

2003 ANNUAL REPORT



FINANCIAL HIGHLIGHTS

	1999	2000	2001	2002	2003
Net sales (in millions)	\$ 619	\$ 693	\$ 607	\$ 864	\$ 987
Income from operations (in millions)	89	105	26	158	97
Net income (in millions)	39	54	3	78	47
Diluted earnings per share	0.82	1.15	0.07	1.64	0.98
Operating profit per ton	58	65	23	74	37

SHARE INFORMATION

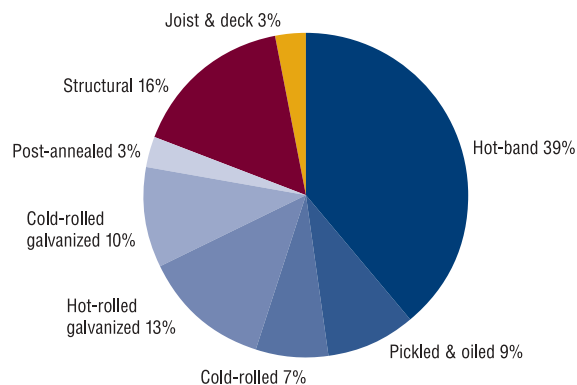
NASDAQ symbol: STLD
In S&P SmallCap 600 Index

	Dec. 31, 2002	Dec. 31, 2003
Shares outstanding (in thousands)	47,581	48,645
Closing share price	\$ 12.03	\$ 23.00
Market capitalization (in millions)	\$ 572	\$ 1,119

STOCK PRICES

2003	HIGH	LOW
First Quarter	\$ 13.40	\$ 9.75
Second Quarter	14.57	11.10
Third Quarter	16.45	13.33
Fourth Quarter	24.13	15.20
2002	HIGH	LOW
First Quarter	\$ 16.89	\$ 11.40
Second Quarter	19.30	15.25
Third Quarter	18.40	10.61
Fourth Quarter	14.69	11.80

2003 PRODUCT MIX by tonnage shipped



ON THE COVER

Bar Products Division, Pittsboro, Indiana. *Top, left to right:* Charging 55 tons of steel scrap for melting in the mill's 100-ton electric-arc furnace; torch-cutting a 10- by 14-inch bloom to length after casting. *Bottom, left to right:* Roughing a bloom into shape for finish rolling as a "round"; sawing multiple round bars to length with an abrasive cut-off saw; and the ends of 4-inch, finished round bars after sawing.

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 2003 Form 10-K is included in this Annual Report.

Available information

Our Annual Report on Form 10-K and its accompanying exhibits, as well as other SEC filings, can be accessed at the SEC's EDGAR database at www.sec.gov or on the Steel Dynamics Web site, www.steeldynamics.com, in the "Investor Information" section.

A MESSAGE TO OUR SHAREHOLDERS

APRIL 5, 2004



Keith Busse
President & CEO



Tracy Shellabarger
Vice President & CFO

In 2003, Steel Dynamics solidified its position as one of America's most successful steel producers. Our sales increased by 14 percent to \$987 million on record steel shipments that exceeded 2.8 million tons. This 18 percent increase in shipping volume was made possible by the continued strong performance of our flat-roll business and the successful marketing of products from our new structural-steel operations

despite softness in the non-residential construction market.

Unprecedented sharp increases in the cost of scrap and other raw materials in the second half of 2003 reduced the year's operating margins and continue to present the single biggest challenge to the steelmaking industry. Nevertheless, our \$47 million in net income for the year was the company's third best annual earnings performance. Our steel operations continued to outperform the industry by a variety of measures.

Equally significant in 2003 was the fact that we brought to fruition several growth initiatives that we are confident will lead to future increased revenues and earnings. We initiated the manufacture of new products and expanded offerings within our existing product base. We also began production at several new facilities, some of which have already achieved profitability, with others expected to do so in 2004.

The following are highlights of our 2003 business developments. Later in this report, our managers describe these developments in more detail and explain how SDI has already begun to capitalize on new projects.

- In late 2002, we purchased the assets of the former Qualitech Steel facility in Pittsboro, Indiana, which formed our third steel-manufacturing division, the Bar Products Division. After the environmental permit was obtained at the beginning of September 2003, modification of the mill began and, by the end of the year, the new division had produced and shipped its first steel products. We expect that steel shipments will ramp up quickly as the mill expansion proceeds in the first half of 2004. We further expect that the division will become profitable in the second half of this year.
- SDI's Structural and Rail mill at Columbia City, Indiana, started production of wide-flange beams in July of 2002. Since then, the division has steadily increased its shipping volume as shipments grew from 46,000 tons in the fourth quarter of 2002 to 174,000 tons in the fourth quarter of 2003, and totaled 462,000 tons for the year. Importantly, the division turned profitable in November, at a production rate of only 67 percent of capacity. We anticipate that its sales volume and profit margins should continue to expand, providing a healthy addition to 2004 corporate profitability.
- In March of 2003, Steel Dynamics increased its ownership of New Millennium Building Systems to 100 percent. This four-year-old operation is a low-cost producer of joists and decking used in the construction of non-residential buildings. As the economy rebounds and non-residential construction activity accelerates, we believe the business offers promise for substantial profit growth and expansion.
- Also in March, we acquired an idled galvanizing facility formerly known as GalvPro, thus expanding our capacity to manufacture cold-rolled galvanized steel. Production began in July at the Jeffersonville, Indiana plant, which is a satellite operation of our Flat Roll Division. It has already achieved profitability.

- In October, we completed construction of a technologically advanced coil-coating line at the Flat Roll Division's cold mill in Butler, Indiana. This production facility adds a new, high-margin product to our flat-roll steel offerings. We can now meet customer needs for high-quality painted steel in a shorter time frame than was previously possible from other suppliers. This new facility will strengthen the Flat Roll Division's ability to maintain its high level of earnings.
- In late November, our Iron Dynamics operation restarted successfully and began production of hot-briquetted iron (HBI) for use as a substitute for more expensive pig iron and steel scrap used in the steelmaking process. In the spring of 2004, we expect Iron Dynamics to restart smelting of solid HBI to produce liquid pig iron, which displaces more expensive purchased pig iron. In 2004, we are confident that Iron Dynamics will be a significant source of iron and will reduce our raw-materials costs in flat-roll steel production.

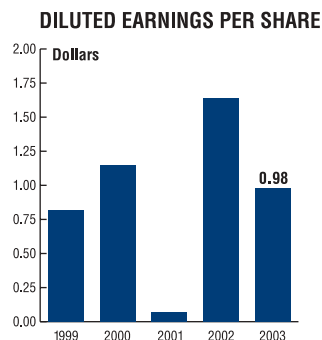
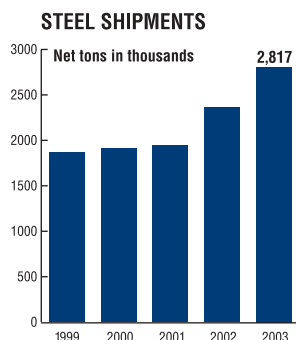
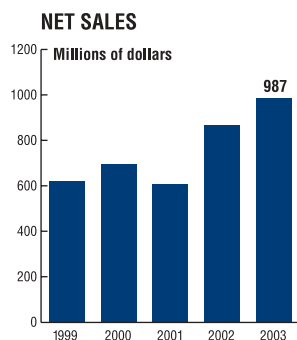
Since 1997, Iron Dynamics has been part of Steel Dynamics' strategy to develop alternative sources of iron. Our objective is not only to provide a more stable supply of the iron units we require for steel production, but to do so at a more consistent and lower cost than that of the metallics being displaced.

- In 2003, Steel Dynamics continued its participation in the development of another scrap-substitute effort, the Mesabi

Nugget Project in Minnesota. We hold a minority interest in this pilot project, which uses a proprietary process owned by Kobe Steel. During the year, the pilot plant consistently produced iron nuggets of high metallic content and purity which were used successfully by SDI in steelmaking trials at Butler. Project results suggest that iron nuggets could be produced in commercial quantities at a cost that would make them attractive as a less expensive substitute for other iron resources in the mini-mill steel-production process.

We believe the rapidly increasing costs of steel scrap and other ferrous resources in the second half of 2003 and early 2004 make our quest for lower-cost steel-scrap substitutes even more compelling.

As we completed major investments in several productive assets in 2003, we also invested substantially in human resources, enhancing management depth and increasing employment from 869 at the end of 2002 to nearly 1,400 at the end of 2003. Our employment growth resulted from the completion of the acquisition of New Millennium Building Systems and its 175 employees, as well as 350 new positions related to the start-up of several new operations, including Pittsboro, Jeffersonville, and the paint line at Butler; the restart of Iron Dynamics; and the expansion of the Columbia City workforce to support its volume growth. Expanding our operations also offered many of our employees the opportunity to assume positions of greater responsibility.



Our practice of hiring operating teams while projects are being built and equipment is being installed continues to pay off in smoother, quicker operational start-ups. The combination of very committed, hard-working employees and the company's team-oriented structure, coupled with unique employee incentive programs, makes our workforce the most productive in the U.S. steel industry. We are extremely proud of our capable, dedicated, and innovative employees.

The completion and start-up of these facilities at a time of improving steel-market demand puts us in an ideal position to capitalize on these investments. Assuming the continuation of existing operating margins and increased shipments brought about by the addition of these productive facilities, we anticipate that we will be generating strong operating cash flow throughout 2004. Cash flow from operations has provided nearly 90 percent of the funding for our capital investments during the past five years. In 2003, we reduced our senior secured debt to \$111 million and increased our borrowings from the public markets by \$115 million, thus extending our debt maturities. Our \$75 million revolving line of credit remained undrawn at the close of 2003.

Our financial structure—combined with the continued development of our management, technical, and operating talent—provides us with a great deal of flexibility in planning for the future. Our goal has not changed since the company was founded 10 years ago: grow to become America's most productive and most profitable steel producer.

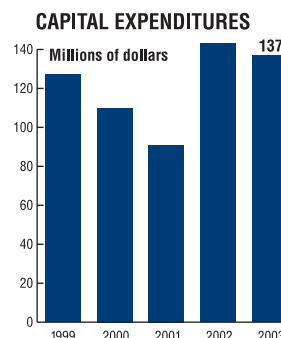
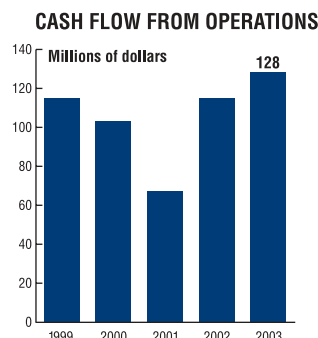
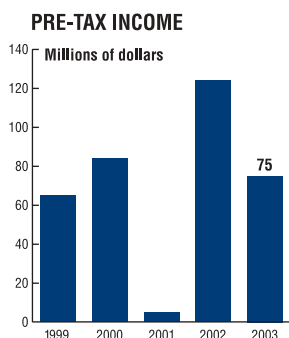
We expect Steel Dynamics to continue to grow and flourish in the years ahead. We are constantly evaluating opportunities to enhance shareholder value through additional organic growth, acquisitions, joint ventures, or other means. We also remain focused on opportunities that logically extend our steelmaking expertise, fit our operating culture, and promise outstanding returns. In the ongoing consolidation of the American steel industry, we see continued opportunities for Steel Dynamics to expand its role, both in steel manufacturing and in steel-related enterprises.



Keith E. Busse
President & Chief Executive Officer



Tracy L. Shellabarger
Vice President & Chief Financial Officer



NOLAN: SDI ADDRESSES STEEL MARKET CHALLENGES

Q: *As 2003 ended and 2004 began, unprecedented increases occurred in steel-scrap prices and steel-selling prices. What will be the impact of the surcharges and higher prices on the U.S. steel market?*



John Nolan
Vice President, Sales & Marketing

A: First of all, we were not happy that the surcharges became necessary. We believe raw-material pricing has been artificially distorted due to a variety of factors, and economics would suggest these costs will come back down. However, we do

believe that steel-scrap prices could remain at higher average levels than over the past 10 years or so. Under these circumstances, higher steel-selling prices will be a fact of life for some time, but on an inflation-adjusted basis, steel remains a great value. In the long run, we believe the continuing

consolidation of the U.S. steel industry is favorable for steel-price stability and should help to ensure dependable sources of supply for steel consumers.

Q: *What has been your approach in implementing SDI's product-diversification strategy?*

A: Before making the decision to enter a new steel product category, we educate ourselves not only about the product and its characteristics, but also about customers and product applications. If we see a good long-term opportunity, we start our commercial discussions while gearing up to manufacture and ship the product. We assemble people with the relevant market experience to join our team. This approach has paid off with our rapid success entering the wide-flange beam market, and we expect similar success in the bar market.

IRON PRODUCTION TO SOFTEN THE IMPACT OF HIGH SCRAP COSTS

With the restart of Iron Dynamics in 2003, Steel Dynamics is in an excellent position to benefit from internally produced, lower-cost iron resources for use in our steelmaking operations. Hot-briquetted iron (HBI), produced in Iron Dynamics' rotary-hearth furnace from low-cost iron fines and coal, is used in SDI's melt shop as a partial substitute for pig iron and various grades of steel scrap. Soon, Iron Dynamics will begin the process of liquefying HBI into liquid pig iron. These capabilities, as well as other related direct-iron-reduction technologies, show great promise in allowing SDI to gain better control of the cost and supply of ferrous resources consumed in our steel mills. ■



Hot-briquetted iron produced at Iron Dynamics is used in SDI's melt shop as a substitute for steel scrap and pig-iron ingots.

CONWELL: WORKPLACE SAFETY A TOP PRIORITY

Q: How does Steel Dynamics go about ensuring a safe work environment?



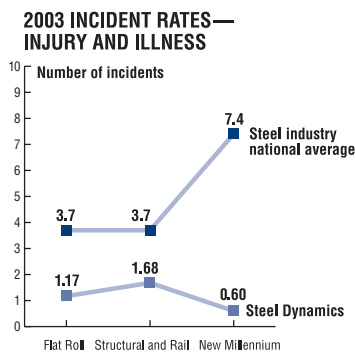
Jan Conwell
Corporate Health & Safety Manager

A: First, we design our facilities to minimize risk of injury, but the business of steelmaking presents many hazards: hot metal, compressed gases, high-current electricity, elevated structures, mechanical equipment, and so forth. However, a steel mill doesn't

have to be a dangerous place in which to work if the proper precautions are taken and people have the right mindset. We strongly emphasize training and constantly remind our employees of safe practices, inspiring awareness of hazards, careful attention to safety rules, and constant vigilance in daily work routines.

Q: What is Steel Dynamics' safety record?

A: SDI's accident statistics are far below national steel-industry averages. This applies to our steel mills as well as to New Millennium Building Systems, which also has an excellent record. Despite the fact that we operate most of our facilities



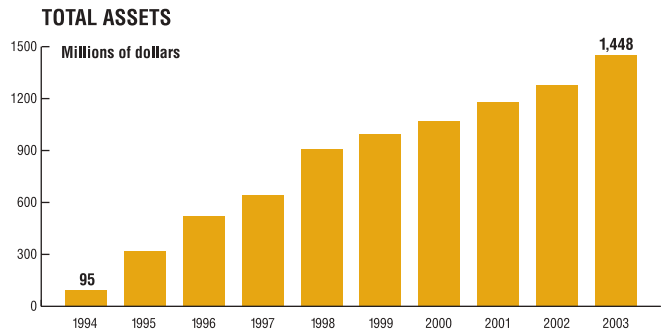
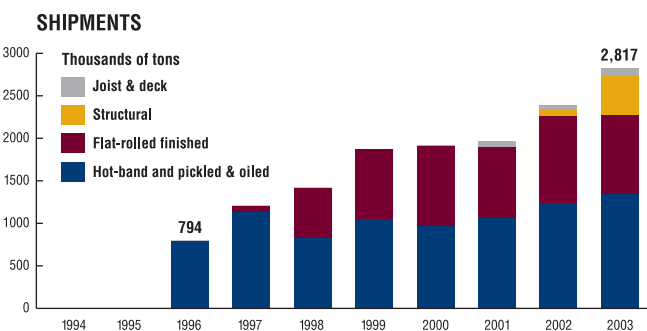
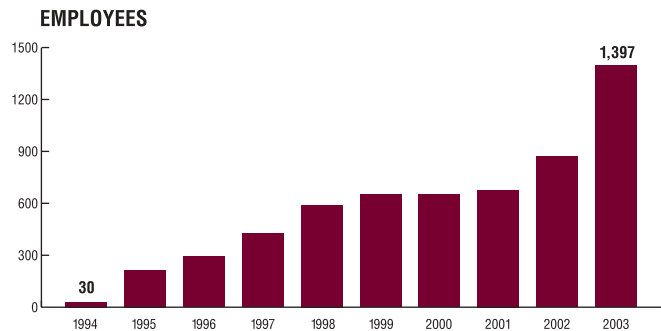
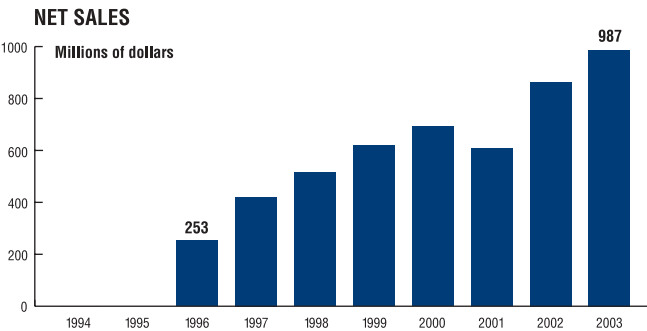
Source: OSHA

at high utilization rates, our employees have focused on safe practices. Equipment maintenance is emphasized to reduce costs and ensure high-quality production, but keeping the plant in good repair has the additional benefit of minimizing potential hazards.



Ronnie Ellis, a shipping crane operator at SDI's Jeffersonville galvanizing plant, uses a radio-controlled crane to load a finished coil of steel onto an outbound truck. Radio operation from the floor allows the operator to better view the crane and control its load, providing a greater margin of safety.

STEEL DYNAMICS' FIRST 10 YEARS: GROWING AND INVESTING



In 1993, Keith Busse, Mark Millett, and Dick Teets founded Steel Dynamics with the vision that it would grow to become one of America's most productive, cost-efficient steel manufacturers. Their expertise in mini-mill steelmaking, combined with a sound business plan, allowed the team to raise over \$385 million in private capital quickly to build the company's first mini-mill, the flat-roll mill at Butler, Indiana. In more than 100 years, no other American steel company had started up with independent financing and without the support of an existing company.

By 2003, Steel Dynamics had become one of the nation's top steel producers, with annual sales of nearly \$1 billion and shipments exceeding 2.8 million tons. The company's assets had grown to more than \$1.4 billion, including three modern, highly productive mini-mills and related steel-processing operations. With the start-up of the bar-products mill in 2003, the company has put into place capacity to produce more than 4 million tons of steel per year. ■

PROGRESS AND MILESTONES

1993 Steel Dynamics founded	1996 First commercial hot-band shipments	1997 Cold-finishing mill completed	2000 New Millennium joist plant starts up	2002 First wide-flange beam shipments	2003 Galvanizing plant acquired (GalvPro)
1994 Hot-mill construction begins	1996 Initial public offering	1999 Iron Dynamics starts up	2001 Structural and Rail mill construction begins	2002 Bar-mill assets acquired (Qualitech)	2003 Bar Products mill starts up

IN 2004, MORE THAN 4 MILLION TONS OF PRODUCTIVE CAPACITY



FLAT ROLL MILL **Butler, Indiana**

Products

Hot-rolled, pickled and oiled, cold-rolled, HR- and CR-galvanized, and painted carbon sheet-steel

Hot-band Capacity

2.2 million tons (2003 production: 2.4 million)

Employees*

590



STRUCTURAL AND RAIL MILL **Columbia City, Indiana**

Products

Wide-flange beams with web height ranging from 6 to 36 inches; pilings; standard and premium long-length rail

Rolling Capacity

Up to 1.3 million tons (depending on product mix)

Employees*

390



BAR PRODUCTS MILL **Pittsboro, Indiana**

Products

SBQ/MBQ in 1- to 9-inch diameters; merchant bar and light structural shapes; #3 to #18 rebar

Rolling Capacity

500,000–600,000 tons

Employees*

160

*Employees as of December 31, 2003

FLAT ROLL DIVISION

Q: Flat Roll Division results were once again outstanding in 2003. What role did your approach to continuous improvement play in that success?



Mark Millett
Vice President & General Manager

A: As the mill has matured, we've been working intently on process optimization. 2003 saw the result of that cumulative effort with record production. Our employees fine-tune our operation every day, and that has led to improvement in all sorts of areas. We give our employees a forum in which to show ingenuity. We listen to, and implement, their ideas. And the company and employees thrive. It's very satisfying when the team recognizes that as far as they've come, there's still far to go, and there's still "steam in the engine."

Q: You undertook two growth initiatives in 2003. How do they position your division for future growth?

A: The paint line and the Jeffersonville plant are extensions of our original vision. From the beginning, we planned to have a very diverse product mix. With the paint line, we gain the ability to focus on high-margin, value-added, surface-critical steel. Jeffersonville expands our geographic reach to markets in the South, particularly Texas, and adds further depth to our product offerings.

Q: You put considerable time, money, and effort into expanding your employee-education and development program. What was the thinking behind that?

A: Employees are taking advantage of our partnership with Indiana University–Purdue University Fort Wayne, which brings undergraduate and M.B.A. courses on-site, and our in-house educational program now offers an array of courses—from leadership and conflict resolution to troubleshooting and technical training—that enhance skills critical to our culture. The investment will more than pay for itself in continuity of leadership and ability to sustain company growth in the long run. Our operation has grown rapidly, creating advancement opportunities for our employees, but we must accelerate the development of emerging management talent.

Q: Your employees showed their community commitment to an impressive degree in 2003. Do you encourage such outreach?

A: Absolutely. It's not surprising that the positive spirit we look for when hiring our employees leads them to be very committed to the surrounding community. In addition to making substantial donations to United Way, they contributed immense personal effort to many causes, including a statewide bike tour raising money for charity, and the construction of a playground at Butler's South Side Park. We've seen a surge in the community's interest in supporting SDI, too, precisely because we've shown ourselves to be good neighbors.



Jeff Baumann
Jeffersonville Manager



Bob Bly
Hot Mill Manager



Tom Hartman
Controller



Ken Kinsey
Casting Manager



Craig Longardner
Transportation Manager



Ricky Rollins
Melting Manager



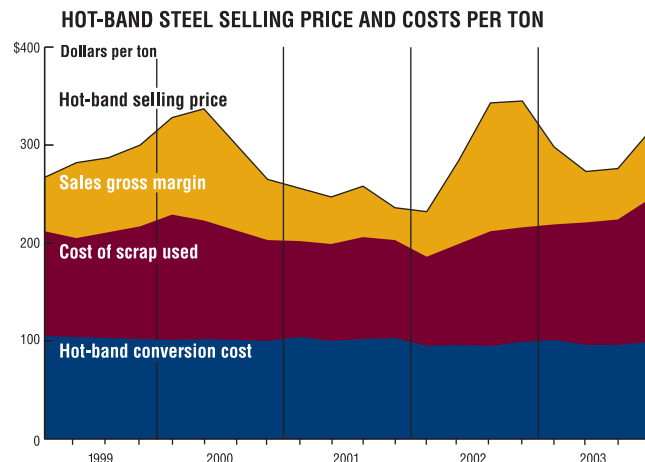
Barry Schneider
Cold Mill Manager

Our Flat Roll Division completed another record year, with production exceeding 2.4 million tons and shipments reaching 2.3 million tons for 2003. Hot-band productivity remained an exemplary 0.3 man-hours per ton. The 590 employees working at the Butler mill continue to demonstrate that they are among the best mini-mill steel producers in the world, achieving productivity and revenue milestones while maintaining a strong safety record. The flat-roll mill continues to show one of the lowest accident-incident rates in the industry.

Market conditions for the flat-roll steel business changed dramatically from the start of 2003 to the end of the year. On the heels of very strong demand and high steel prices in the second half of 2002, domestic steel demand softened in the first quarter of 2003, and selling prices began to fall. During this period of soft domestic demand, we exported steel in significant amounts for the first time. In the first half of 2003, we shipped approximately 150,000 tons of hot-rolled and cold-rolled sheet for export to China at sales prices that, at the time, exceeded domestic prices. We viewed this as a one-time sales opportunity.

While steel demand rebounded somewhat in the second half of the year, prices were slow to recover. As the year progressed, costs for steel scrap and pig iron escalated, due to increased domestic demand and higher scrap exports as a result of stronger demand from the Far East, including marked increases in steel-scrap exports to China.

Our flat-roll melt shop utilizes two twin-shell AC electric-arc furnaces, each producing 160 tons of steel per heat. Two



This graph shows five years of Steel Dynamics' quarterly per-ton manufacturing costs and selling prices for hot bands, a flat-roll industry benchmark. Our conversion costs—all costs of production other than metallic inputs—have been reduced to about \$100 per ton, while scrap costs vary and have increased over the past two years. The spread between selling prices and our direct costs is directly affected by selling-price trends, which are related to scrap-cost trends as well as steel-market demand factors.

duplicate compact-strip casting machines mold the molten steel into thin slabs for rolling. An advanced, seven-stand hot-strip mill produces flat-rolled steel of very uniform thickness and excellent surface quality. SDI's mill is known for its ability to produce thin-gauge hot-band steel with consistent gauge and shape control, allowing it to compete with cold-rolled steels in some applications. We achieved record hot-band production in 2003 thanks to the constant improvement and innovation resulting from employee input.

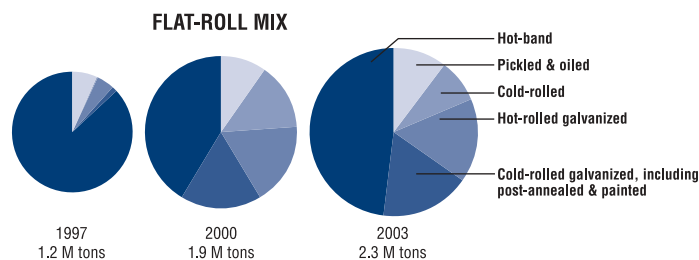
Since the 1997 completion of our cold-finishing mill—adjacent to our hot mill at Butler—we have sought to increase the proportion of value-added flat-roll steel in our product mix. In addition to hot-band, we offer pickled and



Bob Soden
Engineering Manager



Chris Stock
Sales Manager



oiled, cold-rolled, hot-rolled galvanized, cold-rolled galvanized, and, in the past two years, post-annealed, which is used primarily in the manufacture of raised-panel garage doors. In 2003, we made two additional investments that will allow us to produce more of the higher-margin, value-added steels.

One investment was the \$19 million purchase in March of a cold-rolled, hot-dip galvanizing plant in Jeffersonville, Indiana. This plant, restarted by SDI in July, coats cold-rolled steel transported by rail from our Butler finishing mill. It has the capability to galvanize thinner-gauge steel than our Butler galvanizing line, thus permitting SDI to serve new construction-related markets. We operate this facility with about half the

number of employees used by its previous owner, and we expect to recoup our investment in short order. The plant has a capacity estimated to be about 300,000 to 350,000 tons per year, and it offers accessibility to a port on the Ohio River, making available to us lower-cost river-barge transportation for shipping steel to southern markets.

The second investment to become operational in 2003 is a \$25 million, technologically advanced coil-coating line constructed as a part of our Butler finishing mill—currently the only steel plant in North America with an integrated paint line. This highly automated line allows us to paint cold-rolled or galvanized steel produced at Butler, in any of a wide variety



Top, left to right: Hot-rolling a steel slab to produce thin-gauge hot-rolled sheet steel in SDI's seven-stand hot mill; glowing flat-rolled steel is down-coiled onto a mandrel, from which it will be removed as a coil of steel—a hot band. Bottom, left to right: A view from the entry-end of Butler's new paint line, which is over 1,000 feet long; workers adjust the flow of paint to the rollers in the paint-application room; and various colors of painted coils, banded but not yet wrapped, await shipment.

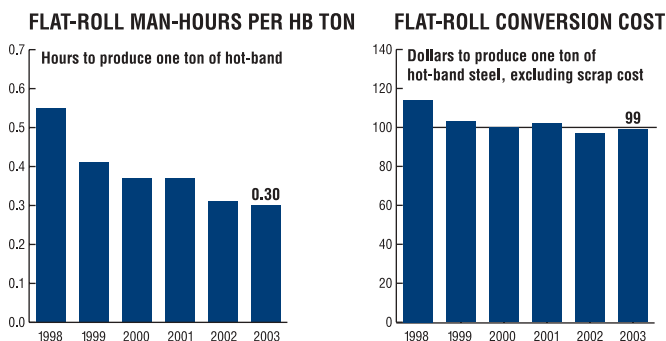
of coatings and colors applied to one or both surfaces of sheet steel.

This unique, high-quality product promises to meet the needs of numerous customers, including manufacturers of raised-panel steel garage doors, commercial lighting fixtures, office furniture, and appliances. Customers who previously sent SDI steel coils to outside processors for painting can now gain quality, service, timing, and logistical advantages from buying our painted steel.

After the new line started up in November, validation of paint-vendor warranties and customer evaluation began. In early 2004, we began production shipments to customers. The facility is capable of coating about 240,000 tons of steel per year. ■



Left: A cold-rolled steel coil, banded for shipment. Such coils can be sold as is or galvanized (on Butler's Galv Line 2 or at SDI's newly acquired Jeffersonville galvanizing facility). Right: The final inspection and coiling station at the Jeffersonville galv line illustrates the new plant's highly automated equipment, similar to that used at Butler.



The flat-roll mill's productivity improvement is shown by the declining amount of labor required to produce a ton of steel; cost control is illustrated by a conversion cost of less than \$100 per ton.

STRUCTURAL AND RAIL DIVISION

Q: What role will the structural-and-rail mill play in serving customer needs in the U.S. and Canada?



Dick Teets
Vice President & General Manager

A: We believe our Columbia City mill has started up at a good time to benefit from an improving market. After we announced our plans to build the mill in 1998, several structural-steel makers shut down, including the remaining midwestern producer and the last

in Canada. Today, we are one of only three major producers of wide-flange beams in the U.S. We are the only producer in the Midwest, serving both this region and central Canada. During periods of high construction activity in North America, we believe structural-product supply could be tight, even with the “extra” capacity we have added. Plus, we’ve devoted a part of our mill’s capacity to rail production. We’re very confident that the Columbia City mill will operate at a high utilization rate and can provide our shareholders a high return on investment.

Q: Offering wide-flange beams in a variety of weights, sizes, and lengths, as well as pilings and other structural shapes, must pose unusual production, storage, and shipping challenges. How do you manage that?

A: There’s no question that the wide variety of products (currently over 175 different cross-sections, each stocked in multiple lengths) makes managing production, inventory control, and shipping of beams a challenge. We recently reduced our rolling cycle to five weeks, which is shorter than other producers’ cycles. This is possible because our mill allows us to transition quickly from one product to another. As a result, we can carry less inventory, yet we have considerable flexibility to serve customers. We’re continually refining our systems to better access inventory, and we have expanded and illuminated our finished-product staging area so we can now load trucks and railcars around the clock. We’re shipping upwards of 100 truckloads a day and a dozen or more railcars.

Q: What is the status of SDI’s entry into the rail business?

A: We completed equipment installation for rail production in 2003. We ran our first rolling trials for standard rail in October and have since completed successful sequences through the rolling and straightening steps. Additional rail commissioning continues in 2004, including testing and refining of the head-hardening system that will allow us to produce premium rail. By mid-2004, we expect to ship standard rail for evaluation and testing by the railroads, with head-hardened product to follow.



Kevin Bort
Engineering
Services Manager



Chris Graham
Material &
Transportation Manager



Bill Kautz
Controller



Paul Kotsenas
Rail & Special
Products Manager



Kevin Perala
Melting & Casting
Manager



Roy Perala
Rolling & Finishing
Manager



Doug Rees-Evans
Technical Services
Manager



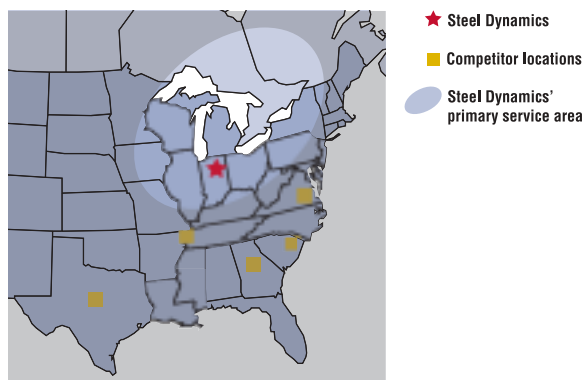
Jim Wroble
Sales Manager

During 2003, the Structural and Rail Division completed its first full year of operation, significantly increasing its steel volume with production of 544,000 tons and shipments of 462,000 tons. The mill continued its commissioning process to add a broader range of wide-flange beam sizes and weights, and we initiated rail-production trials. Having commenced shipments of wide-flange beams in the third quarter of 2002, the division achieved profitability within 16 months of start-up — operating at only two-thirds of capacity.

As production and shipping volume grew, we increased employment to nearly 400. Also in 2003, we established relationships with many new customers. About 85 percent of our net sales were made to steel service-centers and distributors, mostly located in the midwestern U.S. and central Canada. The balance of structural-steel customers are steel fabricators.

SDI's Columbia City steel-production assets are some of the most flexible, technologically advanced, and environmentally friendly in the world. Our electric-arc furnaces have proven very efficient in melting 120-ton heats that feed the three-strand continuous caster to produce beam blanks and blooms. Our versatile automated rolling mills provide for "product-changeover" roll changes as short as 30 minutes (compared with traditional changeovers of several hours), resulting in greater productivity. Rail is rolled on the same equipment as structural steel. In making rail, we have gained the capability to produce an additional high-value product for a reasonably low incremental investment.

MAJOR U.S. STRUCTURAL-STEEL PRODUCTION FACILITIES

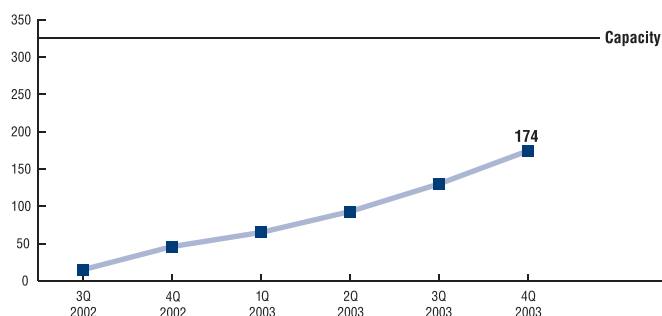


Steel Dynamics' Columbia City mill was built in the upper Midwest to provide more direct service to the Great Lakes area and eastern Canada, a large area with a strong appetite for structural steel. With major competitors' plants all located farther south, SDI enjoys a significant freight-cost advantage.

At the end of 2003, excluding capitalized interest, SDI's investment in the Columbia City mill totaled approximately \$318 million, including about \$43 million related to rail-production capabilities. We believe our investment was considerably lower than those of other companies in facilities of similar capacity. We estimate our mill's capacity at up to 1.3 million tons per year, depending on our product mix.

In addition to our low production costs and the breadth and quality of our product line, we have a geographic advantage due to our proximity to customers. Because seven of the top 10 structural-steel-consuming states in the U.S. are within 500 miles of our mill, and no competing mills are located within this area, we have a cost advantage on most shipments within the region.

QUARTERLY STRUCTURAL SHIPMENTS

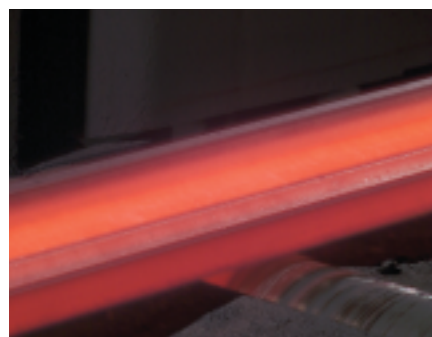


Our focus in the structural market is wide-flange beams (in sizes from 6 to 36 inches) and H-piling. After several “down” years for non-residential construction in North America, we see the market improving in 2004, due to an increase in building projects, but also to service-center inventory rebuilding and decreased imports. With our entry into the structural-steel market and the exit of other companies, we are confident that we will be able to gain market share rapidly.

In the current rail market, there are only two other domestic manufacturers of rail, and the product is no longer made in Canada. The two U.S. producers now share about 70 percent of the North American market of 700,000 to 900,000 tons

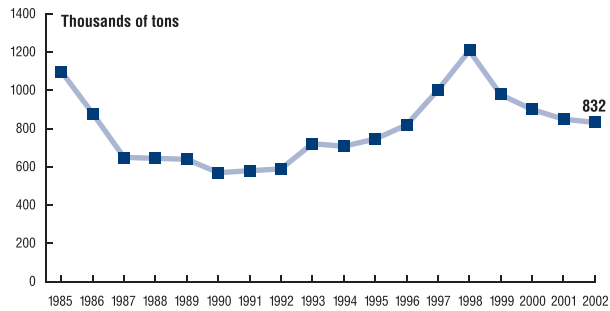
per year, with imports making up the remainder of purchases. Rail is sold directly to North American railroads, and is used principally for maintenance and replacement.

Steel Dynamics has had encouraging discussions with America’s Class I railroads regarding their possible future purchase of rail from the Structural and Rail Division. We believe our improved quality and the advantage of being the only supplier capable of producing rails in 240- and 320-foot lengths will help us compete successfully for a portion of their rail business. We estimate that our rail shipments could reach 300,000 tons per year. ■



Top, left to right: The process of rolling wide-flange beams is controlled by tandem-mill operator Doug Gilliam, who sits in a “pulpit” high above the beam’s path as multiple rolling passes are made; a bundle of finished structural steel—in this case, H-piling—is retrieved by a heavy-duty lift-truck for shipment. Bottom, left to right: The first step in rail production is a sequence of 11 passes through the roughing mill to reduce a rectangular bloom to a rough-rail shape; metallurgist Ken Reid and rolling-mill supervisor Bob Johnson check rail dimensions during an October production trial; and a glowing rail section, resting on its side, speeds from the finishing mill to the hot-cut-off saw.

NORTH AMERICAN RAIL MARKET



Source: American Railway Engineering and Maintenance of Way Association



Top left: A railcar loaded with structural steel is ready to go. Although most shipments of structural product from Columbia City are by truck, nearly all shipments of rail will be by railcar. Bottom left: Ladles of molten steel move from the melt shop to ladle-metallurgy furnaces (LMFs), where alloys are added and the steel's temperature is stabilized at 2,900 degrees Fahrenheit for casting. Right: In the finishing and shipping bay of the structural mill, a large cold-saw slices through multiple wide-flange beams, cutting them to standard length before stacking and bundling.

BAR PRODUCTS DIVISION

Q: Bar products is a new venture for Steel Dynamics. What advantages does SDI bring to this market?



Glenn Pushis
General Manager

A: SDI has plenty of depth in mini-mill design and operations, and we've added necessary commercial expertise by hiring managers with abundant experience in these markets.

The breadth of our product offerings will be a distinct

advantage. In SBQ [special bar quality] and MBQ [merchant bar quality], we'll be able to supply rounds from 1 to 9 inches in diameter with a range of metallurgical properties. By diversifying the plant's capabilities to include rebar and merchant shapes [channels, angles, flats, etc.], we'll be able to serve many different customers and market needs.

Another advantage is our midwestern location, close to scrap resources and to the largest markets for our products. As with other SDI operations, we expect our Bar Products Division to be the lowest-cost producer. It all comes back to our lean operating practices, team orientation, and employee incentives. Plus, we have an essentially new mill, acquired with a relatively small capital investment.

Q: You became manager, built a team, retooled, and restarted the mill—all in less than a year. How did you go about bringing it all together?

A: It all began with choosing a management team with talent, expertise, and the ability to embrace our business philosophy and culture. Team members had to be comfortable with driving decision-making downward, giving their people the responsibility to make decisions and holding them accountable. Once the management team was in place, we held an "application day" in the community to begin recruiting staff.

Simultaneously, we decided what products we would make and solicited bids from equipment suppliers based on those items. That way, equipment orders could be placed and engineering could begin prior to the construction process. The facility employed some 160 people at the end of the year, on the way to a total of 290.

Q: Are you satisfied with progress thus far?

A: I am very proud of what our Pittsboro team has done in such a short time. This plant presented a different sort of challenge, revamping an existing facility to meet SDI's expectations for safety, quality, and productivity. We identified the facility's shortcomings, engineered fixes, and added flexibility with new equipment that can turn out a broader range of products. The team has been challenged working with numerous grade and size requirements while "chasing the ghosts" out of the existing facility. It has been a tremendously fulfilling experience watching the team strive for excellence.



Bill Brown
Sales Manager



Tony Faulds
Melting & Casting
Manager



Chris Gionti
Rolling Mill Manager



Paul Lieser
Sales Manager,
SBQ Products



Dan Marchetti
Controller



Pat McGuine
Shipping Manager



Mike Morris
Engineering Manager

The Bar Products Division is SDI's newest steel-manufacturing business. In September 2002, Steel Dynamics bought the former Qualitech Steel mini-mill for \$45 million; the facility had cost its previous owner over \$350 million.

Before purchasing the mill—which is located in Pittsboro, just west of Indianapolis—we had begun making plans to enter the bar-steel business as a natural extension of SDI's product line. The company considered both acquisition of other bar mills and construction of new facilities in support of its strategy of steel-product diversification. In 2002, our structural-steel mill at Columbia City had launched production of 6-inch and larger wide-flange beams. Smaller merchant shapes—such as channels, angles, and flats—are complementary products distributed by the same service-center customers (or wholesalers) who buy structural steel. In addition, merchant-bar products are used by SDI's New Millennium steel-joist fabrication business.

The Pittsboro mill had been equipped to produce only an SBQ product line, and it had certain limitations. Before buying the facility, we evaluated its configuration and capabilities; an additional investment of about \$75 million to \$80 million would be needed to rectify problems and equip the mill to produce a greater variety of bar products, including rebar and merchant shapes. SDI's total investment to buy and



Bundles of finished rounds sit ready for shipment at SDI's Pittsboro mill. In addition to rounds, the mill will begin producing rebar, merchant bar, and light structural shapes later in 2004.

revamp the mill would be less than half the cost of building a comparable facility, and modifications could be done in a much shorter time than it would take to build a new mill.

Following the purchase, Glenn Pushis was named general manager of the new Bar Products Division in January 2003. Having previously led several of SDI's design/build projects, Glenn was well-prepared to bring together a talented work group experienced in Steel Dynamics' approach to facility design, as well as new commercial managers with expertise

BAR-PRODUCT OFFERINGS

PRODUCT CATEGORY	PRODUCT TYPE	PRODUCT APPLICATIONS
Special-Bar-Quality (SBQ) and Merchant-Bar-Quality (MBQ) Steels	Rounds, 1" to 9" diameter (metric sizes available) Round-cornered squares, 3" to 8" <i>Most standard AISI carbon and alloy grades and some specialty grades are available.</i>	Automotive, truck and trailer, off-road and recreational vehicles, material handling, fluid power, agriculture, oil and gas, cold-finishing, fasteners, munitions
Merchant Bar and Light Structural Shapes <i>Angles, channels, flats, and squares</i>	Equal angles, 1"x1" to 4"x4" Unequal angles, 1 3/8"x7/8" to 5"x3" Channels, 2"x1/2" to 6"x13 lbs./ft. Flats, 1 1/2" to 6" Squares, 1/2" to 3"	Joists, metal buildings, construction, agriculture, truck and trailer, railcar, material handling, off-road and recreational vehicles, cold-finishing, fluid power, oil and gas, marine, automotive
Reinforcing Bar (Rebar)	#3 to #18	Construction, infrastructure

in bar products. Engineering work for the mill's modifications began immediately. By mid-year, all of the new equipment had been specified and ordered.

With an environmental permit from the State of Indiana granted in September, construction and modifications proceeded at the mill:

- Scrap-handling infrastructure was augmented. A rail loop was added on an adjacent 40 acres west of the mill to provide efficient steel-scrap lay-down and staging. A scrap bay was erected near the melt shop, including two overhead cranes to facilitate loading of the scrap mix into the furnace charge buckets.

- The melt shop received a new carbon/lime-handling system, and the existing electric-arc-furnace baghouse was upgraded. The ladle-metallurgy facility was totally rebuilt, with new ladle cars being added.
- The casting machine, which had been configured to produce 10- by 14-inch blooms, was modified to provide the additional capability to cast 7-inch by 7-inch billets needed for smaller shapes.

The most dramatic changes are taking place in the rolling mill this spring. A new eight-stand finishing mill from Morgardshammer will provide the capability to roll reinforcing bar (rebar), angles, channels, and flat bar products. A new



Top, left to right: Foundations are set for the new eight-stand rolling mill to be installed in the spring of 2004; unfinished bars "walk" across the large-product cooling bed before being cut to length. Bottom, left to right: A circular abrasive saw slices through a row of round bars; continuous hot-steel strands exit the caster to be cut into blooms for rolling; and Rob Kibler, a rolling-mill supervisor, "sizes" a hot bar to ensure that it meets dimensional specs.

straightener and shear will accompany the mill. A magnetic stacker will be installed to stack the cut-to-length products and bundle them for shipment. New abrasive saws have been installed to cut large-diameter SBQ rounds.

A stand-alone, climate-controlled, 100,000-square-foot finished-goods storage and distribution facility is under construction east of the mill. Equipped with four overhead cranes, this building will facilitate proper handling and staging of products for shipment.

The “front-end” modifications were completed in the fourth quarter, allowing initial production trials to begin for SBQ and MBQ rounds. Late in December—about 60 days ahead of schedule—a full production sequence was completed, successfully manufacturing 3- to 9-inch rounds. Customer shipments of large-diameter SBQ and MBQ commenced that same month.

The installation of the merchant-shapes rolling mill is scheduled for the second quarter of 2004. Once it is commissioned, production of rebar and 1- to 3-inch rounds will begin. With the installation of the magnetic stacker during that same period, production of angles, channels, and flats requiring stacking and bundling can proceed in the third quarter. By that time, the distribution facility will be in full operation. ■



Top: The recently enclosed 100,000-square-foot storage and distribution center, where bundles of finished product will be stored and staged for shipment. Bottom right: A 30-ton electromagnetic crane moves steel scrap into a scrap bucket. Two such buckets, each containing 55 tons of recycled steel, are charged in the mill's electric-arc furnace (EAF) to produce 100 tons of molten steel. Bottom left: The bar-products mill looks out over central Indiana farmland.

NEW MILLENNIUM BUILDING SYSTEMS

Q: *New Millennium's plant is located at Butler, near SDI's flat-roll mill. What is the relationship with the nearby steel mill?*



*Bert Hollman
President*

A: SDI's steel-producing facilities supply most of the steel we use in our manufacturing processes at New Millennium. We use flat-roll steel in production of both decking and joists. We'll also be able to use SDI-produced angles when the

Pittsboro bar mill starts making them.

Q: *How does New Millennium fit into SDI's operations, and how do you differ from the steel mills?*

A: A steel mill is a capital-intensive operation that must run efficiently around the clock to maximize throughput and thus make effective use of the invested capital. By comparison, as a steel-fabrication plant, we are much less capital-intensive, with a much higher portion of our costs being related to direct labor. We must run efficiently to control our unit labor costs. For example, we have at times run two shifts, but when the demand for our products fell off, we operated with one shift and scheduled overtime as needed. While there is that major difference in terms of capital investment and operations, we share the SDI culture and emphasis on low cost of production.

Q: *Do your processes or business model offer any advantages, compared with those of your competitors?*

A: We have a very efficient shop. Our workforce is highly motivated. We utilize more cold-formed steel in our joist products than our competitors do; the cold-formed members contribute to lower steel cost and greater fabrication efficiency. All of these factors combine to make us, in my opinion, the most productive and cost-efficient facility in the industry. I'm very proud of that.

Q: *What are the plans for New Millennium?*

A: The market for our products is primarily low-rise non-residential construction, both commercial and public buildings. Although construction activity decreased with the economic downturn of the past couple of years, we expect this market to resume its growth. We have pioneered lower-cost production processes that reduce our joist-fabrication costs, in terms of both labor and materials, and allow us to be a low-cost competitor. We are capable of producing very good returns at normal operating volumes. In the upper Midwest, particularly the Great Lakes states, we have already developed a strong presence. In the future, our geographic coverage could easily be expanded to other regions of the country by opening similar fabrication facilities.



*Rob Durnell
Controller*



*Doug Lang
Sales Manager*



*Joe Maupin
Shipping Supervisor*



*Rick Poinsatte
Chief Financial Officer*



*Ariail Smith
Production Manager*



*Carey Sweeney
R&D Manager*



*Art Ullom
Engineering Manager*

In 2003, SDI increased its ownership in New Millennium Building Systems to 100 percent. This wholly owned subsidiary manufactures steel components for use in the construction of non-residential buildings, and currently operates one plant in Butler, Indiana. The facility has a capacity to produce approximately 70,000 tons per year of steel joists, trusses, and girders, as well as 50,000 tons of steel roof and floor decking.

New Millennium sells and ships products primarily to markets in the upper Midwest, including Indiana, Michigan, Ohio, Illinois, Wisconsin, Kentucky, and Pennsylvania. This region represents a high proportion of non-residential building activity in the U.S.

Building projects range from government facilities, hospitals, schools, and churches to large stores, shopping centers, office buildings, warehouses, and factories. Our products are engineered to meet the requirements of a structure's design and are built to order. Typically, an order includes both joists and decking.

The joist portion of the business involves constructing large joists, trusses, and girders that will be used to support floors or roofs in new buildings. The steel components of these joists are cut and shaped using automated equipment. New Millennium roll-forms many of these steel components from flat-rolled steel, which typically results in a lower-cost truss. Components are then arrayed in jigs for teams of welders. After welding and inspection, each truss is dipped in a gray paint bath to prepare it for shipping.

Steel decking is used in buildings as an underlay for poured concrete flooring or as a substrate for roofing. It is made from coils of cold-rolled or cold-rolled galvanized sheet steel. The sheet steel is fed continuously through automated equipment that coats and forms it and cuts it into fixed-length deck sections.



A highly efficient team of welders quickly fabricates a large joist at the New Millennium plant. Many of the welded joists' steel components are roll-formed from flat-rolled sheet steel supplied by SDI's Flat Roll Division.

New Millennium's 175-plus employees are key to the company's successful operation. All receive a significant amount of their pay based upon the performance of their respective work groups. Added to a very selective hiring process, this system of rewarding performance has yielded a highly productive workforce that stays focused on quality and customer satisfaction.

New Millennium competes with several national building-products suppliers, as well as a variety of smaller regional and local companies. We believe that we will continue to be very successful competing against all suppliers in the geographic areas that we serve, due to our high productivity and low cost structure. ■

IRON DYNAMICS

Q: What changes were made to improve Iron Dynamics' processes in preparation for the restart in 2003?



Dave Bednarz
Plant Manager

A: We've made improvements in several areas which we expect to result in reduced cost, more reliable operation, and greater flexibility by producing hot-briquetted iron (HBI) as well as liquid pig iron.

We installed two machines to "briquette" incoming raw materials, rather than using pelletizing to produce "green pellets" as input for direct reduction in the rotary-hearth furnace. There are two main advantages to the briquetting operation: (1) it is much more stable than the previous method, and (2) it gives us the capability to utilize less-expensive alternate raw materials, such as steel-mill waste products, to produce direct-reduced iron (DRI). We also installed additional briquetters to compact the DRI into HBI.

Q: How will you use steel-mill waste materials?

A: We made major changes to the off-gas system of the rotary-hearth furnace. These changes allow us to process the electric-arc furnace (EAF) dust from the flat-roll mill, turning this iron-containing dust into a valuable raw material. Up to this point, the EAF dust has been disposed of as waste. In addition, we now are able to utilize mill scale as an iron input into the process, so we have begun buying mill scale from other steel manufacturers to augment our purchases of iron fines.

Q: In 2003, you completed re-engineering and installation of new equipment to produce hot-briquetted iron. What are the benefits of HBI production?



Steve Rutherford
Engineering Manager

A: HBI can be used directly in the steel mill in place of shredded scrap, for example, whereas the direct-reduced iron previously produced could not. This means that we should be able to use both HBI and liquid pig iron as alternate low-cost feedstock

for the electric-arc furnaces. In fact, the first phase of our restart in December was HBI production, and we immediately started supplying briquettes to the flat-roll mill's melting operations. HBI is also less susceptible to reoxidation, so it can be stockpiled.

Q: With the new equipment, what quantities of iron substitutes might IDI be able to produce?

A: At full capacity, we anticipate being able to produce about 37,500 tonnes* of HBI per month, which will yield 30,000 tonnes of liquid pig iron. In full operation, our submerged-arc furnace should be able to consume all of the HBI we can produce. We plan to ramp-up to full production of liquid pig iron by year-end. In later years, we could produce about 360,000 tonnes of liquid pig iron annually.

* One metric ton (one tonne) = 2,204.6 lbs.

Since 1997, Iron Dynamics, a wholly owned subsidiary of SDI, has sought to commercialize a process to produce virgin pig iron. Pig iron typically represents about 15 percent of the ferrous raw materials used in SDI's production of flat-roll steel, and is among the most costly products the mill must purchase. Thus, producing lower-cost pig iron that can be substituted for purchased pig iron and higher-grade scrap offers the potential to reduce our steel-production costs.

Iron Dynamics (IDI) employs a two-stage ironmaking process that includes direct reduction of iron followed by conversion of the reduced iron to a liquid state. The first stage employs a large natural-gas-fired rotary-hearth furnace to heat briquettes—composed of iron fines, EAF dust, and mill scale—that are combined with pulverized metallurgical coal. A chemical reaction with the coal direct-reduces the iron briquettes to a purer form of iron. After passing through the circular furnace, the hot iron is reprocessed to form hot-briquetted iron (HBI). The resulting dense briquettes are more durable and less subject to reoxidation.

The second stage of production, a process expected to begin in the spring of 2004, melts the HBI in a submerged-arc electric furnace, from which pure liquid pig iron can be tapped into ladles for transfer to the steel mill's electric-arc furnaces.

Iron Dynamics' objectives are not only to provide a lower-cost substitute for purchased pig iron and to displace higher-cost grades of steel scrap, but also to ensure a steady supply of pig iron. In addition to potential savings in SDI's raw-material purchases, numerous steel-mill operational and cost advantages accrue from the use of liquid iron. We believe that if future metallic-resource costs maintain higher average levels than in the past, IDI could prove to be of great benefit to SDI. ■



Top: Conveyors carry iron fines and coal into the plant for processing; refined iron exits from the buildings housing the furnaces. Iron Dynamics' location next to SDI's Butler flat-roll mill allows quick, convenient transport of HBI or ladles of hot, liquid pig iron to the steel mill's melt shop, which is at the right edge of this photo. Bottom: Hot-briquetted iron (HBI) produced by Iron Dynamics serves as a lower-cost substitute for purchased steel-scrap and pig-iron ingots in SDI's steelmaking process.

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Vice President
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Structural and Rail Division
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General Manager of Chicago office
General Manager of the Rolled Steel
and Ferrous Raw Materials Division
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Fredrick A. Warner

Investor Relations Manager

NOTICE OF ANNUAL MEETING

Grand Wayne Center
John Whistler Ballroom
120 West Jefferson Blvd.
Fort Wayne, Indiana 46802
May 20, 2004
9 a.m. EST

STOCKHOLDER RECORDS

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