STEEL DYNAMICS INC
Form S-3/A
July 29, 2002

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JULY 29, 2002

REGISTRATION NO. 333-90594

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 2

TO

FORM S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

STEEL DYNAMICS, INC.
(Exact name of Registrant as specified in its charter)

INDIANA	3312
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)

6714 POINTE INVERNESS WAY
SUITE 200
FORT WAYNE, IN 46804
TELEPHONE: 260-459-3553
(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

MR. KEITH E. BUSSE
STEEL DYNAMICS, INC.
6714 POINTE INVERNESS WAY
SUITE 200
FORT WAYNE, IN 46804
TELEPHONE: 260-459-3553
(Name, address, including zip code, and telephone number, including area code, of agent for service)

COPIES TO:

ROBERT S. WALTERS, ESQ.
BARRETT & MCNAGNY LLP
215 EAST BERRY STREET
FORT WAYNE, IN 46802
TELEPHONE: (260) 423-9551
FAX: (260) 423-8920

ANDREW R. SCHLEIDER, ESQ.
SHEARMAN & STERLING
599 LEXINGTON AVENUE
NEW YORK, NEW YORK 10022
TELEPHONE: (212) 848-4000
FAX: (212) 848-7179

APPROXIMATE DATE OF COMMENCEMENT OF THE PROPOSED SALE TO THE PUBLIC: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box: [ ]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

THE INFORMATION IN THIS PRELIMINARY PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PRELIMINARY PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND WE ARE NOT SOLICITING OFFERS TO BUY THESE SECURITIES IN ANY JURISDICTION WHERE THE OFFER OR SALE IS NOT PERMITTED.

SUBJECT TO COMPLETION, DATED JULY 29, 2002

PROSPECTUS

9,200,000 SHARES

[STEEL DYNAMICS, INC. LOGO]

COMMON STOCK

Steel Dynamics is offering 7,600,000 shares of its common stock and the selling stockholders are offering 1,600,000 shares.

Our common stock is quoted on the Nasdaq National Market under the symbol "STLD." On July 26, 2002, the reported last sale price of our common stock on the Nasdaq National Market was $16.51 per share.

INVESTING IN OUR COMMON STOCK INVOLVES RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE 9.

	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS	PROCEEDS TO STEEL DYNAMICS	
Per Share..........................	$	$	$	
Total..............................	$	$	$	$

We and the selling stockholders have granted the underwriters the right to purchase up to an additional 1,380,000 shares to cover over-allotments.

THE SECURITIES AND EXCHANGE COMMISSION AND STATE SECURITIES REGULATORS HAVE NOT APPROVED OR DISAPPROVED THESE SECURITIES, OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The underwriters expect to deliver the shares to purchasers on , 2002.

Joint Book-Running Managers

MORGAN STANLEY JPMORGAN

GOLDMAN, SACHS & CO. SALOMON SMITH BARNEY

, 2002

[STEEL DYNAMICS LOGO]

[PICTURE OF BUTLER MINI-MILL]

[PICTURE OF BUTLER MINI-MILL CONTINUOUS CASTER]

[PICTURE OF BUTLER MINI-MILL HOT ROLLING MILL]

[PICTURE OF HOT STEEL FROM CONTINUOUS CASTER]

[PICTURE OF COLUMBIA CITY STRUCTURAL STEEL AND RAIL MINI-MILL]

TABLE OF CONTENTS

	PAGE
Summary	1
Risk Factors	9
Forward Looking Information	17
Market Data	18
Use of Proceeds	19
Price Range of Common Stock and Dividend Policy	20
Capitalization	21
Selected Financial and Operating Data	22
Management's Discussion and Analysis of Financial Condition and Results of Operations	24
Industry Overview	34
Business	41
Management	58
Related Party Transactions	61
Principal and Selling Stockholders	63
Description of Certain Indebtedness	65
Description of Capital Stock	67
Shares Eligible for Future Sale	69
United States Federal Tax Considerations for Non-U.S. Holders of Our Common Stock	71
Underwriters	74
Legal Matters	76
Experts	76
Where You Can Find Additional Information	76
Information We Incorporate by Reference	76
Index to Consolidated Financial Statements	F-1

You should rely only on the information contained or incorporated by reference in this prospectus. We have not authorized anyone to provide you with information different from that contained or incorporated by reference in this prospectus. We are offering to sell, and seeking offers to buy, shares of common stock only in jurisdictions where offers and sales are permitted. The information appearing in this prospectus or in any document incorporated by reference in this prospectus is accurate only as of the date on the front cover of the applicable document.

Unless otherwise indicated or as the context otherwise requires, references in this prospectus to "Steel Dynamics," "we," "our," "ours," and "us" refer to

Steel Dynamics, Inc. and its subsidiaries.

SUMMARY

This summary highlights material information about our business and this offering. It does not include all the information that may be important to you in making a decision to invest in our common stock. For a more complete understanding of our business and the offering, you should read this entire prospectus, including the section entitled "Risk Factors," our consolidated financial statements and the related notes and the other information included or incorporated by reference in this prospectus.

STEEL DYNAMICS

OVERVIEW

We are one of the most profitable mini-mill steel producers in the United States in terms of operating profit per ton. We primarily own and operate a state-of-the-art, low-cost flat-rolled mini-mill located in Butler, Indiana. Our Butler mini-mill began commercial production in January 1996 and was constructed in only 14 months, representing what we believe is the shortest construction period ever for a facility of this kind. The mini-mill currently has an annual production capacity of 2.2 million tons. The total capital cost of our Butler mini-mill was $630 million, which we believe is significantly less than the cost of comparable mini-mills currently operating. Our Butler mini-mill produces a broad range of high quality hot-rolled, cold-rolled and coated steel products, including a large variety of high value-added and high margin specialty products such as thinner gauge rolled products and galvanized products. We sell our products directly to end-users, intermediate steel processors and service centers primarily in the Midwestern United States. Our products are used in numerous industry sectors, including the automotive, construction and commercial industries.

In May 2002, we announced plans to construct a low-cost, coil coating facility at our Butler mini-mill that will further increase our range of value-added capabilities. Subject to our receipt of applicable permits, we anticipate starting construction of the facility within the next several months and expect to commence coating operations in the middle of 2003. The coating facility is currently expected to have an annual production capacity of 240,000 tons and is estimated to cost $25-$30 million.

In May 2001, we began construction of a new state-of-the-art structural steel and rail mini-mill in Columbia City, Indiana. Our Columbia City mini-mill is designed to have an annual production capacity of 1.3 million tons and produce structural steel and rails at a higher quality and lower cost than comparable mini-mills. We expect to spend approximately $315 million to construct this mini-mill, of which $280 million has been spent as of June 30, 2002. We believe that the initial capital construction costs of our Columbia City mini-mill will be among the lowest in the industry for such a facility. We commenced commercial structural steel operations in late June 2002 and have shipped our first structural products to initial customers. We expect to ramp up these operations through regular product introductions and be fully operational by the end of 2002. In addition, we expect to commence commercial production of rails during the first quarter of 2003. We constructed our structural steel facility in less than 12 months, which we believe is the shortest construction period ever for a facility of this kind. Our structural steel operation is designed to produce steel products for the construction, transportation and industrial machinery markets. Our rail manufacturing operation is designed to produce a variety of rail products for the railroad industry.

Through our joint venture, New Millennium Building Systems, LLC, we also produce and sell a broad range of steel joists, girders and trusses, as well as roof and floor decking materials for use in the construction of commercial, industrial and institutional buildings. New Millennium is seeking to position itself to be the premier, low-cost producer of these products.

The U.S. steel industry has historically been, and continues to be, highly cyclical in nature, including a significant downturn in the second half of 2000 through most of 2001. During this period, our business was also adversely impacted with our net sales declining from $693 million in 2000 to $607 million in 2001 and our earnings declining from $54 million in 2000 to $3 million in 2001. However, during the first half of 2002, domestic flat-rolled steel prices increased dramatically from historical cyclical lows in 2001. This increase has resulted from a number of factors, including (1) a reduction in domestic steel production capacity as a result of past bankruptcies and shutdowns of other U.S. steel producers, (2) a reduction in imports, driven in part by recent favorable rulings with respect to tariffs and quotas on foreign steel and (3) a strengthening of the

overall U.S. economy and the need for end-users of steel products to replenish their depleted inventories. As a result of our efficient, low-cost operations, we believe that although our earnings declined significantly, we were one of the few U.S. steel producers to maintain profitability in 2001, and we have already benefited from the improvements in the domestic flat-rolled steel market in 2002.

COMPETITIVE STRENGTHS

ONE OF LOWEST COST PRODUCERS IN THE UNITED STATES; STATE-OF-THE-ART FACILITIES

We believe that our facilities are among the lowest-cost steel manufacturing facilities in the United States. Operating profit per ton at our facilities was $65, $23 and $34 in 2000 and 2001 and for the three months ended March 31, 2002, respectively, which we believe compares favorably with our competitors. Our low operating costs are primarily a result of our efficient plant designs and operations, our high productivity rate of between 0.3 to 0.4 man hours per ton at our Butler mini-mill (which is significantly lower than the rate for integrated steel producers, which we believe is approximately 3.0 man hours per ton), low ongoing maintenance cost requirements and strategic locations near supplies of our primary raw material, scrap steel.

WELL-POSITIONED TO BENEFIT FROM IMPROVING STEEL MARKET CONDITIONS

Domestic spot prices for hot-rolled, cold-rolled, and coated sheet have increased from recent lows of $210/ton, $300/ton and $320/ton, respectively, in December 2001 to $320/ton, $410/ton and $425/ton, respectively, in May 2002. Approximately 80% of our flat-rolled products are sold on the spot market under contracts with terms of twelve months or less and, therefore, our results of operations are positively impacted by increases in domestic flat-rolled steel prices. We believe that we are well positioned to benefit from the recent increases in flat-rolled prices. Our capacity utilization rate year-to-date has been in excess of 100% of our stated capacity.

EXPERIENCED MANAGEMENT TEAM AND UNIQUE CORPORATE CULTURE

Our senior management team is highly experienced and has a proven track record in the steel industry, including pioneering the development of thin-slab flat-rolled technology. Their objectives are closely aligned with our stockholders through meaningful stock ownership positions and incentive compensation programs. Our corporate culture is also unique for the steel industry. We emphasize decentralized decision-making and have established incentive compensation programs specifically designed to reward employee teams for their efforts towards enhancing productivity, improving profitability and controlling costs.

DIVERSIFIED PRODUCT MIX

Our products include hot-rolled and cold-rolled steel products, galvanized sheet products, light gauge steel products, joists and deck materials. This diversified mix of products allows us to access a broad range of end-user markets, serve a broad customer base and mitigate our exposure to cyclical downturns in any one product or end-user market. We will further diversify our product mix once we commence production of structural steel and rails at our Columbia City mini-mill.

STRATEGIC GEOGRAPHIC LOCATIONS

The strategic locations of our facilities near sources of scrap materials and our customer base allow us to realize significant pricing advantages due to freight savings for inbound scrap as well as for outbound steel products destined for our customers. Our mini-mills are located in the Upper Midwest, a region which we believe accounts for a majority of the total scrap produced in the United States. Our Butler mini-mill is located within 300 miles of our major flat-rolled steel customers.

BUSINESS STRATEGY

Our objective is to use state-of-the-art technologies to produce a broad range of high-quality steel products at a low cost. Key elements of our strategy are:

EXPAND PRODUCT OFFERINGS

The completion of our Columbia City mini-mill and our production of structural steel and rails will be an important step in pursuing our strategy of product line expansion. This mini-mill is strategically located to serve the Upper Midwest, Northeast and Canadian markets, which we believe are attractive and under-served markets. Our strategy to expand our flat-rolled steel product offerings is to focus on the production of high value-added thinner gauge products and galvanized products. The margins on high value-added products typically exceed those of the commodity grade and the number of producers that make them is more limited. We will continue to seek additional opportunities to further expand our range of high value-added products through the expansion of existing facilities, greenfield projects and acquisitions of other steel manufacturers or steelmaking assets that may become available through the continuing consolidation of the domestic steel industry.

ENTER NEW GEOGRAPHIC MARKETS

We may seek to enter new steel markets in strategic geographic locations such as the Southeastern or Western United States that offer attractive growth opportunities. Due to the recent restructuring of the domestic steel industry, we believe there are attractive opportunities to grow our business geographically either through acquisitions of existing assets or through strategic partnerships and alliances. We may also consider growth opportunities through greenfield projects, such as our Columbia City mini-mill project.

CONTINUE TO MAINTAIN LOW PRODUCTION COSTS

We are focused on continuing to maintain one of the lowest operating cost structures in the North American steel industry based upon operating cost per ton. We will continue to optimize the use of our equipment, enhance our productivity and explore new technologies to further improve our unit cost of production at each of our facilities.

FOSTER ENTREPRENEURIAL CULTURE

We intend to continue to foster our entrepreneurial corporate culture and emphasize decentralized decision-making while rewarding teamwork, innovation and operating efficiency. We will also continue to focus on maintaining the effectiveness of our incentive bonus-based plans that are designed to enhance overall productivity and align the interests of our management and employees with our stockholders.

MAINTAIN STRONG FINANCIAL POSITION AND FINANCIAL FLEXIBILITY

We are committed to maintaining a strong capital structure. The refinancing of our bank facilities in March 2002 was an important step, as it provided us with greater financial flexibility. As a result of improved domestic flat-rolled prices, we also believe it will be possible to achieve stronger cash flows than in the recent past. In addition, we estimate that as of May 31, 2002 our capital expenditures for the remainder of 2002 will be $55 million, as our Columbia City mini-mill project is largely complete. As of March 31, 2002, we had $32 million of cash and an undrawn $75 million revolving credit facility.

RISK FACTORS

Our profitability is subject to the risks described under "Risk Factors." The following are among the most significant risks that may adversely affect our future financial performance and our ability to effectively compete within our industry:

- excess imports of steel into the United States that depress U.S. steel prices;

- intense competition and excess global capacity in the steel industry that depress U.S. steel prices;

- changes to President Bush's Section 201 Order that have the effect of increasing the level of imports of steel into the United States;

- reduction of demand for steel or downturn in the industries we serve, including the automotive industry;

- technology, operating and start-up risks associated with our Iron Dynamics scrap substitute project;

- inability to secure a stable supply of steel scrap;

- start-up and operating risks associated with the construction of our Columbia City structural steel and rail mini-mill; and

- unexpected equipment failures that lead to production curtailments or shutdowns.

For additional information on these factors and others, we refer you to "Risk Factors".

RECENT DEVELOPMENTS

AGREEMENT TO PURCHASE QUALITECH STEEL ASSETS IN PITTSBORO, INDIANA

On July 29, 2002, we announced that we entered into a definitive agreement with Qualitech Steel SBQ LLC to purchase Qualitech's special bar quality mini-mill assets located in Pittsboro, Indiana. We agreed to pay $45 million for the assets and currently plan to invest between $60 and $70 million of additional capital to convert the Qualitech mini-mill to the production of between 500,000 and 600,000 tons annually of merchant and reinforcing bar products. We currently expect to close the transaction within 25 days, subject to certain conditions and approvals. In addition we currently plan to complete construction and start-up of this mini-mill within 12 months after closing of the transaction and to begin shipping our first products during the second half of 2003. However, we may be delayed in meeting our current schedule based upon unforeseen circumstances and other events outside our control.

SECOND QUARTER RESULTS

On July 10, 2002, we announced our preliminary unaudited financial results for the second quarter of 2002. We reported consolidated earnings of $17.7 million, or $0.37 per diluted share, for the second quarter 2002. Our operating profit per ton for the second quarter 2002 was $66, a 94% increase compared to $34 for the first quarter 2002.

Net sales for the second quarter 2002 were $214 million, a 28% increase compared to the first quarter 2002 and a 54% increase compared to the fourth quarter 2001. Our second quarter 2002 average consolidated selling price per ton was $340, 14% higher than the $297 recorded for both the first quarter 2002 and the fourth quarter 2001. Our second quarter 2002 consolidated shipments were 628,000 tons, and included approximately 65% of value-added, higher-margin flat-roll products.

Our net sales of $214 million compared favorably to second quarter 2001 of $158 million, a 35% increase. Total shipments increased from 516,000 to 628,000, up 22%. We had net income of $2.0 million in the second quarter 2001, versus $17.7 million for second quarter 2002, a 785% increase. Earnings per share rose from $0.04 per diluted share for second quarter 2001 to $0.37 per diluted share for second quarter 2002.

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2001	2002	2001	2002
OPERATING DATA:				
Net sales.......................................	$157,639	$213,739	$311,725	$380,642
Costs and expenses:				
Costs of goods sold............................	132,140	160,696	260,663	300,225

Selling, general, & administrative expenses	18,176	19,779	31,978	32,867
Income from operations	7,323	33,264	19,084	47,550
Interest expense	4,169	5,030	9,008	9,295
Other (income) expense, net	(22)	(131)	(226)	4,022
Income before income taxes and extraordinary items	3,176	28,365	10,302	34,233
Income taxes	1,223	10,637	3,966	12,837
Income before extraordinary items	1,953	17,728	6,336	21,396
Extraordinary loss on debt extinguishment, net of tax benefit of $1,216	--	--	--	2,028
Net income	$ 1,953	$ 17,728	$ 6,336	$ 19,368
Basic earnings per share:				
Income before extraordinary items	$ .04	$ .37	$ .14	$ .46
Extraordinary loss on debt extinguishment	--	--	--	(.05)
Net income	$ .04	$ .37	$ .14	$ .41
Weighted average common shares outstanding	45,648	47,423	45,578	46,734
Diluted earnings per share:				
Income before extraordinary items	$ .04	$ .37	$ .14	$ .45
Extraordinary loss on debt extinguishment	--	--	--	(.04)
Net income	$ .04	$ .37	$ .14	$ .41
Weighted average common shares and share equivalents outstanding	45,891	47,859	45,799	47,103
OTHER DATA:				
Shipments (net tons)	515,658	627,902		
Hot band production (net tons)	523,997	599,764		
Average consolidated selling price per ton (dollars)	$ 306	$ 340		
Operating profit per ton shipped (dollars)	32	66		

	JUNE 30, 2002	DECEMBER 31, 2001
	(UNAUDITED) (IN THOUSANDS)	
BALANCE SHEET DATA (END OF PERIOD):		
Cash and cash equivalents	$ 48,747	$ 78,241
Working capital	182,064	194,093
Total assets	1,199,908	1,180,098
Long-term debt (including current maturities)	551,675	599,924
Stockholders' equity	463,569	418,575

Steel Dynamics, Inc. was incorporated in Indiana in August 1993. Our principal executive offices are located at 6714 Pointe Inverness Way, Suite 200, Fort Wayne, Indiana 46804 and our telephone number is (260) 459-3553.

THE OFFERING

Common stock offered by us................	7,600,000 shares
Common stock offered by the selling stockholders...........................	1,600,000 shares
Total common stock offered.............	9,200,000 shares
Common stock to be outstanding after the offering...............................	55,115,896 shares
Use of proceeds..........................	We estimate we will receive net proceeds from this offering of approximately $117 million. We intend to the net proceeds from this offering for general corporate purposes, including capital expenditures, repayment of indebtedness, working capital and potent acquisitions (including our recently announced Qualit acquisition). We will not receive any proceeds from t sale of shares by the selling stockholders.
Nasdaq National Market symbol............	"STLD"

Unless we specifically state otherwise, the information in this prospectus does not take into account the sale of up to 1,380,000 shares of common stock which the underwriters have the option to purchase to cover over-allotments.

The number of shares to be outstanding after this offering is based on 47,515,896 shares outstanding as of June 30, 2002 and does not include 2,458,301 shares issuable upon the exercise of outstanding stock options at a weighted average exercise price of $13.40 per share.

SUMMARY FINANCIAL AND OPERATING DATA

The following table sets forth summary consolidated financial and operating data of Steel Dynamics. The summary consolidated financial and operating data as of and for each of the years in the three-year period ended December 31, 2001 were derived from our audited consolidated financial statements. The summary consolidated financial and operating data as of and for the three months ended March 31, 2001 and 2002 were derived from our unaudited consolidated financial statements. These unaudited consolidated financial statements include, in our opinion, all adjustments, consisting of normal recurring adjustments, necessary to present fairly the data for such periods. Operating results for interim periods are not necessarily indicative of a full year's operations. You should read the following data in conjunction with "Management's Discussion and

Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes included elsewhere in this prospectus.

You should also read the following information in conjunction with the data in the table on the following page:

- Our first quarter 2002 extraordinary loss of $2.0 million (net of tax benefit of $1.2 million) consisted of prepayment penalties and the write-off of capitalized financing costs associated with the refinancing of our credit facilities, effective March 26, 2002.

- "EBITDA" represents income before extraordinary items, income taxes, interest expense (net of interest income), depreciation and amortization. EBITDA is not a measure of operating income, operating performance or liquidity under generally accepted accounting principles, or GAAP. We have presented EBITDA because certain investors may find it to be a useful tool for analyzing and comparing operating performance and for determining a company's ability to service and/or incur debt. We believe that EBITDA, as presented, represents a useful measure of assessing the performance of our ongoing operating activities, as it reflects our earnings trends without the impact of a number of non-cash charges. We use targets and positive trends in EBITDA to measure performance, and some of our creditors use EBITDA to assess our debt covenant compliance. Nevertheless, EBITDA should not be considered in isolation or as a substitute for operating income (as determined in accordance with GAAP) as an indicator of our operating performance, or cash flow from operating activities (as determined in accordance with GAAP) as a measure of our liquidity. In addition, companies calculate EBITDA differently and, therefore, EBITDA as presented by us may not be comparable to EBITDA reported by other companies.

- "Operating profit per net ton shipped" represents operating income before start-up costs divided by net ton shipments. Beginning July 1, 2000, net shipments included shipments from our steel fabrication subsidiary, New Millennium. Beginning March 1, 2001, net shipments also included shipments from our secondary-steel brokering subsidiary, Paragon Steel.

- "Hot band production" refers to our flat-rolled mini-mill's total production of finished coiled product. "Prime tons" refer to hot bands produced, which meet or exceed quality standards for surface, shape and metallurgical properties.

- "Yield percentage" refers to our flat-rolled mini-mill's tons of finished product divided by tons of raw materials.

- "Effective capacity utilization" is the flat-rolled mini-mill's ratio of tons produced for the operational month to the operational month's capacity. We used an annual capacity of 2.2 million tons.

YEARS ENDED DECEMBER 31,			THREE MON MARC
1999	2000	2001	2001
			(UNAU
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AND PER NE			

OPERATING DATA:				
Net sales	$ 618,821	$ 692,623	$ 606,984	$ 154,086
Cost of goods sold	487,629	533,914	522,927	128,523
Gross profit	131,192	158,709	84,057	25,563
Selling, general and administrative expenses	42,441	53,306	58,132	13,802
Income from operations	88,751	105,403	25,925	11,761
Interest expense	22,178	20,199	18,480	4,839
Other (income) expense	1,294	719	2,333	(204)
Income before income taxes and extraordinary loss	65,279	84,485	5,112	7,126
Income tax expense	25,849	30,690	1,968	2,743
Income before extraordinary loss	39,430	53,795	3,144	4,383
Extraordinary loss, net of tax	--	--	--	--
Net income	$ 39,430	$ 53,795	$ 3,144	$ 4,383
Basic earnings per share	$ .82	$ 1.15	$ .07	$ .10
Weighted average common shares outstanding	47,914	46,822	45,655	45,511
Diluted earnings per share	$ .82	$ 1.15	$ .07	$ .10
Weighted average common shares and share equivalents outstanding	48,153	46,974	45,853	45,710
OTHER FINANCIAL DATA:				
EBITDA	$ 125,804	$ 149,348	$ 71,269	$ 23,160
Operating profit per net ton shipped	58	65	23	36
Capital expenditures	126,673	110,379	90,714	10,353
Cash provided (used) by:				
Operating activities	114,779	102,792	67,373	17,964
Investing activities	(126,299)	(109,399)	(90,710)	(10,353)
Financing activities	22,892	176	91,394	(12,275)
OTHER DATA:				
Shipments (net tons)	1,869,714	1,919,368	1,963,602	482,431
Hot band production (net tons)	1,938,234	2,031,025	2,015,991	503,010
Prime ton percentage -- hot band	94.2%	93.9%	95.9%	96.5%
Yield percentage -- hot band	87.8	87.7	87.5	87.7
Effective capacity utilization -- hot band	88.1	92.3	91.6	91.5
Man-hours per hot band net ton produced	.41	.37	.37	.38
Number of employees	650	651	676	646
BALANCE SHEET DATA (END OF PERIOD):				
Cash and cash equivalents	$ 16,615	$ 10,184	$ 78,241	$ 5,520
Working capital	155,226	165,915	194,093	164,298
Total assets	991,556	1,067,074	1,180,098	1,065,032
Long-term debt (including current maturities)	505,963	532,520	599,924	519,903
Stockholders' equity	391,370	418,784	418,575	419,538

8

RISK FACTORS

In addition to the information contained elsewhere in this prospectus or incorporated by reference, the following risk factors should be carefully considered by you in evaluating an investment in our common stock. Set forth below is a discussion of the material risk factors specific to: (1) the U.S. steel industry and how it affects our business, (2) our business and (3) our common stock and this offering.

RISKS RELATED TO OUR INDUSTRY

IN RECENT YEARS, IMPORTS OF STEEL INTO THE UNITED STATES HAVE ADVERSELY AFFECTED, AND MAY AGAIN ADVERSELY AFFECT, U.S. STEEL PRICES, WHICH WOULD IMPACT OUR SALES, MARGINS AND PROFITABILITY

Excessive imports of steel into the United States have in recent years, and may again in the future, exert downward pressure on U.S. steel prices and significantly reduce our sales, margins and profitability. U.S. steel producers compete with many foreign producers. Competition from foreign producers is typically strong, but it has greatly increased as a result of an excess of foreign steelmaking capacity and a weakening of certain foreign economies, particularly in Eastern Europe, Asia and Latin America. The economic difficulties in these countries have resulted in lower local demand for steel products and have tended to encourage greater steel exports to the United States at depressed prices.

In addition, we believe the downward pressure on, and depressed levels of, U.S. steel prices in recent years have been further exacerbated by imports of steel involving dumping and subsidy abuses by foreign steel producers. Some foreign steel producers are owned, controlled or subsidized by foreign governments. As a result, decisions by these producers with respect to their production, sales and pricing are often influenced to a greater degree by political and economic policy considerations than by prevailing market conditions, realities of the marketplace or consideration of profit or loss. For example, between 1998 and 2001, when imports of hot-rolled and cold-rolled products increased dramatically, domestic steel producers, including us, were adversely affected by unfairly priced or "dumped" imported steel. Even though various protective actions taken by the U.S. government during 2001, including the enactment of various steel import quotas and tariffs, have resulted in an abatement of some steel imports during 2002, these protective measures are only temporary. When these measures expire or if they are relaxed, or if increasingly higher U.S. steel prices enable foreign steelmakers to export their steel products into the United States even with the presence of tariffs, the resurgence of substantial imports of foreign steel could again create downward pressure on U.S. steel prices. We refer you to "Industry Overview" for additional information.

INTENSE COMPETITION AND EXCESS GLOBAL CAPACITY IN THE STEEL INDUSTRY MAY CONTINUE TO EXERT DOWNWARD PRESSURE ON OUR PRICING

We may not be able to compete effectively in the future as a result of intense competition. Competition within the steel industry, both domestically and worldwide, is intense and it is expected to remain so. We compete primarily on the basis of (1) price, (2) quality and (3) the ability to meet our customers' product needs and delivery schedules. Our primary competitors are other mini-mills, which may have cost structures and management cultures more similar to ours than integrated mills. We also compete with many integrated producers of hot-rolled, cold-rolled and coated products, many of which are larger and have substantially greater capital resources. The highly competitive nature of the industry, in part, exerts downward pressure on prices for some of our products. Further, over the past few years, approximately 30 domestic steel producers have entered bankruptcy proceedings. In some cases, these previously marginal producers have been able to emerge from bankruptcy reorganization with lower and more competitive cost structures. In other cases, steelmaking assets have been sold through bankruptcy proceedings to other steelmakers or to new companies, at greatly depressed prices. The reemergence of these producers or their successors may further increase the competitive environment in the steel industry and contribute to price declines. In the case of certain product applications, steel competes with other materials, including plastic, aluminum, graphite composites, ceramics, glass, wood and concrete.

In addition, global overcapacity in steel manufacturing and its negative impact on U.S. steel pricing are likely to continue to persist and could have a negative impact on our sales, margins and profitability. The U.S. steel industry continues to be adversely impacted by excess global steel manufacturing capacity. Over the last decade, the construction of new mini-mills, expansion and improved production efficiencies of some integrated mills and substantial expansion of foreign steel capacity have all led to the excess of manufacturing capacity. Increasingly, this overcapacity, combined with the high levels of steel imports into the United States, has exerted downward pressure on domestic steel prices, including the prices of our products, and has resulted in, at times, a dramatic narrowing, or with many companies the elimination, of gross margins. We refer you to "Industry Overview" for additional information.

THE POSITIVE EFFECTS OF PRESIDENT BUSH'S MARCH 5, 2002 ORDER IN CONTRIBUTING TO THE REDUCTION OF EXCESSIVE IMPORTS OF STEEL INTO THE UNITED STATES MAY BE LESSENED IF THERE ARE SUCCESSFUL APPEALS TO THE WORLD TRADE ORGANIZATION BY THE EXPORTING COUNTRIES OR IF DOMESTIC OR INTERNATIONAL POLITICAL PRESSURE RESULTS IN A RELAXATION OF, OR SUBSTANTIAL EXEMPTIONS FROM, THE TARIFFS CONTAINED IN THE ORDER

If the amount, scope or duration of the Section 201 orders are lessened or adversely changed, it could lead to a resurgence of flat-rolled steel imports, an increase of steel slab imports and/or an increase in welded pipe and tube imports. Any of these results would again put downward pressure on U.S. flat-rolled prices which would negatively impact our sales, margins and profitability. On June 22, 2001, the Bush Administration requested that the International Trade Commission, or ITC, initiate an investigation under Section 201 of the Trade Act of 1974 to determine whether steel is being imported into the United States in such quantities as to be a substantial cause of serious injury to the U.S. steel industry. In October 2001, the ITC found "serious injury" due to imports of steel products, including the products we manufacture, and in December 2001, the ITC recommended that the President impose tariffs of approximately 20%-40%, as well as tariff quotas in connection with certain products such as steel slabs. On March 5, 2002, President Bush, among other actions, imposed a three year tariff of 30% for the first year, 24% for the second year and 18% for the third year on imports of hot-rolled, cold-rolled and coated sheet, as well as on imports of steel slabs in excess of a specified annual quota.

Imports of flat-rolled steel have declined, in part, due to the imposition of dumping duties that have been imposed on certain imports of foreign steel, and, in part, due to the imposition of significant tariffs as a result of this Section 201 action. These events have, in part, allowed us to begin restoring prices on flat-rolled products. While the President's decision to implement a Section 201 remedy is not appealable to U.S. courts, foreign governments may appeal, and some have appealed, to the World Trade Organization, or WTO. The European Union, Japan and other countries are currently prosecuting such appeals. These dispute settlement proceedings at the WTO and further appeals to the Appellate Body of the WTO generally take 15-24 months. Moreover, a number of affected countries have imposed or threatened to impose various retaliatory tariffs on U.S. steel or other products or have sought various product exemptions from the imposition of the tariffs. Accordingly, there is a risk that rulings adverse to the United States or substantial political pressures could result in the President changing the remedy, granting substantial exemptions from the remedy, or terminating the remedy entirely prior to the full three years, although any such modification would apply only prospectively. We refer you to "Industry Overview -- Section 201 Investigation" for more information.

OUR LEVEL OF PRODUCTION AND OUR SALES AND EARNINGS ARE SUBJECT TO SIGNIFICANT FLUCTUATIONS AS A RESULT OF THE CYCLICAL NATURE OF THE STEEL INDUSTRY AND THE INDUSTRIES WE SERVE

The price of steel and steel products may fluctuate significantly due to many factors beyond our control. This fluctuation directly affects the levels of our production and our sales and earnings. The steel industry is highly cyclical, sensitive to general economic conditions and dependent on the condition of certain other industries. The demand for steel products is generally affected by macroeconomic fluctuations in the United States and global economies in which steel companies sell their products. For example, future economic downturns, stagnant economies or currency fluctuations in the United States or globally could decrease the demand for our products or increase the amount of imports of steel into the United States either event of which would decrease our sales, margins and profitability.

10

In addition, a disruption or downturn in the automotive, oil and gas, gas transmission, construction, commercial equipment, rail transportation, appliance, agricultural and durable goods industries could negatively impact our financial condition, production, sales, margins and earnings. We are also particularly sensitive to trends and events, including strikes and labor unrest, that may impact these industries. These industries are significant markets for our products and are themselves highly cyclical.

RISKS RELATED TO OUR BUSINESS

TECHNOLOGY, OPERATING AND START-UP RISKS ASSOCIATED WITH OUR IRON DYNAMICS SCRAP SUBSTITUTE PROJECT MAY PREVENT US FROM REALIZING THE ANTICIPATED BENEFITS FROM THIS PROJECT AND COULD RESULT IN A LOSS OF OUR INVESTMENT

If we abandon our Iron Dynamics project, or if its process does not succeed, we will not be able to realize the expected benefits of this project and will suffer the loss of our entire investment. As of March 31, 2002, our equity investment in the Iron Dynamics project was $159 million. Since 1997, our wholly-owned subsidiary, Iron Dynamics, has tried to develop and commercialize a pioneering process of producing a virgin form of iron that might serve as a lower cost substitute for a portion of the metallic raw material mix that goes into our electric arc furnaces to be melted into new steel. This scrap substitute project is the first of its kind. It involves processes that are based on various technical assumptions and new applications of technologies that have yet to be commercially proven. Since our initial start-up in August 1999, we have encountered a number of difficulties associated with major pieces of equipment and with operating processes and systems. Throughout the latter part of 1999 and 2000, our Iron Dynamics facility was shut down. During these shut downs, we engaged in time consuming and expensive redesign, re-engineering, reconstruction and retrofitting of major pieces of equipment, systems and processes. As a result, the Iron Dynamics project has taken considerably longer and has required us to expend considerably greater resources than originally anticipated. While we made significant progress during these shut downs in correcting various technical and other deficiencies, we have not yet been successful in achieving the results necessary to bring production output up and product costs down to the point of being commercially competitive. In February 2001, we re-started operations at our Iron Dynamics facility. However, in July 2001, we suspended these operations again, with no specific date set for resumption of operations. This shut down was a result of:

(1) higher than expected start-up and process refinement costs;

(2) exceptionally high energy costs;

(3) low production quantities achieved at the Iron Dynamics facility; and

(4) historically low steel scrap pricing.

These factors made the cost of producing and using Iron Dynamics scrap substitute at our flat-rolled mini-mill higher than our cost of purchasing and using steel scrap. Furthermore, we believe that, even with additional development and refinement to the equipment, technology systems and processes, the Iron Dynamics facility may only be able to achieve monthly output levels between 75%-85% of our original estimates, resulting in higher unit costs than originally planned. We currently estimate that these additional developments and refinements would, if implemented, cost approximately $15 million. However, we are entitled to a $6 million refund from one of our equipment manufacturers in connection with these improvements, which we would expect to apply toward this cost. On July 10, 2002, we announced that we expect to begin experimental production trials in the fourth quarter of 2002. If these trials prove successful, we could begin commercial production in 2003. However, Iron Dynamics may never become commercially operational.

In addition, while we remain optimistic that the remaining start-up difficulties with the equipment, technology, systems and processes can be resolved, our Iron Dynamics facility may not be able to consistently operate or be able to produce steel scrap substitute material in the quantities that will enable it to be cost competitive. Moreover, in connection with any restart of operations, our Iron Dynamics facility may experience additional shutdowns or equipment failures and such shutdowns or failures may have a material adverse impact on our liquidity cost structure and earnings. We refer you to "Business -- Iron Dynamics Steel Scrap Substitute Facility" for additional information.

WE HAVE SUBSTANTIAL INDEBTEDNESS AND DEBT SERVICE REQUIREMENTS WHICH LIMITS OUR FINANCIAL AND OPERATING FLEXIBILITY

Our substantial indebtedness limits our financial and operating flexibility. For example, it could:

- require us to dedicate a substantial portion of our cash flow from operations to payments on our debt, reducing our ability to use these funds for other purposes;

- limit our ability to obtain additional financing for working capital, capital expenditures, acquisitions or general corporate purposes;

- limit our ability to adjust rapidly to changing market conditions; and

- increase our vulnerability to downturns in general economic conditions or in our business.

Our ability to satisfy our debt obligations will depend upon our future operating performance, which in turn will depend upon the successful implementation of our strategy and upon financial, competitive, regulatory, technical and other factors, many of which are beyond our control. If we are not able to generate sufficient cash from operations to make payments under our credit agreements or to meet our other debt service obligations, we will need to refinance our indebtedness. Our ability to obtain such financing will depend upon our financial condition at the time, the restrictions in the agreements governing our indebtedness and other factors, including general market and economic conditions. If such refinancing were not possible, we could be forced to dispose of assets at unfavorable prices. Even if we could obtain such financing, we cannot be sure that it would be on terms that are favorable to us. In addition, we could default on our debt obligations.

As of March 31, 2002, we had $546 million of indebtedness. This indebtedness represented approximately 54% of our total consolidated capitalization, including current maturities of long-term debt.

OUR SENIOR SECURED CREDIT AGREEMENT AND THE INDENTURE RELATING TO THE 9 1/2% SENIOR NOTES DUE 2009 CONTAIN RESTRICTIVE COVENANTS THAT MAY LIMIT OUR FLEXIBILITY

Restrictions and covenants in our existing debt agreements, as well as our senior secured credit agreement and the indenture relating to the senior notes, and any future financing agreements, may impair our ability to finance future operations or capital needs or to engage in other business activities. Specifically, these agreements will restrict our ability to:

- incur additional indebtedness;
- pay dividends or make distributions with respect to our capital stock;
- repurchase or redeem capital stock;
- make investments;
- create liens and enter into sale and leaseback transactions;
- make capital expenditures;
- enter into transactions with affiliates or related persons;
- issue or sell stock of certain subsidiaries;
- sell or transfer assets; and
- participate in certain joint ventures, acquisitions or mergers.

In addition, a breach of any of the restrictions in our debt agreements could cause our indebtedness to become immediately due and payable and we may not be able to obtain sufficient funds to make these accelerated payments. If any debt is accelerated, our assets may also not be sufficient to repay in full such indebtedness. The senior secured credit agreement also contains financial covenants, such as a leverage ratio and an interest coverage ratio. A breach of any of these covenants may also accelerate our debt.

A SUBSTANTIAL PORTION OF OUR FLAT-ROLLED PRODUCTS ARE SOLD ON THE SPOT MARKET, AND THEREFORE, OUR SALES, MARGINS AND EARNINGS ARE NEGATIVELY IMPACTED BY DECREASES IN DOMESTIC FLAT-ROLLED STEEL PRICES

Our sales, margins and earnings are negatively impacted by decreases in domestic flat-rolled steel prices since a significant portion of our flat-rolled products are sold on the spot market. As a result, we are vulnerable to downturns in the domestic flat-rolled steel market. For the three year period ended December 31, 2001, approximately 80% of our flat-roll products were sold on the spot market under contracts with terms of twelve months or less.

WEAKNESS IN THE AUTOMOTIVE INDUSTRY WOULD RESULT IN A SUBSTANTIAL REDUCTION IN DEMAND FOR OUR PRODUCTS

A prolonged weakness in the automotive industry would reduce the demand for our products and decrease our sales. In addition, if automobile manufacturers choose to incorporate more plastics, aluminum and other steel substitutes in their automobiles, it could reduce demand for our products. Our sales and earnings fluctuate due to the cyclical nature of the automotive industry. The cyclical nature of the automotive industry is affected by such things as the level of consumer spending, the strength or weakness of the U.S. dollar and the impact of international trade and various factors, such as labor unrest and the availability of raw materials, which affect the ability of the automotive industry to actually build cars. While we do not presently sell a material portion of our steel production directly to the automotive market, a substantial portion of our sales to the intermediate steel processor and service center market is resold to various companies in the automotive industry.

WE MAY BE UNABLE TO PASS ON INCREASES IN THE COST OF SCRAP AND OTHER RAW MATERIALS TO OUR CUSTOMERS WHICH WOULD REDUCE OUR EARNINGS

If we are unable to pass on higher scrap and other raw material costs to our customers we will be less profitable. We may not be able to adjust our product prices, especially in the short-term, to recover the costs of increases in scrap and other raw material prices. Our principal raw material is scrap metal derived primarily from junked automobiles, industrial scrap, railroad cars, railroad track materials, agricultural machinery and demolition scrap from obsolete structures, containers and machines. The prices for scrap are subject to market forces largely beyond our control, including demand by U.S. and international steel producers, freight costs and speculation. The prices for scrap have varied significantly, may vary significantly in the future and do not necessarily fluctuate in tandem with the price of steel. In addition, our operations require substantial amounts of other raw materials, including various types of pig iron, alloys, refractories, oxygen, natural gas and electricity, the price and availability of which are also subject to market conditions.

WE HAVE PRIMARILY RELIED UPON ONE SUPPLIER TO MEET OUR STEEL SCRAP REQUIREMENTS

Since our inception, we have had an exclusive contract with OmniSource, one of the largest scrap processors and brokers in the Midwest, to purchase steel scrap. We may be unable to renew our contract with OmniSource on terms favorable to us or at all which could increase our costs and decrease our earnings. If we are unable to renew the contract or it otherwise terminates, we would have to find another supplier for steel scrap or develop our own scrap purchasing capability. We may be unable to secure substitute arrangements for steel scrap on the same or better terms as those in our contract with OmniSource.

Our contract with OmniSource extends at least through December 31, 2002. For 2001 and the three months ended March 31, 2002, we purchased 1.5 million tons and 310,600 tons of steel scrap and scrap substitutes from OmniSource, respectively, which represent approximately 87% and 75% of our total scrap tons purchased during those periods.

THERE MAY BE POTENTIAL CONFLICTS OF INTEREST WITH REGARD TO OUR RELATIONSHIP WITH OMNISOURCE

With respect to any dispute between us and OmniSource involving our existing contract, including its remaining term, any future contract, or in connection with the terms of any commercial transaction, OmniSource may be viewed as having a conflict of interest between what it perceives as being best for itself as a seller of scrap and what is best for us as a buyer of scrap. We may not be able to resolve potential conflicts and if we do resolve them, we may receive a less favorable resolution since we are dealing with OmniSource rather than an unaffiliated person. The chairman of the board and chief executive officer of OmniSource is

also a member of our board of directors and is a substantial stockholder of Steel Dynamics. This person has obligations to us as well as to OmniSource and may have conflicts of interest with respect to matters potentially or actually involving or affecting us and OmniSource. OmniSource also supplies scrap to many other customers, including other steel mills.

WE RELY UPON A SMALL NUMBER OF MAJOR CUSTOMERS FOR A SUBSTANTIAL PERCENTAGE OF OUR SALES

A loss of any large customer or group of customers could materially reduce our sales and earnings. We have substantial business relationships with a few large customers. In 2001 and for the three months ended March 31, 2002, our Butler mini-mill's top ten customers accounted for approximately 48% and 50% of our total net sales, respectively. During those periods, our largest customer, Heidtman, accounted for approximately 18% and 17% of our total net sales. We expect to continue to depend upon a small number of customers for a significant percentage of our total net sales, and cannot assure you that any of them will continue to purchase steel from us.

THERE MAY BE POTENTIAL CONFLICTS OF INTEREST WITH REGARD TO OUR RELATIONSHIP WITH HEIDTMAN STEEL PRODUCTS, INC.

If a dispute arises between us and Heidtman, we may be viewed as having a conflict of interest. What is best for Heidtman as a buyer and what is best for us as a product seller may be at odds. We may be unable to resolve potential conflicts. If we do resolve them, we may receive a less favorable resolution since we are dealing with Heidtman rather than an unaffiliated person. Heidtman is an affiliate of one of our large stockholders and its president and chief executive officer serves as one of our directors. This person has obligations to us as well as to Heidtman and may have conflicts of interest with respect to matters potentially or actually involving or affecting us and Heidtman.

START-UP AND OPERATING RISKS ASSOCIATED WITH THE CONSTRUCTION OF OUR COLUMBIA CITY STRUCTURAL STEEL AND RAIL MINI-MILL COULD RESULT IN MATERIALLY GREATER OPERATING COSTS THAN THOSE WE HAVE ANTICIPATED

Start-up and operating risks associated with the construction of our Columbia City mini-mill may result in materially greater operating costs than we initially expected. At our Columbia City mini-mill, we are subject to all of the general risks associated with the construction and start-up of a new mini-mill. These risks involve construction delays, cost overruns and start-up difficulties. We could also experience operational difficulties after start-up that could result in our inability to operate our Columbia City mini-mill at full or near full capacity or at all.

UNEXPECTED EQUIPMENT FAILURES MAY LEAD TO PRODUCTION CURTAILMENTS OR SHUTDOWNS

Interruptions in our production capabilities will inevitably increase our production costs, and reduce our sales and earnings for the affected period. In addition to equipment failures, our facilities are also subject to the risk of catastrophic loss due to unanticipated events such as fires, explosions or violent weather conditions. Our manufacturing processes are dependent upon critical pieces of steelmaking equipment, such as our furnaces, continuous casters and rolling equipment, as well as electrical equipment, such as transformers, and this equipment may, on occasion, be out of service as a result of unanticipated failures. We have experienced and may in the future experience material plant shutdowns or periods of reduced production as a result of such equipment failures.

WE DEPEND HEAVILY ON OUR SENIOR MANAGEMENT AND WE MAY BE UNABLE TO REPLACE KEY EXECUTIVES IF THEY LEAVE

The loss of the services of one or more members of our senior management team or our inability to attract, retain and maintain additional senior management personnel could harm our business, financial condition, results of operations and future prospects. Our senior management founded our company, pioneered the development of thin-slab, flat-rolled technology and directed the construction of our Butler mini-mill and Columbia City structural mini-mill. Our operations and prospects depend in large part on the performance of our senior management team, including Keith E. Busse, president and chief executive officer, Mark D. Millett, vice president and general manager of our flat-roll division, Richard P. Teets, Jr., vice president and general manager of our structural division, Tracy L. Shellabarger, vice president and chief financial officer and John W. Nolan, vice president, sales and marketing. Although these senior managers have each been employees

and stockholders of Steel Dynamics for more than seven years, these individuals may not remain with us as employees. In addition, we may not be able to find qualified replacements for any of these individuals if their services are no longer available. We do not have key man insurance on any of these individuals.

WE MAY FACE RISKS ASSOCIATED WITH THE IMPLEMENTATION OF OUR GROWTH STRATEGY

Our growth strategy subjects us to various risks. As part of our growth strategy, we may expand our existing facilities, build additional plants, acquire other businesses and steel assets, enter into joint ventures, or form strategic alliances that we believe will complement our existing business. These transactions will likely involve some or all of the following risks:

- the difficulty of competing for acquisitions and other growth opportunities with companies having materially greater financial resources than ours;

- the difficulty of integrating the acquired operations and personnel into our existing business;

- the potential disruption of our ongoing business;

- the diversion of resources;
- the inability of management to maintain uniform standards, controls, procedures and polices;
- the difficulty of managing the growth of a larger company;
- the risk of entering markets in which we have little experience;
- the risk of becoming involved in labor, commercial, or regulatory disputes or litigation related to the new enterprise;
- the risk of contractual or operational liability to our venture participants or to third parties as a result of our participation;
- the inability to work efficiently with joint venture or strategic alliance partners; and
- the difficulties of terminating joint ventures or strategic alliances.

These transactions might be required for us to remain competitive, but we may not be able to complete any such transactions on favorable terms or obtain financing, if necessary, for such transactions on favorable terms. Future transactions may not improve our competitive position and business prospects as anticipated, and if they do not, our sales and earnings may be significantly reduced.

WE MAY BE UNABLE TO CONSUMMATE THE ACQUISITION OF THE QUALITECH ASSETS, OR WE MAY BE DELAYED IN THE CONSTRUCTION AND START-UP OF THIS MINI-MILL

We may not be able to consummate the Qualitech acquisition within the 25 days required by our purchase agreement as a result of our failure to obtain senior bank lender approval or other events outside our control. If we are unable to consummate the transaction on time, we would be in default under our purchase agreement and we may lose the opportunity to acquire these steel assets and may be liable for damages. In addition, we may exceed our current estimates of investing between $60 and $70 million of additional capital to convert the Qualitech mini-mill into a mini-mill for the production of merchant and reinforcing bar. We are also subject to regulatory approval and to construction, start-up and operational risks associated with the conversion of the Qualitech mini-mill. We may be delayed as a result of unforeseen circumstances or events outside our control, and as a result, we may fail to meet our expectations of becoming commercially operational in the second half of 2003.

ENVIRONMENTAL REGULATION IMPOSES SUBSTANTIAL COSTS AND LIMITATIONS ON OUR OPERATIONS

We are subject to the risk of substantial environmental liability and limitations on our operations brought about by the requirements of environmental laws and regulations. We are subject to various federal, state and local environmental, health and safety laws and regulations concerning such issues as air emissions, wastewater discharges, solid and hazardous waste handling and disposal, and the investigation and remediation of contamination. These laws and regulations are increasingly stringent. While we believe that our facilities are and will continue to be in material compliance with all applicable environmental laws and regulations, the risks of substantial costs and liabilities related to compliance with such laws and regulations are an inherent part of our business. Although we are not currently involved in any compliance or remediation activities, it is possible that future conditions may develop, arise or be discovered that create substantial environmental compliance or remediation liabilities and costs. For example, our steelmaking operations produce certain waste products, such as electric arc furnace dust, which are classified as hazardous waste and must be properly disposed of under applicable environmental laws. These laws can impose clean up liability on generators of hazardous waste and other substances that are shipped off-site for disposal, regardless of fault or the legality of the disposal activities. Other laws may require us to investigate and remediate contamination at our properties, including contamination that was caused in whole or in part by third parties. While we believe that we can comply with environmental legislation and regulatory requirements and that the costs of doing so have been included within our budgeted cost estimates, it is possible that such compliance will prove to be more limiting and costly than anticipated.

In addition to potential clean up liability, in the past we have been, and in the future we may become, subject to substantial monetary fines and penalties for violation of applicable laws, regulations or administrative conditions. We may also be subject from time to time to legal proceedings brought by private parties or governmental agencies with respect to environmental matters, including matters involving alleged property damage or personal injury.

RISKS RELATED TO OUR COMMON STOCK AND THIS OFFERING

OUR STOCK PRICE MAY BE VOLATILE AND COULD DECLINE SUBSTANTIALLY

Our stock price may decline substantially as a result of the volatile nature of the stock market and other factors beyond our control. The stock market has, from time to time, experienced extreme price and volume fluctuations. Many factors may cause the market price for our common stock to decline following this offering, including:

- our operating results failing to meet the expectations of securities analysts or investors in any quarter;
- downward revisions in securities analysts' estimates;
- material announcements by us or our competitors;
- public sales of a substantial number of shares of our common stock following this offering;
- governmental regulatory action; or
- adverse changes in general market conditions or economic trends.

In the past, companies that have experienced volatility in the market price of their stock have been the subject of securities class action litigation. If we become involved in securities class action litigation in the future, it could result in substantial costs and diversion of management attention and resources, thus harming our business.

WE DO NOT EXPECT TO PAY CASH DIVIDENDS IN THE FORESEEABLE FUTURE

Since our initial public offering, we have not declared or paid cash or other dividends on our common stock and do not expect to pay cash dividends for the foreseeable future. We currently intend to retain all future earnings for use in the operation of our business and to fund future growth. In addition, the terms of our senior secured credit agreement and the indenture relating to our senior notes restrict our ability to pay cash dividends. Even if these restrictions are removed, any future cash dividends will depend upon our results of operations, financial conditions, cash requirements, the availability of a surplus and other factors.

SHARES ELIGIBLE FOR PUBLIC SALE AFTER THIS OFFERING COULD ADVERSELY AFFECT OUR STOCK PRICE

The future sale of a substantial number of our shares of common stock in the public market following this offering, or the perception that such sales could occur, could significantly reduce our stock price following the offering and could also make it more difficult for us to raise funds through equity offerings in the future.

Upon completion of this offering, we expect to have 55,115,896 shares of common stock outstanding including 14,079,521 restricted shares held by some of our stockholders. These restricted shares may in the future be sold without registration under the Securities Act of 1933 to the extent permitted by Rule 144 under the Securities Act or any applicable exemption under the Securities Act. In addition, some of our stockholders who have restricted shares have registration rights. We have filed a registration statement under the Securities Act to register shares of common stock held by the Iron Dynamics bank lenders who received restricted shares in connection with the settlement of the Iron Dynamics credit agreement. As of July 16, 2002, there were 436,150 remaining restricted shares held by one of these holders. Also, other stockholders, holding 13,643,377 restricted shares as of July 16, 2002, have the right to require us to file a registration statement under the Securities Act to register their shares of common stock.

In connection with this offering, we, our executive officers and directors, the selling stockholders and other stockholders have agreed that, subject to agreed upon exceptions, they will not sell, offer or contract to sell any shares of common stock without the prior written consent of the underwriters, for a period of 90 days after the date of this prospectus.

In addition, we have filed registration statements under the Securities Act to register shares of common stock reserved for issuance under our stock option plans, thus permitting the resale of such shares by non-affiliates upon issuance in the public market without restriction under the Securities Act. As of June 30, 2002, options to purchase 2,458,301 shares were outstanding under these stock option plans.

PROVISIONS UNDER INDIANA LAW MAY DETER ACQUISITION BIDS FOR US

Provisions under the Indiana Business Corporation Law may have the effect of delaying or preventing transactions involving a change of control, including transactions in which stockholders might otherwise receive a substantial premium for their shares over then current market prices. As a result, these provisions may limit the ability of stockholders to approve transactions that they may deem to be in their best interest or may delay or frustrate the removal of incumbent directors.

FORWARD LOOKING INFORMATION

Throughout this prospectus, including documents we incorporate by reference, we may make statements that express our opinions, expectations, or projections regarding future events or future results, in contrast with statements that reflect historical facts. These predictive statements, which we generally precede or accompany by such typical conditional words as "anticipate," "intend," "believe," "estimate," "plan," "seek," "project" or "expect," or by the words "may," "will," or "should," are intended to operate as "forward looking statements" of the kind permitted by the Private Securities Litigation Reform Act of 1995, incorporated in Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended. That legislation protects such predictive statements by creating a "safe harbor" from liability in the event that a particular prediction does not turn out as anticipated.

While we always intend to express our best judgment when we make statements about what we believe will occur in the future, and although we base these statements on assumptions that we believe to be reasonable when made, these forward looking statements are not a guarantee of performance, and you should not place undue reliance on such statements. Forward looking statements are subject to many uncertainties and other variable circumstances, many of which are outside of our control, that could cause our actual results and experience to differ materially from those we thought would occur.

The following listing represents some, but not necessarily all, of the factors that may cause actual results to differ from those anticipated or predicted:

- cyclical changes in market supply and demand for steel; general economic conditions; U.S. or foreign trade policy affecting steel imports or exports; and governmental monetary or fiscal policy in the U.S. and other major international economies;

- risks and uncertainties involving new products or new technologies, such as our Iron Dynamics ironmaking process, in which the product or process or certain critical elements thereof may not work at all, may not work as well as expected, or may turn out to be uneconomic even if they do work;

- changes in the availability or cost of steel scrap, steel scrap substitute materials or other raw materials or supplies which we use in our production processes, as well as periodic fluctuations in the availability and cost of electricity, natural gas or other utilities;

- the occurrence of unanticipated equipment failures and plant outages or incurrence of extraordinary operating expenses;

- actions by our domestic and foreign competitors, including the addition or reduction of production capacity, or loss of business from one or more of our major customers or end-users;

- labor unrest, work stoppages and/or strikes involving our own workforce, those of our important suppliers or customers, or those affecting the steel industry in general;

- the effect of the elements upon our production or upon the production or needs of our important suppliers or customers;

- the impact of, or changes in, environmental laws or in the application of other legal or regulatory requirements upon our production processes or costs of production or upon those of our suppliers or customers, including actions by government agencies, such as the U.S. Environmental Protection Agency or the Indiana Department of Environmental Management, on pending or future environmentally related construction or operating permits;

- pending, anticipated or unanticipated private or governmental liability claims or litigation, or the impact of any adverse outcome of any currently pending or future litigation on the adequacy of our reserves, the availability or adequacy of our insurance coverage, our financial well-being or our business and assets;

- changes in interest rates or other borrowing costs, or the effect of existing loan covenants or restrictions upon the cost or availability of credit to fund operations or take advantage of other business opportunities;

- changes in our business strategies or development plans which we may adopt or which may be brought about in response to actions by our suppliers or customers, and any difficulty or inability to successfully consummate or implement as planned any of our projects, acquisitions, joint ventures or strategic alliances; and

- the impact of governmental approvals, litigation, construction delays, cost overruns or technology risk upon our ability to complete, start-up or continue to profitably operate a project, or to operate it as anticipated.

We also believe that you should read the many factors described in "Risk Factors" to better understand the risks and uncertainties inherent in our business and underlying any forward looking statements.

Any forward looking statements which we make in this prospectus speak only as of the date of such statement, and we undertake no ongoing obligation to update such statements. Comparisons of results between current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

MARKET DATA

We obtained market and competitive position data used throughout this prospectus, including documents we incorporate by reference, from internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified.

USE OF PROCEEDS

We estimate that we will receive net proceeds from this offering of approximately $117 million, or $ million if the underwriters exercise their over-allotment option in full, after deducting discounts and commissions and estimated offering expenses payable by us. We intend to use the net proceeds of this offering for general corporate purposes, including capital expenditures, repayment of indebtedness, working capital and potential acquisitions (including our recently announced Qualitech acquisition). Pending such uses, we will invest the proceeds in short-term interest bearing, investment grade securities.

As of March 31, 2002, we had borrowings of $275 million under our senior secured credit facilities, including $70 million outstanding under the term A loan and $205 million outstanding under the term B loan. Our borrowings under our senior secured credit facilities bear interest at variable rates, had a weighted average interest rate of 7.4% as of March 31, 2002, and mature as follows: a $75 million five-year revolving facility, maturing March 26, 2007; a $70 million five-year term A loan facility payable in quarterly installments equal to incremental percentages of the outstanding amount of the term A loan, with the first installment beginning June 26, 2003 and the final installment due March 26, 2007; and a $205 million six-year term B loan facility payable in quarterly installments, with no installments payable in the first year, aggregate installments for the next four years beginning June 26, 2003 equal to 20% of the outstanding amount of the term B loan and each of the last four installments equal to 20% of the outstanding amount of the term B loan, with the final maturity on March 26, 2008.

We will not receive any proceeds from the sale of shares by the selling stockholders in this offering.

19

PRICE RANGE OF COMMON STOCK AND DIVIDEND POLICY

Our common stock is quoted on the Nasdaq National Market under the symbol "STLD." The following table presents, for the periods indicated, the high and low sale prices for our common stock as reported on the Nasdaq National Market.

	HIGH	LOW
YEAR ENDED DECEMBER 31, 2000:		
First Quarter...	$19.000	$11.125
Second Quarter..	12.938	8.250
Third Quarter...	12.750	8.813
Fourth Quarter..	12.000	8.438
YEAR ENDED DECEMBER 31, 2001:		
First Quarter...	$13.250	$10.000
Second Quarter..	14.950	10.688
Third Quarter...	14.950	8.930
Fourth Quarter..	12.040	9.000
YEAR ENDING DECEMBER 31, 2002:		
First Quarter...	$16.890	$11.400
Second Quarter..	$19.300	$16.100
Third Quarter (through July 26, 2002).....................	$18.400	$15.450

A recent reported last sale price for our common stock as reported on the Nasdaq National Market is presented on the cover page of this prospectus. As of March 31, 2002, there were approximately 620 holders of record and approximately 7,600 beneficial owners of our common stock.

We have never declared or paid cash dividends. We currently anticipate that all of our future earnings will be retained to finance the expansion of our business and do not anticipate paying cash dividends in the foreseeable future. Any determination to pay cash dividends in the future will be at the discretion of our board of directors after taking into account various factors, including our financial condition, results of operations, outstanding indebtedness, current and anticipated cash needs and plans for expansion. In addition, the terms of our senior secured credit agreement and the indenture relating to our senior notes restrict our ability to pay cash dividends.

CAPITALIZATION

The following table sets forth our consolidated cash and cash equivalents and capitalization as of March 31, 2002:

(1) on an actual basis; and

(2) on an as adjusted basis to give effect to the application of the net proceeds from the sale by us of shares of common stock in this offering at an assumed offering price of $16.51 per share.

You should read this table in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes included elsewhere in this prospectus.

	AS OF MARCH 31, 2002	
	ACTUAL	AS ADJUSTED
	(IN THOUSANDS)	
Cash and cash equivalents	$ 32,319	$
Long-term debt, excluding current maturities:		
Senior secured credit facilities		
Revolving credit facility(1)	$ --	$ --
Term A loan	70,000	
Term B loan	205,000	205,000
Other long-term debt, excluding current maturities	61,801	61,801
9 1/2% senior notes due 2009	200,000	200,000
Total long-term debt, excluding current maturities	536,801	
Other long-term contingent obligation(2)	21,987	21,987
Stockholders' equity:		
Common stock, $.01 par value per share; 100,000,000 shares authorized; 49,706,131 shares issued on an actual basis and 57,306,131 shares issued on an as adjusted basis; 47,320,217 shares outstanding on an actual basis and 54,920,217 shares outstanding on an as adjusted basis	497	573
Treasury stock, at cost; 2,385,914 shares on an actual and as adjusted basis	(28,889)	(28,889)
Additional paid-in capital	343,197	460,323
Retained earnings	133,869	
Other accumulated comprehensive loss	(4,749)	(4,749)
Total stockholders' equity	443,925	

Total capitalization	$1,002,713	$

----

(1) The revolving credit facility is for $75 million, all of which is available for future borrowing.

(2) In connection with the settlement of the Iron Dynamics credit agreement, we have agreed to make contingent future payments to the Iron Dynamics senior lenders, in an aggregate amount not to exceed $22 million, if Iron Dynamics resumes operations by January 27, 2007 and generates positive cash flow, as defined in the settlement agreement.

SELECTED FINANCIAL AND OPERATING DATA

The following table sets forth selected consolidated financial and operating data of Steel Dynamics. The selected consolidated financial and operating data as of and for each of the years in the five-year period ended December 31, 2001 were derived from our audited consolidated financial statements. The selected consolidated financial and operating data as of and for the three months ended March 31, 2001 and 2002 were derived from our unaudited consolidated financial statements. These unaudited consolidated financial statements include, in our opinion, all adjustments, consisting of normal recurring adjustments, necessary to present fairly the data for such periods. Operating results for interim periods are not necessarily indicative of a full year's operations. You should read the following data in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes included elsewhere in this prospectus.

You should also read the following information in conjunction with the data in the table on the following page:

- Our 1997 extraordinary loss of $7.6 million (net of tax benefit of $5.1 million) consisted of prepayment penalties and the write-off of capitalized financing costs associated with the amendment of our credit facilities, effective June 30, 1997.

- Our first quarter 2002 extraordinary loss of $2.0 million (net of tax benefit of $1.2 million) consisted of prepayment penalties and the write-off of capitalized financing costs associated with the refinancing of our credit facilities, effective March 26, 2002.

- "EBITDA" represents income before extraordinary items, income taxes, interest expense (net of interest income), depreciation and amortization. EBITDA is not a measure of operating income, operating performance or liquidity under generally accepted accounting principles, or GAAP. We have presented EBITDA because certain investors may find it to be a useful tool for analyzing and comparing operating performance and for determining a company's ability to service and/or incur debt. We believe that EBITDA, as presented, represents a useful measure of assessing the performance of our ongoing operating activities, as it reflects our earnings trends without the impact of a number of non-cash charges. We use targets and positive trends in EBITDA to measure performance, and some of our creditors use EBITDA to assess our debt covenant compliance.

Nevertheless, EBITDA should not be considered in isolation or as a substitute for operating income (as determined in accordance with GAAP) as an indicator of our operating performance, or cash flow from operating activities (as determined in accordance with GAAP) as a measure of our liquidity. In addition, companies calculate EBITDA differently and, therefore, EBITDA as presented by us may not be comparable to EBITDA reported by other companies.

- "Operating profit per net ton shipped" represents operating income before start-up costs divided by net ton shipments. Beginning July 1, 2000, net shipments included shipments from our steel fabrication subsidiary, New Millennium. Beginning March 1, 2001, net shipments also included shipments from our secondary-steel brokering subsidiary, Paragon Steel.

- "Hot band production" refers to our flat-rolled mini-mill's total production of finished coiled product. "Prime tons" refer to hot bands produced, which meet or exceed quality standards for surface, shape and metallurgical properties.

- "Yield percentage" refers to our flat-rolled mini-mill's tons of finished product divided by tons of raw materials.

- "Effective capacity utilization" is the flat-rolled mini-mill's ratio of tons produced for the operational month to the operational month's capacity. For the data disclosed in the period ended December 31, 1997, we used an annual capacity of 1.4 million tons for this calculation. For the data disclosed in the period ended December 31, 1998, we used an annual capacity of 1.8 million tons. For the data disclosed in the periods ended December 31, 1999, 2000 and 2001, and March 31, 2001 and 2002, we used an annual capacity of 2.2 million tons.

22

	YEARS ENDED DECEMBER 31,				
	1997	1998	1999	2000	2001
	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AND PER				
OPERATING DATA:					
Net sales..........................	$ 420,132	$ 514,786	$ 618,821	$ 692,623	$ 606,9
Cost of goods sold................	330,529	428,978	487,629	533,914	522,9
Gross profit....................	89,603	85,808	131,192	158,709	84,0
Selling, general and administrative expenses........................	24,449	20,637	42,441	53,306	58,1
Income from operations..........	65,154	65,171	88,751	105,403	25,9
Interest expense..................	7,697	17,538	22,178	20,199	18,4
Other (income) expense............	(1,914)	(4,993)	1,294	719	2,3
Income before income taxes and extraordinary loss............	59,371	52,626	65,279	84,485	5,1
Income tax expense................	7,813	20,942	25,849	30,690	1,9
Income before extraordinary loss...	51,558	31,684	39,430	53,795	3,1
Extraordinary loss, net of tax.....	7,624	--	--	--	

Net income	$ 43,934	$ 31,684	$ 39,430	$ 53,795	$ 3,1
Basic earnings per share	$ .91	$ .65	$ .82	$ 1.15	$.
Weighted average common shares outstanding	48,343	48,462	47,914	46,822	45,6
Diluted earnings per share	$ .90	$ .65	$ .82	$ 1.15	$.
Weighted average common shares and share equivalents outstanding	48,843	48,868	48,153	46,974	45,8
OTHER FINANCIAL DATA:					
EBITDA	$ 89,465	$ 100,544	$ 125,804	$ 149,348	$ 71,2
Operating profit per net ton shipped	61	50	58	65	
Capital expenditures	175,193	194,131	126,673	110,379	90,7
Cash provided (used) by:					
Operating activities	85,654	(51,060)	114,779	102,792	67,3
Investing activities	(175,157)	(196,967)	(126,299)	(109,399)	(90,7
Financing activities	40,661	244,652	22,892	176	91,3
OTHER DATA:					
Shipments (net tons)	1,205,247	1,416,950	1,869,714	1,919,368	1,963,6
Hot band production (net tons)	1,181,983	1,425,699	1,938,234	2,031,025	2,015,9
Prime ton percentage -- hot band	95.3%	95.3%	94.2%	93.9%	95
Yield percentage -- hot band	89.0	87.7	87.8	87.7	87
Effective capacity utilization -- hot band	84.4	79.2	88.1	92.3	91
Man-hours per hot band net ton produced	.56	.55	.41	.37	.
Number of employees	425	591	650	651	6
BALANCE SHEET DATA (END OF PERIOD):					
Cash and cash equivalents	$ 8,618	$ 5,243	$ 16,615	$ 10,184	$ 78,2
Working capital	58,774	162,117	155,226	165,915	194,0
Total assets	640,882	907,470	991,556	1,067,074	1,180,0
Long-term debt (including current maturities)	219,541	483,946	505,963	532,520	599,9
Stockholders' equity	337,595	351,065	391,370	418,784	418,5

23

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion contains forward looking statements that involve numerous risks and uncertainties. Our actual results could differ materially from those discussed in the forward looking statements as a result of these risks and uncertainties, including those set forth in this prospectus under "Forward Looking Information" and under "Risk Factors." You should read the following discussion in conjunction with "Selected Financial and Operating Data" and our consolidated financial statements and the related notes appearing elsewhere in this prospectus.

OVERVIEW

We are one of the most profitable mini-mill steel producers in the United States in terms of operating profit per ton. We primarily own and operate a state-of-the-art, low-cost flat-rolled mini-mill located in Butler, Indiana with an annual production capacity of 2.2 million tons. Our Butler mini-mill produces a broad range of high quality hot-rolled, cold-rolled and coated steel products, including a large variety of high value-added and high margin specialty products such as thinner gauge rolled products and galvanized products. We sell our products directly to end-users, intermediate steel processors and steel service centers primarily in the Midwestern United States. Our products are used in numerous industry sectors, including the automotive, construction and commercial industries.

In May 2002, we announced plans to construct a low-cost, coil coating facility at our Butler mini-mill that will further increase our range of value-added capabilities. Subject to our receipt of applicable permits, we anticipate starting construction of the facility within the next several months and expect to commence coating operations in the middle of 2003. The coating facility is currently expected to have an annual production capacity of 240,000 tons and is estimated to cost $25-$30 million.

In May 2001, we began construction of a new state-of-the-art structural steel and rail mini-mill in Columbia City, Indiana. Our Columbia City mini-mill is designed to have an annual production capacity of 1.3 million tons and produce structural steel and rails at a higher quality and lower cost than comparable mini-mills. We expect to spend approximately $315 million to construct this mini-mill, of which $280 million has been spent as of June 30, 2002. We commenced commercial structural steel operations in late June 2002 and have shipped our first structural products to initial customers. We expect to ramp up these operations through regular product introductions and be fully operational by the end of 2002. In addition, we expect to commence commercial production of rails during the first quarter of 2003. Our structural steel operation is designed to produce steel products for the construction, transportation and industrial machinery markets. Our rail manufacturing operation is designed to produce a variety of rail products for the railroad industry.

The U.S. steel industry has historically been, and continues to be, highly cyclical in nature, including a significant downturn in the second half of 2000 through most of 2001. During this period, our business was also adversely impacted with our net sales declining from $693 million in 2000 to $607 million in 2001 and our earnings declining from $54 million in 2000 to $3 million in 2001. However, during the first half of 2002, domestic flat-rolled steel prices increased dramatically from historical cyclical lows in 2001. This increase has resulted from a number of factors including (1) a reduction in domestic steel production capacity as a result of past bankruptcies and shutdowns of other U.S. steel producers, (2) a reduction in imports, driven in part by recent favorable rulings with respect to tariffs and quotas on foreign steel and (3) a strengthening of the overall U.S. economy and the need for end-users of steel products to replenish their depleted inventories. As a result of our efficient, low-cost operations, we believe that although our earnings declined, we were one of the few U.S. steel producers to maintain profitability in 2001, and we have already benefited from the improvements in the domestic flat-rolled steel market in 2002.

NET SALES

Our total net sales are a factor of net tons shipped, product mix and related pricing. Our net sales are determined by subtracting product returns, sales discounts, return allowances and claims from total sales. We charge premium prices for certain grades of steel, dimensions of product, or certain smaller volumes, based on

our cost of production. We also charge marginally higher prices for our value-added products from our cold mill. These products include hot-rolled and cold-rolled galvanized products and cold-rolled products.

COST OF GOODS SOLD

Our cost of goods sold represents all direct and indirect costs associated with the manufacture of our products. The principal elements of these costs are steel scrap and scrap substitutes, alloys, natural gas, argon, direct and indirect labor benefits, electricity, oxygen, electrodes and depreciation. Steel scrap and scrap substitutes represent the most significant component of our cost of goods sold.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSE

Selling, general and administrative expenses are comprised of all costs associated with our sales, finance and accounting, materials and transportation, and administrative departments. These costs include labor and benefits, professional services, financing cost amortization, property taxes, profit sharing expense and start-up costs associated with new projects.

INTEREST EXPENSE

Interest expense consists of interest associated with our senior credit facilities and other debt agreements as described in the notes to our financial statements contained elsewhere in this prospectus, net of capitalized interest costs that are related to construction expenditures during the construction period of capital projects.

OTHER (INCOME) EXPENSE

Other income consists of interest income earned on our cash balances and any other non-operating income activity, including insurance proceeds from litigation efforts. Other expense consists of any non-operating costs, including permanent impairments of reported investments and settlement costs from litigation efforts.

RESULTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 2002 COMPARED WITH THREE MONTHS ENDED MARCH 31, 2001

Net sales. Our net sales were $166.9 million, with total shipments of 561,900 net tons for the three months ended March 31, 2002, as compared to net sales of $154.1 million, with total shipments of 482,400 net tons for the three months ended March 31, 2001, an increase in net sales of $12.8 million, or 8%, and an increase in total shipments of 79,500 net tons, or 16%. During the first quarter of 2002, the average consolidated selling price per ton decreased approximately $22, or 7%, in comparison to the same period in 2001. The increase in our first quarter 2002 net sales in comparison to the first and fourth quarters of 2001 was driven by volume. A substantial portion of our first quarter 2002 sales were committed during the fourth quarter 2001 at depressed pricing levels, resulting in our first quarter average consolidated selling pricing per ton remaining flat as compared to the fourth quarter; however, we are already experiencing substantially higher selling prices in our order backlog for the second quarter 2002 and anticipate further increases during the third quarter 2002.

Heidtman accounted for approximately 17% and 16% of our net sales for the three months ended March 31, 2002 and 2001, respectively.

Cost of Goods Sold. Cost of goods sold was $139.5 million for the three months ended March 31, 2002, as compared to $128.5 million for the three months ended March 31, 2001, an increase of $11.0 million, or 9%, which was primarily volume related. As a percentage of net sales, cost of goods sold represented approximately 84% and 83% for the three months ended March 31, 2002 and 2001, respectively. Steel scrap represented approximately 43% and 44% of the total cost of goods sold for the three months ended March 31, 2002 and 2001, respectively. We experienced a steady decline in scrap pricing from the second quarter of 2000 through the first quarter of 2002. The average costs associated with steel scrap averaged $9, or 8%, per ton produced less during the first quarter of 2002 than during the same period of 2001. We experienced a narrowing of our

25

gross margin throughout 2001 as our average sales price per ton decreased more rapidly than our average scrap cost per ton, which is the most significant single component of our cost of goods sold; however, during the first quarter of 2002 we experienced a further decrease in scrap pricing without a corresponding decrease in our product pricing, resulting in a strengthening in our gross margin. We currently anticipate a further strengthening through the third quarter of 2002.

Selling, General and Administrative Expenses. Selling, general and administrative expenses were $13.1 million for the three months ended March 31, 2002, as compared to $13.8 million for the three months ended March 31, 2001, a decrease of $714,000, or 5%. As a percentage of net sales, selling, general and administrative expenses represented approximately 8% and 9% for the three months ended March 31, 2002 and 2001, respectively. Start-up costs were $4.6 million, all of which were related to construction of our structural and rail mill, for the three months ended March 31, 2002, as compared to start-up costs of $5.1 million, of which Iron Dynamics represents $3.8 million, for the three months ended March 31, 2001, a decrease of $552,000, or 11%.

Interest Expense. Interest expense was $4.3 million for the three months ended March 31, 2002, as compared to $4.8 million for the three months ended March 31, 2001, a decrease of $574,000, or 12%. Gross interest expense decreased 15% to $8.0 million and capitalized interest decreased 19% to $3.7 million, for the three months ended March 31, 2002, as compared to the same period in 2001. Throughout 2001 and into 2002, base interest rates, more specifically LIBOR and prime rates steadily decreased, resulting in a 15% decrease in our gross interest expense for the first quarter of 2002, as compared to the same period in 2001, despite only a $1.0 million decrease in our total net debt (total debt, including other long-term contingent liabilities, less cash and cash equivalents).

Other (Income) Expense. Other expense was $4.2 million for the three months ended March 31, 2002, as compared to other income of $204,000 for the three months ended March 31, 2001, an increase in expenses of $4.4 million. During the first quarter of 2002, we recorded settlement costs in association with the Nakornthai Strip Mill Public Company Ltd. (NSM) related lawsuits. On May 6, 2002, we settled the remaining NSM-related lawsuit, which was outstanding on March 31, 2002. Accordingly, we reflected a settlement cost of $4.5 million, net of any insurance proceeds, in our financial results for the first quarter of 2002.

Income Taxes. Our income tax provision was $2.2 million, net a $1.2 million tax benefit related to our extraordinary loss on debt extinguishment for the three months ended March 31, 2002, as compared to $2.7 million for the same period in 2001. Our effective tax rate was 37.5% during 2002, as compared to 38.5% during 2001. During the fourth quarter of 2001, we recorded a $1.9 million deferred tax asset valuation allowance related to foreign tax credits that may not be fully realized. This allowance is still outstanding at March 31, 2002.

YEAR ENDED DECEMBER 31, 2001 COMPARED TO YEAR ENDED DECEMBER 31, 2000

Net Sales. Our net sales were $607.0 million, with total shipments of 2.0 million net tons for the year ended December 31, 2001, as compared to net sales of $692.6 million, with total shipments of 1.9 million net tons for the year ended December 31, 2000, a decrease in net sales of $85.6 million, or 12%, and an increase in total shipments of 44,000 net tons, or 2%. The entire steel industry experienced pricing declines from the second half of 2000 throughout 2001, reaching the low in the fourth quarter of 2001. During 2001, the average selling price per ton decreased approximately $52, or 14%, in comparison to the same period in 2000, resulting in a 12% decline in net sales despite a 2% increase in net shipments.

Heidtman accounted for approximately 18% and 21% of our net sales for the years ended December 31, 2001 and 2000, respectively.

Cost of Goods Sold. Cost of goods sold was $522.9 million for the year ended December 31, 2001, as compared to $533.9 million for the year ended December 31, 2000, a decrease of $11.0 million, or 2%. Steel scrap represented approximately 44% and 51% of the total cost of goods sold for the year ended December 31, 2001 and 2000, respectively. We experienced a steady decline in scrap pricing from the second quarter of 2000

throughout 2001, reaching the low in the fourth quarter of 2001. The average costs associated with steel scrap averaged $18, or 14%, per ton less during 2001 than during 2000. As a percentage of net sales, cost of goods sold represented approximately 86% and 77% for the years ended December 31, 2001 and 2000, respectively. We experienced a narrowing of our gross margin throughout 2001 as our average sales price per ton decreased more rapidly than our average scrap cost per ton, which is the most significant single component of our cost of goods sold.

Selling, General and Administrative Expenses. Selling, general and administrative expenses were $58.1 million for the year ended December 31, 2001, as compared to $53.3 million for the year ended December 31, 2000, an increase of $4.8 million, or 9%. A substantial portion of these expenses in both periods was attributable to litigation costs associated with the NSM litigation efforts and start-up costs associated with Iron Dynamics and the structural and rail mill. Litigation costs associated with the NSM litigation efforts were $8.9 million for the year ended December 31, 2001, as compared to $6.1 million for the year ended December 31, 2000, an increase of $2.8 million, or 45%. Start-up costs were $19.5 million, of which Iron Dynamics represents $11.0 million (including $1.7 million of interest expense), for the year ended December 31, 2001, as compared to total start-up costs of $19.9 million, of which Iron Dynamics represents $12.4 million, for the year ended December 31, 2000, a decrease of $393,000 or 2%. During 2001, we also recorded bad debt expense of $6.0 million, as compared to $349,000 during 2000, an increase of $5.7 million. Approximately $4.7 million of this increase in bad debt expense was the result of two customer bankruptcies which occurred during 2001. As a percentage of net sales, selling, general and administrative expenses represented approximately 10% and 8% for the years ended December 31, 2001 and 2000, respectively.

Interest Expense. Interest expense was $18.5 million for the year ended December 31, 2001, as compared to $20.2 million for the year ended December 31, 2000, a decrease of $1.7 million, or 9%. Gross interest expense decreased 10% to $34.1 million and capitalized interest decreased 20% to $14.0 million, for the year ended December 31, 2001, as compared to the same period in 2000. Throughout 2001, base interest rates, more specifically LIBOR and prime rates steadily decreased in comparison to 2000 levels, resulting in the 10% decrease in our gross interest expense despite a 4% increase in our total net debt (total debt, including other long-term contingent liabilities, less cash and cash equivalents).

Other (Income) Expense. Other expense was $2.3 million for the year ended December 31, 2001, as compared to $719,000 for the year ended December 31, 2000, an increase of $1.6 million. During 2001, we recorded settlement costs, along with the offsetting insurance proceeds, associated with settlements of a portion of the NSM-related lawsuits. On March 7, 2002, we settled one of two remaining NSM-related lawsuits, which was outstanding on December 31, 2001. Accordingly, we reflected a settlement cost of $2.3 million, which represents the settlement amount not covered by insurance proceeds, in our financial results for 2001. During 2000, other expense included the write-off of the remaining investment in NSM of approximately $1.4 million.

Income Taxes. Our income tax provision was $2.0 million for the year ended December 31, 2001, as compared to $30.7 million for the same period in 2000. Our effective tax rate was 38.5% during 2001, as compared to 36.3% during 2000. During 2001, we recorded a $1.9 million deferred tax asset valuation allowance related to foreign tax credits that may not be fully realized. This allowance was offset by a $1.4 million reduction in the effective tax rate applied to our cumulative net deferred tax liability.

YEAR ENDED DECEMBER 31, 2000 COMPARED TO YEAR ENDED DECEMBER 31, 1999

Net Sales. Our net sales were $692.6 million, with total shipments of 1.9 million net tons for the year ended December 31, 2000, as compared to net sales of $618.8 million, with total shipments of 1.9 million net tons for the year ended December 31, 1999, an increase in net sales of $73.8 million, or 12%. This increase was attributable to an increase of $27, or 8% in our average price per ton, for the year ended December 31, 2000, as compared to the same period in 1999. The increase in average price per ton was the direct result of a shift in our product mix from hot band sales to higher-margin, value-added products, including pickle and oil, cold-rolled and galvanized. Shipments of these higher-margin products increased 109,000 net tons, or 11%, with an average price per ton increase of $34, or 9%, for the year ended December 31, 2000, as compared to the same

period in 1999. More specifically, shipments of our cold-rolled products increased 87,000 net tons, or 47%, with an average price per ton increase of $43, or 12%, during the same periods.

Approximately 21% and 19% of our net sales for 2000 and 1999, respectively, were purchased by Heidtman.

Cost of Goods Sold. Cost of goods sold was $533.9 million for the year ended December 31, 2000, as compared to $487.6 million for the year ended December 31, 1999, an increase of $46.3 million, or 9%. Steel scrap represented approximately 51% and 49% of our total cost of goods sold for the years ended December 31, 2000 and 1999, respectively. Our costs associated with steel scrap averaged $10 per ton more during 2000 than during 1999. We experienced a steady decline in scrap pricing during the second quarter of 2000 and throughout the remainder of the year. As a percentage of net sales, cost of goods sold represented approximately 77% and 79% for the years ended December 31, 2000 and 1999, respectively.

Selling, General and Administrative Expenses. Selling, general and administrative expenses were $53.3 million for the year ended December 31, 2000, as compared to $42.4 million for the year ended December 31, 1999, an increase of $10.9 million, or 26%. This increase was due in part to increased costs associated with our NSM litigation efforts. As a result of significantly improved operating results during 2000, as compared to 1999, employee performance-based incentives also comprised a portion of the total selling, general and administrative expense increase. Start-up costs related to our structural steel and rail mini-mill project, New Millennium project and Iron Dynamics were $19.9 million for the year ended December 31, 2000, as compared to $19.0 million for the year ended December 31, 1999, an increase of $900,000, or 5%.

As a percentage of net sales, selling, general and administrative expenses represented approximately 8% and 7% for the years ended December 31, 2000 and 1999, respectively.

Interest Expense. Interest expense was $20.2 million for the year ended December 31, 2000, as compared to $22.2 million for the year ended December 31, 1999, a decrease of $2.0 million, or 9%. Gross interest expense increased 7% to $37.8 million and capitalized interest increased 33% to $17.5 million, for the year ended December 31, 2000, as compared to the same period in 1999.

Other (Income) Expense. For the year ended December 31, 2000, other income was $790,000, as compared to $818,000 for the year ended December 31, 1999.

Other expense was $1.5 million for the year ended December 31, 2000, of which $1.4 million represented the write-off of our remaining investment in NSM, and was $2.1 million for the year ended December 31, 1999, of which $1.8 million represented the write-off of our entire cost-basis investment in Qualitech Steel Corporation.

Income Taxes. Our federal income tax provision was $29.6 million for the year ended December 31, 2000, as compared to $22.9 million for the same period in 1999. This federal tax provision reflects income tax expense at the statutory income tax rate. During 2000 our effective state tax rate was 3.5%, excluding a state income tax benefit of $2.2 million, or 2.3%, resulting from the reduction in our effective tax rate a