AK STEEL HOLDING CORPORATION
Fourth Quarter 2018
(unaudited)

Non-GAAP Financial Measures

In certain of its disclosures, the company has reported adjusted EBITDA, adjusted EBITDA margin and adjusted net income (loss) that exclude the effects of noncontrolling interests, pension and OPEB net corridor and settlement charges, charges (credit) for the termination of an iron ore pellet offtake agreement and related transportation costs, impairment charges for its investments in Magnetation and AFSG, charges for temporarily idling facilities and an asset impairment charge. The company believes that reporting adjusted net income (loss) attributable to AK Holding (as a total and on a per share basis) with these items excluded more clearly reflects its current operating results and provides investors with a better understanding of its overall financial performance. Adjustments to net income (loss) do not result in an income tax effect as any gross income tax effects are offset by a corresponding change in the deferred income tax valuation allowance.

EBITDA is an acronym for earnings before interest, taxes, depreciation and amortization. It is a metric that is sometimes used to compare the results of different companies by removing the effects of different factors that might otherwise make comparisons inaccurate or inappropriate. For purposes of this report, the company has made adjustments to EBITDA to also exclude the effect of noncontrolling interests, pension and OPEB net corridor and settlement charges, charges (credit) for the termination of an iron ore pellet offtake agreement and related transportation costs, impairment charges for its investments in Magnetation and AFSG and charges for temporarily idling facilities and an asset impairment charge. The adjusted results, although not financial measures under generally accepted accounting principles in the United States (“GAAP”) and not identically applied by other companies, facilitate the ability to analyze the company’s financial results in relation to those of its competitors and to its prior financial performance by excluding items that otherwise would distort the comparison. Adjusted EBITDA, adjusted EBITDA margin and adjusted net income (loss) are not, however, intended as alternative measures of operating results or cash flow from operations as determined in accordance with GAAP and are not necessarily comparable to similarly titled measures used by other companies.

The company recognizes in its results of operations, as a corridor adjustment, any unrecognized actuarial net gains or losses that exceed 10% of the larger of projected benefit obligations or plan assets. Amounts inside this 10% corridor are amortized over the plan participants’ life expectancy. The need for a corridor charge is considered at any remeasurement date, but has generally only been recorded in the fourth quarter at the time of the annual remeasurement. After excluding the corridor charge, the remaining pension and OPEB expenses included in the non-GAAP measure are comparable to the accounting for pension and OPEB expenses on a GAAP basis in the first three quarters of the year and the company believes this is useful to investors in analyzing its results on a quarter-to-quarter basis, as well as analyzing its results on a year-to-year basis. As a result of the corridor method of accounting, the company’s subsequent financial results on both a GAAP and a non-GAAP basis do not contain any amortization of prior period actuarial gains or losses that exceeded the corridor threshold because those amounts were immediately recognized as a corridor adjustment in the period incurred. Actuarial net gains and losses occur when actual experience differs from any of the many assumptions used to value the benefit plans, or when the assumptions change, as they may each year when the company performs a valuation. The two most significant of those assumptions are the discount rate the company uses to value projected plan obligations and the rate of return on plan assets. In addition, changes in other actuarial assumptions and the degree by which the unrealized gains or losses are within the corridor threshold before remeasurement will affect the corridor adjustment calculation. The effect of prevailing interest rates on the discount rate as of a measurement date and actual return on plan assets compared to the expected return will have a significant impact on the company’s liability, corridor adjustment and following year’s expense for these benefit plans. For example, actuarial assumptions the company made to remeasure the funded status of its pension and OPEB obligations in the fourth quarter of 2016 affected actuarial losses and the related pension/OPEB net corridor charge. The net corridor charge reflected (i) a decrease in the discount rate assumption used to determine pension liabilities from 4.15% at December 31, 2015 to 3.35% at the October 2016 remeasurement (an actuarial loss of approximately $221.1), partially offset by (ii) gains from changes in pension and OPEB mortality assumptions, lower claims costs and other demographic factors (netting to a gain of approximately $76.4) and (iii) the net effect of the difference between the expected annualized return on assets of 7.25% ($129.4) and the actual annualized return on assets of 12.7% as of the October 2016 remeasurement ($228.8) (netting to a gain of $99.4). The company believes that the corridor method of accounting for pension and OPEB obligations is rarely used by other publicly traded companies. However, because other companies use different approaches to recognize actuarial gains and losses, the company's resulting pension and OPEB expense on a GAAP basis or a non-GAAP basis may not be comparable to other companies' pension and OPEB expense on a GAAP basis. Although the net corridor charge reduces reported operating and net income, it does not affect the company's cash flows in the current period. However, the company expects to ultimately settle the pension and OPEB obligations in cash.

Neither current shareholders nor potential investors in the company's securities should rely on adjusted EBITDA, adjusted EBITDA margin or adjusted net income (loss) as a substitute for any GAAP financial measure and it encourages investors and potential investors to review the following reconciliations of adjusted EBITDA and adjusted net income (loss).

Reconciliation of Adjusted EBITDA

	2018	2017	2016
Net income (loss) attributable to AK Holding	$ 186.0	$ 103.5	$ (16.8)
Net income attributable to noncontrolling interests	58.1	61.4	66.0
Income tax expense (benefit)	(6.2)	(2.2)	(16.9)
Interest expense, net	150.7	150.9	162.3
Depreciation and amortization	237.0	236.3	221.4
EBITDA	625.6	549.9	416.0
Less: EBITDA of noncontrolling interests (a)	76.7	77.7	80.8
Pension and OPEB net corridor and settlement charges	14.5	—	68.1
Charges (credit) for termination of pellet agreement and related transportation costs	—	(19.3)	69.5
Asset impairment charge	—	75.6	—
Adjusted EBITDA	$ 563.4	$ 528.5	$ 472.8
Adjusted EBITDA margin	8.3%	8.7%	8.0%

(a) The reconciliation of net income attributable to noncontrolling interests to EBITDA of noncontrolling interests is as follows:

	2018	2017	2016
Net income attributable to noncontrolling interests	$ 58.1	$ 61.4	$ 66.0
Depreciation	18.6	16.3	14.8
EBITDA of noncontrolling interests	$ 76.7	$ 77.7	$ 80.8

Reconciliation of Adjusted Net Income

	2018	2017	2016
Reconciliation to Net Income (Loss) Attributable to AK Holding			
Net income (loss) attributable to AK Holding, as reported	$ 186.0	$ 103.5	$ (16.8)
Pension and OPEB net corridor and settlement charges	14.5	—	68.1
Charges (credit) for termination of pellet agreement and related transportation costs	—	(19.3)	69.5
Asset impairment charge	—	75.6	—
Adjusted net income attributable to AK Holding	$ 200.5	$ 159.8	$ 120.8
Reconciliation to Diluted Earnings (Loss) per Share			
Diluted earnings (loss) per share, as reported	$ 0.59	$ 0.32	$ (0.07)
Pension and OPEB net corridor and settlement charges	0.05	—	0.30
Charges (credit) for termination of pellet agreement and related transportation costs	—	(0.06)	0.30
Asset impairment charge	—	0.24	—
Adjusted diluted earnings per share	$ 0.64	$ 0.50	$ 0.53