

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (date of earliest event reported): **November 14, 2007**

STEEL DYNAMICS, INC.

(Exact name of registrant as specified in its charter)

Indiana
(State or other jurisdiction
of incorporation)

0-21719
(Commission File Number)

35-1929476
(IRS Employer
Identification No.)

6714 Pointe Inverness Way, Suite 200, Fort Wayne, Indiana 46804
(Address of principal executive offices) (Zip Code)

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

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 8.01. Other Events

Explanatory Note:

On October 26, 2007, Steel Dynamics, Inc. completed the acquisition of OmniSource Corporation pursuant to a Stock Purchase Agreement dated October 1, 2007 between Steel Dynamics, Inc. and the stockholders of OmniSource Corporation. The information included within this Current Report on Form 8-K represents historical and pro forma information of and concerning OmniSource Corporation.

This Current Report on Form 8-K is being filed to set forth the following:

- Audited consolidated financial statements of OmniSource Corporation and subsidiaries as of September 30, 2006 and 2005 and for each of the three fiscal years in the period ended September 30, 2006.
- Unaudited consolidated financial statements of OmniSource Corporation as of June 30, 2007 and for the nine months ended June 30, 2007 and 2006.
- Unaudited pro forma condensed consolidated financial information of Steel Dynamics, Inc. as of September 30, 2007, for the fiscal year ended December 31, 2006 and for the nine months ended September 30, 2007.

All required historical and pro forma financial statements are hereby incorporated by reference from Exhibits 99.1 and 99.2 attached hereto and filed herewith.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Businesses Acquired.

The audited consolidated financial statements of OmniSource Corporation and subsidiaries as of September 30, 2006 and 2005 and for each of the three fiscal years in the period ended September 30, 2006, and the unaudited consolidated financial statements of OmniSource Corporation as of June 30, 2007 and for the nine months ended June 30, 2007 and 2006, are included herewith and incorporated herein by reference from Exhibit 99.1 attached hereto.

(b) Pro Forma Financial Information.

The unaudited pro forma condensed consolidated financial information of Steel Dynamics, Inc. as of September 30, 2007, for the fiscal year ended December 31, 2006 and for the nine months ended September 30, 2007 are included herewith and incorporated herein by reference from Exhibit 99.2 attached hereto.

(d) Exhibits.

- 99.1 Audited consolidated financial statements of OmniSource Corporation and subsidiaries as of September 30, 2006 and 2005 and for each of the three fiscal years in the period ended September 30, 2006, and the unaudited consolidated financial statements of OmniSource Corporation as of June 30, 2007 and for the nine months ended June 30, 2007 and 2006.
- 99.2 The unaudited pro forma condensed consolidated financial information of Steel Dynamics, Inc. as of September 30, 2007, for the fiscal year ended December 31, 2006 and for the nine months ended September 30, 2007.

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[Item 9.01. Financial Statements and Exhibits.](#)

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Exhibit 99.1

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Report of Independent Registered Public Accounting Firm

The Board of Directors
Omnisource Corporation:

We have audited the accompanying consolidated balance sheet of OmniSource Corporation and subsidiaries as of September 30, 2006, and the related consolidated statements of income, cash flows, and changes in stockholders' equity and common stock subject to redemption for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2006 consolidated financial statements referred to above present fairly, in all material respects, the financial position of OmniSource Corporation and subsidiaries as of September 30, 2006, and the results of its operations and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

Indianapolis, Indiana
January 17, 2007

Report of Independent Auditors

The Board of Directors
OmniSource Corporation

We have audited the accompanying consolidated balance sheet of OmniSource Corporation as of September 30, 2005, and the related consolidated statements of income, cash flows, and changes in stockholders' equity and common stock subject to redemption for each of the two years in the period ended September 30, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of OmniSource Corporation at September 30, 2005, and the consolidated results of its operations and its cash flows for each of the two years in the period ended September 30, 2005, in conformity with accounting principles generally accepted in the United States.

Ernst + Young LLP

December 23, 2005

OmniSource Corporation
Consolidated Balance Sheets

	September 30,	
	2006	2005
Assets		
Current assets:		
Cash and cash equivalents	\$ 12,753,087	\$ 6,340,968
Notes receivable	906,728	1,144,226
Accounts receivable:		
Trade—net	327,829,204	262,427,171
Affiliates	1,953,821	9,858,185
Inventories	117,913,291	71,715,834
Spare parts, supplies, and other	21,229,195	15,668,261
	482,585,326	367,154,645
Investments	40,989,634	36,895,374
Notes receivable	472,916	398,534
Goodwill	57,730,755	35,101,260
Other assets	6,164,678	6,728,465
Property and equipment—net	143,200,583	127,677,210
	\$ 731,143,892	\$ 573,955,488

See accompanying notes to consolidated financial statements.

OmniSource Corporation
Consolidated Balance Sheets

	September 30,	
	2006	2005
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable:		
Trade	\$ 191,092,352	\$ 149,154,589
Affiliates	6,435,461	9,693,629
Payable to employees and affiliates	21,333,998	20,868,581
Accrued expenses:		
Compensation and benefits	33,575,509	25,921,132
Other	19,275,182	13,054,607
Current portion of long-term debt	27,264,600	3,596,457
	298,977,102	222,288,995
Total current liabilities		
Noncurrent liabilities:		
Long-term debt, less current portion	134,938,055	121,598,206
Other	2,964,128	2,998,340
	137,902,183	124,596,546
Total noncurrent liabilities		
Minority interest	7,285,900	—
Stockholders' equity:		
Common stock, no par value in 2006 and \$0.01 par value in 2005		
Authorized—3,000,000 voting shares and 27,000,000 non voting shares in 2006 and 25,000,000 shares in 2005		
Issued—271,743 voting shares and 2,445,687 non voting shares in 2006 and 19,972,227 shares in 2005	3,968,740	199,722
Additional paid-in capital	—	6,282,278
Retained earnings	283,009,967	231,577,633
Treasury stock—at cost—7,322,226 shares in 2005	—	(10,989,686)
	286,978,707	227,069,947
Total stockholders' equity		
	\$ 731,143,892	\$ 573,955,488

See accompanying notes to consolidated financial statements.

OmniSource Corporation
Consolidated Statements of Income

	Year Ended September 30,		
	2006	2005	2004
Revenues	\$ 2,254,765,138	\$ 1,985,861,159	\$ 1,802,633,880
Expenses:			
Materials	1,907,346,335	1,707,606,429	1,509,538,939
Operating	154,711,257	135,995,104	124,608,756
Selling, general, and administrative	92,761,434	75,954,073	74,355,887
(Gain) loss on disposal of property and equipment	(12,035,885)	(890,707)	785,941
	2,142,783,141	1,918,664,899	1,709,289,523
Operating income	111,981,997	67,196,260	93,344,357
Other income (expenses):			
Earnings from investments	17,806,940	16,282,514	8,083,914
Minority interest	(2,412,104)	—	—
Loss on disposition of investments	—	—	(54,871)
Unrealized gain on interest rate swap	—	674,095	949,476
Interest expense—net	(11,113,906)	(8,640,419)	(6,092,156)
	4,280,930	8,316,190	2,886,363
Income before income taxes	116,262,927	75,512,450	96,230,720
Provision for income taxes	7,010,000	840,000	626,734
Net income	\$ 109,252,927	\$ 74,672,450	\$ 95,603,986

See accompanying notes to consolidated financial statements.

OmniSource Corporation
Consolidated Statements of Cash Flows

	Year Ended September 30,		
	2006	2005	2004
Operating activities			
Net income	\$ 109,252,927	\$ 74,672,450	\$ 95,603,986
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	23,487,571	22,518,635	21,145,746
Amortization of debt issuance costs	430,608	427,172	255,619
Provision for losses on accounts and notes receivable	1,600,608	143,787	536,677
Earnings from investments	(17,806,940)	(16,282,514)	(8,083,914)
Cash distributions received from investments	10,849,361	12,697,228	2,238,040
(Gain) loss on disposal of property and equipment	(12,035,885)	(890,707)	785,941
Minority interest in net income of consolidated subsidiaries	2,412,104	—	—
Loss on sale of investments	—	—	54,871
Increase in cash value of life insurance—net	(141,664)	(148,708)	(157,590)
Changes in operating assets and liabilities:			
Accounts receivable	(34,204,816)	1,906,659	(122,394,640)
Inventories	(41,101,053)	8,404,312	(28,749,892)
Other assets	(5,080,504)	(4,824,645)	(1,458,454)
Accounts payable	25,778,300	(8,266,241)	69,411,179
Accrued expenses and other noncurrent liabilities	12,264,787	(3,385,812)	19,166,094
Net cash provided by operating activities	75,705,404	86,971,616	48,353,663
Investing activities			
Acquisitions—net of cash acquired	(44,170,590)	—	(22,800,513)
Purchases of land, buildings, and equipment	(25,023,940)	(47,312,714)	(30,293,724)
Proceeds from disposal of property and equipment	28,232,395	5,795,817	9,095,661
Purchases of investments	(1,437,800)	(648,215)	(22,388,307)
Payments received on notes receivable—net	163,117	760,235	726,881
Net cash used in investing activities	(42,236,818)	(41,404,877)	(65,660,002)
Financing activities			
Net proceeds from (principal payments on) revolving line of credit	24,000,000	(12,000,000)	46,000,000
Proceeds from long term debt	—	—	1,445,918
Principal payments on long term debt	(4,213,409)	(1,249,577)	(107,315)
Net proceeds from payables to employee and affiliates	465,417	4,145,375	6,407,769
Change in checks not presented	2,035,692	11,116,644	(10,612,932)
Dividend payments to stockholders	(39,344,147)	(48,155,904)	(35,259,671)
Payments received on notes receivable from stockholders	—	—	12,987,179
Purchase of treasury stock	(10,000,020)	—	(2,700,000)
Net cash provided by (used in) financing activities	(27,056,467)	(46,143,462)	18,160,948
Increase in cash and cash equivalents	6,412,119	(576,723)	854,609
Cash and cash equivalents at beginning of year	6,340,968	6,917,691	6,063,082
Cash and cash equivalents at end of year	\$ 12,753,087	\$ 6,340,968	\$ 6,917,691
Supplemental disclosures			
Cash paid for interest	\$ 11,386,787	\$ 9,377,498	\$ 6,807,862
Cash paid for income taxes	2,729,792	925,260	592,661

See accompanying notes to consolidated financial statements.

OmniSource Corporation
Consolidated Statement of Changes in Stockholders' Equity and Common Stock Subject to Redemption

Stockholders' Equity

	Common Stock				Treasury Stock			Common Stock Subject to Redemption		
	Shares Issued	Amount	Additional Paid-In Capital	Notes Receivable From Stockholders	Retained Earnings	Shares Held	Amount	Total Stockholders' Equity	Shares Issued	Amount
Balance at September 30, 2003	19,972,227	\$ 198,623	\$ 3,981,789	\$ (12,987,179)	\$144,716,772	7,212,260	\$ (8,289,686)	\$127,620,319	109,966	\$ 2,301,588
Net income	—	—	—	—	95,603,986	—	—	95,603,986	—	—
Payments received on notes receivable from stockholders	—	—	—	12,987,179	—	—	—	12,987,179	—	—
Dividend payments to stockholders	—	—	—	—	(35,259,671)	—	—	(35,259,671)	—	—
Redemption of common stock	—	1,099	2,300,489	—	—	109,966	(2,700,000)	(398,412)	(109,966)	(2,301,588)
Balance at September 30, 2004	19,972,227	199,722	6,282,278	—	205,061,087	7,322,226	(10,989,686)	200,553,401	—	—
Net income	—	—	—	—	74,672,450	—	—	74,672,450	—	—
Dividend payments to stockholders	—	—	—	—	(48,155,904)	—	—	(48,155,904)	—	—
Balance at September 30, 2005	19,972,227	199,722	6,282,278	—	231,577,633	7,322,226	(10,989,686)	227,069,947	—	—
Net income	—	—	—	—	109,252,927	—	—	109,252,927	—	—
Dividend payments to stockholders	—	—	—	—	(39,344,147)	—	—	(39,344,147)	—	—
Purchase of treasury stock	—	—	—	—	—	421,586	(10,000,020)	(10,000,020)	—	—
Restructure common stock	(17,254,797)	3,769,018	(6,282,278)	—	(18,476,446)	(7,743,812)	20,989,706	—	—	—
Balance at September 30, 2006	2,717,430	\$3,968,740	\$ —	\$ —	\$283,009,967	\$ —	\$ —	\$ 286,978,707	\$ —	\$ —

See accompanying notes to consolidated financial statements.

OMNISOURCE CORPORATION

Notes to Consolidated Financial Statements

September 30, 2006, 2005 and 2004

(1) Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of OmniSource Corporation and its wholly and majority owned or controlled subsidiaries (the Company). The equity interests in these majority owned or controlled subsidiaries owned by outside investors are reflected as minority interest in the consolidated financial statements. Intercompany accounts and transactions have been eliminated.

Company's Business

The Company, headquartered in Fort Wayne, Indiana, is a leading collector, processor, and broker of scrap metal in North America. The Company operates over 30 scrap processing, collection, and scrap management facilities in the Midwest, brokerage offices in Indiana, Ohio, Georgia, Missouri, and Ontario, an aluminum smelting operation in Indiana, and has investments in various joint ventures and closely-held companies that process ferrous and non-ferrous scrap.

In 2006 and 2005, no single customer comprised a significant amount of total revenues or accounts receivable. In 2004, sales to Steel Dynamics, Inc. comprised 20% of total revenues.

Approximately 20% of the Company's workforce is subject to collective bargaining agreements. Of the workforce represented by the collective bargaining agreements, approximately 54% are working under contracts that expire prior to September 2007.

Revenue Recognition

Sales of processed products are recognized when the products are shipped. Sales relating to brokerage operations are recognized upon the receipt of the materials by the customer.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments with a maturity date of three months or less when purchased.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined by the first-in, first-out (FIFO) method.

Investments

Investments in joint ventures and closely-held companies in which the Company's ownership is between 20% and 50%, and for which the Company does not have effective control, are carried on the equity basis. Investments in closely-held companies in which the Company does not exercise control and its ownership is less than 20% are carried at cost.

In June 2004, the Company purchased a 50% ownership interest in Carolinas Recycling Group, LLC (CRG), a collector and processor of scrap metal headquartered in Spartanburg, South Carolina, for \$20,781,250 in cash, which was funded through the Company's credit facility and \$1,093,750 in notes

payable due May 2005. At September 30, 2006 and 2005, the Company's investment in the joint venture was approximately \$39,661,000 and \$30,672,000, respectively.

Beginning June 2007 through June 2009, the Company can require the partners holding the remaining 50% interest in CRG (the Partners), under certain limited defined circumstances, to sell their ownership interests to the Company at fair value, as defined. In 2009 and every other year thereafter, the Partners can, at their option, require the Company to purchase their ownership interest at fair value, as defined. In 2010 and every other year thereafter, the Company can require the Partners to sell their ownership interests to the Company at fair value, as defined. In addition, the Company and Partners may be required to make capital contributions, in proportion to their respective financial interests, in certain situations such as default under CRG's credit agreement and periods of negative cash flow, as defined.

The following table represents summarized financial information of the Company's investments:

	September 30,	
	2006	2005
Net income	\$ 36,679,000	\$ 36,476,000
Total assets	123,276,000	115,104,000
Total liabilities	75,503,000	69,926,000

Derivatives

The Company uses commodity futures contracts and used an interest rate swap agreement to manage its exposure to commodities and interest rate fluctuations. The Company enters into commodity futures contracts to minimize risk of price fluctuations in connection with certain of its inventories and product sale and purchase commitments.

The Company had an interest rate swap agreement in notional amount of \$20 million, which converted variable rate Eurodollar obligations to fixed rate obligations with an effective interest rate of 5.77%. The swap matured in September 2005.

The Company's commodity futures contracts and interest rate swap agreement do not qualify for hedge accounting under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and therefore are adjusted to fair value through income. In 2006, 2005, and 2004, the Company recorded unrealized net gains of \$7,119,613, \$2,456,877, and \$1,235,035, respectively, in material expense related to commodity futures contracts. Also, in 2005, and 2004, the Company recorded an unrealized net gain of \$674,095, and \$949,476, respectively, in other income (expense) related to the interest rate swap.

Property and Equipment

Property and equipment are recorded at cost and include interest on funds borrowed to finance construction. Provisions for depreciation are computed on the straight-line method over the estimated useful lives, ranging from 10 to 40 years for buildings and improvements and 3 to 15 years for equipment. Repairs and maintenance are expensed as incurred. Gains and losses on the disposal of property and equipment are included in selling, general, and administrative expenses.

Long Lived Assets

Impairment losses are recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying value. If impairment has occurred, an impairment loss would be recognized for the excess of the carrying value over the fair value of the assets, less any costs of disposal. Long-lived assets to be disposed of other than by sale are considered held and used until disposed.

Financial Instruments

Financial instruments for which their carrying value approximates fair value consist of cash and cash equivalents, accounts and notes receivable, investments, accounts payable, and long-term debt. The Company included the fair value of commodity futures of \$10,931,000 and \$3,812,000 in other current assets at September 30, 2006 and 2005, respectively.

Goodwill and Other Intangibles

Under the provisions of SFAS No. 142, *Goodwill and Other Intangible Assets*, goodwill and other intangible assets with an indefinite life are not amortized, but instead are tested for impairment at least annually, or more often if events or circumstances, such as adverse changes in the business climate indicate that there may be impairment. Intangible assets that have finite useful lives are amortized over their useful lives, which range from 3 to 15 years. Based on the Company's review, no impairment charges have been recorded.

The following table summarizes the activity in goodwill for the year ended September 30, 2006:

Goodwill at October 1, 2005	\$	35,101,260
Acquisitions		25,929,959
Dispositions		(3,300,464)
Goodwill at September 30, 2006	\$	57,730,755

The gross carrying value of other intangibles, which are included in other assets, is \$1,963,000 and \$1,967,000 at September 30, 2006 and 2005, respectively. Other intangibles are stated net of accumulated amortization of \$1,537,000 and \$1,380,000 at September 30, 2006 and 2005, respectively. Amortization of intangible assets, which is included in selling, general, and administrative expenses, was \$260,000, \$188,000, and \$190,000 for the years ended September 30, 2006, 2005, and 2004, respectively.

Estimated amortization expense for the years ending September 30 is as follows:

2007	\$	221,000
2008		48,000
2009		23,000
2010		18,000
2011		18,000

Use of Estimates

Preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

Certain amounts in the 2005 and 2004 financial statements have been reclassified to conform with the 2006 presentation. These reclassifications had no effect on net income as previously reported.

(2) Business Combinations

In March 2006, the Company acquired certain assets and liabilities of a scrap operation in Indianapolis, Indiana. The assets purchased consisted primarily of heavy equipment, land, buildings, accounts receivable and inventory used in the business of recycling ferrous and non-ferrous metals. Results of operations of the acquisition are included in the Company's results of operations since the date of acquisition. In conjunction with the purchase of the scrap operation, the Company increased its equity investment in an existing joint venture with facilities located in Indianapolis and Fort Wayne, Indiana (the Joint Venture). As a result, the Company's investment in the Joint Venture increased from 33.3% to 66.7% and, accordingly, the results of operations of the Joint Venture are included in the Company's results of operations since the date of the transaction. Previously, the Company's interest was recorded as an investment on an equity basis. The total purchase price was \$44,170,590 in cash, which was funded through the Company's credit facility. The excess of the aggregate purchase price over the \$18,240,631 fair market value of net assets acquired was recorded as goodwill, which is expected to be fully deductible for tax purposes.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed in March 2006. The initial purchase price allocations may be adjusted within one year of the purchase date for changes in estimates of the fair value of assets acquired and liabilities assumed.

Current assets	\$	19,536,331
Property and equipment		5,653,108
Goodwill		25,929,959
Other assets		221,667
Assets acquired		51,341,065
Current liabilities		6,060,475
Long term debt		1,110,000
Liabilities assumed		7,170,475
Cash purchase price	\$	44,170,590

In December 2006, the Company acquired the remaining 33.3% minority owned interest in an existing joint venture with facilities located in Indianapolis and Fort Wayne, Indiana for \$12,944,573 in cash, which was funded through the Company's credit facility. The excess of the aggregate purchase price over the fair value of the net assets acquired of \$6,329,939 was recorded as goodwill.

In April 2006, the Company increased its equity investment in a joint venture that owns and operates aircraft for commercial charter. As a result of the increased investment, the Company has effective control of the venture. Accordingly, the results of operations of the joint venture are included in the Company's results of operations since the date of the transaction. Prior to the transaction, the Company's interest was recorded as an investment on an equity basis.

(3) Accounts Receivable

Accounts receivable consist principally of amounts due from sales to companies located throughout the United States in the following industries:

	September 30,	
	2006	2005
Steel	\$ 221,585,576	\$ 210,153,703
Aluminum	52,875,813	41,520,296
Copper and brass	56,469,033	20,526,394
Other	855,415	889,775
	<u>331,785,837</u>	<u>273,090,168</u>
Allowance for uncollectible accounts	(2,002,812)	(804,812)
	<u>\$ 329,783,025</u>	<u>\$ 272,285,356</u>

Credit is extended based on an evaluation of the customer's financial condition, and generally collateral is not required. The allowance for doubtful accounts is based on the Company's best estimate of probable credit losses in the Company's existing accounts receivable. The Company determines the allowance based on an analysis of specific customer circumstances and the Company's historical write-off experience. Account balances are charged against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

(4) Property and Equipment

The cost and accumulated depreciation of property and equipment are as follows:

	September 30,	
	2006	2005
Land and land improvements	\$ 18,958,574	\$ 17,193,091
Buildings and improvements	48,060,394	48,403,628
Machinery and equipment	167,406,518	169,879,278
Transportation equipment	57,378,303	41,067,697
Office equipment	12,950,943	13,375,511
Construction in progress	3,749,585	3,198,914
	<u>308,504,317</u>	<u>293,118,119</u>
Accumulated depreciation	(165,303,734)	(165,440,909)
	<u>\$ 143,200,583</u>	<u>\$ 127,677,210</u>

In May 2006, the Company disposed of certain assets located in East Chicago, Indiana. The assets sold consisted primarily of heavy equipment, land, buildings, and inventory used in the business of recycling ferrous and non-ferrous metals. The sale proceeds exceeded the Company's cost basis, resulting in the recognition of an \$11,310,000 gain.

(5) Income Taxes

The Company, with the consent of its stockholders, elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code effective October 1, 2001. Under those provisions, except for certain taxable items that do not pass through, stockholders are taxed directly on the Company's income. In 2006, in addition to expense for state and local taxes of \$1,940,000, the Company recorded a federal and state income tax provision of \$5,070,000 associated with a built-in gain on the disposal of certain assets located in East Chicago, Indiana. In 2005 and 2004, the Company recorded expense for state and local taxes of \$840,000 and \$626,734, respectively.

(6) Debt Arrangements

Long-term debt consisted of the following:

	September 30,	
	2006	2005
Bank credit agreement	\$ 90,000,000	\$ 66,000,000
Senior secured notes	55,000,000	55,000,000
Subordinated/other notes payable	17,202,655	4,194,663
	162,202,655	125,194,663
Less current portion	27,264,600	3,596,457
Total long-term debt	\$ 134,938,055	\$ 121,598,206

The Bank Credit Agreement provides for up to \$170,000,000 in revolving loans, due December 2008, with the option upon acceptance by the banks, to extend for up to two additional one-year periods. The Bank Credit Agreement is collateralized by substantially all the assets of the Company and the guarantee of its subsidiaries, subject to a collateral sharing agreement.

Interest is payable monthly on amounts borrowed under the Bank Credit Agreement based on, at the election of the Company, the prime rate or Eurodollar rate plus a percentage, based on a leverage ratio as defined. The percentage ranges from 0.00% to 0.50% for prime rate borrowings and 0.75% to 1.75% on Eurodollar rate loans. The weighted-average interest rate of these borrowings at September 30, 2006 was 6.78%.

Under the Bank Credit Agreement, the Company can have standby letters of credit for up to \$30,000,000 in the aggregate. At September 30, 2006, the Company had letters of credit outstanding of \$2,800,000.

The terms of the Bank Credit Agreement require the Company to, among other things, maintain a certain level of consolidated net worth, as defined, and meet minimum coverage and maximum leverage ratio requirements. The Bank Credit Agreement also has restrictive covenants limiting cash dividends,

repurchase of stock, additional investments and acquisitions, additional debt, sale of assets, liens and encumbrances, transaction with affiliates, and annual rental expense.

The Bank Credit Agreement provides for a commitment fee of 0.175% to 0.300% based on a defined leverage ratio and the average daily unused portion of the revolving credit facility, less outstanding letters of credit.

The Company has \$55,000,000 of Senior Secured Notes due September 2009 under a Note Purchase Agreement. Interest on the notes is due quarterly at 6.75%. The notes require principal payments of \$18,333,333 in each of September 2007, 2008, and 2009, and are collateralized by substantially all the assets of the Company and the guarantee of its subsidiaries, subject to a collateral sharing agreement.

The terms of the Note Purchase Agreement require the Company to, among other things, maintain a certain level of consolidated net worth, as defined, and meet minimum coverage and maximum leverage ratio requirements. The Note Purchase Agreement also has restrictive covenants limiting disposition of stock, additional investments and acquisitions, priority debt, sale of assets, liens and encumbrances, indebtedness of subsidiaries, and transactions with affiliates.

The lenders under the Bank Credit Agreement and the Note Purchase Agreement, along with the Company, have entered into a collateral sharing agreement dated September 24, 2002.

As of September 30, 2006, the Company has guaranteed \$2,854,167 of indebtedness of two of its joint ventures. The leverage ratios as defined in the Note Purchase and Bank Credit Agreements include the guarantees.

Included in subordinated and other notes payable as of September 30, 2006 is a \$7,106,743 note due November 2012. Interest on the note is due monthly at the 1-month commercial paper rate plus a defined percentage. The interest rate at September 30, 2006 was 7.3%. The note requires minimum monthly payments of \$59,918 with additional quarterly principal payments sufficient to amortize the unpaid principal over the balance of the note term. The note is collateralized by certain assets of the Company.

Included in subordinated and other notes payable as of September 30, 2006 is a \$6,772,500 note due June 2007. Interest on the note is due monthly at the lenders prime rate plus a defined percentage. The interest rate at September 30, 2006 was 7.75%. The note requires monthly principal payments of \$35,833 with the remaining principal balance due at maturity. The note is collateralized by certain assets of the Company.

Subsequent to September 30, 2006, the Company refinanced and consolidated the two notes payables of \$7,106,743 and \$6,772,500 due November 2012 and June 2007, respectively, into a single notes payable due October 2011. Interest on the note is due monthly at LIBOR plus a defined increment. The note requires monthly principal payments of \$77,373 and is collateralized by certain assets of the Company. The interest rate at January 15, 2007 was 6.85%.

The Company has other notes payables of \$3,323,412 as of September 30, 2006. The weighted-average interest rate on the notes was 5.57% as of September 30, 2006.

Included in payables to employees and affiliates is \$16,837,881 of notes payable to certain stockholders, due on demand. Interest on the notes are payable monthly at the prime rate as defined. The interest rate at September 30, 2006 was 8.25%.

The Company follows the policy of capitalizing interest as a component of the cost of property and equipment constructed for its own use. In 2006, 2005 and 2004, total interest expense incurred was \$11,467,320, \$9,314,606, and \$6,836,416, respectively, all of which was charged to interest expense.

Aggregate maturities of long-term debt by year are as follows:

2007	\$	27,264,600
2008		19,518,829
2009		109,479,146
2010		726,329
2011		568,217
Thereafter		4,645,534
	\$	<u>162,202,655</u>

(7) Stockholders' Equity

In May 2006, the Company purchased and placed into treasury 421,586 shares of common stock for \$10,000,020.

In August 2006, pursuant to an Amendment of the Articles of Incorporation (the Amendment), the Board of Directors authorized the following:

- The Company increased the number of authorized shares of common stock to 30,000,000, consisting of 3,000,000 shares of voting common stock and 27,000,000 shares of non-voting common stock. All shares have no par value.
- The Company declared a one-for-forty-five reverse stock split, in which the stockholders were issued one share of voting common stock in exchange for each forty-five shares of outstanding voting common stock.
- The Company declared and issued a stock dividend of nine shares of non-voting common stock for each share of voting common stock held by the stockholders.
- The Company resolved to cancel all shares of common stock in existence prior to the Amendment, including 7,743,812 shares held in treasury.

Subsequent to the Amendment, the Company has 271,743 shares of issued and outstanding voting common stock and 2,445,687 shares of issued and outstanding non-voting common stock. The equity adjustments, which had a cumulative net effect of zero, were a \$3,769,018 increase in common stock, \$6,282,278 decrease in additional paid in capital, \$18,476,446 decrease in retained earnings and a \$20,989,706 decrease in treasury stock.

(8) Pension and Profit-Sharing Plans

The Company's employees, who are not covered by a collectively bargained, multi-employer pension plan discussed in the following paragraph, are eligible for the Company's profit-sharing plan.

The Company may contribute amounts at the discretion of management. The expense related to the profit-sharing plan was \$1,982,000, \$1,500,000, and \$1,500,000 for the years ended September 30, 2006, 2005, and 2004, respectively.

Certain employees are covered by union sponsored, collectively bargained, multi-employer pension plans. Contributions and costs are determined in accordance with the provisions of negotiated labor contracts based generally on fixed amounts per hours worked. In 2006, the Company effected a complete withdrawal from a multi-employer pension plan. In accordance with Federal legislation, the pension fund assessed the Company a \$1,300,000 withdrawal liability due in equal quarterly payments over 7 ¹/₂ years. The \$1,300,000 liability is recorded on the consolidated balance sheet as of September 30, 2006 in other accrued expenses. Information from the administrators of other plans is not readily available to permit the Company to determine its share, if any, of unfunded vested benefits or accumulated plan benefits. The Company is not aware of any event which would result in a material withdrawal liability to the Company associated with any other multi-employer pension plan. Total contributions made under all multi-employer pension plans were \$1,000,000, \$1,014,000, and \$852,000 for the years ended September 30, 2006, 2005 and 2004, respectively.

(9) Leases

The Company leases the majority of its real estate from related parties. The Company paid approximately \$2,048,000, \$1,931,000, and \$1,550,000 on these leases in 2006, 2005, and 2004, respectively, of which \$1,689,000 in 2006, \$1,457,000 in 2005, and \$944,000 in 2004 were paid to related parties. The Company also leases certain of its operating and transportation equipment. Total lease expense under these operating leases was \$5,743,000, \$5,962,000, and \$6,357,000 in 2006, 2005, and 2004, respectively.

At September 30, 2006, future minimum payments for all noncancelable operating leases with initial or remaining terms of one year or more consisted of the following:

2007	\$	7,856,000
2008		5,685,000
2009		4,502,000
2010		3,193,000
2011		2,164,000

(10) Transactions with an Affiliate

In 2006, 2005, 2004, the Company purchased ferrous and non-ferrous scrap from CRG of \$115,382,000, \$109,576,000, and \$26,165,000, respectively. At September 30, 2006 and 2005, the Company had accounts payable amounts with CRG of \$3,822,000 and \$2,362,000, respectively.

(11) Litigation and Contingencies

The Company is involved in routine business litigation, principally relating to bankruptcy preference claims and being named as a "potentially responsible party" in connection with the clean-up of certain former waste sites. The Company recorded expenses of \$500,000, \$779,000, and \$688,000 in 2006, 2005, and 2004, respectively, for settlement of litigation matters, without regard to potential rights of recovery for contribution, indemnity, or under insurance policies. Total liabilities accrued in the consolidated balance sheets for these matters were \$1,246,000 and \$2,239,000 at September 30, 2006 and 2005, respectively.

OmniSource Corporation
Consolidated Balance Sheet

Unaudited
June 30, 2007

Assets	
Current assets:	
Cash and cash equivalents	\$ 10,596,993
Notes receivable:	1,078,350
Accounts receivable	
Trade—net	342,934,093
Affiliates	2,410,939
Inventories	141,556,452
Spare parts, supplies, and other	26,265,492
<hr/>	
Total current assets	524,842,319
Investments	42,270,931
Notes receivable	541,186
Goodwill	79,930,677
Other assets	6,232,975
Property and equipment—net	165,998,199
<hr/>	
	\$ 819,816,287
<hr/>	

See accompanying notes to consolidated financial statements.

OmniSource Corporation
Consolidated Balance Sheet

Unaudited
June 30, 2007

Liabilities and stockholders' equity

Current liabilities

Accounts payable:

Trade \$ 223,305,448

Affiliates 7,539,228

Payable to employees and affiliates 25,354,299

Accrued expenses:

Compensation and benefits 26,700,810

Other 15,782,988

Current portion of long-term debt 19,734,491

Total current liabilities 318,417,264

Noncurrent liabilities

Long-term debt, less current portion 184,197,306

Other 3,543,721

Total noncurrent liabilities 187,741,027

Stockholders' equity:

Common stock 3,968,740

Retained earnings 309,689,256

Total stockholders' equity 313,657,996

\$ 819,816,287

See accompanying notes to consolidated financial statements.

OmniSource Corporation
Consolidated Statements of Income

	Unaudited 9 Months Ended June 30,	
	2007	2006
Revenues	\$ 1,793,661,871	\$ 1,632,382,926
Expenses:		
Material	1,530,135,669	1,377,116,261
Operating	121,143,013	112,712,581
Selling, general, and administrative	67,452,371	67,607,310
Gain on disposal of property and equipment	(632,784)	(11,843,632)
	<u>1,718,098,269</u>	<u>1,545,592,520</u>
Operating income	75,563,602	86,790,406
Other income (expense):		
Earnings from investments	11,446,539	13,451,911
Gain on disposition of investments	213,570	
Minority interest	(732,172)	(1,405,778)
Interest expense—net	(10,324,235)	(7,740,326)
	<u>603,702</u>	<u>4,305,807</u>
Income before income taxes	76,167,304	91,096,213
Provision for income taxes	1,516,500	5,787,500
Net income	<u>\$ 74,650,804</u>	<u>\$ 85,308,713</u>

See accompanying notes to consolidated financial statements.

OmniSource Corporation
Consolidated Statements of Cash Flows

	Unaudited 9 Months Ended June 30,	
	2007	2006
Operating activities		
Net income	\$ 74,650,804	\$ 85,308,713
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	20,323,955	17,346,453
Amortization of debt issuance costs	285,658	325,040
Provision (credit) for losses on accounts and notes receivable	(1,255,236)	365,982
Earnings from investments	(11,446,539)	(13,451,911)
Cash distributions received from investments	11,247,615	7,361,999
Gain on disposal of property and equipment	(632,784)	(11,843,632)
Minority interest in net income of consolidated subsidiaries	732,172	1,405,778
Increase in cash value of life insurance—net	(63,893)	(87,472)
Changes in operating assets and liabilities:		
Accounts receivable	(14,459,589)	(47,482,474)
Inventories	(21,958,108)	(70,972,528)
Other assets	(5,488,372)	(5,714,486)
Accounts payable	14,100,282	48,182,780
Accrued expenses and other noncurrent liabilities	(11,296,040)	6,520,875
Net cash provided by operating activities	54,739,925	17,265,117
Investing activities		
Acquisitions—net of cash acquired	(46,348,011)	(43,860,190)
Purchases of land, buildings, and equipment	(28,380,289)	(17,930,729)
Proceeds from disposal of property and equipment	1,990,264	29,366,294
Purchases of investments	(1,021,350)	(1,098,500)
(Loans made) payments received on notes receivable—net	(131,142)	184,634
Net cash used in investing activities	(73,890,528)	(33,338,491)
Financing activities		
Net proceeds from revolving line of credit	45,000,000	36,195,608
Proceeds from long term debt	47,929	—
Principal payments on long term debt	(3,318,787)	(2,153,326)
Net proceeds from payables to employees and affiliates	4,020,301	3,871,916
Change in checks not presented	19,216,581	23,209,052
Dividend payments to stockholders	(47,971,515)	(31,622,479)
Purchase of treasury stock	—	(10,000,020)
Net cash provided by financing activities	16,994,509	19,500,751
Increase (decrease) in cash and cash equivalents	(2,156,094)	3,427,377
Cash and cash equivalents at beginning of year	12,753,087	6,340,968
Cash and cash equivalents at end of year	\$ 10,596,993	\$ 9,768,345

See accompanying notes to consolidated financial statements.

OMNISOURCE CORPORATION

Notes to Consolidated Financial Statements

June 30, 2007
(Unaudited)

(1) Significant Accounting Policies

Principles of Consolidation

The accompanying unaudited consolidated financial statements include the accounts of OmniSource Corporation and its majority owned or controlled subsidiaries (the "Company"). All material intercompany balances and transactions have been eliminated in consolidation.

The unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial statements. Certain information and footnote disclosures have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the accompanying unaudited financial statements reflect all adjustments (all of a normal recurring nature), which are necessary for a fair presentation of the financial condition and results of operations for these periods. The results of operations for the interim periods are not necessarily indicative of the results for a full year. These consolidated financial statements and notes thereto should be read in conjunction with the Company's audited financial statements for the fiscal year ended September 30, 2006.

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

(2) Business Combinations

In December 2006, the Company acquired certain assets of a scrap operation in Kokomo and Tipton, Indiana. The assets purchased consisted primarily of heavy equipment, land, buildings and inventory used in the business of recycling ferrous and non-ferrous metals. Results of operations of the acquisition are included in the Company's results of operations since the date of acquisition. The total purchase price was \$31,915,000 in cash, which was funded through the Company's credit facility. The excess of the aggregate purchase price over the \$17,403,475 fair market value of net assets was recorded as goodwill, which is expected to be fully deductible for tax purposes.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed in December 2006. The initial purchase price allocations may be adjusted within one year of the purchase date for changes in estimates of the fair value of assets acquired and liabilities assumed.

Current assets	\$	1,685,053
Property and equipment		15,618,422
Goodwill		14,511,525
Other assets		100,000
Assets acquired		<u>31,915,000</u>
Liabilities assumed		<u>—</u>
Cash purchase price	\$	<u>31,915,000</u>

In December 2006, the Company acquired the remaining 33.3% minority owned interest in an existing joint venture with facilities located in Indianapolis and Fort Wayne, Indiana for \$12,944,573 in cash, which was funded through the Company's credit facility. The excess of the aggregate purchase price over the fair value of the net assets acquired of \$6,329,939 was recorded as goodwill.

The following table summarizes the activity in goodwill for the nine months ended June 30, 2007:

Goodwill at October 1, 2006	\$	57,730,785
Acquisitions		20,841,464
Change to purchase price allocation		1,358,458
		<hr/>
Goodwill at June 30, 2007	\$	79,930,677
		<hr/>

(3) Debt Arrangements

Long-term debt consisted of the following:

		June 30, 2007
		<hr/>
Bank credit agreement	\$	135,000,000
Senior secured notes		55,000,000
Subordinated/other notes payable		13,931,797
		<hr/>
		203,931,797
Less current portion		19,734,491
		<hr/>
Total long-term debt	\$	184,197,306
		<hr/>

The Bank Credit Agreement provides for up to \$270,000,000 in revolving loans, due February 2012, with the option, upon acceptance by the banks, to extend for up to two additional one-year periods. The Bank Credit Agreement is collateralized by substantially all the assets of the Company and the guarantee of its subsidiaries, subject to a collateral sharing agreement.

Interest is payable monthly on amounts borrowed under the Bank Credit Agreement based on, at the election of the Company, the prime rate or Eurodollar rate plus a percentage, based on a defined leverage ratio. The percentage ranges from 0.00% to 0.50% for prime rate borrowings and 0.45% to 1.125% on Eurodollar rate loans. The weighted-average interest rate of these borrowings at June 30, 2007 was 5.87%.

Under the Bank Credit Agreement, the Company can have standby letters of credit for up to \$30,000,000 in the aggregate. At June 30, 2007, the Company had letters of credit outstanding of \$2,600,000.

The terms of the Bank Credit Agreement require the Company to, among other things, maintain a certain level of consolidated net worth, as defined, and meet minimum coverage and maximum leverage ratio requirements. The Bank Credit Agreement also has restrictive covenants limiting cash dividends, repurchase of stock, additional investments and acquisitions, additional debt, sale of assets, liens and encumbrances, transaction with affiliates, and annual rental expense.

The Bank Credit Agreement provides for a commitment fee of 0.09% to 0.20% based on a defined leverage ratio and the average daily unused portion of the revolving credit facility, less outstanding letters of credit.

The Senior Secured Notes are due September 2009 under a Note Purchase Agreement. Interest on the notes is due semiannually at 6.75%. The notes require principal payments of \$18,333,333 in September 2007, 2008, and 2009, and are collateralized by substantially all the assets of the Company and the guarantee of its subsidiaries, subject to a collateral sharing agreement.

The terms of the Note Purchase Agreement require the Company to, among other things, maintain a certain level of consolidated net worth, as defined, and meet minimum coverage and maximum

leverage ratio requirements. The Note Purchase Agreement also has restrictive covenants limiting disposition of stock, additional investments and acquisitions, priority debt, sale of assets, liens and encumbrances, indebtedness of subsidiaries, and transactions with affiliates.

The lenders under the Bank Credit Agreement and the Note Purchase Agreement, along with the Company, have entered into a collateral sharing agreement dated September 24, 2002.

As of June 30, 2007, the Company has guaranteed \$2,666,667 of indebtedness of two of its joint ventures. The leverage ratios as defined in the Note Purchase and Bank Credit Agreements include the guarantees.

Included in subordinated and other notes payable as of June 30, 2007 are notes of \$13,308,187 due October 2011. Interest on the notes is due monthly at LIBOR plus a defined percentage. The interest rate at June 30, 2007 was 6.45%. The notes require minimum monthly principal payments of \$77,373 with a final principal payment of \$9,362,155 due in October 2011. The notes are collateralized by certain assets of the Company.

The Company has other notes payables of \$623,610 as of June 30, 2007. The weighted-average interest rate on the notes was 2.51% as of June 30, 2007.

Included in payables to employees and affiliates is \$21,452,365 of notes payable to certain stockholders, due on demand. Interest on the notes are payable monthly at the prime rate as defined. The interest rate at June 30, 2007 was 8.25%.

The Company follows the policy of capitalizing interest as a component of the cost of property and equipment constructed for its own use. For the nine months ended June 30, 2007 and 2006, total interest expense incurred was \$10,813,994 and \$7,923,430, respectively, all of which was charged to interest expense.

Aggregate maturities of long-term debt by year are as follows:

2008	\$	19,734,491
2009		19,312,121
2010		19,312,122
2011		978,789
2012		144,594,274
Thereafter		—
	\$	203,931,797

(4) Leases

The Company leases the majority of its real estate from related parties. The Company paid approximately \$2,052,000 and \$1,494,000, on these leases for the nine months ended 2007 and 2006, respectively, of which \$1,585,000 in 2007, \$1,377,000 in 2006 were paid to related parties. The Company also leases certain of its operating and transportation equipment. Total lease expense under these operating leases was \$5,894,000 and \$4,164,000 for the nine months ended June 2007 and 2006, respectively.

(5) Transactions with an Affiliate

For the nine months ended June 30, 2007 and 2006, the Company purchased ferrous and nonferrous scrap from Carolinas Recycling Group (CRG) of \$105,384,000, and \$84,146,000, respectively. At June 30, 2007, the Company had accounts payable amounts with CRG of \$4,300,000. The Company has an equity investment in CRG.

(6) Litigation and Contingencies

The Company is involved in routine business litigation, principally relating to bankruptcy preference claims and being named as a "potentially responsible party" in connection with the clean-up of certain former waste sites. The Company recorded no material expense for the nine months ended June 30, 2007 and 2006 for settlement of litigation matters. Total liabilities accrued in the consolidated balance sheets for these matters were \$1,326,000 at June 30, 2007.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

On October 1, 2007, Steel Dynamics entered into a definitive purchase agreement to acquire the net assets (excluding the assumption of approximately \$220 million in debt as discussed below) of OmniSource and its subsidiaries (the "Acquisition") for total consideration of approximately \$1.1 billion consisting of 9.7 million shares of Steel Dynamics common stock, \$439 million in cash, including estimated transaction fees, along with the assumption of debt at closing of approximately \$220 million. On October 12, 2007, Steel Dynamics issued \$700 million of 7³/₈ % senior notes due 2012 to finance the Acquisition, and refinance the assumed liabilities (together totaling \$659.0 million), using the difference to repay \$37 million of outstanding borrowings under our revolving credit agreement (this borrowing, together with the Acquisition, are referred to as the "Transactions"). The Acquisition was closed on October 26, 2007. This assumed OmniSource debt was extinguished by Steel Dynamics soon after the closing of the Acquisition. While Steel Dynamics acquired the stock of OmniSource, for tax purposes, the transaction will be treated as an asset purchase. In addition to the Acquisition, we have agreed to purchase certain real estate assets from some of the shareholders of OmniSource for \$10 million following the closing of the Acquisition. This real estate purchase is not reflected in the pro forma financial information.

The following unaudited pro forma condensed consolidated financial information is derived from and should be read in conjunction with historical financial statements and related notes of Steel Dynamics and OmniSource which are incorporated by reference for Steel Dynamics and included elsewhere in this offering memorandum for OmniSource.

The unaudited pro forma condensed consolidated balance sheet as of September 30, 2007 and the unaudited pro forma condensed statements of income for the twelve months ended December 31, 2006 and the nine months ended September 30, 2007 are presented herein. The unaudited pro forma condensed consolidated balance sheet gives effect to the Transactions as if they occurred on September 30, 2007 and combines the historical balance sheets of Steel Dynamics as of September 30, 2007 and OmniSource as of June 30, 2007. The unaudited pro forma condensed consolidated statements of income for the twelve months ended December 31, 2006 give effect to the Transactions as if they occurred on January 1, 2006 and combine the historical consolidated statements of income from Steel Dynamics for the twelve months ended December 31, 2006 with the historical statements of income of OmniSource for the twelve months ended September 30, 2006. The unaudited pro forma condensed consolidated statements of income for the nine months ended September 30, 2007 give effect to the Transactions as if they occurred on January 1, 2007 and combine the historical consolidated statements of income of Steel Dynamics for the nine months ended September 30, 2007 and OmniSource for the nine months ended June 30, 2007.

The historical financial statements have been adjusted to give effect to pro forma items that are (i) directly attributable to the Transactions and (ii) factually supportable. The unaudited pro forma condensed consolidated financial information is presented for illustrative purposes only and is not necessarily indicative of what the actual combined financial position or results of operations would have been had the Transactions been completed on the dates indicated or what such financial position or results would be for future periods.

The unaudited pro forma condensed consolidated financial statements were prepared using the purchase method of accounting to account for the Acquisition. Accordingly, we have adjusted the historical consolidated financial information to give effect to the consideration issued in connection with the Acquisition. In the unaudited pro forma condensed consolidated financial statements, Steel Dynamics' costs to acquire OmniSource have been allocated to the assets acquired and the liabilities assumed based upon management's preliminary estimate of their respective fair values. Any excess of

the fair value of the consideration issued over the fair value of the identifiable assets acquired and liabilities assumed will be recorded as goodwill. The amounts allocated to the identifiable assets acquired and liabilities assumed in the unaudited pro forma condensed consolidated financial information are based upon management's preliminary valuation estimates. Definitive allocations will be finalized based on certain valuations and other studies that will be performed by Steel Dynamics, in some cases with the assistance of outside valuation specialists, after the closing of the Acquisition. Accordingly, the purchase price allocation adjustments and related depreciation and amortization reflected in the unaudited pro forma condensed consolidated financial statements are preliminary, have been made solely for the purpose of preparing these statements and are subject to revision based on a final determination of fair value after closing of the Acquisition, and such revisions could have a material effect on the accompanying unaudited pro forma condensed consolidated financial statements.

The unaudited pro forma condensed consolidated statements of income do not include the impacts of any revenue, costs or other operating synergies that may result from the Acquisition or any related restructuring costs. The unaudited pro forma condensed consolidated statements of income also do not reflect certain costs to be incurred resulting from the Acquisition because we consider them to be of a non-recurring nature.

Based on Steel Dynamics' review of OmniSource's significant accounting policies disclosed in the latter's historical financials statements, the nature and amount of any adjustments to the historical financial statements of OmniSource to conform their accounting policies to those of Steel Dynamics' are not expected to be significant. Further review of OmniSource's accounting policies and financial statements may result in required revisions to OmniSource's policies and classifications to conform to Steel Dynamics' accounting policies.

Unaudited Pro Forma Condensed Consolidated Balance Sheet
As of September 30, 2007
(Dollars in thousands, except per share data)

	Historical			Pro Forma
	Steel Dynamics	OmniSource	Transactions	
Assets				
Cash and equivalents	\$ 10,811	\$ 10,597	\$ (11,408)(e)(f)(g)	\$ 10,000
Accounts receivable, less allowance for doubtful accounts	491,457	346,424	(14,671)(o)	823,210
Inventories	744,534	141,556	—	886,090
Deferred income taxes	16,080	—	—	16,080
Other current assets	27,264	26,265	—	53,529
Total current assets	1,290,146	524,842	(26,079)	1,788,909
Property, plant and equipment, net	1,358,204	165,998	30,000 (a)	1,554,202
Investments	—	42,271	—	42,271
Restricted cash	6,643	—	—	6,643
Intangible assets, net	198,678	—	180,000 (b)	378,678
Goodwill	200,637	79,931	370,082 (c)	650,650
Other assets	40,993	6,774	6,463 (g)	54,230
Total assets	\$ 3,095,301	\$ 819,816	\$ 560,466	\$ 4,475,583
Liabilities and Stockholders' Equity				
Accounts payable	\$ 325,564	\$ 256,199	\$ (40,025)(f)(o)	\$ 541,738
Income taxes payable	31,739	—	—	31,739
Accrued expenses	120,429	42,484	—	162,913
Accrued profit sharing	42,363	—	—	42,363
Senior secured revolving credit facility	97,000	19,734	(56,681)(f)	60,053
Current maturities of long-term debt	55,683	—	—	55,683
Total current liabilities	672,778	318,417	(96,706)	894,489
Term Loan A facility, due 2012	495,000	—	—	495,000
Senior 6 ³ / ₄ % notes, due 2015	500,000	—	—	500,000
New notes, due 2012	—	—	700,000 (g)	700,000
Convertible subordinated 4.0% notes, due 2012	37,250	—	—	37,250
Other secured debt	16,536	184,197	(184,197)(f)	16,536
Total long term debt	1,048,786	184,197	515,803	1,748,786
Deferred income taxes	292,802	—	—	292,802
Other long term liability	—	3,544	—	3,544
Minority interest	976	—	—	976
Commitments and contingencies				
Stockholders' Equity				
Common stock, at \$.005 par value	541	3,969	(3,969)(d)	541
Treasury stock	(661,427)	—	300,700 (e)	(360,727)
Additional paid-in capital	392,269	—	154,327 (e)	546,596
Retained earnings	1,348,576	309,689	(309,689)(d)	1,348,576
Total stockholders' equity	1,079,959	313,658	141,369	1,534,986
Total liabilities and stockholders' equity	\$ 3,095,301	\$ 819,816	\$ 560,466	\$ 4,475,583

See Notes to Unaudited Pro Forma Condensed Consolidated Financial Information

Unaudited Pro Forma Condensed Consolidated Statements of Income
For the Year Ended December 31, 2006
(Dollars in thousands, except per share data)

	Historical			
	Fiscal Year Ended December 31, 2006		Fiscal Year Ended September 30, 2006	
	Steel Dynamics	OmniSource	Transactions	Pro Forma
Net sales	\$ 3,238,787	\$ 2,254,765	\$ (126,980)(k)	\$ 5,366,572
Costs of goods sold	2,408,795	2,062,058	(122,840)(i)(k)	4,348,013
Gross profit	829,992	192,707	(4,140)	1,018,559
Selling, general and administrative expenses	170,878	80,725 ^(x)	8,793 ^{(h)(m)}	260,396
Operating income	659,114	111,982	(12,933)	758,163
Interest expense	32,104	11,114	38,036 (j)	81,254
Other expense (income), net	(4,545)	(15,395)	—	(19,940)
Income before income taxes	631,555	116,263	(50,968)	696,850
Income taxes	234,848	7,010	19,108 (n)	260,966
Net income	\$ 396,707	\$ 109,253	\$ (70,076)	\$ 435,884
Basic earnings per share	\$ 4.22			\$ 4.21
Weighted average common shares outstanding	93,931		9,700 (l)	103,631
Diluted earnings per share	\$ 3.77			\$ 3.79
Weighted average common shares and share equivalents outstanding	105,774		9,700 (l)	115,474

(x) This amount includes \$11.3 million of gain on the sale of OmniSource's East Chicago scrapyard.

See Notes to Unaudited Pro Forma Condensed Consolidated Financial Information

Unaudited Pro Forma Condensed Consolidated Statements of Income
For the Nine Months Ended September 30, 2007
(Dollars in thousands, except per share data)

	Historical			Pro Forma
	Steel Dynamics	OmniSource	Transactions	
	September 30, 2007	June 30, 2007		
Net sales	\$ 2,933,515	\$ 1,793,662	\$ (197,887)(k)	\$ 4,529,290
Costs of goods sold	2,272,079	1,650,646	(192,560)(i)(k)	3,730,165
Gross profit	661,436	143,016	(5,327)	799,125
Selling, general and administrative expenses	148,538	67,452	6,594 ^(h) (m)	222,584
Operating income	512,898	75,564	(11,921)	576,541
Interest expense	29,048	10,324	26,539 (j)	65,910
Other expense (income), net	10,205	(10,928)	—	(723)
Income before income taxes	473,645	76,168	(38,460)	511,353
Income taxes	176,949	1,517	13,566 (n)	192,032
Net income	\$ 296,696	\$ 74,651	\$ (52,026)	\$ 319,321
Basic earnings per share	\$ 3.18			\$ 3.10
Weighted average common shares outstanding	93,162		9,700 (l)	102,962
Diluted earnings per share	\$ 3.02			\$ 2.96
Weighted average common shares and share equivalents outstanding	98,449		9,700 (l)	108,149

See Notes to Unaudited Pro Forma Condensed Consolidated Financial Information.

NOTES TO THE UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands)

1. Sources and Uses of Funds

Set forth below are the estimated sources and uses of funds reflected in the Transactions column.

	Sources		Uses
Notes offered hereby	\$ 700,000	Cash and common stock to OmniSource	\$ 886,027
Cash on hand	11,408	Repayment of senior secured revolving credit facility	36,947
Common stock	455,027	Acquisition fees and expenses	7,713
		Financing fees and expenses	6,463
		Repayment of OmniSource's existing indebtedness	229,285
	\$ 1,166,435		\$ 1,166,435

For purposes of the pro forma financial statements the value of common stock issued to OmniSource is based upon the average of the closing price of our common stock on October 1, 2007, the date the Acquisition was announced and the two days before and after that date, of \$46.91. Upon closing Steel Dynamics issued 9.7 million shares of its common stock to OmniSource.

2. Purchase Price

The estimated purchase price, excluding the assumption of OmniSource's existing indebtedness, and allocation of the estimated purchase price discussed below are preliminary as the accounting for the Acquisition has not yet been completed. The following is a preliminary estimate of the purchase price for the Acquisition.

Cash and common stock to OmniSource	\$ 886,027
Estimated fees and expenses	7,713
Total estimated preliminary purchase price	\$ 893,740

Under the purchase method of accounting, the total estimated purchase price as shown in the table above is allocated to identifiable net tangible and intangible assets of OmniSource based on their estimated fair values as of the date of the Acquisition. The purchase price in excess of the identifiable assets acquired is allocated to Goodwill. The management of Steel Dynamics has allocated the preliminary estimated purchase price based on preliminary estimates. The allocation of the preliminary purchase price and the estimated useful lives associated with certain assets are as follows:

	Amount	Estimated Useful Life
Net tangible assets at book value	\$ 233,727	
Property, plant and equipment step-up	30,000	12 years
Intangible assets		
Customer relationships	150,000	20 years
Trade names	30,000	Indefinite
Goodwill	450,013	
Estimated preliminary purchase price	\$ 893,740	

Definitive allocations will be finalized based on certain valuations and other studies that will be performed by Steel Dynamics, in some cases with the assistance of outside valuation specialists, after closing the Acquisition. Accordingly, the purchase price allocation adjustments and related depreciation and amortization reflected in the foregoing unaudited pro forma condensed consolidated financial statements are preliminary, have been made solely for the purpose of preparing these statements and are subject to revision based on a final determination of fair value after closing of the Acquisition, and such revisions could have a material effect on the accompanying unaudited pro forma condensed consolidated financial statements. Such revisions could include changes to the fair value assigned to tangible or intangible assets acquired or liabilities assumed, or changes to the estimated useful lives assigned to tangible or intangible assets.

Identifiable intangible assets: Customer relationships related primarily to underlying customer relationships with distributor networks, original equipment manufacturers and other customers of OmniSource. Acquired trade names include OmniSource.

Steel Dynamics expects to amortize the fair value of customer relationships based on the pattern in which the economic benefits of this intangible asset will be consumed. Additionally, the customer relationships will be tested for impairment whenever circumstances indicate that the carrying amount may not be recoverable. The fair value of acquired trade names will not be amortized but instead will be tested for impairment at least annually (more frequently if indicators of impairment are present). In the event that management determines that the value of the acquired customer relationships or trade names has become impaired, Steel Dynamics will incur an accounting charge for the amount of impairment during the period in which the amount is determined.

Goodwill: Approximately \$450,013 has been allocated to goodwill. Goodwill represents the excess of the purchase price over the fair value of the underlying identifiable net tangible and intangible assets. In accordance with Statement of Financial Accounting Standards ("SFAS") 142, *Goodwill and Other Intangible Assets*, goodwill will not be amortized but instead will be tested for impairment at least annually (more frequently if indicators of impairment are present). In the event that management determines that the value of the goodwill has become impaired, Steel Dynamics will incur an accounting charge for the amount of impairment during the period in which the amount is determined.

Fixed assets: Management has estimated that at acquisition date the fair values of certain fixed assets of OmniSource will be higher than their respective book values in their historical financial statements.

3. Pro Forma Adjustments

Pro Forma adjustments for the Transactions give effect to the Acquisition under the purchase method of accounting, the issuance of common stock to OmniSource, the issuance of the notes offered hereby, borrowings under the senior secured revolving credit facility, the repayment of OmniSource's existing indebtedness, and the payment of fees and expenses.

The pro forma adjustments included in the unaudited pro forma condensed consolidated balance sheet are as described below:

- a. Reflects step-up fair value of property, plant and equipment acquired of \$30,000.
- b. Reflects the fair value of identifiable intangible assets acquired of \$150,000 for customer lists and \$30,000 for trade names.
- c. Reflects the elimination of goodwill of \$79,931 recorded on the historical financial statements of OmniSource and the recognition of goodwill of \$450,013 resulting from the preliminary allocation of the pro forma purchase price.

- d. Eliminates OmniSource's historical common stock of \$3,969 and retained earnings of \$309,689.
- e. Reflects the issuance of 9.7 million shares of Steel Dynamics' common stock from treasury at an average cost of \$31.00 and a fair value of \$46.91, for a total value of \$455,027, and cash purchase price of \$438,713.
- f. Reflects repayments of \$36,947, under the senior secured revolving credit facility, and of \$19,734 of current debt of OmniSource, assuming the ending cash balance of the combined entity of \$10,000. Also reflects the payment of OmniSource long term debt of \$184,197 and other notes payable of \$25,354.
- g. Reflects capitalized debt issuance costs of \$6,463 related to the notes offered hereby of \$700,000 and the issuance of those notes.
- o. Reflects the elimination of intercompany accounts receivable and payable of \$14,671.

The pro forma adjustments included in the unaudited pro forma condensed statements of income are as described below;

- h. Reflects the inclusion of amortization expense of \$7,500 and \$5,625 for the year ended December 31, 2006 and the nine months ended September 30, 2007, respectively, in relation to the acquired intangible assets.
- i. Reflects the incremental depreciation expense of \$2,500 and \$1,875 for the year ended December 31, 2006 and the nine months ended September 30, 2007, respectively, in relation to the step-up in fair value of property, plant and equipment.
- j. Reflects the elimination of interest expense related to debt to be repaid in the Transactions and the addition of assumed interest expense for the issuance of notes offered hereby and a credit for the repayment of borrowings under the senior secured revolving credit agreement to finance the Transactions. Historic interest expense was eliminated in amounts of \$11,114 and \$10,324 for the year ended December 31, 2006 and the nine month period ended September 30, 2007, respectively. Additional net estimated interest expense is \$49,150 and \$36,862 for the year ended December 31, 2006 and the nine month period ended September 30, 2007, respectively, assuming an average interest rate of 7.375% for the notes offered hereby, and 6.7% for the reduction in borrowings under the senior secured revolving credit agreement.
- k. Reflects the elimination of intercompany margins recognized during the respective periods for sales from OmniSource to Steel Dynamics of \$126,980 and \$197,887 for the year ended December 31, 2006 and nine months ended September 30, 2007 and the related costs of goods sold of \$125,340 and \$194,435 for the same periods respectively.
- l. Represents the 9.7 million shares issued in the Transactions.
- m. The adjustment assumes amortization of debt issuance costs on a straight line basis over the respective maturities of the indebtedness of \$1,293 and \$969 for the year ended December 31, 2006 and the nine month period ended September 30, 2007, respectively.
- n. Reflects OmniSource's income taxes and the income tax effect on Transactions at a statutory rate of 40% for a total of \$19,108 and \$13,566 for the year ended December 31, 2006 and for the nine months ended September 30, 2007, respectively.