STEEL DYNAMICS INC
Form 10-Q/A
November 14, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q/A

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the period ended September 30, 2002

OR

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number 0-21719

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

Indiana	35-1929476
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer Identification No.)
6714 Pointe Inverness Way, Suite 200, Fort Wayne, IN	46804
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code: (260) 459-3553

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
None	None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $0.01 par value

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days

Yes [X] No [ ]

As of November 5, 2002, Registrant had outstanding shares of 47,556,779 Common Stock.

STEEL DYNAMICS, INC.
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STEEL DYNAMICS, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	September 2002
	(unaudited
ASSETS	
Current assets:	
Cash and cash equivalents	$ 24,17
Accounts receivable, net	70,53
Accounts receivable-related parties	22,12
Inventories	135,48
Deferred taxes	6,06
Other current assets	3,28
Total current assets	261,66
Property, plant, and equipment, net	935,70
Restricted cash	2,60

Other assets	32,03
Total assets	$ 1,232,01

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:	
Accounts payable	$ 35,76
Accounts payable-related parties	22,20
Accrued interest	6,20
Other accrued expenses	40,86
Current maturities of long-term debt	27,57
Total current liabilities	132,61
Long-term debt, less current maturities	522,16
Deferred taxes	58,35
Minority interest	4,80
Other long-term contingent liabilities	21,98
Commitments and contingencies	
Stockholders' equity:	
Common stock voting, $.01 par value; 100,000,000 shares authorized; 49,941,251 and 49,586,473 shares issued; and 47,555,337 and 45,743,473 shares outstanding, as of September 30, 2002 and December 31, 2001, respectively	49
Treasury stock, at cost; 2,385,914 and 3,843,000 shares, at September 30, 2002 and December 31, 2001, respectively	(28,88
Additional paid-in capital	346,84
Retained earnings	180,72
Other accumulated comprehensive loss	(7,08
Total stockholders' equity	492,09
Total liabilities and stockholders' equity	$ 1,232,01

See notes to consolidated financial statements.

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STEEL DYNAMICS, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share data)

	Three Months Ended September 30,	
	2002	2001

Net Sales:		
Unrelated parties	$ 203,137	$ 129,227
Related parties	37,560	27,580
Total net sales	240,697	156,807
Cost of goods sold	167,942	134,888
Gross profit	72,755	21,919
Selling, general and administrative expenses	15,679	12,821
Operating income	57,076	9,098
Interest expense	10,580	5,201
Other (income) expense	(113)	446
Income before income taxes and extraordinary item	46,609	3,451
Income taxes	17,478	1,329
Income before extraordinary item	29,131	2,122
Extraordinary loss on debt extinguishment, net of tax benefit of $1,216	--	--
Net income	$ 29,131	$ 2,122
Basic earnings per share:		
Income before extraordinary item	$ 0.61	$ 0.05
Extraordinary loss on debt extinguishment	--	--
Net income	$ 0.61	$ 0.05
Weighted average number of shares outstanding	47,545	45,723
Diluted earnings per share:		
Income before extraordinary item	$ 0.61	$ 0.05
Extraordinary loss on debt extinguishment	--	--
Net income	$ 0.61	$ 0.05
Weighted average number of shares and share equivalents outstanding	47,854	45,929

See notes to consolidated financial statements.

STEEL DYNAMICS, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Three Months Ended September 30, 2002	Three Months Ended September 30, 2001
Operating activities:		
Net income	$ 29,131	$ 2,122
Adjustments to reconcile net income to net cash provided by operating activities:		
Extraordinary loss on debt extinguishment	--	--
Depreciation and amortization	15,716	11,766
Deferred income taxes	7,427	(1,784
Minority interest	(193)	311
Changes in certain assets and liabilities:		
Accounts receivable	(3,031)	6,706
Inventories	(20,731)	(522
Other assets	1,510	11,197
Accounts payable	12,396	64
Accrued expenses	1,289	(72
Net cash provided by operating activities	43,514	29,788
Net cash used in investing activity:		
Purchases of property, plant, and equipment	(65,890)	(27,307
Financing activities:		
Issuance of long-term debt	8,298	11,483
Repayments of long-term debt	(10,235)	(17,629
Issuance of common stock, net of expenses and proceeds and tax benefits from exercise of stock options	549	298
Debt issuance costs	(810)	--
Net cash provided by (used in) financing activities	(2,198)	(5,848
Increase (decrease) in cash and cash equivalents	(24,574)	(3,367
Cash and cash equivalents at beginning of period	48,747	18,170
Cash and cash equivalents at end of period	$ 24,173	$ 14,803
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 15,691	$ 8,781
Cash paid for federal and state income taxes	$ 2,647	$ 785
Issuance of common stock from treasury to extinguish portion of long-term debt	$ --	$ --

See notes to consolidated financial statements.

STEEL DYNAMICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

Principles of Consolidation. The consolidated financial statements include the accounts of Steel Dynamics, Inc. (SDI), together with its subsidiaries (the company), including New Millennium Building Systems LLC, after elimination of the significant intercompany accounts and transactions. Minority interest represents the minority shareholders' proportionate share in the equity or income of the company's consolidated subsidiaries.

Use of Estimates. These financial statements are prepared in conformity with generally accepted accounting principles and, accordingly, include amounts that are based on management's estimates and assumptions that affect the amounts reported in the financial statements and in the notes thereto. Actual results may differ from those estimates.

In the opinion of management, these financial statements reflect all normal recurring adjustments necessary for a fair presentation of the interim period results. These financial statements and notes should be read in conjunction with the audited financial statements included in the company's 2001 Annual Report on Form 10-K.

2. Inventories

Inventories are stated at lower of cost (principally standard cost which approximates actual cost on a first-in, first-out basis) or market. Inventories consisted of the following (in thousands):

	September 30, 2002	December 31, 2001
Raw Materials	$ 51,477	$ 44,807
Supplies	50,104	42,258
Work-in-progress	12,140	8,512
Finished Goods	21,766	22,791
	$135,487	$118,368

3. Earnings Per Share

Diluted earnings per share amounts are based upon the weighted average number of common and common equivalent shares outstanding during the year. Common equivalent shares are excluded from the computation in periods in which they have an anti-dilutive effect. The difference between basic and diluted earnings per share for the company is solely attributable to the dilutive effect of stock options. The reconciliations of the weighted average common shares for basic and diluted earnings per share for the three and nine-month periods ended September 30 are as follows (in thousands):

	Three Months Ended		Ni
	2002	2001	20
Basic weighted average common shares outstanding	47,545	45,723	47,0
Dilutive effect of stock options	309	206	3
Diluted weighted average common shares and share equivalents outstanding	47,854	45,929	47,3

4. Comprehensive Income

The following table presents the company's components of comprehensive income (loss), net of related tax, for the three and nine-month periods ended September 30 (in thousands):

	Three Months Ended	
	2002	2001
Net income available to common shareholders	$ 29,131	$ 2,122
Cumulative effect of an accounting change	--	--
Unrealized loss on derivative instrument	(966)	(2,752)
Comprehensive income (loss)	$ 28,165	$ (630)

The company realized no net gain or loss from hedging activities during the three month period ended September 30, 2002 and realized a gain of approximately $45,000 for the nine-month period ended September 30, 2002, which resulted in a net effect of zero for the period since inception of the hedge. The company realized a gain of approximately $41,000 for the three-month period ended September 30, 2001, which resulted in a net effect of zero for the nine months ended September 30, 2001.

STEEL DYNAMICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Segment Information

The company has two reportable segments: steel operations and steel scrap substitute operations. The steel operations segment includes the company's flat rolled division and structural and rail division. The flat rolled division sells a broad range of hot-rolled, cold-rolled and coated steel products, including a large variety of specialty products such as thinner gauge hot-rolled products and galvanized products. The flat rolled division sells directly to end-users and service centers located primarily in the Midwestern United States and these products are used in numerous industry sectors, including the automotive, construction and commercial industries. The company began significant construction of its structural and rail division in May 2001 and commenced limited structural production in June 2002. The company expects to ramp up the structural operations through regular product introductions and be fully operational by the end of 2002. In addition, the company expects to commence production of rails during the first quarter of 2003. This facility is designed to produce and sell structural steel beams, pilings, and other steel components directly to end-users and service centers for the construction, transportation and industrial machinery markets. This facility is also designed to produce and sell a variety of standard and premium grade rails for the railroad industry.

Steel scrap substitute operations include the revenues and expenses associated with the company's wholly owned subsidiary, Iron Dynamics. Since operational start-up processes at Iron Dynamics were halted in 2001, IDI's costs are composed of those expenses required to maintain the facility and further evaluate the project and its related benefits.

Revenues included in the category "All Other" are from two subsidiary operations that are below the quantitative thresholds required for reportable segments. These revenues are from the fabrication of trusses, girders, steel joist and steel decking for the non-residential construction industry; from the further processing, or slitting, and sale of certain steel products; and from the resale of certain secondary and excess steel products. In addition, "All Other" also includes certain unallocated corporate accounts, such as the company's senior secured credit facilities, senior unsecured notes, and certain other investments.

The company's operations are primarily organized and managed by operating segment. Operating segment performance and resource allocations are primarily based on operating results before income taxes. The accounting policies of the reportable segments are consistent with those described in Note 1 to the financial statements. Intersegment sales and any related profits are eliminated in consolidation. The external net sales of the company's steel operations include sales to non-U.S. companies of $2.7 and $2.0 million for the three months ended September 30, 2002 and 2001 and $6.7 million and $5.1 million for the nine months ended September 30, 2002 and 2001, respectively. Segment results for the three and nine-month periods ended September 30 are as follows (in thousands):

	THREE MONTHS ENDED		
	2002	2001	2002
STEEL OPERATIONS			
Net sales			
External	$ 221,312	$ 137,374	$ 558,
Other segments	12,710	10,251	37,
Operating income	63,311	12,288	120,
Assets	1,021,477	870,087	1,021,
STEEL SCRAP SUBSTITUTE OPERATIONS			
Net sales			
External	$ --	$ --	$
Other segments	--	--	
Operating loss	(2,271)	(2,046)	(7,
Assets	151,404	155,106	151,

ALL OTHER			
Net sales			
External	$ 19,385	$ 19,433	$ 62,
Other segments	162	18	
Operating loss	(4,293)	(871)	(7,
Assets	160,150	149,745	160,
ELIMINATIONS			
Net sales			
External	$ --	$ --	$
Other segments	(12,872)	(10,269)	(38,
Operating income (loss)	329	(273)	(1,
Assets	(101,016)	(86,465)	(101,
CONSOLIDATED			
Net sales	$ 240,697	$ 156,807	$ 621,
Operating income	57,076	9,098	104,
Assets	1,232,015	1,088,473	1,232,

STEEL DYNAMICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Condensed Consolidating Information

Certain 100% owned subsidiaries of SDI, one of which was incorporated in 2000 and the others in 2002 have fully and unconditionally guaranteed all of the indebtedness relating to the issuance of $200.0 million of Senior Notes in March 2002 and due 2009. Set forth below are condensed consolidating financial statements of the company, including the guarantors. The following condensed consolidating financial statements present the financial position, results of operations and cash flows of (i) SDI (in each case, reflecting investments in its consolidated subsidiaries under the equity method of accounting), (ii) the guarantor subsidiaries of SDI, (iii) the non-guarantor subsidiaries of SDI, and (iv) the eliminations necessary to arrive at the information for the company on a consolidated basis. The condensed consolidating financial statements should be read in conjunction with the accompanying consolidated financial statements of the company and the company's Report on Form 10-K for the year ended December 31, 2001.

Condensed Consolidating Balance Sheets (in thousands):

AS OF SEPTEMBER 30, 2002	PARENT	GUARANTORS	COMBINED NON-GUARANTORS
Cash	$ 19,549	$ 214	$ 4,410
Accounts receivable	91,975	--	10,576
Inventories	119,315	--	17,415
Other current assets	9,589	--	38
Total current assets	240,428	214	32,439

Property, plant and equipment, net	750,943	45,408	139,463
Other assets	199,376	43,713	257
Total assets	$ 1,190,747	$ 89,335	$ 172,159
Accounts payable	$ 43,013	$ 13,286	$ 11,565
Accrued expenses	44,271	125	2,734
Current maturities of long-term debt	11,592	--	16,002
Total current liabilities	98,876	13,411	30,301
Other liabilities	81,307	--	(838)
Long-term debt	516,353	--	8,506
Minority interest	629	--	--
Common stock	499	45,332	172,164
Treasury stock	(28,889)	--	--
Additional paid in capital	346,849	16	--
Retained earnings	182,027	30,576	(37,790)
Other accumulated comprehensive loss	(6,904)	--	(184)
Total stockholders' equity	493,582	75,924	134,190
Total liabilities and stockholders' equity	$ 1,190,747	$ 89,335	$ 172,159
AS OF DECEMBER 31, 2001			
Cash	$ 77,407	$ 83	$ 751
Accounts receivable	78,461	--	10,375
Inventories	100,709	--	17,680
Other current assets	32,973	(16)	1,095
Total current assets	289,550	67	29,901
Property, plant and equipment, net	703,896	--	148,270
Other assets	90,044	7,822	1,405
Total assets	$ 1,083,490	$ 7,889	$ 179,576
Accounts payable	$ 40,081	$ 1	$ 8,204
Accrued expenses	28,165	--	2,585
Current maturities of long-term debt	2,337	--	43,696
Total current liabilities	70,583	1	54,485
Other liabilities	61,308	--	2,728
Long-term debt	532,350	--	21,876
Minority interest	639	--	--
Common stock	495	1	133,351
Treasury stock	(46,526)	--	--
Additional paid in capital	337,733	16	--
Retained earnings	132,264	7,871	(32,864)
Other accumulated comprehensive loss	(5,356)	--	--
Total stockholders' equity	418,610	7,888	100,487
Total liabilities and stockholders' equity	$1,083,490$	7,889	$ 179,576

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STEEL DYNAMICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidating Statement of Income (in thousands):

FOR THE THREE MONTHS ENDED,
SEPTEMBER 30, 2002

	PARENT	GUARANTORS	COMBINED NON-GUARANTO
Net sales	$ 234,022	$ --	$ 19,547
Cost of good sold	161,246	--	19,576
Gross profit	72,776	--	(29)
Selling, general and administration	13,518	97	2,385
Operating income (loss)	59,258	(97)	(2,414)
Interest expense	10,209	--	440
Other (income) expense	13,883	(14,092)	(7)
Income (loss) before income taxes and equity in net loss of subsidiaries	35,166	13,995	(2,847)
Income tax (expense) benefit	(13,298)	(5,248)	1,068
Equity in net income of subsidiaries	7,017	--	--
Net income (loss)	$ 28,885	$ 8,747	$ (1,779)

FOR THE THREE MONTHS ENDED,
SEPTEMBER 30, 2001

	PARENT	GUARANTORS	COMBINED NON-GUARANTO
Net sales	$ 147,624	$ --	$ 19,452
Cost of good sold	127,087	--	18,080
Gross profit	20,537	--	1,372
Selling, general and administration	10,061	5	2,472
Operating income (loss)	10,476	(5)	(1,100)
Interest expense	3,727	--	2,036
Other (income) expense	9,066	(9,172)	(9)
Income (loss) before income taxes and equity in net loss of subsidiaries	(2,317)	9,167	(3,127)
Income tax (expense) benefit	997	(3,529)	1,204
Equity in net income of subsidiaries	3,715	--	--
Net income (loss)	$ 2,395	$ 5,638	$ (1,923)

Condensed Consolidating Statement of Income (in thousands):

FOR THE NINE MONTHS ENDED,
SEPTEMBER 30, 2002

	PARENT	GUARANTORS	COMBINED NON-GUARANTOR
Net sales	$ 596,764	$ --	$ 63,010
Cost of good sold	443,867	--	61,513
Gross profit	152,897	--	1,497
Selling, general and administration	41,516	104	7,070
Operating income (loss)	111,381	(104)	(5,573)
Interest expense	18,330	--	1,627
Other (income) expense	39,819	(36,063)	(17)
Income (loss) before income taxes, equity in net income of subsidiaries and extraordinary items	53,232	35,959	(7,183)
Income tax (expense) benefit	(19,780)	(13,257)	2,722
Income (loss) before equity in net income of subsidiaries and extraordinary items	33,452	22,702	(4,461)
Extraordinary loss on debt extinguishment, net of tax benefit of $1,216	(1,564)	--	(464,)
Equity in net income of subsidiaries	17,826	--	--
Net income (loss)	$ 49,714	$ 22,702	$ (4,925)

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STEEL DYNAMICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED
SEPTEMBER 30, 2001

	PARENT	GUARANTORS	COMBINED NON-GUARANTORS
Net sales	$ 444,782	$ --	$ 53,178
Cost of good sold	378,153	--	46,713
Gross profit	66,629	--	6,465
Selling, general and administration	27,546	12	16,772
Operating income (loss)	39,083	(12)	10,307
Interest expense	12,509	--	3,002
Other (income) expense	26,375	(27,446)	(9)
Income (loss) before income taxes and			

equity in net income of subsidiaries	199	27,434	(13,300)
Income tax (expense) benefit	149	(10,254)	5,109
Equity in net income of subsidiaries	8,990	--	--
Net income (loss)	$ 9,040	$ 17,180	$ (8,191)

Condensed Consolidating Statements of Cash Flows (in thousands):

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002	PARENT	GUARANTORS
Net cash provided by operations	$ 106,436	$ 131
Net cash provided by (used in) investing activities	(129,069)	--
Net cash used in financing activities	(35,225)	--
Increase (decrease) in cash and cash equivalents	(57,858)	131
Cash and cash equivalents at beginning of year	77,407	83
Cash and cash equivalents at end of year	$ 19,549	$ 214

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001		
Net cash provided by (used in) operations	$ 40,243	$ 33,492
Net cash used in investing activities	(46,195)	--
Net cash provided by (used in) financing activities	11,028	(33,440)
Increase (decrease) in cash and cash equivalents	5,076	52
Cash and cash equivalents at beginning of year	8,924	40
Cash and cash equivalents at end of year	$ 14,000	$ 92

7. Pittsboro, Indiana Acquisition

On July 29, 2002, the company announced that it entered into a definitive agreement with Qualitech Steel SBQ LLC to purchase Qualitech's special bar quality mini-mill assets located in Pittsboro, Indiana. The company agreed to pay $45 million for the assets and announced plans 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 annual tons of merchant and reinforcing bar products. The company agreed to close the transaction within 25 days, subject to certain conditions and approvals. However, on August 2, 2002, Nucor Corporation filed suit against Qualitech Steel SBQ LLC in Hendricks County, Indiana Superior Court, seeking to enjoin Qualitech from selling its assets to the company by reason of rights they allege under a prior purchase agreement. On August 6, 2002, the court entered a temporary restraining order prohibiting Qualitech from closing under the company's purchase agreement pending a preliminary injunction hearing scheduled for August 19, 2002. On

August 7, 2002, the company intervened in this lawsuit to assert its rights under its purchase agreement with Qualitech. On August 19, 2002, after the conclusion of evidence at the preliminary injunction hearing, the Hendricks County, Indiana Superior Court ruled that Nucor "has little, if any, chance of prevailing at a trial based upon the evidence presented" and denied Nucor's injunction request. On August 20, 2002, Nucor filed a notice of appeal to the Indiana Court of Appeals, and the appeal is currently pending. On September 6, 2002, the company closed the purchase and acquired the asset, not withstanding the pendency for the litigation. Discovery is continuing and the court has set a date of January 13, 2003, for a trial on the merits.

ITEM 2. 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 our Form 10-K under "Forward Looking Statements" and under "Risk Factors." You should read the following discussion in conjunction with "Selected Financial Data" set forth in our Form 10-K and our consolidated financial statements and notes appearing elsewhere in this filing.

OVERVIEW

We own and operate two state-of-the-art, low-cost mini-mills: a flat-rolled mini-mill located in Butler, Indiana, with an estimated annual production capacity of 2.2 million tons, and a newly built structural steel and rail mini-mill located in Columbia City, Indiana, with an annual production capacity of 1.3 million tons, depending on product mix. We are currently operating our Butler mini-mill at an annualized capacity of 2.4 million tons to meet current market demand; however, we may not be able to sustain this elevated production level through the remainder of the year.

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 these 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. We have started construction of the facility 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 between $25 and $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 up to 1.3 million tons and produce structural steel and rails at a higher quality and lower cost than comparable mills. We expect to spend approximately $315 million to construct this mini-mill, of which approximately $298 million has been spent as of September 30, 2002. We commenced structural steel operations and shipped our first structural products to initial customers in late June 2002. We expect to ramp up these operations through regular product introductions and be fully operational by the first quarter 2003. In addition, we expect to commence production of standard rail during the first quarter of 2003 and premium rail during the second 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.

On July 29, 2002, the company announced that it entered into a definitive agreement with Qualitech Steel SBQ LLC to purchase Qualitech's special bar quality mini-mill assets located in Pittsboro, Indiana. The company agreed to pay $45 million for the assets and announced plans 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 annual tons of merchant and reinforcing bar products. The company agreed to close the transaction within 25 days, subject to certain conditions and approvals. However, on August 2, 2002, Nucor Corporation filed suit against Qualitech Steel SBQ LLC in Hendricks County, Indiana Superior Court, seeking to enjoin Qualitech from selling its assets to the company by reason of rights they allege under a prior purchase agreement. On August 6, 2002, the court entered a temporary restraining order prohibiting Qualitech from closing under the company's purchase agreement pending a preliminary injunction hearing scheduled for August 19, 2002. On August 7, 2002, the company intervened in this lawsuit to assert its rights under its purchase agreement with Qualitech. On August 19, 2002, after the conclusion of evidence at the preliminary injunction hearing, the Hendricks County, Indiana Superior Court ruled that Nucor "has little, if any, chance of prevailing at a trial based upon the evidence presented" and denied Nucor's injunction request. On August 20, 2002, Nucor filed a notice of appeal to the Indiana Court of Appeals, and the appeal is currently pending. On September 6, 2002, the company closed the purchase and acquired the asset, not withstanding the pendency for the litigation. Discovery is continuing and the court has set a date of January 13, 2003, for a trial on the merits.

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 set forth in our Form 10K, 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 SEPTEMBER 30, 2002 COMPARED WITH THREE MONTHS ENDED SEPTEMBER 30, 2001

Net Sales. Our net sales were $240.7 million, with total shipments of 598,000 net tons for the three months ended September 30, 2002, as compared to net sales of $156.8 million, with total shipments of 500,000 net tons for the three months ended September 30, 2001, an increase in net sales of $83.9 million, or 53%, and an increase in total shipments of 98,000 net tons, or 20%. During the third quarter of 2002, the average consolidated selling price per ton increased approximately $89, or 28%, in comparison to the same period in 2001 and increased approximately $63, or 19%, in comparison to the second quarter of 2002. We are currently experiencing similar selling prices in our order backlog for the fourth quarter of 2002.

We sold approximately 16% and 17% of our net sales to Heidtman Steel Products, Inc (or affiliates) (Heidtman) for the three months ended September 30, 2002 and 2001, respectively.

Cost of Goods Sold. Cost of goods sold was $167.9 million for the three months ended September 30, 2002, as compared to $134.9 million for the three months ended September 30, 2001, an increase of $33.0 million, or 25%, which was primarily volume related. As a percentage of net sales, cost of goods sold represented approximately 70% and 86% for the three months ended September 30, 2002 and 2001, respectively. During the third quarter, this reduction in cost of goods sold as a percentage of net sales is primarily the direct result of operating efficiencies derived from increased production levels. Steel scrap represented approximately 51% and 46% of our total cost of goods sold for the three months ended September 30, 2002 and 2001, respectively. We experienced a steady decline in scrap pricing from the second quarter of 2000 through the first quarter of 2002; however, this downward trend ended in the second quarter of 2002. The average scrap cost per hot band ton produced during the third quarter of 2002 averaged $29, or 29%, more than in the first quarter of 2002 and averaged $14, or 11%, more than the third quarter of 2001. 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; however, during the second quarter of 2002, our gross margin strengthened as our average product pricing increased by a greater degree than our average scrap cost. Our gross margin continued to strengthen during the third quarter of 2002 as scrap pricing remained competitive and as we realized greater efficiencies through increased production.

Selling, General and Administrative Expenses. Selling, general and administrative expenses were $15.7 million for the three months ended September 30, 2002, as compared to $12.8 million for the three months ended September 30, 2001, an increase of $2.9 million, or 22%. This increase is primarily the result of increased performance-related employee incentive programs. As a percentage of net sales, selling, general and administrative expenses represented approximately 7% and 8% for the three months ended September 30, 2002 and 2001, respectively. During the three months ended September 30, 2002, we did not incur start-up expenses classified as selling, general and administrative costs. The costs related to the production ramp-up at our structural and rail mill were recorded within cost of goods sold, as compared to start-up costs of $2.4 million for the three months ended September 30, 2001, which were recorded as part of selling, general and administrative costs.

Interest Expense. Interest expense was $10.6 million for the three months ended September 30, 2002, as compared to $5.2 million for the three months ended September 30, 2001, an increase of $5.4 million, or 103%. Gross interest expense increased 33% to $11.1 million and capitalized interest decreased 83% to $541,000, for the three months ended September 30, 2002, as compared to the same period in 2001. This decrease resulted from the reduction of interest required to be capitalized with respect to our structural and rail mill since construction was substantially complete at June 30, 2002.

Other (Income) Expense. Other income was $113,000 and other expense was $446,000 for the three months ended September 30, 2002 and 2001, respectively, resulting in an increase to income of $559,000, or 125%.

Income Taxes. Our income tax provision was $17.5 million for the three months ended September 30, 2002, as compared to $1.3 million for the same period in 2001, an increase of $16.2 million. 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 September 30, 2002.

NINE MONTHS ENDED SEPTEMBER 30, 2002 COMPARED WITH NINE MONTHS ENDED SEPTEMBER 30, 2001

Net Sales. Our net sales were $621.3 million, with total shipments of 1,788,000 net tons for the nine months ended September 30, 2002, as compared to net sales of $468.5 million, with total shipments of 1,498,000 net tons for the nine months ended September 30, 2001, an increase

in net sales of $152.8 million, or 33%, and an increase in total shipments of 290,000 net tons, or 19%. During the first nine months of 2002, the average consolidated selling price per ton increased approximately $35, or 11%, in comparison to the same period in 2001. We sold approximately 16% and 18% of our net sales to Heidtman for the nine months ended September 30, 2002 and 2001, respectively.

Cost of Goods Sold. Cost of goods sold was $468.2 million for the nine months ended September 30, 2002, as compared to $395.6 million for the nine months ended September 30, 2001, an increase of $72.6 million, or 18%, which was primarily volume related. As a percentage of net sales, cost of goods sold represented approximately 75% and 84% for the nine months ended September 30, 2002 and 2001, respectively. Steel scrap represented approximately 46% and 45%

of our total cost of goods sold for the nine months ended September 30, 2002 and 2001, respectively. We experienced a steady decline in scrap pricing from the second quarter of 2000 through the first quarter of 2002; however, this downward trend ended in the second quarter of 2002. The average scrap cost per hot band ton produced during the first nine months of 2002 averaged $2, or 2%, more than in the same period of 2001. 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; however, during the second quarter of 2002, our gross margin strengthened as our average product pricing increased by a greater degree than our average scrap cost. Our gross margin continued to strengthen during the third quarter of 2002 as scrap pricing remained competitive and as we realized greater efficiencies through increased production.

Selling, General and Administrative Expenses. Selling, general and administrative expenses were $48.5 million for the nine months ended September 30, 2002, as compared to $44.8 million for the nine months ended September 30, 2001, an increase of $3.7 million, or 8%. This increase is primarily the result of increased performance-related employee incentive programs. As a percentage of net sales, selling, general and administrative expenses represented approximately 8% and 10% for the nine months ended September 30, 2002 and 2001, respectively. Start-up costs were $13.0 million, all of which were related to construction and production ramp-up of our structural and rail mill, for the nine months ended September 30, 2002, as compared to start-up costs of $16.4 million, of which Iron Dynamics represents $11.0 million, for the nine months ended September 30, 2001, a decrease of $3.4 million, or 21%.

Interest Expense. Interest expense was $19.9 million for the nine months ended September 30, 2002, as compared to $14.2 million for the nine months ended September 30, 2001, an increase of $5.7 million, or 40%. Gross interest expense increased 15% to $30.6 million and capitalized interest decreased 1% to $10.7 million, for the nine months ended September 30, 2002, as compared to the same period in 2001. This decrease resulted from the reduction of interest required to be capitalized with respect to our structural and rail mill since construction was substantially complete at June 30, 2002. The 15% increase in our year to date gross interest expense despite a less than 1% increase in net debt (total debt, including other long-term contingent liabilities, less cash and cash equivalents) was due to an increase in our average interest rate primarily driven by the March 26, 2002, refinancing of our capital structure, in which we introduced higher priced public debt components

Other (Income) Expense. Other expense was $3.9 million for the nine months ended September 30, 2002, as compared to $220,000 for the nine months ended September 30, 2001, an increase of $3.7 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 $30.3 million, net of a $1.2 million tax benefit related to our extraordinary loss on debt extinguishment, for the nine months ended September 30, 2002, as compared to $5.3 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 September 30, 2002.

LIQUIDITY AND CAPITAL RESOURCES

Our business is capital intensive and requires substantial expenditures for, among other things, the purchase and maintenance of equipment used in our steelmaking and finishing operations and to remain compliant with environmental laws. Our short-term and long-term liquidity needs arise primarily from capital expenditures, working capital requirements and principal and interest payments related to our outstanding indebtedness. We have met these liquidity requirements with cash provided by operations, equity, long-term borrowings, state and local grants and capital cost reimbursements.

CASH FLOWS

For the nine months ended September 30, 2002, cash provided by operating activities was $109.1 million, as compared to $53.2 million for the nine months ended September 30, 2001, an increase of $55.9 million, or 105%. Cash used in investing activities, which represented capital investments, was $125.1 million and $52.1 million for the nine months ended September 30, 2002 and 2001, respectively. Approximately 63% of our capital investment costs incurred during the first nine months of 2002 were utilized in construction efforts related to our structural steel and rail mill and substantially all of the remaining costs incurred related to our third quarter purchase of the steel producing assets located in Pittsboro, Indiana. Cash used in financing activities was $38.1 million for the nine months ended September 30, 2002, as compared to cash provided by financing activities of $3.5 million for the nine months ended September 30, 2001. This decrease in funds due to financing activities was the result of our change in capital structure after the first quarter 2002 refinancing activities and the result of a decrease in debt associated with Iron Dynamics due to an agreement with the Iron Dynamics lenders to extinguish the debt under the Iron Dynamics credit agreement at the end of March 2002.

On January 28, 2002, we entered into an agreement with the Iron Dynamics lenders to extinguish the debt under the Iron Dynamics credit agreement at the end of March 2002. We complied with each of the settlement requirements, thus constituting full and final settlement of all of Iron Dynamics' obligations and our guarantees under the IDI credit agreement, causing the IDI credit agreement to terminate. In meeting the requirements of the settlement agreement, we paid $15.0 million in cash and issued an aggregate of $22.0 million, or 1.5 million shares of our common stock during March 2002. In addition, if IDI resumes operations by January 27, 2007, and generates positive cash flow (as defined in the settlement agreement), we are required to make contingent future payments in an aggregate amount not to exceed $22.0 million.

LIQUIDITY

We believe the principal indicators of our liquidity are our cash position, remaining availability under our bank credit facilities and excess working capital. During the nine months ended September 30, 2002, our cash position decreased $54.1 million to $24.2 million and our working capital position decreased $65.0 million, or 34%, to $129.1 million, as compared to December 31, 2001. As of September 30, 2002, $75.0 million under our senior secured revolving credit facility remained undrawn and available. Our ability to draw down the revolver is dependent upon continued compliance with the financial covenants and other covenants contained in the senior credit agreement.

Our ability to meet our debt service obligations and reduce our total debt will depend upon our future performance, which in turn, will depend upon general economic, financial and business conditions, along with competition, legislation and regulation, factors that are largely beyond our control. In addition, we cannot assure you that our operating results, cash flow and capital resources will be sufficient for repayment of our indebtedness in the future.

We believe that based upon current levels of operations and anticipated growth, cash flow from operations, together with other available sources of funds, including additional borrowings under our senior secured credit agreement, will be adequate for the next twelve months for making required payments of principal and interest on our indebtedness and for funding anticipated capital expenditures and working capital requirements.

INFLATION

We believe that inflation has not had a material effect on our results of operations.

ENVIRONMENTAL AND OTHER CONTINGENCIES

We have incurred, and in the future will continue to incur, capital expenditures and operating expenses for matters relating to environmental control, remediation, monitoring and compliance. We believe, apart from our dependence on environmental construction and operating permits for our existing and proposed manufacturing facilities, such as our structural steel and rail mill project in Columbia City, Indiana, that compliance with current environmental laws and regulations is not likely to have a material adverse effect on our financial condition, results of operations or liquidity; however, environmental laws and regulations have changed rapidly in recent years and we may become subject to more stringent environmental laws and regulations in the future.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

MARKET RISK

In the normal course of business our market risk is limited to changes in interest rates. We utilize long-term debt as a primary source of capital. A portion of our debt has an interest component that resets on a periodic basis to reflect current market conditions. We manage exposure to fluctuations in interest rates through the use of an interest rate swap. We agree to exchange, at specific intervals, the difference between fixed rate and floating rate interest amounts calculated on an agreed upon notional amount. This interest differential paid or received is recognized in the consolidated statements of income as a component of interest expense. At September 30, 2002, no material changes had occurred related to our interest rate risk from the information disclosed in the Annual Report of Steel Dynamics, Inc. and on Form 10-K for the year ended December 31, 2001.

ITEM 4. CONTROLS AND PROCEDURES

Within 90 days prior to the date of this report, the we carried out an evaluation, under the supervision and with the participation of the our management, including the our President and Chief Executive Officer along with the our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. Based upon that evaluation, our President and Chief Executive Officer along with our Chief Financial Officer concluded that the disclosure controls and procedures are effective in timely alerting them to material information relating to the company (including our consolidated subsidiaries) required to be included in our periodic SEC filings. There have been no significant changes in these internal controls or in other factors which could significantly affect internal controls subsequent to the date we carried out the evaluation.

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PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On July 29, 2002, the company announced that it entered into a definitive agreement with Qualitech Steel SBQ LLC to purchase Qualitech's special bar quality mini-mill assets located in Pittsboro, Indiana. The company agreed to pay $45 million for the assets and announced plans 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 annual tons of merchant and reinforcing bar products. The company agreed to close the transaction within 25 days, subject to certain conditions and approvals. However, on August 2, 2002, Nucor Corporation filed suit against Qualitech Steel SBQ LLC in Hendricks County, Indiana Superior Court, Cause Number 32D01-0208-CT-24, seeking to enjoin Qualitech from selling its assets to the company by reason of rights they allege under a prior purchase agreement. On August 6, 2002, the court entered a temporary restraining order prohibiting Qualitech from closing under the company's purchase agreement pending a preliminary injunction hearing scheduled for August 19, 2002. On August 7, 2002, the company intervened in this lawsuit to assert its rights under its purchase agreement with Qualitech. On August 19, 2002, after the conclusion of evidence at the preliminary injunction hearing, the Hendricks County, Indiana Superior Court ruled that Nucor "has little, if any, chance of prevailing at a trial based upon the evidence presented" and denied Nucor's injunction request. On August 20, 2002, Nucor filed a notice of appeal to the Indiana Court of Appeals, and the appeal is currently pending. On September 6, 2002, the company closed the purchase and acquired the asset, not withstanding the pendency for the litigation. Discovery is continuing and the court has set a date of January 13, 2003, for a trial on the merits.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(A) Exhibits -

(B) Reports on Form 8-K for the quarter ended September 30, 2002: None filed.

Filed herewith

Items 2 through 5 of Part II are not applicable for this reporting period and have been omitted.

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SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of Securities Exchange Act of 1934, Steel Dynamics, Inc. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

November 14, 2002

STEEL DYNAMICS, INC.

By: /s/ TRACY L. SHELLABARGER

Tracy L. Shellabarger
Vice President and Chief Financial Officer (Principal Financial and Accounting Officer and Duly Authorized Officer)

Certifications

I, Keith E. Busse, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Steel Dynamics, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a. Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b. Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "evaluation Date"); and

   c. Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors:

   a. All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data ad have identified for the registrant's auditors any material weaknesses in internal controls; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

November 14, 2002

By: /s/ KEITH E. BUSSE

Keith E. Busse
President and Chief Executive Officer

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I, Tracy L. Shellabarger, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Steel Dynamics, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   d. Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   e. Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "evaluation Date"); and

   f. Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors:

c. All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data ad have identified for the registrant's auditors any material weaknesses in internal controls; and

d. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

7. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

November 14, 2002

By: /s/ TRACY L. SHELLABARGER

Tracy L. Shellabarger
Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer
and Duly Authorized Officer)

w roman",times,serif;color:#000000;'>and

any other relevant documents filed with the SEC, as well as any amendments or supplements to those documents, because they contain important information. A free copy of the Proxy Statement/Prospectus, as well as other filings containing information about Old National and United, may be obtained at the SEC s Internet site (http://www.sec.gov). You will also be able to obtain these documents, free of charge, from Old National at www.oldnational.com under the tab Investor Relations and then under the heading Financial Information or from United by accessing United s website at www.ubat.com under the heading About Us and then under the tab Investor Relations and then under the tab SEC Filings. Old National and United and certain of their directors and executive officers may be deemed to be participants in the solicitation of proxies from the shareholders of United in connection with the proposed merger. Information about the directors and executive officers of Old National is set forth in the proxy statement for Old National s 2014 annual meeting of shareholders, as filed with the SEC on a Schedule 14A on March 14, 2014. Information about the directors and executive officers of United is set forth in United s Annual Report on Form 10-K, as filed with the SEC on February 28, 2014. Additional information regarding the interests of those participants and other persons who may be deemed participants in the transaction may be obtained by reading the Proxy Statement/Prospectus regarding the proposed merger. Free copies of this document may be obtained as described in the preceding paragraph.

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Disclosures
Forward-Looking
Statements
This
presentation
contains
certain

forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements include, but are not limited to, descriptions of Old National s financial condition, results of operations, asset and credit quality trends and profitability and statements about the expected timing, completion, financial benefit and other effects of the proposed mergers. Forward-looking statements can be identified by the use of the words anticipate, believe, expect, intend, could and should, and other words of similar meaning. These forward-looking statements express management s current expectations or forecasts of future events and, by their nature, are subject to risks and uncertainties and there are a number of factors that could cause actual results to differ materially from those in such statements. Factors that might cause such a difference include, but are not limited to: market, economic, operational, liquidity, credit and interest rate risks associated with Old National's business; competition; government legislation

and
policies
(including
the
impact
of
the
Dodd-Frank
Wall
Street
Reform
and
Consumer
Protection
Act
and
its
related
regulations);
ability
of
Old
National
to
execute
its
business
plan,
including
the
proposed
acquisitions
of
United
Bancorp,
Inc.
and
LSB
Financial
Corp.;
changes
in
the
economy
which
could
materially
impact
credit
quality

trends and the ability to generate loans and gather deposits; failure or circumvention of Old National s internal controls; failure or disruption of our information systems; failure to adhere to or significant changes in accounting, tax or regulatory practices or requirements; new legal obligations or liabilities or unfavorable resolutions of litigations;

other matters discussed in this presentation and other factors identified in Old National s Annual Report on Form 10-K and other periodic filings with the Securities and Exchange Commission. These forward-looking statements are made only as of the date of this presentation, and Old National undertakes no obligation to release revisions to these forward-looking statements to reflect events or conditions after the date of this presentation.

Non-GAAP Financial Measures

These slides contain non-GAAP financial measures. For purposes of Regulation G, a non-GAAP financial measure is a numerical measure of the registrant's historical or future financial performance, financial position or cash flows that excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measure calculated and presented in accordance with GAAP in the statement of income, balance sheet or statement of cash flows (or equivalent statements) of the issuer; or includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable measure so calculated and presented. In this regard, GAAP refers to generally accepted accounting principles in the United States. Pursuant to the requirements of Regulation G, Old National Bancorp has provided reconciliations within the slides, as necessary, of the non-GAAP financial measure to the most directly comparable GAAP financial measure.

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Old National Bancorp to Acquire LSB Financial Corp.
Expansion in Lafayette is a key part of
ONB s strategy.
Consistent with ONB s goal of
transforming the franchise into higher
growth markets
Significantly enhances ONB s

presence in the strong college market
with a #3 pro forma deposit market
share ranking
LSB (NASDAQ: LSBI), the largest bank
headquartered in Lafayette, offers 5
branches and $312 million of deposits in
Lafayette, Indiana, more than doubling
ONB s presence in the area.
(1) Pending branches from UBMI transaction

7
1
Excluding
Chicago-Naperville-Elgin
IL-IN-WI,
Cincinnati
OH-KY-IN
and

Louisville/Jefferson
County
KY-IN
MSAs
2
Tippecanoe
county
employment
figures
as
of
January
28,
2014
Using
U.S.
census
data,
SNL
Financial
FDIC
Summary
of
Deposits
data
as
of
June
30,
2013
2
nd
fastest
household
growth
in
Indiana
5
th
most
populated
in
Indiana
1
with
207k
8
th
out
of

184
in
Forbes
2013
Best
Small
Places
for
Business and Careers
Recently selected by GE to house a $100 million jet engine assembly factory
Top
Employers
2
:

Purdue
University

15,612

Subaru
of
Indiana

3,700

Wabash
National

3,323
Notable business operations in Lafayette
Projected HHI & Pop. Change 13- 18
Lafayette MSA
Branches
Deposits
Mkt. Share
1
JPMorgan Chase & Co.
6
$541,594
20.1%
2
First Merchants Corp.
10
493,776
18.4%
3
Pro Forma
8

384,137
14.3%
3
Regions Financial Corp.
8
358,511
13.3%
4
LSB Financial Corp.
5
314,955
11.7%
5
Salin Bancshares Inc.
7
152,581
5.7%
6
Huntington Bancshares Inc.
3
131,237
4.9%
7
Lafayette Community Bancorp
4
130,852
4.9%
8
Farmers and Merchants Bancorp
2
96,173
3.6%
9
First Financial Bancorp.
4
93,126
3.5%
10
Fifth Third Bancorp
4
87,493
3.3%
11
Benton Financial Corp.
2
77,733
2.9%
12
Old National Bancorp
3

69,182
2.6%
Market Total
70
2,690,656
Lafayette-West Lafayette, IN MSA
16.1%
19.2%
21.1%
23.6%
3.6%
2.8%
2.1%
4.6%
US
Midwest
Indiana
Lafayette
HHI Pop.
HHI Pop.
HHI Pop.
HHI Pop.

Bob Jones
President and CEO
Old National Bancorp

9
Transaction Highlights

2.269
common
shares
1
of

ONB
+
$10.63
per
share
in
cash
(fixed)
for
each
common
share
of
LSBI

Approximately
75%
stock
/
25%
cash

Assumes
3.6
million
shares
of
ONB
common
stock
issued

Expected
to
be
immediately
accretive
in
2015
by
approximately
$7.5
million,
or
$.03
per
share

Modest
tangible

book value dilution of approximately 2% expected at closing, inclusive of $8.2 million of pre-tax merger and acquisition charges

Projected capital ratios exceed well-capitalized guidelines

Expected to create goodwill and intangibles of approximately $43.0 million

No additional common equity raise necessary

Transaction anticipated to close mid

to late 4Q14, subject to regulatory and LSBI shareholder approval and other customary closing conditions

Approximately 40% of non-interest expense, or $4.4 million on a pre-tax basis, expected to be fully achieved in 2015

1 The exchange ratio is subject to adjustment under certain circumstances as provided in the

merger
agreement.
2
Includes
the
in-the-money
value
of
the
outstanding
stock
options.
3
See
Appendix
for
Non
GAAP
Reconciliation
Modeling
assumes
merger
and
acquisition
charges
to
be
booked
in
4Q14
Consideration
Financial Impact
Operating
Efficiencies
Capital
Closing

Loan
credit
mark
estimated
at
$11.7
million,
or
4.5%
of
total
gross
loans

Loan interest rate mark estimated at $13.0 million, or 5.0% of total gross loans Loan Mark Deal Value

$41.67 per LSBI share, or approximately $66.7 million in the aggregate 2 , assuming an ONB price of $13.68 (closing price as of June 3, 2014)

13.0x LTM earnings with cost

savings

158%
price
/
tangible
book
value
3
(3/31/14)

10
Transaction Rationale
Compelling
Strategic
Rationale

Meaningful
extension

in
Lafayette
that
strengthens
ONB s
overall
Indiana
footprint
by
reinforcing
its
high-quality
markets

Adds
5
full-service
branches
with
$312
million
in
deposits
and
$261
million
in
loans
2

Further
distances
ONB
from
the
$10B
Durbin
threshold
with
over
$11.6B
in
pro
forma
assets
at
close

Well-defined,
achievable

operating efficiencies that drive enhanced operating leverage and profitability
Financially Attractive

Allows Old National to prudently and accretively deploy excess capital, based upon conservative assumptions

Approximately $7.5 million, or $.03 per share, accretive to 2015 earnings

Tangible book value dilution of approximately 2% at closing

Tangible

book
value
earn
back
period
of
approximately
5
years
3
(inclusive
of
acquisition
costs)

Internal
rate
of
return
exceeds
internal
hurdle
Low Risk
Opportunity

Comprehensive
due
diligence
completed,
including
extensive
credit
review

In-market
transaction
with
an
established
and
complementary
customer
base
and
business
mix

Retention
of
key

management
members

Positive
relationship
with
Lafayette
management
and
board
Financial
data
as
of
March
31,
2014,
per
SNL
Financial
and
Company
documents
Modeling
assumes
merger
and
acquisition
charges
to
be
booked
in
4Q14
Consideration
of
2.269
common
shares
1
of
ONB
+
$10.63
per
share
in
cash
(fixed)
for

each common share of LSBI Implied Transaction value of approximately $41.67 per LSBI share and $66.7 million in the aggregate, assuming ONB price of $13.68 (closing price as of June 3, 2014)
1
The exchange ratio is subject to adjustment under certain circumstances as provided in the merger agreement.
2

Excludes loans held for sale

3 Defined as the number of years for pro forma TBV per share to exceed stand-alone projected TBV per share, inclusive of acquisition costs

11
Covering Durbin
Anticipated
2015
earnings
per
share
accretion

from
recent
acquisitions
1
:
Tower Financial Corp. $.08 to $.10
United Bancorp $.06
LSB Financial Corp. $.03
Durbin amendment expected to impact earnings $.04 to $.07 per share after-tax on an annualized basis
Actual 2015 Durbin impact expected to impact earnings $.02 to $.04 per share after-tax (due to July 1
st
, 2015 effective date)
$.17 to $.19 cumulative accretion
Our recent acquisitions are expected to cover our anticipated Durbin impact
1
Anticipated
earnings
accretion
at
each
respective
deal s
announcement
date

12
Summary
ONB has a proven track record of performance
Last
four
bank
deals
met

or exceeded expectations on expense saves, internal rate of return, earnings per share accretion, credit performance and tangible book value earn back Financially attractive

Meaningful earnings accretion expected while retaining strong capital position

Achievable cost saves expected

Revenue potential (not built into model) from Wealth Management and

Insurance
Efficient
use
of
capital
Integration
experience
and
retention
of
key
management
minimizes
execution
risk
Strategic
fill-in
of
attractive
Lafayette
market
expected
to
enhance
franchise
value

Old National Bancorp
Thank You
Q&A

Old National Bancorp
Appendix

15
Returned to
community
bank model
2004
2005
Sold non-
strategic

market
Clarksville, TN

5 branches
2006
Sold non-
strategic market

O Fallon, IL
1 branch
2007
2008
2009
2010
2011
2012
2013
Acquired St.
Joseph Capital
Entry into
Northern IN
market
February, 2007
Acquired 65
Charter One
branches
throughout
Indiana
March, 2009
Acquired Monroe
Bancorp
Enhanced
Bloomington, IN
presence
January, 2011
Acquired IN
Community
Entry into
Columbus, IN
September, 2012
FDIC-assisted
acquisition of
Integra Bank
July, 2011
Sold non-
strategic
market
Chicago-area -
4 branches
Consolidation of

21 branches
Acquired 24
MI / IN branches
July, 2013
Consolidation
of 2 branches
Consolidation
of 8 branches
Consolidation
of 1 branch
Consolidation
of 10 branches
Consolidation
of 12 branches
Consolidation
of 44 branches
Consolidation
of 5 branches
Sold 12
branches
Consolidation
of 22
branches
Purchased 182 + 23 pending
Sold 22
Consolidated 128
Acquired Tower
Financial
Enhancing Ft.
Wayne, IN
presence April,
2014
Pending
acquisition of
United
Bancorp
Entry into
Ann Arbor, MI
2014
Consolidation
of 3 branches
Pending
acquisition of
LSB Financial
Corp.,
Lafayette, IN
Transforming Old National s Landscape

16
2004
2014
16
Transforming Old National s Landscape
Pending UBMI and LSBI locations

17
-
New markets since 2004
Per SNL Financial
2014 map includes pending UBMI locations
Market
MSA Population

Adding Markets with Greater Populations
2004
Bloomington, IN
162,131
Kalamazoo, MI
328,709
South Bend, IN
319,575
Indianapolis, IN
1,913,665
>50k
<50k
Counties with Populations
Columbus, IN
77,943
Ft. Wayne, IN
421,029
Lafayette, IN
205,437
Louisville, KY
1,247,256
Ann Arbor, MI
348,690
2014

18
An Experienced Acquirer
Partner
Monroe

Integra Bank
Indiana
community
BofA - 24
Branches
Tower
Financial
United
Bancorp[1]
Deal Type
Traditional
FDIC-Assisted
Traditional
Branch Deal
Traditional
Traditional
Principal Geography
Bloomington,
IN
Evansville, IN
Columbus, IN /
I-65 Corridor
Southwest MI /
Northern IN
Fort Wayne, IN
Ann Arbor, MI
Purchase Price
$84
NM
$79
$23
$108
$173
Total Assets
$838
$1,900
$985
$756
$681
$919
% Stock Consideration
100%
NM
100%
0%
71%
80%
Announce Date
10/6/2010
7/29/2011

1/25/2012
1/9/2013
9/10/2013
1/8/2014
Close Date
1/1/2011
7/29/2011
9/15/2012
7/12/2013
4/25/2014
Early 3Q14
Cost Saves
30%
75%
35%
N/A
35%
32%
Credit Mark
5.5% to 6.5%
N/A
12.0%
N/A
10.2%
8.6%
Interest Rate Mark
3.0%
N/A
4.4%
N/A
3.8%
3.5%
EPS Accretion (First Full Year)
$.06 to $.07
$0.23
$.06 to $.08
$.03 to $.05
$.08 to $.10
$0.06
Deposit Premium
5.5%
1.0%
1.6%
2.9%
9.7%
13.0%
At deal announcement date
$ in millions
1
Anticipated closing early 3Q14

NM
=
Not
Meaningful

19
MMDA & Sav.
30.7%
Retail
33.3%
Jumbo
5.6%
Non-int.

bearing
14.1%
NOW & Trans.
16.2%
MMDA & Sav.
73.2%
Retail
10.3%
Jumbo
3.8%
Non-int.
bearing
7.6%
NOW & Trans.
5.1%
1-4 Family
35.5%
Multifamily
2.1%
CRE
19.7%
C&D
2.8%
Farm & Ag.
4.5%
C&I
17.2%
Cons. & Other
18.2%
Balance Sheet Mix as of March 31, 2014
Old National
LSBI
Pro Forma
Old National
LSBI
Pro Forma
Per SNL Financial/company documents as of March 31, 2014, including Tower and pending United transactions
1-4 Family
35.9%
Multifamily
2.8%
CRE
20.0%
C&D
2.8%
Farm & Ag.
4.4%
C&I
16.7%
Cons. & Other

17.4%
1-4 Family
44.2%
Multifamily
18.8%
CRE
28.3%
C&D
1.8%
Farm & Ag.
2.5%
C&I
4.0%
Cons. & Other
0.4%
MMDA & Sav.
71.7%
Retail
11.1%
Jumbo
3.8%
Non-int.
bearing
7.8%
NOW & Trans.
5.5%

20
Estimated Merger and Acquisition Charges
HR-related expenses
$2.6
Processing and communication expense
3.8
Professional fees
1.0

Occupancy expense
.4
Marketing
.4
Total estimated merger and acquisition charges1
$8.2
$ in millions, pre-tax
1
Modeling assumes merger and acquisition charges to be booked in 4Q14

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Non GAAP Reconciliation
Deal Price Per Share to LSBI s TBV
GAAP Shareholders
Equity at March 31, 2014
$41,283
Deduct: Goodwill and Intangibles
0

Tangible Common Shareholders
Equity
41,283
Common Shares Issued and Outstanding at Period End
1566.9
Tangible Common Book Value at March 31, 2014
$26.35
Deal Consideration Per Common Share
$41.67
Price to Tangible Book Value
158%
$ in millions
Per SNL Financial based on LSBI company filings

22
ONB s Peer Group
1st Source Corporation
SRCE
Heartland Financial USA, Inc.
HTLF
BancFirst Corporation
BANF

IBERIABANK Corporation
IBKC
BancorpSouth, Inc.
BXS
MB Financial, Inc.
MBFI
Bank of Hawaii Corporation
BOH
Park National Corporation
PRK
Chemical Financial Corporation
CHFC
Pinnacle Financial Partners, Inc.
PNFP
Commerce Bancshares, Inc.
CBSH
Prosperity Bancshares, Inc.
PB
Cullen/Frost Bankers, Inc.
CFR
Renasant Corp.
RNST
F.N.B. Corporation
FNB
S&T Bancorp, Inc.
STBA
First Commonwealth Financial Corporation
FCF
Susquehanna Bancshares, Inc.
SUSQ
First Financial Bancorp.
FFBC
Trustmark Corporation
TRMK
First Interstate BancSystem, Inc.
FIBK
UMB Financial Corporation
UMBF
First Merchants Corporation
FRME
United Bankshares, Inc.
UBSI
First Midwest Bancorp, Inc.
FMBI
Valley National Bancorp
VLY
FirstMerit Corporation
FMER
WesBanco, Inc.
WSBC

Fulton Financial
FULT
Wintrust Financial Corporation
WTFC
Glacier Bancorp, Inc.
GBCI
Like-size, publicly-traded financial services companies, generally in the Midwest, serving comparable demographics with comparable services as ONB

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www.oldnational.com
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