the symbol STLD. Steel Dynamics is included in the S&P Mid-Cap 400 Index.



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