

AK STEEL HOLDING CORPORATION
Third Quarter 2019
(unaudited)

Non-GAAP Financial Measures

In certain of its disclosures, the company has reported adjusted EBITDA, adjusted EBITDA margin and adjusted net income attributable to AK Steel Holding that exclude the effects of noncontrolling interests and costs associated with the closure of Ashland Works. The company believes that reporting adjusted net income 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 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. The adjusted results, although not financial measures under generally accepted accounting principles (“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 the company’s prior financial performance by excluding items that otherwise would distort the comparison. Adjusted EBITDA, adjusted EBITDA margin and adjusted net income 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.

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

Reconciliation of Adjusted EBITDA

(dollars in millions, except per ton)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net income attributable to AK Steel Holding	\$ 2.8	\$ 67.2	\$ 65.1	\$ 152.5
Net income attributable to noncontrolling interests	17.1	17.7	42.8	49.5
Income tax expense (benefit)	0.3	1.4	2.7	(4.0)
Interest expense, net	36.7	37.6	111.3	112.7
Depreciation and amortization	51.4	58.4	160.7	178.3
EBITDA	108.3	182.3	382.6	489.0
Less: EBITDA of noncontrolling interests (a)	21.4	21.5	60.7	61.1
Ashland Works closure	—	—	77.4	—
Adjusted EBITDA	\$ 86.9	\$ 160.8	\$ 399.3	\$ 427.9
Adjusted EBITDA margin	5.7%	9.3%	8.1%	8.3%

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

(dollars in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net income attributable to noncontrolling interests	\$ 17.1	\$ 17.7	\$ 42.8	\$ 49.5
Depreciation	4.3	3.8	17.9	11.6
EBITDA of noncontrolling interests	<u>\$ 21.4</u>	<u>\$ 21.5</u>	<u>\$ 60.7</u>	<u>\$ 61.1</u>

Reconciliation of Adjusted Net Income

(dollars in millions, except per share)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Reconciliation of Net Income Attributable to AK Steel Holding				
Net income attributable to AK Steel Holding	\$ 2.8	\$ 67.2	\$ 65.1	\$ 152.5
Ashland Works closure	—	—	77.4	—
Adjusted net income attributable to AK Steel Holding	<u>\$ 2.8</u>	<u>\$ 67.2</u>	<u>\$ 142.5</u>	<u>\$ 152.5</u>
Reconciliation of Diluted Earnings per Share				
Diluted earnings per share	\$ 0.01	\$ 0.21	\$ 0.21	\$ 0.48
Ashland Works closure	—	—	0.24	—
Adjusted diluted earnings per share	<u>\$ 0.01</u>	<u>\$ 0.21</u>	<u>\$ 0.45</u>	<u>\$ 0.48</u>

Reconciliation Not Updated

The information contained in this reconciliation is current as of the date presented. The company assumes no duty to update the information to reflect subsequent developments. Consequently, please be aware that the company has not updated and will not update the information contained herein and investors should not rely upon the information as current or accurate after the presentation date.

Reconciliation of Adjusted EBITDA Guidance for 2019

(dollars in millions)	Year Ending December 31, 2019	
	Low	High
Net income attributable to AK Holding	\$ 26	\$ 41
Net income attributable to noncontrolling interests	55	55
Income tax expense	7	7
Interest expense, net	150	150
Depreciation and amortization	210	210
EBITDA	<u>448</u>	<u>463</u>
Less: EBITDA of noncontrolling interests (a)	75	75
Ashland Works closure	77	77
Adjusted EBITDA	<u>\$ 450</u>	<u>\$ 465</u>

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

(dollars in millions)	Year Ending December 31, 2019	
	Low	High
Net income attributable to noncontrolling interests	\$ 55	\$ 55
Depreciation	20	20
EBITDA of noncontrolling interests	<u>\$ 75</u>	<u>\$ 75</u>

Reconciliation of Adjusted Net Income Guidance for 2019

(dollars in millions, except per share)	Year Ending December 31, 2019	
	Low	High
Reconciliation of Net Income Attributable to AK Steel Holding		
Net income attributable to AK Steel Holding	\$ 26	\$ 41
Ashland Works closure	77	77
Adjusted net income attributable to AK Steel Holding	<u>\$ 103</u>	<u>\$ 118</u>
Reconciliation of Diluted Earnings per Share		
Diluted earnings per share	\$ 0.08	\$ 0.13
Ashland Works closure	0.24	0.24
Adjusted diluted earnings per share	<u>\$ 0.32</u>	<u>\$ 0.37</u>