



Annual Report 2007

Motivated people and teamwork create success



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3	5
6	8

PEOPLE ABOVE
1 Rail-welding facility start-up team, Columbia City **2** Bobby Davis bar-scanning a bundle of steel bars, Roanoke **3** Patty Krzywicki wrapping a coil, The Techs, Pittsburgh **4** Jeff Vinson crossing the zinc pot, Butler **5** Dan Sullivan stacking webbing from the channel former, New Millennium, Continental **6** SDI team receiving a Caterpillar Corporation quality award, Pittsboro **7** Ryan Singer in melt-shop pulpit, Butler **8** Danny Rifkin and Keith Busse announcing the OmniSource acquisition

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PRODUCTS ON THE COVER
1 A thin slab enters the Flat Roll hot-rolling mill, Butler **2** Painted flat-roll coil, Butler **3** Wide-flange beams “walk” the cooling bed, Columbia City **4** Galvanized steel coated by The Techs, Pittsburgh **5** Liquid pig iron produced by Iron Dynamics pouring into electric-arc furnace, Butler **6** Steel joists manufactured by New Millennium, Butler **7** A crane hefts scrap steel, Columbia City **8** Polished SBQ bars, cut to length and ready for shipment, Pittsboro **9** Merchant-bar angles, Roanoke

STEEL DYNAMICS — Fast-growing, diversified U.S. mini-mill steelmaker and metals recycler

Five mini-mills, 47 scrap facilities. More growth to come: steelmaking and processing, steel fabrication, metals recycling, iron resources.

Structural and Rail Division



SDI's Structural and Rail mill at Columbia City, Indiana, is undergoing a major expansion that will double its production capacity to about 2 million tons per year. This site photo taken in September 2007 shows the new medium-section rolling mill under construction in the foreground.

Engineered Bar Products Division



The Engineered Bar Products mill at Pittsboro, Indiana, is being upgraded with equipment that will increase its SBO capacity by about 50 percent to 750,000 tons per year. The bar-finishing facility (right), built in 2006, was expanded and became fully operational in 2007.

Mesabi Nugget



During 2007 Steel Dynamics acquired more than 6,000 acres of iron-rich land in Minnesota, an iron mine formerly operated by LTV Corporation. This November 2007 photo shows the start of construction of the Mesabi Nugget plant, a joint project of Steel Dynamics and Kobe Steel, Ltd.

SELECTED FINANCIAL DATA

(millions of dollars)	2007	2006	2005	2004	2003
Net sales	\$4,385	\$3,239	\$2,185	\$2,145	\$987
Operating income	691	659	393	507	97
Net income	395	397	222	295	47
Cash flow from operations	428	405	311	248	128
Capital expenditures	395	129	63	102	137
Repurchases of common stock	534	247	187	55	—
Total assets	4,519	2,247	1,758	1,734	1,448
Long-term debt (incl. current maturities)	2,030	439	441	448	608
Stockholders equity	1,529	1,231	880	847	587
EARNINGS PER SHARE					
Net income per share — basic	\$4.24	\$4.22	\$2.49	\$3.00	\$0.49
Weighted average shares outstanding (in thousands)	93,161	93,931	89,242	98,574	95,659
Net income per share — diluted	\$4.02	\$3.77	\$2.17	\$2.64	\$0.45
Weighted average shares & share equivalents outstanding (in thousands)	98,402	105,774	103,284	113,053	109,779
DIVIDENDS					
Cash dividends declared per share	\$0.60	\$0.50	\$0.20	\$0.125	—
Year-end shares outstanding (in thousands)	95,162	96,983	86,368	96,971	97,290

SELECTED OPERATING DATA

(thousands of tons)	2007	2006	2005	2004	2003
SHIPMENTS AND PRODUCTION					
Shipments					
Steel operations	5,550	4,758	3,559	3,423	2,800
Fabrication operations	277	236	141	96	83
Steel scrap and scrap substitute operations	1,406	330	222	168	21
Other operations	127	90	98	95	102
Intercompany eliminations	(1,191)	(726)	(426)	(350)	(189)
Consolidated shipments	6,169	4,688	3,594	3,432	2,817
Steel operations production	5,471	4,696	3,616	3,468	2,950
EMPLOYEES					
Number of full-time employees	5,940	3,490	1,795	1,645	1,397
OPERATING RATIOS					
Operating margin	16%	20%	18%	24%	10%
Operating income per ton shipped*	\$136	\$154	\$122	\$162	\$43
Return on sales	9%	12%	10%	14%	5%
Pre-tax return on average assets	19%	32%	21%	30%	6%

*Steel operations segment

2007 HIGHLIGHTS

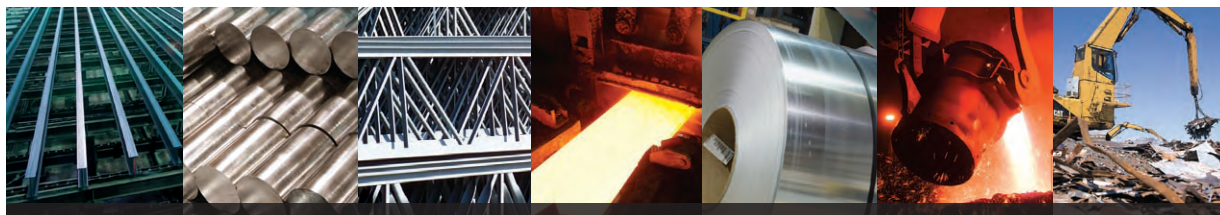
- Shipped 5.6 million tons of steel, more than in any previous year
- Acquired OmniSource Corporation, annual ferrous scrap processing of more than 6 million gross tons
- Acquired The Techs, increasing annual steel-galvanizing capacity by 1 million tons
- Acquired two scrap yards in Tennessee
- Reached agreement with Kobe Steel, Ltd., to construct Mesabi Nugget plant in Minnesota
- Purchased more than 6,000 acres of iron-rich land on the Mesabi Iron Range
- Repurchased 12.6 million shares of common stock

FACILITIES

- Completed new paint line and Galvalume® process at Jeffersonville, Indiana, galvanizing plant
- Completed modernization of three joist plants
- Commenced construction of structural-mill expansion to double its capacity

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. The 2007 Form 10-K is included with this Annual Report.



Structural Steel

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Bar Products

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Joist and Deck

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Flat Roll

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The Techs

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Iron Resources

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OmniSource

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2007

Net sales
up 35% to a record **\$4.4 billion**

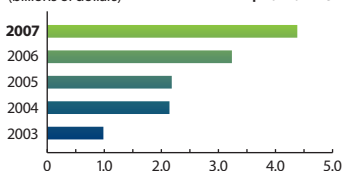
Steel shipments
up 17% to a record **5.6 million tons**

Cash flow
up 6% to a record **\$428 million**

NET SALES

(billions of dollars)

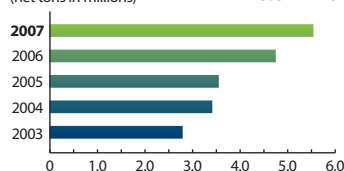
\$4.4 billion



STEEL OPERATIONS SHIPMENTS

(net tons in millions)

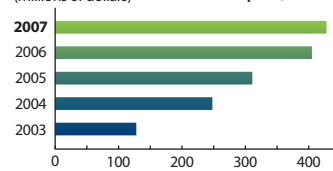
5.6 million



CASH FLOW FROM OPERATIONS

(millions of dollars)

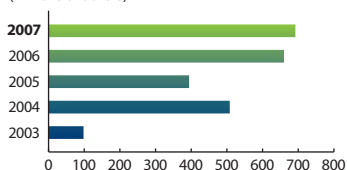
\$428 million



OPERATING INCOME

(millions of dollars)

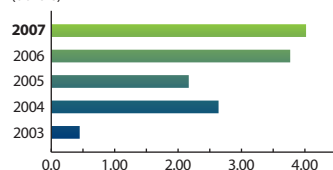
\$691 million



DILUTED EPS

(dollars)

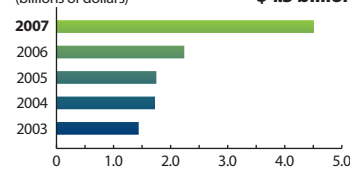
\$4.02



TOTAL ASSETS

(billions of dollars)

\$4.5 billion



Annual Report 2007
April 4, 2008

TO OUR SHAREHOLDERS

Steel Dynamics had an outstanding year in 2007. We delivered record revenues of \$4.4 billion, record operating income of \$691 million, and record cash flow from operations of \$428 million.

SDI's 2007 net earnings of \$395 million were down only slightly from \$397 million in 2006, primarily due to costs related to major acquisitions. Diluted earnings per share of \$4.02 did set a record due to the reduced number of shares outstanding, a result of the company's extensive share repurchases during the year.

KEITH BUSSE
*Chairman and
Chief Executive Officer*



Consolidated shipments reached 6.2 million tons, including shipments of steel, fabricated steel, and ferrous and non-ferrous metals. Our steelmaking operations continued to operate extremely well, shipping 5.6 million tons of steel. Weak demand in 2007 for flat-rolled steel, traditionally the company's primary product, deprived us of increased earnings in the sector, but was offset by strength in the markets for structural steel and steel bars.

Additional details of the year's financial and operating results follow in separate reports of the operating segments. Here I will only highlight 2007's primary events and actions that we believe will have special importance to the company's future.

Among our accomplishments in 2007 were the acquisitions of OmniSource Corporation and The Techs, the launch of the Mesabi Nugget project to produce direct-reduced iron, the purchase of land in Minnesota from which we plan to mine iron ore, and a high level of capital investment in growth projects that will allow us to expand production capacity and enhance our product portfolio.

We changed our executive management structure in April to allow two of our experienced senior managers to move from day-to-day operations into broader roles, focusing on the strategic direction and future growth of the company. Mark Millett and Dick Teets, co-founders of Steel Dynamics, stepped away from the management of our largest divisions, moving to the corporate office as executive vice presidents of the company. I assumed the title of chairman, and Mark and Dick each became president and chief operating officer of a major growth platform of the company.

Mark and Dick now oversee the divisions they previously managed, but are also expanding their knowledge of and experience in other parts of the company. They are now coordinating marketing, product planning, human resources, and capital-expenditure programs among divisions. An indirect but very important benefit of these changes is the opening up of new career opportunities for talented managers to take on increased responsibility within the company, gaining valuable management experience in our various divisions and operations.

Concurrently, Theresa Wagler was appointed chief financial officer. Gary Heasley, who previously served as chief financial officer, changed his focus to spend full time as an executive vice president concentrating on strategic planning and business-development opportunities.

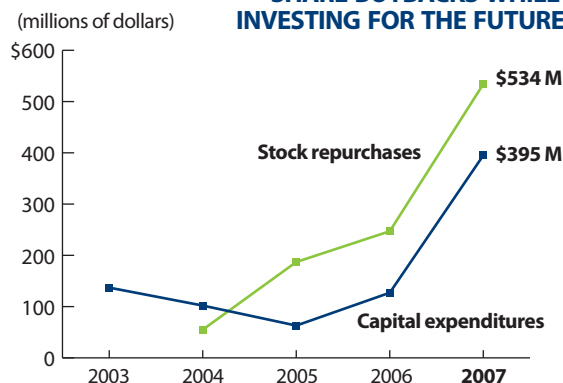
When we formed Steel Dynamics in the mid-1990s, our concept was for SDI to be a steel growth company—an oxymoron in the view of many observers at the time. We had expectations that over time we would add to each success by entering into other steel-product categories. Our core business was to be, and remains, mini-mill steel production. We started making flat-rolled steel in 1996, with mill production capacity of slightly more than 1 million tons per year. We now operate five mini-mills that are expected by 2009 to be able to produce nearly 6.7 million tons of steel per year, more than double the company's 2004 annual capacity of 3 million tons.

Steelmaking remains the company's primary business. With our change in management structure in 2007, we partitioned our steel business into two "platforms": flat-rolled steels and steel shapes. We expect to continue to grow these steel-product platforms by acquisition, by building new greenfield mills, and by expanding existing operations.

Our \$373 million purchase of The Techs in 2007 is a good example of expansion by acquisition, one that will offer current and future growth opportunities for the flat-rolled-steel platform. The Techs facilities are well-respected producers of galvanized steel, comprised of three modern, efficient galvanizing plants in Pittsburgh, Pennsylvania. This business is a very good fit with Steel Dynamics in terms of operating culture, product compatibility, and complementary markets. (The Techs are discussed in more detail later in this report.)

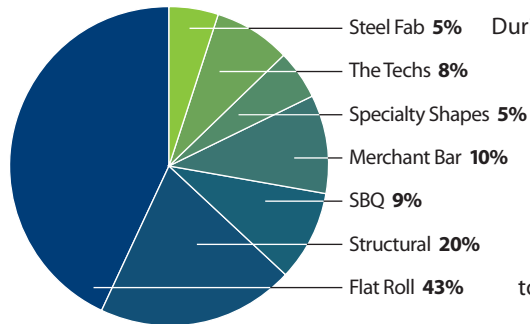
Within the steel-shapes platform, our major 2007–2008 growth initiative is a project that will double the annual production capacity of the Structural and Rail Division at Columbia City, Indiana. Likewise, plans are in motion for expansion of our Engineered Bar Products steelmaking facility, with completion scheduled for early 2009.

ENHANCING SHAREHOLDER VALUE: SHARE BUYBACKS WHILE INVESTING FOR THE FUTURE



2007 STEEL SHIPMENTS

Steel and Fabrication



Under Dick Teets' management, the shapes platform currently includes our New Millennium Building Systems businesses, which completed significant modernizations of three plants in 2007. With the expected future growth in steel fabrication, the company's steel-fabrication operations have the potential to become a separate business platform.

During 2007, SDI took major steps to assure the future supply of our most essential and costly raw materials: recycled steel scrap and pig iron. With the purchase of Roanoke Electric Steel Corporation in 2006, we acquired two scrap yards near the steel mill at Roanoke, Virginia. Building on that purchase, early in 2007 we acquired two additional yards in Johnson City and Elizabethton, Tennessee, which also supply steel scrap to our Roanoke operations.

In October Steel Dynamics announced an agreement to buy OmniSource Corporation, at that time the country's largest privately owned metals-recycling company, for \$1.1 billion, including the assumption of debt. Its capabilities as a major processor and trader of ferrous scrap, its strong relationships with many industrial scrap generators nationwide, its logistics capabilities including truck and rail, and the proximity of its operations to SDI's steel mills led us to the conclusion that OmniSource would be the ideal scrap partner for SDI.

OmniSource became a part of SDI on October 26, 2007. OmniSource President Danny Rifkin joined SDI as executive vice president for metals recycling and remains president of OmniSource Corporation, a wholly owned subsidiary of Steel Dynamics. Based in Fort Wayne, Indiana, OmniSource now operates 47 scrap-collection and processing locations across the Midwest and in the southern region of the United States, including yards previously owned by SDI. These yards are capable of handling more than 6 million gross tons of ferrous scrap annually. Under the stewardship of the Rifkin family for more than 60 years, OmniSource had established a track record as a highly efficient collector, processor, and trader of scrap metals.

Metal recycling has become a third platform for the company. We believe this is an excellent complement to our steel business. It not only provides a safety net for the supply of essential ferrous resources to Steel Dynamics, but it also allows SDI to participate in the growth of the important metals-recycling industry. Ferrous and non-ferrous scrap generated in the United States is becoming an increasingly important commodity, both for domestic use and for export.

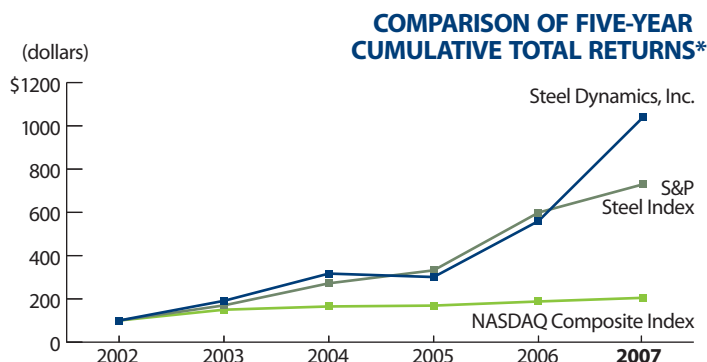
We are also undertaking a virgin-raw-materials initiative to produce and supply pig iron to our mills. Traditionally, SDI has imported pig iron for use in flat-rolled-steel operations. Over the past several years we have augmented these purchases with pig iron produced internally by our Iron Dynamics unit, operating in conjunction with our flat-roll mill. In 2007, we successfully concluded negotiations to purchase iron-ore deposits in Minnesota and partnered with Kobe Steel to build an iron-making plant called Mesabi Nugget. This plant is expected to begin production in 2009. The Mesabi Nugget project has the potential not only to fully meet the company's needs for pig iron, but could grow in the future to supply iron to external customers as well. This nascent business platform is under the management of Mark Millett.

In conclusion, Steel Dynamics continues to make solid progress, maintaining a highly profitable growth profile. In terms of scale, SDI has joined the list of America's top-ranked independent steel companies. We continue to be excited about the tremendous opportunities that lie ahead for Steel Dynamics. To our customers, suppliers, partners, investors, and, most of all, to our nearly 6,000 employees, we extend our appreciation and gratitude for your ongoing support and shared goals.

Sincerely,



Keith Busse



Steel Dynamics, Inc.

\$100	\$191	\$317	\$301	\$560	\$1,041
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* \$100 invested on 12/31/02 in stock or index, including reinvestment of dividends. Fiscal year ending December 31.

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RICHARD TEETS, JR.
*Executive Vice President,
Steel Dynamics, Inc.
President and COO,
Steel Shapes and
Building Products*



STEEL SHAPES AND BUILDING PRODUCTS

Much of SDI's success in 2007 resulted from our strong operating performance in structural steel and bar products. Our past investments to diversify into these businesses paid off as strong demand led to higher shipping volumes and profit growth.

Building on the strong foundation of the company's early success in the flat-rolled-steel business, in the late 1990s SDI made plans to add capacity to produce steel "shapes" — also called "long products." In 1998, I was given the responsibility to execute our plan to enter the shapes business, establishing the Structural and Rail Division at Columbia City, Indiana. Commissioned in 2002, the structural-steel mill's volume has grown steadily as we proved ourselves to be dependable suppliers of quality products.

In 2006, the structural-steel market improved significantly, and continued to strengthen in 2007, as non-residential construction, infrastructure, and energy projects drove demand for structural-steel products. Favorable market conditions and excellent operating performance resulted in record production, shipments, revenues, and operating income for the mill in 2007. Personally, my leaving the division last year was bittersweet, but I'm proud that the Columbia City team has continued to set new records, and I am confident they will continue to do so.



Our second shapes mill was the Engineered Bar Products mill at Pittsboro, Indiana. We acquired this relatively new mill out of bankruptcy proceedings, reconfigured it to meet our expectations for effective workflow and productivity, and started it up in 2004. In 2007, it, too, achieved record production, shipping, revenues, and operating income. Its special-bar-quality (SBQ) bars have earned quality awards and gained wide acceptance by top-tier automotive and industrial customers.

In 2006, Steel Dynamics acquired the Roanoke Electric Steel Corporation, including two steel mills that produce long products. The first, now referred to as the Roanoke Bar Division, produces standard merchant-bar products, and the second, our Steel of West Virginia (SWVA) subsidiary, produces a variety of both standard and specialized structural shapes. Benefiting from strong merchant-bar markets and the implementation of SDI's incentive plan, the Roanoke Bar Division produced record operating income in 2007, the best year in the mill's 50-year history. And, despite a slowdown in its primary market, SWVA also achieved record operating income in 2007.

In addition to heading up the four steelmaking divisions discussed above, I also oversee the company's downstream steel-fabrication business, New Millennium Building Systems, which operates five joist-and-deck manufacturing plants in the eastern United States. To improve the operating performance of the three plants that we acquired in the Roanoke Electric acquisition, we made significant investments in 2007 to modernize them. New Millennium now operates 16 of the most modern joist-and-truss lines in the nation, as well as three of the most modern and efficient roof- and floor-deck roll-forming plants.

I view my role as a facilitator working for these divisions. We are busy improving the coordination of the commercial aspects of these businesses, better defining the missions and product scope of each business, as well as sharing technical expertise and best practices.

Whenever I go to one of these plants, I make it a point to visit with as many employees as possible. I am constantly impressed by their talents, their professional attitudes, and their commitment to safety, quality, and customer service. They have my full respect and gratitude.





Structural and Rail Division



*John Nolan
Vice President and
General Manager,
Structural and
Rail Division*

SDI's Structural and Rail Division at Columbia City, Indiana, achieved outstanding operating and financial performance in 2007. Steel shipments increased 15 percent compared with 2006 to a record 1.2 million tons. The division also realized record revenues and record operating income. Continued strong markets for wide-flange beams fueled demand and resulted in historically high average selling prices for 2007.

John Nolan, formerly SDI's vice president of marketing and sales, became vice president and general manager of the Structural and Rail Division in April 2007. Commenting on the division's success, he says, "Our employees did a spectacular job in 2007 in meeting our customers' needs by repeatedly beating prior months' production and shipping tonnages. We achieved for the first time monthly production surpassing 100,000 tons — as well as notching other production records — and I am happy to report that during this exciting time our employees also set safety-performance records."

It is noteworthy that 2007 was only SDI's fifth full year in the structural-steel business. After start-up in July of 2002, the new Columbia City mill faced cyclically low demand for structural steel, and found the market to be very competitive. SDI gradually earned market share, first in the Midwest, where its proximity to customers

provided service and transportation cost advantages. Since then, SDI's structural products have gained full nationwide distribution, as well as regular customers in Canada and Mexico.

The market for the division's products is principally non-residential construction, which traditionally has included roofed structures, such as high-rise office buildings, hotels, shopping centers, government buildings, and commercial and industrial buildings. Recently, SDI has also experienced strong demand for its structural-steel products for use in energy projects, stadiums and other entertainment-related structures, as well as infrastructure projects, such as pipelines that require beams and steel piling.

COLUMBIA CITY TO DOUBLE PRODUCTION CAPACITY

Construction of a new rolling mill began at Columbia City early in 2007. This new medium-section mill will have the capacity to roll 1 million tons per year of a broad range of light-structural steel shapes. It will be able to roll the lighter-weight wide-flange beams that are currently produced on the existing rolling mill, plus new products, including smaller beams and other light structural shapes, such as angles and channels.



A fourth strand added to the structural mill's existing caster in November 2007 boosts capacity of semi-finished steel.



A train loaded with welded rails a quarter of a mile long. This \$15 million rail-welding operation came on-stream in 2007.



The new rolling mill is expected to begin commissioning in the second quarter of 2008. The new mill, optimized for the lighter-weight shapes, will produce these products more quickly and cost-effectively than the larger rolling mill. Moving the lighter products to the new mill will free up capacity on the existing mill to run more large beams, which run more productively than small products on that mill. It will also free up time on the existing mill for high-volume production of rails.

In July 2007, SDI announced investment in a second casting facility at Columbia City. The additional caster will increase the mill's total semi-finished steel-production capacity to provide sufficient steel for the two rolling mills to produce at least 2 million tons per year, beginning in 2009.



At the Structural and Rail Division at Columbia City, Indiana, the new medium-section rolling mill under construction (right) complements the original mill (left). Together, their annual rolling capacity will be at least 2 million tons of rail, beams, and other structural shapes.



Engineered Bar Products Division



*Barry Schneider
Vice President and
General Manager,
Engineered Bar
Products Division*

Shipments in 2007 by the Engineered Bar Products Division at Pittsboro, Indiana, totaled 547,000 tons, a record and an increase of 9 percent compared with 2006. The division also set records with double-digit gains in revenues and operating income.

Since its restart under SDI's management at the beginning of 2004, the Pittsboro mill has experienced steady growth, producing increasingly sophisticated grades of steel. The mill produces special-bar-quality (SBQ) round steel bars—high-strength carbon and alloy bars ranging from 1.5 to 9 inches in diameter. These steel bars are used for a variety of purposes, such as axles, drive shafts, engine parts and gears—in automotive, heavy machinery, transportation, agricultural equipment, oil patch, energy production, and other industries.

Barry Schneider became vice president and general manager of the Engineered Bar Products Division in 2007. Among the division's major 2007 achievements, Barry cites earning the Bronze Certification from Caterpillar Corporation. SDI is the only Caterpillar steel supplier to have earned this quality distinction. The division also merited Lloyd's of London certification for use of its steel in crankshafts for marine diesel engines.

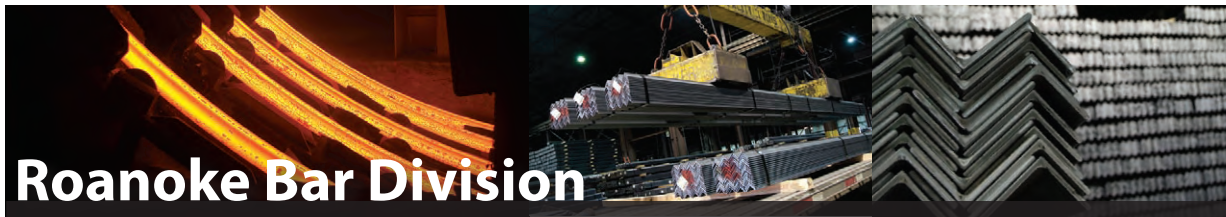
In addition to serving a variety of major industrial manufacturers, the division supplies steel bars to forgers, seamless-tube makers, cold finishers, distributors, and service centers. Semi-finished billets accounted for about 10 percent of the division's shipments in 2007. A new bar-finishing facility built at Pittsboro in 2006 became fully

operational in 2007 and then was expanded to support higher processing volume.

Because of the division's success in the marketplace, a significant mill-expansion project is now under way. This \$35 million project is planned for completion early in 2009. It will increase the mill's capacity to 750,000 tons per year, improve product quality, and extend the range of bar diameters the mill markets.



The Engineered Bar Products Division produces a wide range of diameters of round steel bars. Here, bundles of two sizes of bright round bars are banded and ready for shipment.



Roanoke Bar Division

In 2007, its first full year as a part of Steel Dynamics, the Roanoke Bar Division achieved record revenues and operating income, better than any year since the mill began producing steel in 1955. Steel shipments were strong, totaling 595,000 tons, of which 450,000 tons were merchant-bar shipments and 145,000 tons were billets. The division's main products are merchant bars—small angles, channels, flats, and rounds, used in a variety of end-product applications. Recently the division began producing reinforcing bars.

The Roanoke Bar Division is the principal operating unit of the Roanoke Electric Steel Corporation that Steel Dynamics acquired in April 2006. Located in Roanoke, Virginia, the mill has the distinction of being one of the nation's first mini-mills and was the first to utilize continuous-casting technology. Although its small original furnace is a distant memory, the company and its employees have demonstrated an unceasing proficiency with and mastery of this technology.

Joe Crawford, vice president and general manager, says, "We are all proud of the results of the Roanoke Bar Division, but are especially proud of the dedication and hard work of our employees, whose efforts make these results possible. And the exciting part is that everyone continues striving to be and do better."

Demand and pricing for Roanoke's merchant-bar products remained very strong throughout 2007, but that is not the whole story of the year's success. A significant factor is the transition that occurred after SDI acquired the business. The mill's employees adopted a new, highly incentive-based compensation program like the programs in place at SDI's Indiana mills.

Under this program, base pay is lower, but bonuses based on tons produced can amount to 100 percent or more of base pay, resulting in higher compensation than in the past. Production employees are motivated to maintain equipment, fix breakdowns quickly, and work together with their counterparts in other parts of the mill to keep production flowing. Record results for 2007 were realized before any large capital investments had been made to improve the mill's operations. Roanoke's employees clearly demonstrate that mill improvements, such as those currently being made to improve scrap handling and to replace the mill's baghouse, will prove to be sound investments.



*Joe Crawford
Vice President and
General Manager,
Roanoke Bar Division*



At the Roanoke Bar Division, a large "clam-shell" scrap bucket moves away from the electric-arc furnace after discharging a 55-ton payload of recycled steel.



*Tim Duke
Vice President of
Steel Dynamics, Inc.
President, Steel
of West Virginia, Inc.*

Steel of West Virginia (SWVA), a wholly owned subsidiary of Steel Dynamics, shipped 284,000 tons of light structural-steel shapes, special-section shapes, and billets in 2007. Higher average selling prices per ton, coupled with record output on its No. 1 mill, helped the company to achieve the highest operating income in its history.

These results were achieved despite a cyclical downturn in 2007 in the company's core truck-trailer market. Because demand was weak for the trailer cross-members that SWVA produces, the business rebalanced its product mix to reintroduce products that it had produced in the past, but had not emphasized recently.

In 2007, SWVA increased the volume of steel it shipped to the manufactured-housing and recreational-vehicle industries, achieving record tonnage for that market for the year. The company provides light structural-steel beams that serve as the main supporting members in these products. Other core products remained strong in 2007, such as guardrail posts and special sections that are used in the manufacture of industrial forklifts and off-highway equipment.

Steel of West Virginia is located in Huntington, West Virginia, and also operates a satellite fabricating facility, Marshall Steel, Inc., at Memphis, Tennessee. Steel Dynamics

acquired Steel of West Virginia in 2006 as a part of the purchase of the Roanoke Electric Steel Corporation. 2007 was the first full year of SWVA's operation under the ownership of Steel Dynamics.

During 2007, capital improvements at SWVA included a new robotic welding line for positioning and welding in place the end plates of truck-trailer beams. Automating the assembly and welding operations resulted in improved throughput and lower fabricating costs. Additional capital spending of approximately \$24 million is planned in 2008 to improve productivity and to effect cost savings, including upgrading equipment in the rolling mills and the melt shop of the Huntington mill.



Steel of West Virginia produces standard beams and structural shapes, as well as a wide variety of specialty shapes.



For New Millennium Building Systems, 2007 was a transition year as the company continued to integrate the three building-products plants acquired as a part of SDI's 2006 acquisition of Roanoke Electric Steel Corporation. Upgrading of the acquired plants was substantially completed in 2007, with approximately \$75 million spent.

The three acquired joist-production facilities that now operate under the New Millennium name include the former John W. Hancock, Jr., operation in Salem, Virginia, and Socar plants in Continental, Ohio, and Florence, South Carolina. The Salem plant now also produces steel decking.

Shipments of joists and decking in 2007 reached 277,000 tons, record tonnage for SDI's fabricating business, as a result of strong shipping volume by the initial New Millennium plants and the additional shipments of the three acquired plants. The original plant at Butler, Indiana, started up in 2000, and the Lake City, Florida, plant began production in 2005. These plants have achieved high productivity because of the skills, initiative, and teamwork of their workforces, as well as plant layouts and specialized equipment designed for very efficient steel fabrication.

Ongoing construction activity at the three acquired plants reduced their utilization and output in 2007. The reconfiguration of the plants is intended to bring about improved efficiency of operations and to result in higher production capacity. As a result of these investments, the plants' dedicated and hardworking employees will now be able to employ more efficient, up-to-date technology in fabricating joists.

In addition, experienced New Millennium managers are implementing new incentive and team-building programs that have proven successful in the other New Millennium plants. Leading this effort are Art Ullom at Salem, Tim Eppler at Florence, and Ariail Smith at Continental.

New Millennium produces building products that are used in the construction of non-residential and institutional buildings, such as shopping centers, stores, restaurants, warehouses, factories, schools, churches, and government buildings. Each project is custom-engineered and fabricated to meet the requirements of a specific building. A substantial portion of the steel used by these plants is provided by the Flat Roll Division and the Roanoke Bar Division.



*Bert Hollman
Vice President of
Steel Dynamics, Inc.
President,
New Millennium
Building Systems*



Fabricating lines have been updated at three of New Millennium's joist-fabrication plants, including this plant at Continental, Ohio.



MARK MILLETT
*Executive Vice President
Steel Dynamics, Inc.
President and COO,
Flat Rolled Steel
and Ferrous Resources*



FLAT-ROLLED STEEL AND FERROUS RESOURCES

The acquisition of The Techs, the start-up of a new paint line, and the introduction of Galvalume® steel — these and other developments in 2007 positioned SDI for further growth in flat-rolled steels. Meanwhile, we're taking bold steps to strengthen our self-sufficiency in ferrous resources.

The electric-arc furnace production of steel sheet requires a scrap mix that is rich in high-grade, low-residual steel scrap and pig iron. Typically, 50 to 60 percent of our steelmaking cost is attributable to ferrous raw materials — recycled steel and scrap substitutes. With global steel demand rising, the demand for and prices of ferrous resources have increased significantly. To facilitate growth and to maintain the levels of profitability that we have historically achieved in the steel business, we recognize the increasing importance of assuring a secure, cost-effective supply of ferrous resources.

While our Iron Dynamics scrap-substitute operation already provides a portion of the pig iron needed by our Flat Roll Division, the planned Mesabi Nugget plant in Minnesota is expected to provide enough pig iron to meet all of our current mill requirements at a projected lower delivered cost compared with imported pig iron. To gain further self-sufficiency and cost control, we expanded the scope of our iron-making plans to include the purchase of more than 6,000 acres of iron-rich land in Minnesota. These resources are expected to satisfy our iron requirements well into the future.



The strategic actions we took in 2007 set the stage for SDI's expanded presence in the U.S. flat-rolled steel market. The Techs facilities double our capacity to serve the hot-dip galvanized-steel market. SDI also gains new OEM customers with which The Techs has established longstanding, loyal, and productive relationships.

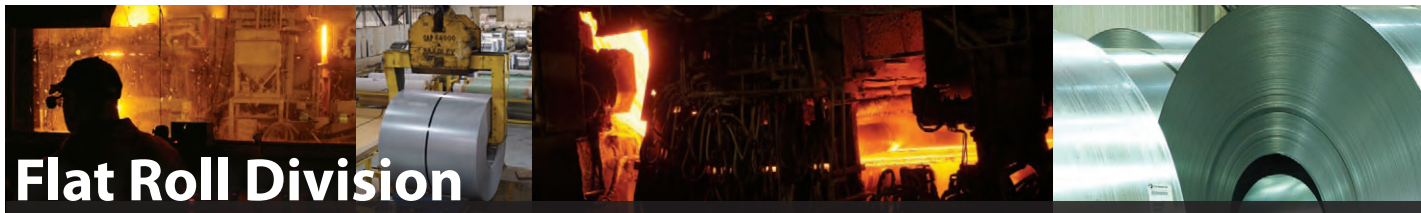
New capabilities were added in 2007 at our existing Jeffersonville, Indiana, galvanizing facility. There, we are now producing corrosion-resistant Galvalume steel and have commissioned the company's second paint line. This paint line coats thin-gauge galvanized steel and further diversifies our offerings of valued-added, finished steels.

Due to the growing requirements of our finishing operations, as well as other opportunities in the flat-roll-steel market, SDI continues to examine the possibility of increasing our basic flat-roll steelmaking capabilities.

When SDI's new management structure took effect last April, my responsibilities changed. The move to the corporate office from the general-management position I had held since 1998 at the Flat Roll Division provides me, and our management team, the opportunity to take a more strategic view of the company's future.

It is a very exciting time to serve in this expanded role, developing and executing plans for the company's continued growth in flat-rolled steels, integrating The Techs into the SDI family, and, with Mesabi Nugget, entering into a new arena for the company — mining and iron production. It is a pleasure to be working with our partners in these projects, and with our many talented and committed employees, including 225 new SDI employees joining us from The Techs operations.

Mark L. Loefer



Flat Roll Division



*Glenn Pushis
Vice President and
General Manager,
Flat Roll Division*

The Flat Roll Division produced 2.6 million tons of hot-rolled steel in 2007 at its modern, efficient mini-mill at Butler, Indiana. The mill's melting, casting, and rolling operations continue to be highly productive, producing hot bands at an average labor rate of 0.30 man-hours per ton. Butler's steelmaking and finishing operations performed very well in 2007, maintaining their place as one of the nation's lowest-cost, most-productive flat-roll mini-mills.

Despite the mill's continued strong operations, the division fell short of its potential last year due to lower domestic demand for flat-rolled steel. Apparent demand for flat-rolled steel declined in 2007 because of increased distributor and user inventories and lower end-product production amid weak automotive and housing markets. Lower shipping volume, weaker steel selling prices, and higher ferrous-scrap costs resulted in lower operating income for the year.

Flat Roll Division shipments for 2007 were 2.5 million tons, about 2 percent lower than 2006 shipments. Approximately 50 percent of the steel that the Butler mill shipped was hot-rolled coils, a slightly higher percentage than in 2006. The division adjusts the mix of hot band versus finished products based on market conditions and on the relative

profitability of products. The company's flat-roll-finishing capabilities include pickling, cold rolling, galvanizing, tempering, annealing, acrylic coating, and painting.

According to Glenn Pushis, who was appointed vice president and general manager in April 2007, the division was not able to take advantage last year of the increased production capacity resulting from caster upgrades that were made in 2006. Provided that steel demand and orders support higher mill utilization, production of 2.8 million tons is feasible in 2008. The mill's ongoing process and equipment improvements are expected to lead to a further increase in annual production capacity to about 3 million tons in 2009.



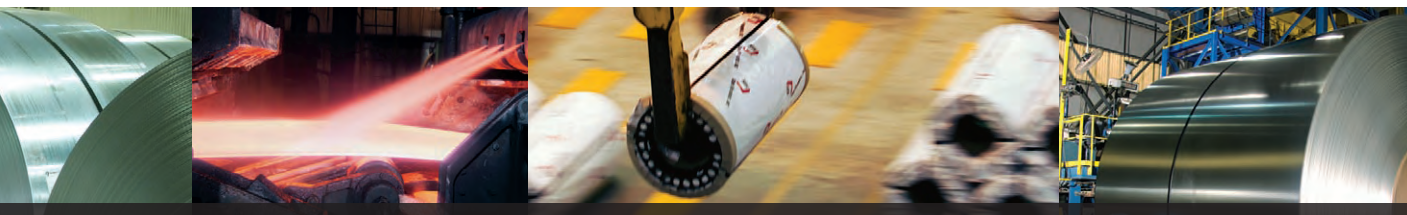
Modifications made to the Butler mill's caster in late 2006 permit the mill to produce thicker slabs at a faster rate.



After a hot slab is rolled in Butler's hot-rolling mill, the red-hot sheet steel down-coils at high speed onto a mandrel.

JEFFERSONVILLE FINISHING OPERATIONS

In 2007, a \$50 million expansion project was completed at the division's satellite flat-roll-finishing facility at Jeffersonville, Indiana. New equipment was installed, and production of corrosion-resistant Galvalume® steel and acrylic-coated galvanized steel began. These new products allow SDI to enter new segments of the flat-rolled-steel



marketplace, including the supply of “rust-proof” thin-gauge steel for use in roofing and siding panels of steel buildings.

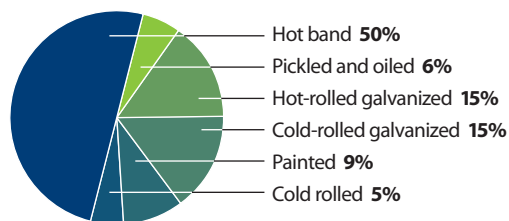
Most of the Jeffersonville investment centered around the construction of the company’s second paint line, designed to coat the lighter-gauge galvanized steel processed at Jeffersonville. This line has an estimated annual capacity to paint 190,000 tons of light-gauge sheet steel. It started up in the first quarter of 2008.



SDI's second paint line started up at Jeffersonville, Indiana, early in 2008. The Jeffersonville plant coats thin-gauge flat-rolled steel that is produced at Butler.

FLAT ROLL DIVISION PRODUCT MIX, 2007

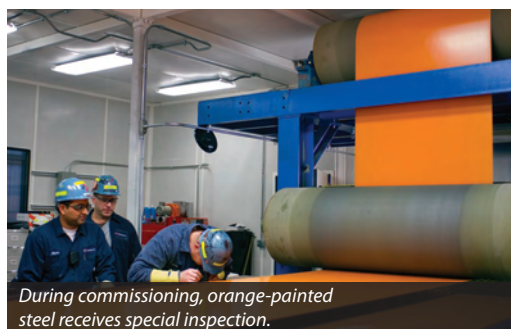
(tons shipped)



Note: Pie chart does not include galvanized steel shipments by The Techs.



The paint line is housed in a new structure beside the galvanizing plant.



During commissioning, orange-painted steel receives special inspection.



The Techs

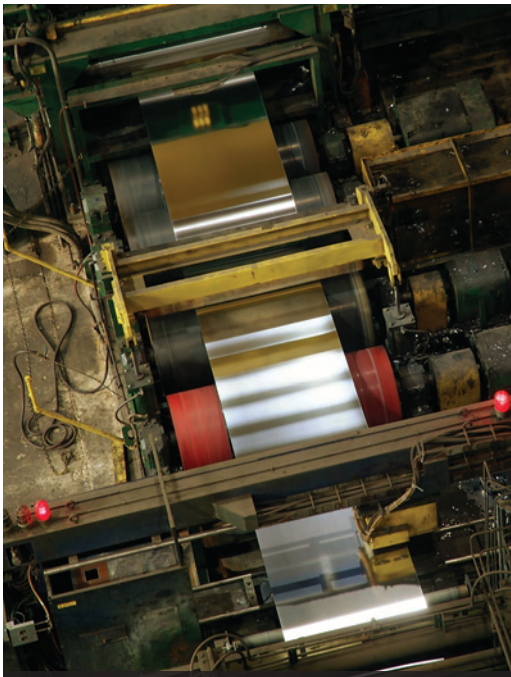


James Anderson,
General Manager,
The Techs

The 2007 acquisition of The Techs doubled SDI's annual galvanizing capacity to about 2 million tons and enhanced SDI's market position in hot-dip-galvanized steel sheet. SDI bought the privately held Pittsburgh firm for \$373 million on July 2, 2007. During the second half of 2007, The Techs shipped 455,000 tons of steel, contributing to SDI's Steel Operations segment.

The Techs comprises three highly productive galvanizing plants in Pittsburgh, Pennsylvania. Known as GalvTech, MetalTech, and NexTech, each specializes in hot-dip galvanizing of specific types of flat-rolled steels, including a greater range of widths and thicknesses than SDI's other galvanizing lines are capable of. The Techs focuses to a greater extent on OEM business than the rest of the Flat Roll Division, which historically has conducted business principally through steel service centers.

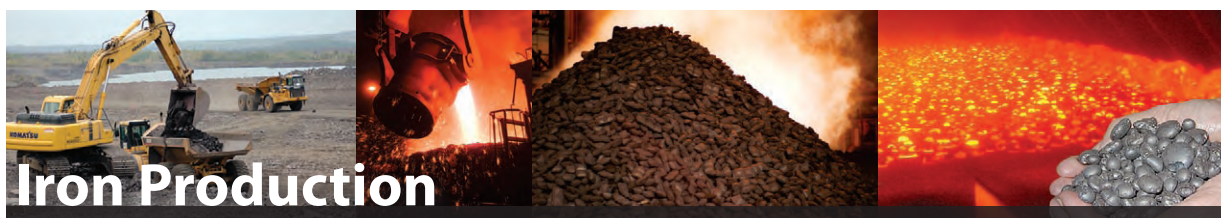
Jim Anderson, formerly a managing partner, is now general manager of The Techs. Founded in 1984 by a group of steel-industry veterans, The Techs grew successfully and established a strong reputation in the industry for the quality of its products and its customer-focused, responsive service.



A shining ribbon of galvanized steel threads through rolls at GalvTech, one of three of The Techs' plants in Pittsburgh.

The Techs does not produce steel, but rather buys it from a variety of steel mills. Thus, the character of The Techs' business is different from SDI's other galvanizing operations, which coat steel produced by SDI. The Techs' profit margins, resulting only from the coating of purchased steel, are lower than those of the Flat Roll Division, whose profits are made in each step of the steelmaking process.

Commenting on the purchase, Mark Millett says, "Upon learning The Techs might be available for sale, Steel Dynamics was immediately interested. The Techs has a culture much like that of SDI. Management and employees of The Techs have done a fine job building an outstanding company with an excellent reputation for quality and service, resulting in a very loyal customer base."



Iron Production

Steel Dynamics has long maintained an interest in developing reliable, lower-cost sources of the high-quality iron units needed in the mini-mill production of flat-rolled and other high-grade steels. In 1998, SDI built Iron Dynamics at Butler, Indiana, employing new technologies for direct reduction of iron.

Refining the operation of Iron Dynamics was a long and arduous pioneering effort, but one that is now delivering on its promise. In 2007, Iron Dynamics supplied 247,000 tons of iron units for steelmaking at the Flat Roll Division's melt shop, offsetting a significant part of the mill's requirements for imported pig iron. The technical and operating teams at Iron Dynamics persevered, and their efforts have driven our recent success.

Building on the experience gained with Iron Dynamics, Steel Dynamics over the past several years partnered with others in efforts to produce iron even more cost-effectively. At a pilot plant on the Mesabi Iron Range in northern Minnesota, the ITmk3® process pioneered by Kobe Steel, Ltd., proved successful in 2004. The resulting small iron granules that have come to be known as "Mesabi nuggets" are 96 to 98 percent pure iron. Positive experience with the pilot plant's product led SDI to pursue full-scale production of iron nuggets.

In March of 2007, SDI announced plans to partner with Kobe Steel to commercialize this process. In November, Kobe and Steel Dynamics signed an agreement to build a \$235 million Mesabi Nugget plant at Hoyt Lakes, Minnesota. SDI holds an 81-percent equity interest and will be responsible for construction and operation of the facility. Expected to be capable of producing 500,000 metric tons of nuggets per year, this plant is under construction and is expected to begin operation by the summer of 2009.

In early December 2007, SDI announced its purchase of more than 6,000 acres of iron-rich land on the Mesabi Iron Range. Steel Dynamics plans to surface-mine iron ore from this land, concentrate the ore, and supply iron concentrate as feedstock to the nugget plant. The total cost of land purchase, construction of a concentrating facility, and mining operations is estimated to be about \$165 million.

ITmk3® is a registered trademark of Kobe Steel, Ltd.



*David Bednarz
Plant Manager,
Iron Dynamics*



*Steve Rutherford
Operations Manager,
Mesabi Nugget*



Construction of the Mesabi Nugget iron plant at Hoyt Lakes, Minnesota, proceeded through the winter. The diameter of the large rotary-hearth furnace is 225 feet.

Photo by Aero-environmental Consulting.



DANNY RIFKIN
*Executive Vice President,
Metals Recycling,
Steel Dynamics, Inc.
President and COO,
OmniSource Corporation*



METALS RECYCLING

OmniSource, one of the nation's largest recyclers of scrap metals, provides SDI's steel mills with an ongoing supply of ferrous scrap to help sustain the company's continued growth in steelmaking. The combination of the two companies also allows SDI to participate in the important metals-recycling industry.

When it was announced in October that SDI would buy OmniSource Corporation, it caught many by surprise. Although we in the Rifkin family had participated in the founding of Steel Dynamics, remained investors, and OmniSource for a number of years had acted as SDI's exclusive scrap-procurement agent, in recent years the growth of both companies took us in different directions.

OmniSource continued to supply ferrous scrap to SDI, but not on an exclusive basis, while SDI added a number of other scrap suppliers to serve its operations. OmniSource continued to expand, and significantly increased its overall volumes of ferrous and non-ferrous scrap metal. Meanwhile, SDI acquired new steel operations and expanded existing mills, which increased its need for a dependable supply of recycled steel.

A variety of factors led OmniSource and SDI to enter into serious discussions. SDI recognized that access to ferrous resources would become critical for growth in steel and began to consider entry into the scrap business. At the same time,



the consolidation of the steel, aluminum, copper, and mining industries, combined with the increased global demand for recycled metals, had produced a rapidly changing global environment in the metals sector. Both companies had become leaders in their respective industries, maintaining strong values and the highest regard for employees. Furthermore, real synergies between scrap and steel offered great potential to add value. These discussions led to the October announcement of the sale of OmniSource Corporation to Steel Dynamics.

Prior to the acquisition of OmniSource, Steel Dynamics had operated four of its own scrap facilities: two near Roanoke, Virginia, and two in eastern Tennessee that were acquired in April 2007. These operations will be integrated into OmniSource, as will the new shredding facility that SDI had begun constructing in Indianapolis.

As a private company before joining Steel Dynamics, OmniSource generated revenues totaling \$2.2 billion in the fiscal year ended September 2007. Total ferrous shipments were nearly 5 million gross tons, while shipments of non-ferrous metals exceeded 850 million pounds. In fiscal 2007, approximately 60 percent of OmniSource revenues were generated from ferrous activities and 40 percent from non-ferrous metals. Nearly all of the ferrous scrap was shipped domestically, although an increasing percentage of non-ferrous metals was shipped to international consumers, primarily to China.

In connection with the closing of our transaction with Steel Dynamics, the Rifkin family awarded shares of Steel Dynamics stock to our long-term non-union employees. Thus, SDI gained about 1,500 additional shareholders who now have a personal stake in SDI's success, just like their counterparts in the Steel Dynamics mills and offices. This aligns employees' interests toward the same objectives, fostering an environment where people work closely together to drive continued growth and success.



OmniSource Corporation

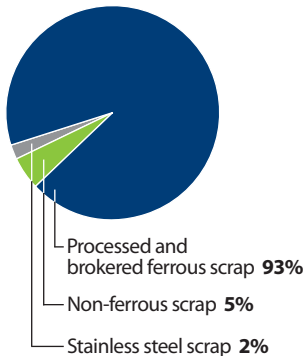
Steel Dynamics acquired OmniSource Corporation, one of North America's leading scrap-metal-recycling companies, on October 26, 2007, for approximately \$1.1 billion in cash and stock, including the assumption of debt. OmniSource is now a wholly owned subsidiary of Steel Dynamics and has become the primary operating unit in SDI's Steel Scrap and Scrap Substitutes business segment.

OmniSource now employs more than 2,200 people at 47 facilities throughout the eastern United States and Ontario. Facilities include scrap-collection yards, processing operations, and brokerage offices. Brokerage and trading activities focus on ferrous scrap and non-ferrous metals, and in recent years, have become international in scope. The company pioneered the concept of scrap management and provides consulting, management, and marketing services for a variety of industrial companies, serving more than 500 locations in North America. To support these activities, OmniSource operates an extensive transportation and logistics network that employs commercial and company equipment to ship commodities. The company uses private railcars, trucks, and thousands of its own containers and trailers for the collection and delivery of scrap metal.

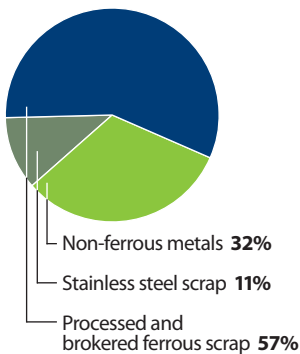
Founded 65 years ago by the Rifkin family, OmniSource has experienced consistent, profitable growth built on an employee-oriented culture. Over the past two decades in particular, OmniSource has accelerated its growth based on a balanced strategy that incorporated the application of new technologies, expansion of industrial scrap management, and most significantly, a series of acquisitions within the scrap industry. This strategy expanded the company's processing capacity and extended its geographic footprint into the southern United States. As part of its long-term expansion plan, the company has also established valuable joint ventures and investments in other scrap companies.

The integration of OmniSource with Steel Dynamics will carry through 2008, beginning with OmniSource absorbing the scrap facilities previously operated by Steel Dynamics. OmniSource, which had been the largest single supplier to SDI mills, will supply an increasing percentage of ferrous scrap to SDI mills, but expects to maintain ongoing supply relationships with other long-time customers.

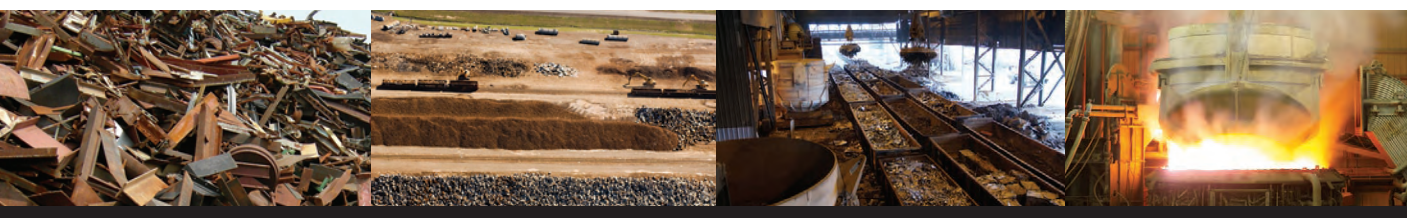
OMNISOURCE SHIPMENTS MIX (tons)



OMNISOURCE REVENUES MIX (dollars)



OmniSource Corporation data for calendar year ended December 31, 2007.



Steel Dynamics locations including OmniSource Corporation

