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March 18, 1994

AOR 1994-09

Federal Elections Commission
Office of General Counsel
999 E Street, N.W.
Washington, D.C. 20463

Dear Sir/Madam:

The purpose of this letter is to request an Advisory Opinion from you pursuant to CFR 112.1(e).

This firm's client, Armco Steel Company, L.P. ("Armco L.P."), is a Delaware limited partnership. Armco L.P. was formed in May 1989 as a joint venture between Armco Inc. ("Armco Inc.") and Kawasaki Steel Investments, Inc. ("Kawasaki"), a wholly-owned subsidiary of Kawasaki Steel Holdings (USA) Inc., a domestic subsidiary of Kawasaki Steel Corporation, a Japanese company (collectively referred to as "the Kawasaki companies"). Armco Inc. owns a 49.5% limited partnership interest in Armco L.P., as does Kawasaki. AK Management Corporation ("AK Management") is the General Partner of Armco L.P. AK Management Corporation owns a 1% partnership interest in Armco L.P. AK Management is jointly owned by AJV Investments Inc. and KSCA Incorporated, who each own fifty % (50%) of the stock of AK Management.

Armco L.P. intends to undergo a reorganization by the end of this month, under which Armco L.P. will become AK Steel Corporation ("AK Steel"), a Delaware corporation and a wholly-owned subsidiary of AK Steel Holding Corporation ("AK Holding"), a Delaware corporation. The reorganization will occur as follows:

- Armco Inc. and Kawasaki will contribute their limited partnership interests Armco L.P. to AK Holding;
- AJV Investments Inc. and KSCA Incorporated will each give their stock in AK Management to AK Holding;

- AK Holding will transfer its limited partnership interest (100%) in Armco L.P. to AK Steel.

- AK Holding will transfer its stock in AK Management to AK Steel.

After this is done, AK Steel will in essence be the sole partner of Armco L.P. and, as such, Armco L.P. will dissolve by operation of law. AK Steel will own all of the assets of the former Armco L.P. and all of Armco L.P.'s employees will become the employees of AK Steel. In essence, through a transfer of stock and partnership interests to AK Steel, Armco L.P. will become a corporation--AK Steel.

Immediately after the reorganization, AK Holding intends to issue approximately 15,572,222 of its Common Stock to the public through an initial public offering ("IPO"). After the IPO, Armco Inc. will own approximately 4.2% of the outstanding shares of Common Stock and Kawasaki will own approximately 22.7% of the outstanding shares of Common Stock. Copies of the SEC Form S-1 filed by AK Steel and AK Holding are attached as Exhibits 1 and 2, respectively. The red herring Prospectus for the equity offering is attached as Exhibit 3.

Armco Inc. has an Ohio political action committee called the Armco Better Citizenship Committee ("ABC PAC"), to which employees of Armco L.P. have contributed in the past, through a payroll deduction plan. Armco L.P. has a separate Kentucky political action committee called the Kentucky Armco Steel Company, L.P. Better Citizenship Voluntary Political Action Committee ("Armco L.P. Kentucky PAC"). Prior to the IPO, Armco L.P. intends to establish a federal political action committee (referred to in this letter as the "Armco L.P. Federal PAC"). Thereafter, Armco L.P. intends to have both the ABC PAC and the Armco L.P. Kentucky PAC act as collecting agents, and transfer the funds in each PAC to the Armco L.P. Federal PAC, after first obtaining the written authorization of the employee contributors to make the transfer. The Armco L.P. Federal PAC intends to follow the procedure for this set forth in Advisory Opinion 1984-31.

Immediately after the reorganization, AK Steel intends to file an Amended Statement of Organization with the Commission, changing the name of the connected organization of the Armco L.P. Federal PAC to reflect that AK Steel is the new connected organization, and to change the name of the PAC to likewise reflect that AK Steel is the new connected organization. At that time, the employees of Armco L.P. will have become employees of AK Steel. AK Steel will solicit the written authorization of executive and administrative employees of AK Steel to authorize the contribution of moneys to the AK Steel PAC by payroll deduction. Armco L.P. requests an Advisory Opinion concerning the application of the Federal Election Campaign Act and the FEC Regulations to the proposed transfers from the ABC PAC and the Armco Kentucky L.P. PAC to the Armco L.P. Federal PAC, and, specifically, whether the transfers can be made by the collecting agents without either the ABC PAC or the Armco L.P. Kentucky PAC becoming a political committee with reporting obligations to the Commission. Also, Armco L.P. requests an Advisory Opinion regarding the change of the name of the connected organization and the change of the name of the PAC. In essence, Armco L.P. wants to make certain that the Armco L.P. Federal PAC will be treated as the PAC of AK Steel after the reorganization.

Additionally, Armco L.P. requests an Advisory Opinion from the Commission to determine if the AK Steel PAC will be deemed to be affiliated with any federally-registered committee of Armco Inc.[1] The pertinent facts in this regard are as follows. Upon the completion of the recapitalization, Armco Inc. will own approximately 4.2% of the outstanding shares of Common Stock of AK Holding and Kawasaki will own approximately 22.7% of the outstanding shares of Common Stock. Additionally, it is anticipated that the AK Steel Corporation Master Pension Trust will own approximately 10.7% of the outstanding shares of Common Stock.

None of the officers or employees of AK Holding or AK Steel will be employees or officers of either Armco Inc. or the Kawasaki companies. Additionally, it is anticipated that the shares of AK Holding will be traded vigorously on the open market, leading to large numbers of different shareholders. Furthermore, it is expected that no single group of shareholders will hold a controlling interest in AK Holding.

At present, the directors of AK Steel are Thomas C. Graham, James R. Will, Kanji Emoto, John B. Corey, David G. Harmer, Kinya Yamaguchi and Tadaaki Yanazawa. At the present, Mr. Graham, Mr. Will and Mr. Emoto are the only directors of AK Holding. It is anticipated that, prior to completion of the recapitalization, four additional independent directors will be added to the board of AK Holding and Mr. Corey, Mr. Harmer, Mr. Yamaguchi and Mr. Yanazawa will resign as directors of AK Steel. Thus, after the recapitalization, the board of AK Steel will consist of Mr. Graham, Mr. Will and Mr. Emoto. The board of AK Holding will consist of Mr. Graham, Mr. Will, Mr. Emoto, and four additional independent directors. Mr. Graham is the Chairman and Chief Executive Officer of AK Holding and AK Steel. Mr. Will is the President and Chief Executive Officer of Armco Inc. and is also a director of Armco Inc. Mr. Emoto is a Managing Director of Kawasaki Steel Corporation and a former director of Kawasaki Steel Corporation. In addition, AK Holding and Kawasaki Steel Corporation are negotiating an agreement pursuant to which, for as long as Kawasaki Steel Corporation beneficially owns an agreed upon minimum percentage of the outstanding shares of Common Stock, AK Holding will take all action necessary to nominate and support the nomination of one person designated by Kawasaki Steel Corporation for election as a director of AK Holding and to solicit proxies in favor of the election of such nominee as a director. Mr. Emoto is Kawasaki Steel Corporation's initial designee to AK Holding's Board of Directors.

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[1] It is our understanding that neither Kawasaki Steel Corporation, Kawasaki Steel Holdings (USA) Inc. nor Kawasaki Steel Investments, Inc. have a federally-registered political action committee.

It is anticipated that Mr. Will, Mr. Graham and Mr. Emoto may sit on some of the same boards (of companies other than Armco or Kawasaki) with one or more of the four new independent board members.

It is anticipated that neither the Articles of Incorporation nor the By-Laws of AK Steel and AK Holding will enable either Armco Inc. or Kawasaki to participate in the governance of AK Holding or AK Steel. It is intended that the governance and management of AK Holding and AK Steel will be separate and independent from Armco Inc. and the Kawasaki companies. Certain contracts and agreements which are considered necessary and appropriate for AK Holding and AK Steel to operate effectively after the recapitalization will continue after the recapitalization. For instance, as is indicated in the SEC Form-1, pursuant to the Joint Venture Formation Agreement dated March 24, 1989 between Armco Inc. and Kawasaki (the "Formation Agreement"), Armco L.P. is obligated to indemnify Armco Inc. and Kawasaki for losses relating to, among other things, Armco L.P.'s management, control, ownership and operation of its business and for liabilities (including environmental and employee-related liabilities) relating to its business. Following the recapitalization, AK Holding and AK Steel will continue to have this indemnification obligation. Under the Formation Agreement, Armco Inc. is obligated to indemnify Armco L.P. for (i) certain supplemental unemployment benefit payments up to a maximum of $20.0 million, and (ii) certain other costs. In connection with the recapitalization, AK Holding, AK Steel, Armco Inc. and Kawasaki have agreed to terminate these indemnification obligations of Armco Inc.

We view this situation as being very similar to the situations set-forth in Advisory Opinions 1989-16 and 1993-23. We request an Advisory Opinion from the Commission setting forth its opinion on whether the AK Steel PAC will be deemed to be affiliated with any federally-registered PAC of Armco Inc. (and any federally-registered PAC of any of the domestic subsidiaries of Kawasaki Steel Corporation should they choose to establish one).

If any additional, pertinent information becomes available to us, we will provide it to you. In the meantime, should you have any questions, please do not hesitate to contact me.

Very truly yours,

Grant S. Cowan

GSC/las

0082937.01

Note: OGC has selected 139 Pages from three exhibits (approx. 300 pages) with AOR in order to avoid repetition and copying of irrelevant documents.

As filed with the Securities and Exchange Commission on January 26 1994 Registration No. 33-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

EXHIBIT 7

FORM S-1
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Issuer of Senior Notes registered hereby

AK STEEL CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	3312	31-1267629
(State or other jurisdiction of incorporation or organization)	(Primary standard industrial classification code number)	(I.R.S. employer identification number)

Guarantor of Senior Notes registered hereby

AK STEEL HOLDING CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	3312	Applied for
(State or other jurisdiction of incorporation or organization)	(Primary standard industrial classification code number)	(I.R.S. employer identification number)

703 Curtis Street
Middletown, Ohio 45043
(513) 425-5000
(Address, including zip code, and telephone number, including area code, of registrants' principal executive offices)

RANDALL F. PREHEIM, ESQ.
Vice President,
General Counsel and Secretary
AK Steel Corporation
AK Steel Holding Corporation
703 Curtis Street
Middletown, Ohio 45043
(513) 425-5000
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

STEPHEN H. COOPER, ESQ.
Weil, Gotshal & Manges
767 Fifth Avenue
New York, New York 10153
(212) 310-8000

ARTHUR H. FREDSTON, ESQ.
Winthrop, Stimson, Putnam & Roberts
One Battery Park Plaza
New York, New York 10004
(212) 858-1000

Approximate date of commencement of proposed sale to the public:
As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ☐

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered(1)	Proposed maximum offering price per unit	Proposed maximum aggregate offering price	Amount of registration fee
Senior Notes Due 2004	$275,000,000	100%	$275,000,000	$94,828
Guarantees of Senior Notes	—	—	—	None

(1) Estimated solely for purposes of calculating the registration fee.

The Registrants hereby amend this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrants shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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AK STEEL CORPORATION
AK STEEL HOLDING CORPORATION

CROSS-REFERENCE SHEET

Furnished Pursuant to Item 501(b) of Regulation S-K showing location in the Prospectus of the information required by items of Form S-1

Form S-1 Item Number and Heading	Caption or Location in Prospectus
1. Forepart of the Registration Statement and Outside Front Cover Page of Prospectus	Outside Front Cover Page of Prospectus
2. Inside Front and Outside Back Cover Pages of Prospectus	Inside Front and Outside Back Cover Pages of Prospectus
3. Summary Information, Risk Factors and Ratio of Earnings to Fixed Charges	Prospectus Summary; Certain Considerations; Summary Historical Consolidated Financial Data; Summary Historical and Pro Forma Consolidated Financial Data.
4. Use of Proceeds	Prospectus Summary; The Recapitalization; Use of Proceeds
5. Determination of Offering Price	Not Applicable
6. Dilution	Not Applicable
7. Selling Securityholders	Not Applicable
8. Plan of Distribution	Outside Front Cover Page of Prospectus; Underwriting
9. Description of Securities to Be Registered	Outside Front Cover Page of Prospectus; Prospectus Summary; Description of Senior Notes
10. Interests of Named Experts and Counsel	Legal Matters; Experts
11. Information with Respect to the Registrant	Outside Front Cover Page of Prospectus; Prospectus Summary; Certain Considerations; The Recapitalization; The Company; Capitalization; Historical and Pro Forma Condensed Consolidated Financial Data; Selected Historical Consolidated Financial Data; Management's Discussion and Analysis of Financial Condition and Results of Operations; Business; Management; Certain Relationships and Related Transactions; Ownership of Capital Stock; Financial Statements
12. Disclosure of Commission Position on Indemnification for Securities Act Liabilities	Not Applicable

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Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any State.

SUBJECT TO COMPLETION, DATED JANUARY 26, 1994

PROSPECTUS

$275,000,000

AK Steel Corporation

% Senior Notes Due 2004

Guaranteed on a Senior Basis by

AK Steel Holding Corporation

Interest payable and Due , 2004

The % Senior Notes Due 2004 (the "Senior Notes") are being offered (the "Senior Notes Offering") by AK Steel Corporation ("AK Steel"). The Senior Notes are not redeemable prior to , 1999. Thereafter, the Senior Notes are redeemable at the option of AK Steel, in whole or in part, at the redemption prices set forth herein plus accrued interest to the date of redemption. Upon a Change in Control (as defined herein) and subject to certain conditions, each holder of Senior Notes may require AK Steel to repurchase such Senior Notes at 101% of the principal amount thereof plus accrued interest to the Change in Control Payment Date (as defined herein).

The Senior Notes will be senior unsecured obligations of AK Steel and will rank pari passu with all other senior indebtedness of AK Steel. The Senior Notes will be unconditionally guaranteed on a senior basis by AK Steel's parent corporation, AK Steel Holding Corporation ("Holding"). At December 31, 1993, after giving pro forma effect to the recapitalization described herein ("Recapitalization"), the aggregate amount of senior indebtedness of AK Steel (including secured indebtedness of $128.4 million and the Senior Notes) would have been approximately $412.4 million. See "Description of Senior Notes."

The Senior Notes Offering is part of a Recapitalization that also includes (i) the public offering, pursuant to a separate prospectus, of 15,750,000 shares of Common Stock to be issued by Holding (excluding 2,362,500 shares of Common Stock subject to an over-allotment option), (ii) the issuance by Holding directly to certain parties of an estimated 7,500,000 shares of Common Stock in exchange for certain existing indebtedness and as a contribution to the AK Steel pension trust, (iii) a substantial reduction in the amount of AK Steel's remaining indebtedness and extension of the maturity dates for a portion of this indebtedness and (iv) a new $75 million revolving credit facility with a five-year term. The consummation of the Senior Notes Offering is conditioned upon the concurrent consummation of the other elements of the Recapitalization. See "The Recapitalization."

See "Certain Considerations" for a discussion of certain factors that should be considered in connection with an investment in the Senior Notes.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public(1)	*Underwriting Discount*	*Proceeds to AK Steel(1)(2)*
Per Senior Note	%	%	%
Total	$	$	$

(1) Plus accrued interest, if any, from , 1994.
(2) Before deduction of expenses payable by AK Steel estimated at $.

The Senior Notes are offered by the Underwriter when, as and if issued by AK Steel, delivered to and accepted by the Underwriter and subject to its right to reject orders in whole or in part. It is expected that the Senior Notes will be ready for delivery on or about , 1994.

CS First Boston

The date of this Prospectus is , 1994.

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IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SECURITIES OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED IN THE OVER-THE-COUNTER MARKET OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

[PICTURES]

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PROSPECTUS SUMMARY

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial statements appearing elsewhere in this Prospectus. Except where otherwise indicated, the information in this Prospectus assumes that the over-allotment option granted to the underwriters with respect to the Common Stock Offering is not exercised. In addition, unless the context requires otherwise, information in this Prospectus has been adjusted to reflect the reorganization of Armco Steel Company, L.P., a Delaware limited partnership (the "Partnership"), to AK Steel Corporation ("AK Steel"), a Delaware corporation and a wholly-owned subsidiary of AK Steel Holding Corporation ("Holding"), a transaction which will be consummated immediately prior to the Recapitalization. All references to the Company shall mean Holding, AK Steel and Holding's other consolidated subsidiaries, as the successor to the Partnership. See "The Company" and "The Recapitalization."

The Company

The Company is the sixth largest integrated steel producer in the United States, manufacturing primarily high strength, low carbon flat-rolled steel, the largest segment of the domestic steel market. The Company concentrates on the production of premium grades, and value-added applications, of hot-rolled steel and coated and uncoated cold-rolled steel for sale to the automotive, appliance and manufacturing markets, as well as to the construction industry and independent steel distributors and service centers.

In June 1992, the Company began implementing a strategic business plan to improve the yield and reduce the costs of its production operations while enhancing its ability to meet the extremely high product quality, delivery and technical support requirements of those customers who are the principal users of premium grades of flat-rolled steel. This strategic plan, which has already achieved significant results, consists of the following key elements:

New Management. A new senior management team consisting of experienced steel executives was installed commencing June 1992. Among other actions, new management has instituted changes in the line management at virtually all of the Company's production facilities and in the management of its sales and marketing organization, and has raised the expectations and capabilities of its personnel.

Productivity Improvements. Productivity has been increased significantly through the elimination of redundant, less efficient operations and production facilities and the increase in the operating levels of the Company's remaining equipment. Among the specific measures taken are the shift to 100% continuous casting, the idling of the hot-rolling and cold-rolling mills and associated pickling lines at the Company's Ashland, Kentucky, steel works and a restructuring of its equipment maintenance procedures to increase substantially the operating speeds and productivity of its remaining facilities. As a result of these changes, the Company has been able to increase its total volume of steel shipments from 3,049,000 tons for the year ended December 31, 1992 to 3,429,400 tons for the year ended December 31, 1993, while reducing its man hours per ton from 5.93 for 1992 to 4.20 for 1993. In the most recent quarter, man hours per ton were reduced to 4.01 as compared with 5.49 for the quarter ended December 31, 1992.

Cost Reduction Programs. Costs throughout the Company's operations have been reduced substantially. In addition to the cost savings associated with the productivity improvements described above, the Company has restructured its remaining work force and renegotiated key raw materials and transportation contracts. These measures resulted in cost reductions of $110.0 million in 1993. The Company believes that these savings represent permanent reductions in its cost structure and anticipates further savings, although there can be no assurance that any such savings will in fact be achieved in future periods.

Product Quality and Reliability. Product quality and reliability have been emphasized. Improvements made in virtually every phase of the Company's production operations have substantially enhanced the overall quality and consistency of its steel products and its ability to meet customers' just-in-time delivery requirements. The Company's customer rejection rate declined from approximately 1.23% of tonnage shipped for the year ended December 31, 1992 to 0.61% of tonnage shipped for the year ended December 31, 1993 (0.93% and 0.46% for the fourth quarters of 1992 and 1993, respectively), and its tonnage shipped to the secondary market as a percentage of total tons shipped decreased from 16.6% to 12.2% for these periods (14.0% and 9.0% for the fourth quarters of 1992 and 1993, respectively). In addition to contributing to higher margins, these improvements have led to a reduction in the need to stockpile large inventories of key product lines to ensure timely customer deliveries and also have enhanced revenues.

High-end Marketing. Marketing efforts have been increasingly directed toward those high-end customers, such as automotive and appliance manufacturers, whose exacting quality, on-time delivery and technical support requirements and need for specialized product applications (such as those that use coated steels) justify premium pricing. The Company believes that its enhanced product quality and delivery capabilities, and its emphasis on customer technical support and product planning, are critical factors in its ability to serve this important segment of the market.

The Company, the successor to the Eastern Steel Division of Armco Inc. ("Armco"), was formed in May 1989 as a joint venture between Armco and Kawasaki Steel Corporation ("Kawasaki"), and has operated since that date as the Partnership under the name Armco Steel Company, L.P. The Company and its predecessors have been in the steelmaking business for over 90 years. Armco, the second largest domestic manufacturer of stainless steels, also produces electrical and carbon steels and steel products, non-residential construction products and tubular goods. Kawasaki, the third largest steel company in Japan, is also engaged in engineering and construction, electronics and chemicals. Upon the completion of the recapitalization described below, Armco will own approximately 0.1% of the outstanding shares of Common Stock and Kawasaki will own approximately 21.6% of the outstanding shares of Common Stock.

The Recapitalization

The Senior Notes Offering is part of a recapitalization (the "Recapitalization") that is intended to strengthen the Company's capital position, reduce its total debt and debt service costs and provide it with greater financial and operating flexibility. The other principal elements of the Recapitalization, which are conditioned upon one another and the Senior Notes Offering and will be consummated concurrently with the Senior Notes Offering, include:

(i) The public offering, pursuant to a separate prospectus (the "Common Stock Offering"), of 15,750,000 of Holding's Common Stock, $.01 par value (the "Common Stock"). The Senior Notes Offering and the Common Stock Offering are referred to herein collectively as the "Offerings";

(ii) The issuance by Holding of shares of Common Stock having a value equal to $100.0 million (5,000,000 shares based on an assumed initial public offering price of $20 per share), in exchange for $100.0 million of subordinated debt due to an affiliate of Kawasaki (the "Equity-Indebtedness Exchange");

(iii) The contribution by the Company to the Trustee of the AK Steel Corporation Master Pension Trust (the "Pension Trust") of $50.0 million in cash and shares of Common Stock having a value equal to $50.0 million (2,500,000 shares based on an assumed initial public offering price of $20 per share) (the "Pension Trust Contribution"), and a corresponding reduction in the Company's unfunded pension obligation;

(iv) The repayment of $492.0 million principal amount of previously outstanding debt to bank and other lenders;

(v) The extension of the maturity and adjustment of the amortization schedules of a portion of the remaining $137.4 million aggregate principal amount of debt to bank and other lenders to coincide more closely with the Company's cash generating ability and operating capital requirements; and

(vi) The replacement of the Company's existing revolving credit facility to increase the maximum allowable borrowings from $50.0 million to $75.0 million and to provide for a five-year term.

The following table sets forth a summary of the sources and uses of funds associated with the Recapitalization.

Sources	Amount (dollars in millions)
Senior Notes Offering	$275.0
Common Stock Offering	315.0
Equity-Indebtedness Exchange	100.0
Common Stock issuance to Pension Trust	50.0
Total Sources	$740.0
Uses	
Bank and other lenders repayment	$492.0
Exchange of Kawasaki subordinated debt	100.0
Pension Trust Contribution	100.0
General corporate purposes	18.0
Underwriting discount and expenses	30.0
Total Uses	$740.0

The Recapitalization will significantly reduce the Company's overall level of indebtedness and other obligations. After giving effect to the Recapitalization, the Company will have outstanding, on a consolidated basis, approximately $412.4 million of senior long-term indebtedness (including the current portion), as compared with $729.4 million at December 31, 1993, and an estimated unfunded pension obligation (on an accumulated benefit obligation basis) of approximately $257.7 million, as compared with approximately $357.7 million at December 31, 1993. Further, the Company's stockholders' deficit will have been reduced from $584.2 million at December 31, 1993 to $139.2 million. See "Historical and Pro Forma Condensed Consolidated Financial Data."

The Recapitalization also will substantially improve the Company's financial and operating flexibility. The Company's scheduled debt amortization requirements will be reduced as follows:

Year	December 31, 1993 Actual (dollars in millions)	December 31, 1993 Pro Forma (dollars in millions)
1994	$130.8	$ 9.6
1995	200.8	17.6
1996	215.0	27.2
1997	93.2	25.3
1998	25.0	25.3
1999 and thereafter	64.6	307.4
Total	$729.4	$412.4

In addition to its cash on hand and cash flow generated from operations, the Company will have available a $75.0 million, five-year revolving credit facility. See "Description of Certain Indebtedness."

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The Senior Notes Offering

Issue	$275,000,000 aggregate principal amount of % Senior Notes Due 2004.
Interest Payment Dates	and , commencing , 1994.
Optional Redemption	The Senior Notes are not redeemable prior to , 1999. Thereafter, the Senior Notes are redeemable at the option of AK Steel, in whole or in part, on or after , 1999, at the redemption prices set forth herein plus accrued interest to the date of redemption.
Mandatory Redemption	None.
Change in Control	Upon a Change in Control (as defined herein) and subject to certain conditions, each holder of Senior Notes may require AK Steel to repurchase such Senior Notes at 101% of the principal amount thereof plus accrued interest to the Change in Control Payment Date (as defined herein).
Holding Guarantee	The Senior Notes will be unconditionally guaranteed on a senior basis by Holding ("Holding Guarantee").
Ranking	The Senior Notes will be senior unsecured obligations of AK Steel and will rank *pari passu* with other senior unsecured indebtedness of AK Steel. The Holding Guarantee will be an unsecured senior obligation of Holding and will rank *pari passu* with other senior unsecured indebtedness of Holding. At December 31, 1993, after giving pro forma effect to the Recapitalization, the aggregate amount of senior indebtedness of AK Steel (including secured indebtedness of $128.4 million and the Senior Notes) would have been approximately $412.4 million. Following consummation of the Senior Notes Offering and the Recapitalization, AK Steel will have the ability to borrow, subject to certain limitations contained in the Indenture (as defined herein), additional senior indebtedness. See "Certain Considerations — Factors relating to the Senior Notes — Ranking," "Description of Senior Notes — Ranking" and "Description of Certain Indebtedness."
Certain Covenants	The Indenture under which the Senior Notes will be issued will limit, among other things, (i) the incurrence of liens on assets of AK Steel and its subsidiaries; (ii) sale/leaseback transactions; (iii) the issuance of additional Debt (as defined herein) by AK Steel; (iv) the issuance of Debt and Preferred Equity Interests (as defined herein) by AK Steel's subsidiaries; (v) the payment of dividends on, and redemption of, capital stock of AK Steel and its subsidiaries, the redemption of certain subordinated obligations of AK Steel and the making of investments; (vi) the issuance and sale of equity interests of subsidiaries; (vii) restrictions on distributions from subsidiaries; (viii) sales of assets, including subsidiary stock; (ix) transactions with affiliates; (x) lines of business; (xi) consolidations, mergers and transfers of all or substantially all assets; and (xii) activities and liabilities of Holding. However, all of these limitations are subject to a number of important qualifications. See "Description of Senior Notes — Certain Covenants."
Use of Proceeds	To retire outstanding indebtedness and reduce AK Steel's unfunded pension obligation as part of the Recapitalization, and for general corporate purposes. See "Use of Proceeds."

Certain Considerations

Prospective purchasers of the Senior Notes should consider carefully the information set forth under "Certain Considerations" as well as the other information and data in this Prospectus.

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL DATA

(dollars in millions, except per ton data)

The following summary historical consolidated financial data have been derived from, and should be read in conjunction with, the consolidated financial statements of the Company and the selected historical consolidated financial data included elsewhere in this Prospectus.

	Years Ended December 31,			
	1990	1991	1992	1993
Statement of Operations Data:				
Net sales	$1,416.8	$1,301.4	$1,404.5	$1,594.5
Operating profit (loss) (1)	(74.3)	(219.0)	(499.3)	13.9
Interest expense	24.3	40.8	46.4	58.1
Income (loss) before income taxes, extraordinary items and accounting changes	(93.6)	(256.6)	(542.6)	(40.7)
Net income (loss) (2)	$ (581.7)	$ (251.1)	$ (544.1)	$ (40.7)
Other Data:				
EBITDA (3)	$ 44.4	$ (101.1)	$ (323.3)	$ 136.7
Ratio of EBITDA to interest expense (4)	1.20x	—	—	2.31x
Ratio of earnings to fixed charges (5)	—	—	—	0.28x
Shipments (000's tons)	3,066	2,769	3,049	3,429
Raw steel production (000's tons)	3,991	3,087	3,399	3,601
Effective capacity utilization	87%	68%	79%	91%
Continuously cast percentage	54%	80%	90%	100%
Liquid steel to finished product yield	81%	80%	82%	85%
Man hours per ton shipped	6.74	6.86	5.93	4.20
Number of employees (period-end)	9,430	8,925	7,433	6,404
Capital expenditures	$ 211.8	$ 163.1	$ 86.2	$ 40.2
Operating profit (loss) per ton shipped	$ (24)	$ (79)	$ (164)	$ 4
Operating profit (loss) per ton shipped excluding special charges and unusual items	$ (24)	$ (79)	$ (39)	$ 10

	As of December 31,			
	1990	1991	1992	1993
Balance Sheet Data:				
Working capital (deficit)	$ 83.0	$ 76.1	$ (14.9)	$ 57.9
Total assets	1,629.8	1,632.8	1,425.0	1,518.7
Current portion of long-term debt and related party indebtedness	121.0	72.2	104.6	130.8
Long-term debt (excluding current portion)	332.8	497.9	563.3	598.6
Partners' capital (deficit) (6)	$ 189.4	$ 73.3	$ (449.7)	$ (584.2)

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(1) The operating profit for 1993 includes special charges and unusual items of $19.6 recorded in the fourth quarter relating to additional fixed asset write-offs and related disposal costs as well as other miscellaneous charges. The operating loss for 1992 includes special charges of $379.3 ($16.0 and $363.3 recorded in the first and fourth quarters, respectively) relating to the restructuring of the Company's operating facilities, the shutdown of its hot-rolling mill at Ashland, Kentucky, workforce reductions and related costs, together with the write-off of the Company's investment in Eveleth Expansion Company ("Eveleth").

(2) The net loss for 1990 includes a $491.6 charge reflecting the net cumulative effect on prior years of a change in accounting principle as a result of the Company's adoption of SFAS 106, "Postretirement Benefits Other than Pensions" ("OPEB"), effective as of January 1, 1990. The net loss for 1992 includes a $12.1 extraordinary charge related to the Coal Industry Retiree Health Benefit Act of 1992.

(3) EBITDA is presented because it is a widely accepted financial indicator of a company's ability to service and incur debt. EBITDA does not represent net income or cash flows from operations as those terms are defined by generally accepted accounting principles and does not necessarily indicate whether cash flows will be sufficient to fund cash needs. EBITDA is calculated as follows:

	Years Ended December 31,			
	1990	1991	1992	1993
Income (loss) before income taxes, extraordinary item and accounting change	$(93.6)	$(256.6)	$(542.6)	$ (40.7)
Depreciation and amortization	77.3	85.4	90.0	72.4
Interest expense	36.9	47.9	49.9	59.3
Non-cash OPEB	23.8	22.2	79.3	28.3
Excluded special charges and unusual items*	—	—	—	19.6
Other (income) expense	0.0	0.0	0.1	(2.2)
EBITDA	$ 44.4	$(101.1)	$(323.3)	$ 136.7

* For purposes of the Indenture, the definition of EBITDA excludes certain special charges taken during 1993 and thereafter. See "Description of Senior Notes — Certain Definitions — EBITDA". Special charges for the years ended December 31, 1990, 1991 and 1992 were $0, $0 and $379.3, respectively.

(4) Earnings were insufficient to cover interest expense for the years ended 1991 and 1992 by $149.0 and $373.2, respectively.

(5) For purposes of computing the ratio of earnings to fixed charges, fixed charges consist of interest, whether expensed or capitalized. Earnings consist of income (loss) before income taxes and accounting change, the distributed income of less than 50% owned affiliates, plus fixed charges. Earnings were insufficient to cover fixed charges for years ended 1990, 1991, 1992 and 1993 by $93.6, $256.6, $542.5 and $42.9, respectively.

(6) The deficit at December 31, 1993 includes a direct charge to equity of $113.2 to record an increased pension liability primarily reflecting the lowering of the discount rate used to calculate the present value of pension obligations from 8.5% to 7.5%.

SUMMARY HISTORICAL AND PRO FORMA CONDENSED CONSOLIDATED FINANCIAL DATA
(dollars in millions, except per share data)

The following unaudited summary pro forma condensed consolidated financial data give effect to the consummation of the Recapitalization as of the beginning of the periods indicated in the case of the Statement of Operations Data and as of the end of the periods indicated in the case of the Balance Sheet Data. See "Historical and Pro Forma Condensed Consolidated Financial Data" elsewhere in this Prospectus.

	Years Ended December 31,			
	1992		1993	
	Historical	Pro Forma	Historical	Pro Forma
Statement of Operations Data:				
Net sales	$1,404.5	$1,404.5	$1,594.5	$1,594.5
Operating profit (loss) (1)	(499.3)	(490.0)	13.9	23.2
Interest expense	46.4	44.8	58.1	48.6
Income (loss) before income taxes (2)	(542.6)	(531.7)	(40.7)	(21.9)
Net income (loss) (3) (4)	(544.1)	(533.2)	(40.7)	(21.9)
Net income (loss) per share (5)	N/A	(22.89)	N/A	(0.94)
EBITDA (6)	$ (323.3)	$ (314.0)	$ 136.7	$ 146.0
Ratio of EBITDA to interest expense (7)	—	—	2.31x	2.93x
Ratio of earnings to fixed charges (8)	—	—	0.28x	0.52x

	As of December 31,			
	1992		1993	
	Historical	Pro Forma	Historical	Pro Forma
Balance Sheet Data:				
Working capital (deficit)	$ (14.9)	$ 177.7	$ 57.9	$ 197.1
Total assets	1,425.0	1,532.6	1,518.7	1,546.7
Current portion of long-term debt and related party indebtedness	104.6	9.6	130.8	9.6
Long-term debt (excluding current portion)	563.3	420.9	598.6	402.8
Partners' capital (deficit)/Stockholders' equity (deficit) (3) (9) (10)	$ (449.7)	$ (4.7)	$ (584.2)	$ (139.2)

(1) The operating profit for 1993 includes special charges and unusual items of $19.6 recorded in the fourth quarter relating to additional fixed asset write-offs and related disposal costs as well as other miscellaneous charges. The operating loss for 1992 includes special charges of $379.3 ($16.0 and $363.3 recorded in the first and fourth quarters, respectively) relating to the restructuring of the Company's operating facilities, the shutdown of its hot-rolling mill at Ashland, Kentucky, workforce reductions and related costs, together with the write-off of the Company's investment in Eveleth.

(2) Income tax expense would not have changed had the Company operated as a corporation rather than a partnership during the periods indicated.

(3) The pro forma amounts do not include any prepayment fees for the conversion of the Company's bank loans from fixed rates to floating rates (which fees are expected to be paid out of the Company's cash balances). The Company anticipates that this conversion will occur contemporaneously with the Offerings and result in an extraordinary charge estimated to be approximately $16.0.

(4) The net loss for 1992 includes a $12.1 extraordinary charge related to the Coal Industry Retiree Health Benefit Act of 1992.

(5) Assumes that 23,296,594 shares of Common Stock to be issued in the Recapitalization were outstanding throughout the periods indicated. On an historical basis, the Company was a partnership and therefore had no shares outstanding.

(6) EBITDA is presented because it is a widely accepted financial indicator of a company's ability to service and incur debt. EBITDA does not represent net income or cash flows from operations as those terms are defined by generally accepted accounting principles and does not necessarily indicate whether cash flows will be sufficient to fund cash needs. EBITDA is calculated as follows:

	Years Ended December 31,			
	1992		1993	
	Historical	Pro Forma	Historical	Pro Forma
Income (loss) before income taxes, extraordinary item and accounting change	$(542.6)	$(531.7)	$(40.7)	$(21.9)
Depreciation and amortization	90.0	90.0	72.4	72.4
Interest expense	49.9	48.3	59.3	49.8
Non-cash OPEB	79.3	79.3	28.3	28.3
Excluded special charges and unusual items*	—	—	19.6	19.6
Other (income) expense	0.1	0.1	(2.2)	(2.2)
EBITDA	$(323.3)	$(314.0)	$136.7	$146.0

* For purposes of the Indenture, the definition of EBITDA excludes certain special charges taken during 1993 and thereafter. See "Description of Senior Notes — Certain Definitions — EBITDA". Special charges for the years ended December 31, 1990, 1991 and 1992 were $0, $0 and $379.3, respectively.

(7) Earnings were insufficient to cover interest expense for the year ended 1992 by $373.2. Pro forma earnings were insufficient to cover interest expense for the year ended 1992 by $362.3.

(8) For purposes of computing the ratio of earnings to fixed charges, fixed charges consist of interest, whether expensed or capitalized. Earnings consist of income (loss) before income taxes and accounting change, the distributed income of less than 50% owned affiliates, plus fixed charges. Earnings were insufficient to cover fixed charges for the years ended 1992 and 1993 by $542.5 and $42.9, respectively. Pro forma earnings were insufficient to cover fixed charges for the years ended 1992 and 1993 by $531.6 and $24.1, respectively.

(9) Gives retroactive effect to the reorganization of the Partnership into a Delaware corporation.

(10) The deficit at December 31, 1993, includes a direct charge to equity of $113.2 to record an increased pension liability primarily reflecting the lowering of the discount rate used to calculate the present value of pension obligations from 8.5% to 7.5%.

THE COMPANY

The Company is the sixth largest integrated steel producer in the United States, manufacturing primarily high strength, low carbon flat-rolled steel, the largest segment of the domestic steel market. The Company concentrates on the production of premium grades, and value-added applications, of hot-rolled steel and coated and uncoated cold-rolled steel for sale to the automotive, appliance and manufacturing markets, as well as to the construction industry and independent steel distributors and service centers.

In June 1992, the Company began implementing a strategic business plan to improve the yield and reduce the costs of its production operations while enhancing its ability to meet the extremely high product quality, delivery and technical support requirements of those customers who are the principal users of premium grades of flat-rolled steel. This strategic plan, which has already achieved significant results, consists of the following key elements:

New Management. A new senior management team consisting of experienced steel executives was installed commencing June 1992. Among other actions, new management has instituted changes in the line management at virtually all of the Company's production facilities and in the management of its sales and marketing organization, and has raised the expectations and capabilities of its personnel.

Productivity Improvements. Productivity has been increased significantly through the elimination of redundant, less efficient operations and production facilities and the increase in the operating levels of the Company's remaining equipment. Among the specific measures taken are the shift to 100% continuous casting, the idling of the hot-rolling and cold-rolling mills and associated pickling lines at the Company's Ashland, Kentucky, steel works and a restructuring of its equipment maintenance procedures to increase substantially the operating speeds and productivity of its remaining facilities. As a result of these changes, the Company has been able to increase its total volume of steel shipments from 3,049,000 tons for the year ended December 31, 1992 to 3,429,400 tons for the year ended December 31, 1993, while reducing its man hours per ton from 5.93 for 1992 to 4.20 for 1993. In the most recent quarter, man hours per ton were reduced to 4.01 as compared with 5.49 for the quarter ended December 31, 1992.

Cost Reduction Programs. Costs throughout the Company's operations have been reduced substantially. In addition to the cost savings associated with the productivity improvements as described above, the Company has restructured its remaining work force and renegotiated key raw materials and transportation contracts. These measures resulted in cost reductions of $110.0 million in 1993. The Company believes that these savings represent permanent reductions in its cost structure and anticipates further savings, although there can be no assurance that any such savings will in fact be achieved in future periods.

Product Quality and Reliability. Product quality and reliability have been emphasized. Improvements made in virtually every phase of the Company's production operations have substantially enhanced the overall quality and consistency of its steel products and its ability to meet customers' just-in-time delivery requirements. The Company's customer rejection rate declined from approximately 1.23% of tonnage shipped for the year ended December 31, 1992 to 0.61% of tonnage shipped for the year ended December 31, 1993 (0.93% and 0.46% for the fourth quarters of 1992 and 1993, respectively), and its tonnage shipped to the secondary market as a percentage of total tons shipped decreased from 16.6% to 12.2% for these periods (14.0% and 9.0% for the fourth quarters of 1992 and 1993, respectively). In addition to contributing to higher margins, these improvements have led to a reduction in the need to stockpile large inventories of key product lines to ensure timely customer deliveries and also have enhanced revenues.

High-end Marketing. Marketing efforts have been increasingly directed toward those high-end customers, such as automotive and appliance manufacturers, whose exacting quality, on-time delivery and technical support requirements and need for specialized product applications (such as those that use coated steels) justify premium pricing. The Company believes that its enhanced product quality and delivery capabilities, and its emphasis on customer technical support and product planning, are critical factors in its ability to serve this important segment of the market.

The Company, the successor to the Eastern Steel Division of Armco, was formed in May 1989 as a joint venture between Armco and Kawasaki, and has operated since that date in the form of the Partnership under the name Armco Steel Company, L.P. The Company and its predecessors have been in the steelmaking business for over 90 years. Armco, the second largest domestic manufacturer of stainless steels, also produces electrical and carbon steels and steel products, non-residential construction products and tubular goods. Kawasaki, the third largest steel company in Japan, is also engaged in engineering and construction, electronics and chemicals. Upon the completion of the Recapitalization, Armco will own approximately 0.1% of the outstanding Common Stock and Kawasaki will own approximately 21.6% of the outstanding Common Stock.

The Company's two principal manufacturing facilities are the Middletown Works in Middletown, Ohio (the "Middletown Works") and the Ashland Works in Ashland, Kentucky (the "Ashland Works"). The Company's principal executive offices are located at 703 Curtis Street, Middletown, Ohio 45043 (telephone (513) 425-5000).

CERTAIN CONSIDERATIONS

Prospective purchasers of the Senior Notes offered hereby should consider carefully, in addition to the other information contained in this Prospectus, the following factors:

Factors Relating to the Steel Industry

Imports

Domestic steel producers face significant competition from certain foreign steel producers who typically have lower labor costs. In addition, many foreign steel producers are owned, controlled or subsidized by their governments and their decisions with respect to production and sales may be influenced more by political and economic policy considerations than by prevailing market conditions. Some foreign producers of steel and products made of steel have continued to ship into the United States market despite decreasing profit margins or losses. Voluntary restraint arrangements ("VRAs") covering 28 foreign countries, which limited steel imports into the United States, expired on March 31, 1992. On June 30, 1992, the Company joined certain other U.S. steel producers in filing petitions (the "Trade Proceedings") before the United States Department of Commerce (the "Commerce Department") and the United States International Trade Commission (the "ITC") alleging certain unfair trade practices by steel companies in 21 foreign nations, including widespread subsidization of steel exports to the United States, as well as the sale of dumped steel by certain foreign producers into the United States market. On June 22, 1993, the Commerce Department announced its final determinations, which were favorable to the Company and the other domestic steel producers, and sent its decisions to the ITC for final determination of injury. On July 27, 1993, the ITC made final injury determinations that were substantially less favorable to the U.S. steel producers. Management believes the impact of these determinations will be less detrimental to the Company, because of its concentration on cold-rolled, corrosion-resistant, coated steels than to those producers having a higher concentration of the more common grades of steel. The Company and the other U.S. steel producers have appealed certain of the ITC's determinations to the United States Court of International Trade, and foreign steel producers have appealed certain other of the ITC's determinations, as well as certain of the Commerce Department's determinations. See "Business — Competition — Imports" for a discussion of the nature and status of these proceedings.

Steel imports as a percentage of apparent domestic consumption, including semifinished steel, have been approximately 18% in each of 1990, 1991 and 1992 and the ten months ended October 31, 1993, below the maximum levels permitted under the then-existing VRAs. Attractive world export prices, favorable U.S. dollar exchange rates and the improved international competitiveness of the domestic steel industry, as well as the pendency of the Trade Proceedings, have all been factors in reducing import levels below the maximum permitted under the then-existing VRAs. If the Trade Proceedings ultimately do not provide relief from unfairly traded imports, if other relevant U.S. trade laws are weakened, if world demand for steel eases or if the U.S. dollar strengthens, an increase in the market share of imports may occur, which could adversely affect the pricing of the Company's products.

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Domestic Steel Industry Competition

The domestic steel industry is highly competitive. Despite significant reductions in raw steel production capability by major domestic producers over the last decade, the domestic industry continues to be adversely affected by excess world capacity. Over the last decade, extensive downsizings have necessitated costly restructuring charges that, when combined with highly competitive market conditions, have resulted in substantial losses for most domestic integrated steel producers.

In addition to the other integrated steel producers, competition is presented by the so-called "mini-mills," which generally have smaller, non-unionized work forces and are free of many of the employer, environmental and other obligations that traditionally have burdened integrated steel producers. Mini-mills also derive certain competitive advantages utilizing less capital-intensive sources of steel production. At least one of these mini-mills is already producing flat-rolled carbon steel products and others have announced their intention to do the same. In future years, mini-mills are expected to provide increased competition in the higher quality, value added product lines now dominated by the integrated steel producers.

The Company's ability to continue to successfully implement its marketing strategy of increasing its emphasis on high-end customers will depend upon its ability to maintain, on a consistent basis, higher-quality products, on-time delivery and sufficient technical support. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Overview" and "Business — Strategy — Product Quality and Reliability."

In the case of many product applications, steel competes with other materials including plastics, aluminum, graphite composites, ceramics, glass, wood and concrete. The Company believes that steel has a distinct cost advantage over other materials of comparable strength and durability. In addition, the recyclability of steel provides a competitive advantage over many other materials.

Cyclicality

The steel industry is highly cyclical in nature. In the early 1980s, domestic integrated steel producers incurred significant restructuring charges associated with efforts to reduce excess capacity. Significant losses, and bankruptcies in certain cases, occurred as a result of a number of factors, including worldwide production overcapacity, increased international and domestic competition, low levels of steel demand, substitution of alternative materials for steel, high labor costs, inefficient plants and the strength of the U.S. dollar relative to other currencies. In the late 1980s, earnings of domestic steel producers benefited from improved industry conditions. The 1990-1992 downturn in the economy resulted in a substantial decline in steel industry financial performance. While demand for steel products improved during 1993, the pace of the overall economic recovery remains slow and could delay the further recovery of the domestic steel industry.

Environmental Regulation

Domestic steel producers, including the Company, are subject to stringent federal, state and local laws and regulations relating to the protection of human health and the environment. The Company, like other domestic steel producers, has expended, and can be expected to expend in the future, substantial amounts for compliance with these environmental laws and regulations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources" and "Business — Environmental Matters."

Factors Relating to the Company

Recent Losses

The Company reported a net loss of $40.7 million for the year ended December 31, 1993 (which included $19.6 million of special charges and unusual items), a net loss of $544.1 million for the year ended December 31, 1992 (which included $379.3 million of special charges and a $12.1 million extraordinary charge), a net loss of $251.1 million for the year ended December 31, 1991, and a net loss of $581.7 million for the year ended December 31, 1990 (which included a $491.6 million charge due to accounting changes). The ability of the Company to return to profitability is dependent upon a number of factors, including the continued successful implementation of its cost reduction and productivity improvement efforts, an improved product mix and implementation of the Recapitalization, as well as various factors beyond the Company's control, such as the impact of the domestic steel industry's efforts to enforce the laws against unfairly traded imports, the level of steel prices, domestic steel demand and the strength of the U.S. dollar relative to other major currencies. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business."

Potential Special Charges

The Company will continue to review its businesses to determine if additional facilities should be closed, written down or otherwise restructured. In this regard, the Company is negotiating with the Eveleth partners concerning the potential closure of, or the Company's exit from, Eveleth. If these negotiations are successfully completed, the closure of, or exit from, Eveleth would be subject to other events, including the approval by the Company's Board of Directors and could result in a charge of approximately $30.0 million. Although it is not possible at this time for the Company to determine accurately the amounts of any other special charges that may result from the closure, write down or restructuring of other facilities, additional special charges could be incurred and may be substantial.

Substantial Leverage

Upon consummation of the Recapitalization, the Company will continue to have substantial indebtedness, as well as substantial unfunded pension and retiree health obligations, as discussed below. The degree to which the Company is leveraged could affect its ability to service its indebtedness, to make certain capital investments, to take advantage of certain business opportunities or to obtain additional financing, and could force the Company to restructure or refinance its indebtedness or seek additional equity capital. Following implementation of the Recapitalization, the Company believes that it will be able to make its principal and interest payments, as and when required, from funds derived from its operations and will be able to comply with its loan covenants. However, unexpected declines in the Company's future business, declines in steel prices, increases in costs or the inability to borrow additional funds for its operations if and when required could impair the Company's ability to meet its debt service obligations and, therefore, could adversely affect the Company's business and future prospects. No assurance can be given that additional debt or equity financing will be available when needed, or, if available, will be obtainable on terms that are favorable to the Company. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources."

Although the terms of the new agreements with bank and other lenders are not final, they are expected to contain a number of significant covenants that, among other things, will restrict the ability of the Company and its subsidiaries to dispose of assets, incur additional indebtedness, pay dividends, create liens on assets, enter into leases, make capital expenditures, investments or acquisitions, engage in mergers or consolidations, or engage in certain transactions with subsidiaries and affiliates and otherwise restrict corporate activities. In addition, the Company will be required to maintain specified net worth levels and comply with specified financial ratios and tests, including minimum interest coverage ratios. See "Description of Certain Indebtedness." The initial closings of the new agreements with bank and other lenders and the completion of the Offerings are each a condition to the consummation of the other. The Company does not intend to proceed with the Common Stock Offering without a simultaneous closing of the new agreements with bank and other lenders and the concurrent consummation of the other elements of the Recapitalization. See "Description of Certain Indebtedness."

The Company is currently in compliance with the covenants and restrictions contained in its existing debt agreements, as well as those proposed to be contained in the new debt agreements with bank and other lenders. However, its ability to continue to so comply may be affected by events beyond its control. The breach of any of these covenants or restrictions could result in a default under the new agreements with bank and other lenders, which would permit those lenders to declare all amounts borrowed thereunder to be due and payable together with accrued and unpaid interest, and the commitments of bank and other lenders to make further loans under the new agreements could be terminated. If the Company were unable to repay its indebtedness to bank and other lenders, those lenders could proceed against the collateral securing that indebtedness, which includes the Company's inventory, accounts receivable and certain other assets. Any default under the agreements with the Company's bank and other lenders could have a significant adverse effect on the market value and the marketability of the Common Stock.

Retiree Health Benefits and Pension Obligations

The Company, like certain other domestic steel producers, has significant unfunded employee benefit obligations, including those arising out of adoption of Statement of Financial Accounting Standards No. 106, "Accounting for Postretirement Benefits Other than Pensions" ("SFAS 106"), pension plan funding requirements and enactment of the Coal Industry Retiree Health Benefit Act of 1992 (the "Coal Retiree Benefit Act"). SFAS 106, which the Company adopted retroactive to January 1, 1990, requires accrual of retiree medical and life insurance benefits rather than recognition of costs as claims are paid. The Company estimates that, at December 31, 1993, the present value of its obligations for postretirement benefits other than pensions, as accounted for under SFAS 106, was approximately $670.6 million. These obligations currently are funded as claims are filed. The Company does not anticipate changing its funding practices for these obligations and therefore does not anticipate any impact on its liquidity as a result of the adoption of the new standard.

The funded status of the Company's pension plans decreased during 1993 by approximately $138.8 million (resulting in a charge to equity of $113.2 million) primarily due to the lowering of the discount rate used for financial reporting purposes to calculate the present value of pension obligations from 8.5% to 7.5% (which is not expected to result in an increase in funding requirements for the near term relative to what these requirements would have been without a change in such discount rate). The funded status of the pension plans decreased during 1992 as a result of special charges for work force reductions. The Company's funding of its pension obligations meets the minimum funding requirements of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). These minimum funding requirements mandate that the obligations associated with a workforce restructuring (such as that experienced in 1992) be funded over a period of five to seven years. As a result, based on current assumptions and assuming no other restructurings or significant changes in applicable law or regulation, pension funding as required by ERISA is expected to exceed historical pension expense by approximately $30.0 million to $55.0 million per year over the next five years until the associated underfunding is eliminated. The Company intends to contribute $50.0 million of the proceeds from the Offerings and shares of Common Stock having a value equal to $50.0 million (2,500,000 shares based on an assumed initial public offering price of $20 per share) to reduce its unfunded pension obligation. See "The Recapitalization," "Use of Proceeds" and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources." Although the Company does not presently intend to use the Pension Trust Contribution to meet future minimum pension funding requirements, it reserves the right to do so if cash resources become limited.

The Company recorded an extraordinary charge in 1992 of $12.1 million, representing management's current estimate of its potential liability resulting from the Coal Retiree Benefit Act. This amount is based upon preliminary data, medical cost estimates and discount rate assumptions and is subject to future adjustment when additional information becomes available.

Reliance on the Automotive Industry

Demand for the Company's products is substantially affected by, among other things, the relative strength or weakness of the domestic automotive industry. Strikes, lock-outs or other work stoppages or production interruptions in the automotive industry also could adversely affect the demand for the Company's products. Sales to General Motors Corporation ("General Motors"), the Company's largest customer in 1993, accounted for approximately 23%, 27%, 23% and 23% of net sales in 1990, 1991, 1992 and 1993, respectively; total sales directly to the automotive market (including General Motors) accounted for approximately 38%, 48%, 44% and 42% of the Company's net sales in 1990, 1991, 1992 and 1993, respectively. In addition, a substantial amount of the Company's sales to steel distribution and service centers consist of products that are resold (in original or modified form) to the automotive industry. See "Business — Customers."

Labor Relations

At December 31, 1993, approximately 21% of the Company's active employees were represented by the United Steelworkers of America ("USWA"), 6% by the Oil, Chemical and Atomic Workers ("OCAW") and 56% by the Armco Employee Independent Federation ("AEIF"). The current collective bargaining agreement with the USWA, which covers the Company's steelmaking employees at the Ashland Works, was originally scheduled to expire July 31, 1993 but has been extended indefinitely, subject to the right of either party to terminate the extension upon 72 hours' prior notice. The agreement with the OCAW, which covers coke-making employees at the Ashland Works, was scheduled to expire October 1, 1993 but has been extended to May 1, 1994. The agreement with the AEIF, which represents the Company's hourly employees at the Middletown Works is scheduled to expire February 28, 1994. No predictions can be made as to the results of the renegotiations of these agreements or the possible effects of the renegotiations upon the Company, although the Company's agreement with the AEIF establishes procedures for revising economic terms upon its expiration and contains a no-strike clause that is effective during the negotiation period. See "Business — Employees."

Taxes

The Company believes the Recapitalization should not adversely affect its ability to deduct, for income tax purposes, future payments when made in respect of certain of the Company's contingent obligations, including those for postretirement benefits other than pensions (see "Retiree Health Benefits and Pension Obligations" above). There can be no assurance that the Company's position will prevail if challenged by the Internal Revenue Service or other taxing authority. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources."

Factors Relating to the Senior Notes

Ranking

The Senior Notes will be senior unsecured obligations of AK Steel and will rank *pari passu* with all other senior indebtedness of AK Steel. At December 31, 1993, after giving pro forma effect to the Recapitalization, the aggregate amount of senior indebtedness of AK Steel (including secured indebtedness of $128.4 million and the Senior Notes) would have been approximately $412.4 million. Holders of secured indebtedness of AK Steel, including secured indebtedness outstanding after giving effect to the Recapitalization and future secured indebtedness permitted under the Indenture, will have claims with respect to the assets constituting collateral that are prior to the claims of holders of the Senior Notes. Subject to certain limitations, after completion of the Senior Notes Offering, AK Steel will be able to incur substantial additional indebtedness. See "Description of Senior Notes."

The Holding Guarantee will be an unsecured senior obligation of Holding and will rank *pari passu* with other senior unsecured indebtedness of Holding. The principal asset of Holding is all of the outstanding shares of common stock of AK Steel, and virtually all of Holding's operations are conducted through AK Steel. Under the Indenture, Holding will agree not to engage in any activities other than holding the outstanding shares of common stock of AK Steel, the Subordinated Exchange Note and the Subordinated Pension Trust Note (each as defined in "Description of Senior Notes — Certain Definitions") as well as those activities incidental to its status as a public company, and not to incur any liability other than those relating to its guarantees of the Senior Notes and certain other indebtedness of AK Steel. See "Description of Senior Notes — Certain Covenants — Restrictive Covenant of Holding."

Absence of Public Market for the Senior Notes

The Senior Notes are new securities for which there currently is no market. Although the Underwriter has informed the Company that it currently intends to make a market in the Senior Notes, it is not obligated to do so and any such market making may be discontinued at any time without notice. Accordingly, there can be no assurances as to the development or liquidity of any market for the Senior Notes. The Company does not intend to apply for listing of the Senior Notes on any securities exchange or for their quotation through the National Association of Securities Dealers Automated Quotation System.

THE RECAPITALIZATION

The Recapitalization is intended to strengthen the Company's capital position, reduce its total debt and debt service costs and provide it with greater financial and operating flexibility. The other principal elements of the Recapitalization, which are conditioned upon one another and the Senior Notes Offering and will be consummated concurrently with the Senior Notes Offering, include:

(i) The Common Stock Offering, consisting of the public offering of 15,750,000 shares of Common Stock of Holding;

(ii) The Equity-Indebtedness Exchange, consisting of the issuance by Holding to an affiliate of Kawasaki of shares of Common Stock having a value equal to $100.0 million (5,000,000 shares based on an assumed initial public offering price of $20 per share) in exchange for debt due to an affiliate of Kawasaki;

(iii) The Pension Trust Contribution, consisting of Holding's contribution to the Trustee of the Pension Trust of $50.0 million in cash and shares of Common Stock having a value equal to $50.0 million (2,500,000 shares based on an assumed initial public offering price of $20 per share), resulting in a corresponding reduction in the Company's unfunded pension obligation;

(iv) The repayment for cash of $492.0 million principal amount of previously outstanding debt to bank and other lenders;

(v) The extension of the maturity and adjustment of the amortization schedules of a portion of the remaining $137.4 million aggregate principal amount of debt to bank and other lenders to more closely coincide with the Company's cash generating ability and operating and capital requirements; and

(vi) The replacement of the Company's existing revolving credit facility to increase the maximum allowable borrowings from $50.0 million to $75.0 million and to provide for a five-year term.

The following table sets forth a summary of the sources and uses of funds associated with the Recapitalization.

Sources	Amount (dollars in millions)
Senior Notes Offering	$275.0
Common Stock Offering	315.0
Equity-Indebtedness Exchange	100.0
Common Stock issuance to Pension Trust	50.0
Total Sources	$740.0
Uses	
Bank lenders repayment	$492.0
Exchange of Kawasaki subordinated debt	100.0
Pension Trust Contribution	100.0
General corporate purposes	18.0
Underwriting discount and expenses	30.0
Total Uses	$740.0

The Recapitalization will significantly reduce the Company's overall level of indebtedness and other obligations. After giving effect to the Recapitalization, the Company will have outstanding, on a consolidated basis, approximately $412.4 million of senior long-term indebtedness (including the current portion), as compared with $729.4 million at December 31, 1993, and an estimated unfunded pension obligation (on an accumulated benefit obligation basis) of approximately $257.7 million, as compared with approximately $357.7 million at December 31, 1993. The Company's stockholders' deficit will have been reduced from $584.2 million at December 31, 1993 to $139.2 million. See "Historical and Pro Forma Condensed Consolidated Financial Data."

The Recapitalization also will substantially improve the Company's financial and operating flexibility. The Company's scheduled debt amortization requirements will be reduced as follows:

Year	December 31, 1993 Actual	December 31, 1993 Pro Forma
	(dollars in millions)	
1994	$130.8	$ 9.6
1995	200.8	17.6
1996	215.0	27.2
1997	93.2	25.3
1998	25.0	25.3
1999 and thereafter	64.6	307.4
Total	$729.4	$412.4

In addition to its cash on hand and cash flow generated from operation, the Company will have available a $75.0 million, five-year revolving credit facility. See "Description of Certain Indebtedness."

USE OF PROCEEDS

The combined net proceeds from the Offerings are estimated to be approximately $610.0 million, after deduction of underwriting discounts and estimated expenses. The Company intends to use these proceeds to implement the Recapitalization, which includes the retirement of certain indebtedness, the Pension Trust Contribution and for general corporate purposes. See "The Recapitalization."

Of the $492.0 million of indebtedness to be retired pursuant to the Recapitalization, (i) $96.0 million has a final maturity on May 31, 1995, which, at December 31, 1993, bore interest at rates ranging from 4.22% to 4.30% per year, (ii) $57.3 million has a final maturity on June 15, 1997, bearing interest at rates ranging from 9.28% to 9.38% per year, (iii) $240.0 million has a final maturity on November 30, 1997, bearing interest at a rate of 6.67% per year, (iv) $14.7 million has a final maturity on May 22, 1999, bearing interest at a rate of 9.57% per year and (v) $84.0 million has a final maturity on January 28, 2002, bearing interest at a rate of 7.37% per year.

CAPITALIZATION

The following table sets forth the consolidated capitalization of the Company at December 31, 1993 and as adjusted to give effect to the Recapitalization. The information presented below should be read in conjunction with the consolidated financial statements of the Company and the historical and pro forma condensed consolidated financial data included elsewhere in this Prospectus.

	As of December 31, 1993		
	Actual	Adjustments	As Adjusted
		(dollars in millions)	
Current portion of long-term debt	$ 130.8	$(121.2)(1)	$ 9.6
Long-term Debt:			
Debt to bank and other lenders	490.3	(370.8)(1)	119.5
Senior Notes	—	275.0 (2)	275.0
Subordinated debt to affiliate of Kawasaki	100.0	(100.0)(3)	—
Miscellaneous	8.3	—	8.3
Total long-term debt	598.6	(195.8)	402.8
Partners' capital (deficit)/Stockholders' equity (deficit)			
Common Stock, $.01 par value; 75,000,000 shares authorized; 23,296,594 shares issued and outstanding	—	0.2(3)(4)	0.2
Preferred Stock, $.01 par value; 25,000,000 shares authorized; none issued or outstanding	—	—	—
Deficiency in capital	(584.2)	444.8(3)(4)	(139.4)
Total Partners' capital (deficit)/Stockholders' equity (deficit)	(584.2)	445.0	(139.2)
Total capitalization	$ 145.2	$ 128.0	$ 273.2

(1) Reflects the net proceeds and application of net proceeds pursuant to the Recapitalization. See "The Recapitalization."

(2) Reflects the sale of $275.0 million principal amount of Senior Notes.

(3) Reflects the exchange for equity of the subordinated debt held by an affiliate of Kawasaki. Following the Recapitalization, this subordinated debt will remain outstanding as an obligation of AK Steel to Holding.

(4) Reflects the issuance of Common Stock pursuant to the Recapitalization at an assumed initial public offering price of $20.00 per share, net of underwriting discounts and expenses. See "The Recapitalization."

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SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA
(dollars in millions, except per ton data)

The selected historical consolidated financial data set forth herein represent selected data of the Company for the five years ended December 31, 1993.

The selected historical consolidated financial data presented below as of and for the period from January 1, 1989 through May 12, 1989 are derived from the combined financial statements of Armco's Eastern Steel Division, a predecessor of the Company ("Predecessor"), and the selected financial data presented below as of and for the period from May 13, 1989 through December 31, 1989 and as of and for years ended December 31, 1990, 1991, 1992 and 1993 are derived from the audited consolidated financial statements of the Company.

The selected historical consolidated financial data as of and for the period from January 1, 1989 through May 12, 1989 are for the Predecessor prior to the sale by Armco of certain assets and a portion of the Predecessor to Kawasaki Steel Investments Inc., an affiliate of Kawasaki ("KSI"). Simultaneously, KSI contributed the purchased assets and business and assumed liabilities to the Partnership. Armco contributed substantially all of the remaining Predecessor assets and business and liabilities to the Partnership. Upon formation of the Partnership on May 13, 1989, the assets and liabilities of the Partnership were recorded on the basis of Armco's and KSI's historical cost, which reflect a partial step-up in the basis of those assets sold to KSI. Accordingly, the periods subsequent to May 13, 1989 include the results of the Company on the new basis of accounting established as of such date. Due to this new basis of accounting, operating results for periods prior to May 13, 1989 are not entirely comparable to results for subsequent periods.

The selected historical consolidated financial data presented herein are qualified in their entirety by, and should be read in conjunction with, the consolidated financial statements of the Company, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Certain Considerations" appearing elsewhere in this Prospectus.

	Predecessor	Company(1)				
	January 1 Through May 13, 1989	May 13 Through December 31, 1989	Years Ended December 31, 1990	1991	1992	1993
Statement of Operations Data:						
Net sales	$686.9	$1,020.6	$1,416.8	$1,301.4	$1,404.5	$1,594.5
Cost of products sold	564.6	847.7	1,284.5	1,303.4	1,318.6	1,378.3
Selling and administrative expenses	43.5	77.0	133.8	134.4	118.6	109.2
Depreciation and amortization	20.6	43.3	72.8	82.6	87.3	73.5
Special charges and unusual items(2)	—	—	—	—	379.3	19.6
Total operating costs	628.7	968.0	1,491.1	1,520.4	1,903.8	1,580.6
Operating profit (loss)	58.2	52.6	(74.3)	(219.0)	(499.3)	13.9
Interest expense	15.7	12.6	24.3	40.8	46.4	58.1
Other (income) expense	2.5	(3.6)	(5.0)	(3.2)	(3.1)	(3.5)
Income (loss) before income taxes, extraordinary item and accounting change	40.0	43.6	(93.6)	(256.6)	(542.6)	(40.7)
Provision (benefit) for income taxes	—	0.5	(3.5)	(5.5)	(10.6)	—
Net income (loss) before extraordinary item and accounting change	40.0	43.1	(90.1)	(251.1)	(532.0)	(40.7)
Extraordinary item(3)	—	—	—	—	(12.1)	—
Income (loss) before cumulative effect of accounting change	40.0	43.1	(90.1)	(251.1)	(544.1)	(40.7)
Net cumulative effect on prior years of accounting change(4)	—	—	(491.6)	—	—	—
Net income (loss)	$ 40.0	$ 43.1	$ (581.7)	$ (251.1)	$ (544.1)	$ (40.7)
Other Data:						
EBITDA(5)	$ 79.1	$ 105.0	$ 44.4	$ (101.1)	$ (323.3)	$ 136.7
Ratio of EBITDA to interest expense(6)	5.04x	6.91x	1.20x	—	—	2.31x
Ratio of earnings to fixed charges(7)	3.55x	3.87x	—	—	—	0.28x
Shipments (000's net tons)	1,606	1,927	3,066	2,769	3,049	3,429
Raw steel production (000's net tons)	1,617	2,511	3,991	3,087	3,399	3,601
Effective capacity utilization	98%	86%	87%	68%	79%	91%
Continuously cast percentage	39%	39%	54%	80%	90%	100%
Liquid steel to finished product yield	80%(8)	80%(8)	81%	80%	82%	85%
Man hours per ton shipped	4.68	6.61	6.74	6.86	5.93	4.20
Number of employees (period end)	9,772	9,595	9,430	8,925	7,433	6,404
Capital expenditures	$ 47.5	$ 140.8	$ 211.8	$ 163.1	$ 86.2	$ 40.2
Operating profit (loss) per ton shipped	$ 36	$ 27	$ (24)	$ (79)	$ (164)	$ 4
Operating profit (loss) per ton shipped excluding special charges and unusual items	$ 36	$ 27	$ (24)	$ (79)	$ (39)	$ 10

	Predecessor	Company(1)				
	As of May 12, 1989	As of December 31, 1989	1990	1991	1992	1993
Balance Sheet Data:						
Cash and cash equivalents	—	$ 27.3	$ 9.5	$ 13.8	$ 1.2	$ 144.2
Working capital (deficit)	$121.1	180.6	83.0	76.1	(14.9)	57.9
Total assets	995.6	1,408.0	1,629.8	1,632.8	1,425.0	1,518.7
Current portion of long-term debt and related party transactions	32.3	25.4	121.0	72.2	104.6	130.8
Long-term debt (excluding current portion)	144.2	224.8	332.8	497.9	563.3	598.6
Other long-term obligations	38.5	178.8	668.0	659.1	879.0	1,008.0
Armco's net investment	$581.1	—	—	—	—	—
Partners' capital (deficit)(9)	—	$ 700.7	$ 189.4	$ 73.3	$ (449.7)	$ (584.2)

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(1) Amounts included herein are based on the net assets acquired at formation (May 13, 1989) from Armco and Kawasaki on the basis of Armco's and Kawasaki's historical cost.

(2) Reflects charges of $19.6 in 1993 for additional fixed asset write-offs and related disposal costs as well as other miscellaneous charges. Reflects charges of $379.3 in 1992 for restructuring of operating facilities, the shutdown of the hot-rolling mill at the Ashland Works, workforce reductions and related costs, together with the write-off of the Company's investment in Eveleth.

(3) Reflects charges related to the Coal Retiree Benefit Act.

(4) Effective January 1, 1990, the Company adopted SFAS 106, Employers' Accounting for Postretirement Benefits Other than Pensions.

(5) EBITDA is presented because it is a widely accepted financial indicator of a company's ability to service and incur debt. EBITDA does not represent net income or cash flows from operations as those terms are defined by generally accepted accounting principles and does not necessarily indicate whether cash flows will be sufficient to fund cash needs. EBITDA is calculated as follows:

	Predecessor		Company				
	Year Ended December 31, 1988	January 1, Through May 12, 1989	May 13 Through December 31, 1989	Years Ended December 31, 1990	1991	1992	1993
			(dollars in millions)				
Income (loss) before income taxes, extraordinary item and accounting change	$137.6	$40.0	$ 43.6	$(93.6)	$(256.6)	$(542.6)	$(40.7)
Depreciation and amortization	62.3	23.4	46.2	77.3	85.4	90.0	72.4
Interest expense	38.1	15.7	15.2	36.9	47.9	49.9	59.3
Non-cash OPEB	—	—	—	23.8	22.2	79.3	28.3
Excluded special charges and unusual items*	—	—	—	—	—	—	19.6
Other (income) expense	—	—	—	—	—	0.1	(2.2)
EBITDA	$238.0	$79.1	$105.0	$ 44.4	$(101.1)	$(323.3)	$136.7

* For purposes of the Indenture, the definition of EBITDA excludes certain special charges taken during 1993 and thereafter. See "Description of Senior Notes — Certain Definitions — EBITDA". Special charges for the years ended December 31, 1990, 1991 and 1992 were $0, $0 and $379.3, respectively.

(6) Earnings were insufficient to cover interest expense for the years ended 1991 and 1992 by $149.0 and $373.2, respectively.

(7) For purposes of computing the ratio of earnings to fixed charges, fixed charges consist of interest, whether expensed or capitalized. Earnings consist of income (loss) before income taxes and accounting change the distributed income of less than 50% owned affiliates, plus fixed charges. Earnings were insufficient to cover fixed charges for years ended 1990, 1991, 1992 and 1993 by $93.6, $256.6, $542.5 and $42.9, respectively.

(8) Data for liquid steel to finished product yield is for the full year of 1989.

(9) The deficit at December 31, 1993 includes a direct charge to equity of $113.2 to record an increased pension liability primarily reflecting the lowering of the discount rate used to calculate the present value of pension obligations from 8.5% to 7.5%.

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HISTORICAL AND PRO FORMA CONDENSED CONSOLIDATED FINANCIAL DATA
(dollars in millions, except per share amounts)

The unaudited pro forma condensed consolidated financial data of the Company presented below reflect the Recapitalization. The pro forma condensed consolidated statements of operations for the years ended December 31, 1992 and 1993 were prepared assuming the transactions related to the Recapitalization were consummated on January 1, 1992. The pro forma condensed balance sheet data as of December 31, 1992 and 1993 were prepared assuming such transactions were consummated as of the balance sheet dates.

The pro forma financial data presented herein do not purport to represent what the Company's results of operations would have been had such transactions in fact occurred at the beginning of the periods or to project the Company's results of operations to any future period. The pro forma financial data are based upon, and should be read in conjunction with, the Company's historical consolidated financial statements, including the notes thereto, included elsewhere in this Prospectus.

	Years Ended December 31,			
	1992		1993	
	Historical	Pro Forma	Historical	Pro Forma
Statement of Operations Data:				
Net sales	$1,404.5	$1,404.5	$1,594.5	$1,594.5
Cost of products sold(1)	1,318.6	1,309.3	1,378.3	1,369.0
Selling and administrative expenses	118.6	118.6	109.2	109.2
Depreciation and amortization	87.3	87.3	73.5	73.5
Special charges and unusual items	379.3	379.3	19.6	19.6
Operating profit (loss)	(499.3)	(490.0)	13.9	23.2
Interest expense(2)	46.4	44.8	58.1	48.6
Royalty expense (income)	(5.0)	(5.0)	(3.8)	(3.8)
Miscellaneous other — net	1.9	1.9	0.3	0.3
Loss before income taxes	(542.6)	(531.7)	(40.7)	(21.9)
Provision (benefit) for income taxes(3)	(10.6)	(10.6)	—	—
Net loss before extraordinary item	(532.0)	(521.1)	(40.7)	(21.9)
Extraordinary item	(12.1)	(12.1)	—	—
Net loss(4)	$ (544.1)	$ (533.2)	$ (40.7)	$ (21.9)
Net income (loss) per share(5)	N/A	$ (22.89)	N/A	$ (0.94)
EBITDA(6)	(323.3)	(314.0)	136.7	146.0
Ratio of EBITDA to interest expense(7)	—	—	2.31x	2.93x
Ratio of earnings to fixed charges(8)	—	—	0.28x	0.52x

	As of December 31,			
	1992		1993	
	Historical	Pro Forma	Historical	Pro Forma
Balance Sheet Data:				
Cash and cash equivalents(9)	$ 1.2	$ 98.8	$ 144.2	$ 162.2
Working capital (deficit)	(14.9)	177.7	57.9	197.1
Total assets	1,425.0	1,532.6	1,518.7	1,546.7
Current portion of long-term debt and related party indebtedness(10)(11)	104.6	9.6	130.8	9.6
Long-term debt (excluding current portion)(9)(10)(11)	563.3	420.9	598.6	402.8
Other long-term obligations(10)	879.0	779.0	1,008.0	908.0
Partners' capital (deficit)/stockholders' equity (deficit)(4)(10)(12)	$ (449.7)	$ (4.7)	$ (584.2)	$ (139.2)

(1) Assumes that $50.0 of cash proceeds from the Offerings and 2,500,000 shares of Common Stock were contributed to the Trustee of the Pension Trust as of January 1, 1992. The additional contributions and the associated return on assets have the following effect on the pension expense as shown:

	Years Ended December 31,	
	1992	1993
Pension expense prior to the Recapitalization	$29.1	$35.6
Pension expense after Pension Trust Contribution	19.8	26.3
Net reduction in pension expense	$ 9.3	$ 9.3

(2) The Company has assumed the following for purposes of computing pro forma interest expense:

a. Interest expense and debt issuance cost associated with existing debt that is prepaid by proceeds from the Offerings have been eliminated.
b. Interest expense on the Senior Notes is computed using a rate of 9.75% per year.
c. Amortization of $10.0 in expenses associated with the issuance of the Senior Notes is included in interest expense.

(3) Tax provisions in the pro forma financial statements reflect no changes from the historical financial statements. Had the Company elected to become a corporation as of January 1, 1992, it would have sustained a tax loss of $262.2 for the year ended December 31, 1992. However, such a tax loss would not have given rise to a tax refund claim or a reduction in previously recorded deferred tax credits. While it would have been available for carryforward to future years, the ability to utilize such a carryforward following the Recapitalization would have been substantially deferred or disallowed for income tax purposes. In addition, no deferred tax asset would have been recorded with respect to such loss carryforward.

(4) The pro forma amounts do not include any prepayment fees for the conversion of the Company's bank loans from fixed rates to floating rates (which fees are expected to be paid out of the Company's cash balances). The Company anticipates that this conversion will occur contemporaneously with the Offerings and result in an extraordinary charge estimated to be approximately $16.0.

(5) Assumes that 23,296,594 shares of Common Stock to be issued in the Recapitalization were outstanding throughout the periods indicated. On an historical basis, the Company was a partnership and therefore had no shares outstanding.

(6) EBITDA is presented because it is a widely accepted financial indicator of a company's ability to service and incur debt. EBITDA does not represent net income or cash flows from operations as those terms are defined by generally accepted accounting principles and does not necessarily indicate whether cash flows will be sufficient to fund cash needs. EBITDA is calculated as follows:

	Years Ended December 31,			
	1992		1993	
	Historical	Pro Forma	Historical	Pro Forma
Income (loss) before income taxes and accounting change	$(542.6)	$(531.7)	$ (40.7)	$ (21.9)
Depreciation and amortization	90.0	90.0	72.4	72.4
Interest expense	49.9	48.3	59.3	49.8
Non-cash OPEB	79.3	79.3	28.3	28.3
Excluded special charges and unusual items*	—	—	19.6	19.6
Other (income) expense	0.1	0.1	(2.2)	(2.2)
EBITDA	$(323.3)	$(314.0)	$ 136.7	$ 146.0

* For purposes of the Indenture, the definition of EBITDA excludes certain special charges taken during 1993 and thereafter. See "Description of Senior Notes — Certain Definitions — EBITDA". Special charges for the years ended December 31, 1990, 1991 and 1992 were $0, $0 and $379.3, respectively.

(7) Earnings were insufficient to cover interest expense for the year ended 1992 by $373.2. Pro forma earnings were insufficient to cover interest expense for the year ended 1992 by $362.3.

(8) For purposes of computing the ratio of earnings to fixed charges, fixed charges consist of interest, whether expensed or capitalized. Earnings consist of income (loss) before income taxes and accounting change, the distributed income of less than 50% owned affiliates, plus fixed charges. Earnings were insufficient to cover fixed charges for years ended 1990, 1991, 1992 and 1993 by $93.6, $256.6, $542.5 and $42.9, respectively. Pro forma earnings were insufficient to cover fixed charges for the years ended 1992 and 1993 by $531.6 and $24.1, respectively.

(9) Certain portions of the debt balances at December 31, 1993 that are being repaid did not exist at January 1, 1992. The proceeds are assumed to be held in cash and cash equivalents until such proceeds can be applied to such debt. The Company did not assume any pro forma earnings on these cash balances.

(10) The sources and uses of funds associated with the Recapitalization are assumed to be as set forth under "The Recapitalization."

(11) As part of the agreement with the Company's existing lenders, a portion of the remaining unpaid debt will be rescheduled to provide for amortization of the debt over a seven year period. Indebtedness due within one year and long-term indebtedness have been accordingly adjusted.

(12) The deficit at December 31, 1993 includes a direct charge to equity of $113.2 to record an increased pension liability primarily reflecting the lowering of the discount rate used to calculate the present value of pension obligations from 8.5% to 7.5%.

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

Overview

As the U.S. economy and particularly the domestic automotive industry have begun to emerge from the recession that began in 1989, the domestic steel industry has experienced a significant resurgence in demand. This increase in demand has enabled the Company and other domestic integrated steel producers to obtain price increases for many of their major product lines. However, because a substantial percentage of the Company's production is sold pursuant to long-term contracts with annual price commitments, many of these price increases were not reflected in the Company's results until the fourth quarter of 1993 and certain others will not be fully reflected until the first half of 1994. The Company's ability to sustain higher prices, including a January 1994 price increase, is subject to, among other things, continuing high levels of demand in its principal customer markets, the absence of a material increase in the level of steel imports and general economic conditions.

The Company has sought and continues to seek to increase sales of higher margin, value-added products targeted to customers in the automotive and appliance industries, and to decrease its sales of lower margin products to other markets, such as secondary distributors. Until recently, production inefficiencies, inadequate attention to product quality and reliability, and insufficient attention to customer technical support limited the ability of the Company to consistently meet the rigorous quality, delivery and technical support requirements of many of the customers its high-margin products are designed to serve. Accordingly, its operating results reflected a greater proportion of sales of lower margin products and the impact of price concessions given to compensate for deficiencies in product quality, on-time delivery reliability and technical support. The Company believes that the significant improvements in its production operations achieved since implementation of its new business strategy and the revitalization of a dedicated technical support staff has established its ability to secure orders from high-end customers and will enable it to increase the relative percentage of its high-margin product sales.

The Company has increased the efficiency of its operations and the quality of its products by implementing cost savings measures, improving its operating practices and modernizing existing facilities. These cost saving measures have included the rationalization of facilities, enhanced productivity and equipment maintenance and renegotiation of key raw materials and transportation contracts. These measures resulted in cost reductions of $110.0 million in 1993. The Company believes that these savings represent permanent reductions in its cost structure and anticipates further savings, including $20.0 million of additional cost savings in 1994 from actions taken in 1993, although there can be no assurance that any such savings will in fact be achieved in future periods. See "Business — Strategy."

Results of Operations

The following table sets forth certain data from the Company's Statement of Operations for the fiscal years ended December 31, 1990, 1991, 1992 and 1993, as well as the percentage change in these data from period to period (dollars in millions):

	Years Ended December 31,				Percentage Increase (Decrease)		
	1990	1991	1992	1993	1991 vs. 1990	1992 vs. 1991	1993 vs. 1992
Net sales	$1,416.8	$1,301.4	$1,404.5	$1,594.5	(8.1)%	7.9%	13.5%
Cost of products sold	1,284.5	1,303.4	1,318.6	1,378.3	1.5	1.2	4.5
Selling and administrative expenses	133.8	134.4	118.6	109.2	0.4	(11.8)	(7.9)
Depreciation and amortization	72.8	82.6	87.3	73.5	13.5	5.7	(15.8)
Operating profit (loss)	(74.3)	(219.0)	(499.3)	13.9	(194.8)	(128.0)	N/A
Interest expense	24.3	40.8	46.4	58.1	67.9	13.7	25.2

The following table sets forth certain data from the Company's Statement of Operations for the fiscal years ended December 31, 1990, 1991, 1992 and 1993, in each case expressed as a percentage of net sales:

	Years Ended December 31,			
	1990	1991	1992	1993
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of products sold	90.7	100.2	93.9	86.4
Selling and administrative expenses	9.4	10.3	8.4	6.8
Depreciation & amortization	5.1	6.3	6.2	4.6
Operating profit (loss)	(5.2)	(16.8)	(35.6)	0.9
Interest expense	1.7	3.1	3.3	3.6

1993 Compared to 1992

Net Sales. The increase in net sales in 1993 reflected a 12.5% increase in tons shipped and a 0.9% increase in the average selling price per ton received compared to the 1992 period. The increase in tons shipped was due to operating efficiencies resulting from implementation of the Company's new business strategy. See "Business — Strategy." The price increase was partly offset by a less favorable product mix that included a higher proportion of lower margin products, a significant amount of which were ordered in late 1992 and were not shipped until the first quarter of 1993. Disproportionately higher sales of lower margin, hot-rolled steel resulted from the idling in early 1993 of the cold-rolling mill and pickling facilities at the Ashland Works and corresponding upgrading of the cold-rolling and pickling facilities at the Middletown Works that required the Company to temporarily reduce the production of cold-rolled steel. In addition, many of the price increases announced in 1993 were not reflected in the Company's results until the fourth quarter of 1993 and certain others will not be fully reflected until the first half of 1994.

Cost of Products Sold. The decrease in cost of products sold (as a percentage of net sales) reflected continued cost reduction efforts coupled with improved operating efficiencies, including reliance on 100% continuous casting for the entire year ended December 31, 1993. Costs benefitted from the continued utilization of pair cross rolling techniques on the recently modernized hot-rolling mill, the installation of cold-rolling mill improvements, various coating and finishing line improvements, the effects of facility rationalizations, implementation of new maintenance and operating philosophies and lower raw material contract prices. The Company believes that it has not yet realized the full benefits of these measures and that continued implementation of its cost reduction and operating efficiency efforts should further reduce costs.

Selling and Administrative Expenses. The decline in selling and administrative expenses reflected the impact of the salaried force reductions and the outsourcing of various functions, including data processing and administrative services. The Company intends to continue to outsource these services (and others where practicable) for the foreseeable future.

Depreciation and Amortization. The decrease in depreciation expense was due to facility rationalizations, which contributed to a portion of the special charges taken in December 1992.

Operating Profit (Loss). The return to operating profitability was attributable to the increased operating efficiencies, lower cost of products sold (including a $10.4 million benefit from LIFO inventory liquidations) and reduced selling and administrative expenses discussed above, as well as substantially lower special charges and unusual items. The Company's operating profit in 1993 included $19.6 million of charges relating to additional fixed asset write-offs and related disposal costs as well as other miscellaneous charges, while the operating loss in 1992 included $379.3 million of charges that related primarily to the rationalization of facilities, workforce reductions, and a write-off of the Company's investment in Eveleth. The 1992 operating loss was reduced, however, by a litigation settlement received in the first quarter. Excluding special charges and unusual items, the Company's operating profit was $33.5 million in 1993 compared to an operating loss of $120.0 million in 1992.

Interest Expense. The increase in interest expense was primarily due to the increase in the Company's outstanding indebtedness.

1992 Compared to 1991

Net Sales. The increase in net sales in 1992 reflected a 10.1% increase in tons shipped, which offset a 2.0% decrease in selling price. Selling prices were particularly weak in the automotive and appliance, construction and manufacturing markets, which in the aggregate constituted 60.0% of the Company's sales in 1992. Improved operating efficiency and performance offset a reduction in profit margins that was attributable to greater sales to service centers and correspondingly lower sales to the automobile and appliance, construction and manufacturing sectors. The Company's steel production was adversely affected by interruptions caused by the installation of a gas cleaning system at the Ashland Works in 1992 and by a major modernization of the hot-rolling mill at the Middletown Works in 1991.

Cost of Products Sold. The reduction in cost of products sold as a percentage of net sales reflected the results of various actions taken by the Company to reduce costs and improve product quality. These actions included the shift to 100% continuous casting in the third quarter, substantially increasing productivity at both the newly modernized hot-rolling mill and upgraded cold-rolling mill at the Middletown Works and improved equipment maintenance at all of the Company's facilities.

Selling and Administrative Expenses. The reduction in selling and administrative expenses was primarily attributable to improved cost controls coupled with salaried workforce reductions in the fourth quarter of 1992.

Depreciation and Amortization. The increase in depreciation expense was primarily due to additional capital investment.

Operating Profit (Loss). The substantial increase in operating loss was due to the inclusion of special charges, aggregating $379.3 million, that related primarily to the rationalization of facilities, including the shutdown of the hot-rolling mill at the Ashland Works in July 1992, workforce reductions and a write-off of the Company's investment in Eveleth. The 1992 operating loss was reduced, however, by a litigation settlement received in the first quarter. Excluding special charges, the Company's operating loss was reduced over 45% in 1992 compared to 1991, as the Company began to realize the benefits of its newly-implemented cost reduction and efficiency program.

Interest Expense. The increase in interest expense reflected an increase in total indebtedness and a reduction of capitalized interest related to decreased capital expenditures.

Extraordinary Item. The Company recorded an extraordinary charge of $12.1 million, representing management's current estimate of the Company's potential obligation under the Coal Retiree Benefit Act.

1991 Compared to 1990

Net Sales. During 1991, a 9.7% decrease in tons shipped was offset by a 1.7% increase in selling price. Selling prices improved 2.7% in the automotive and appliance, construction and manufacturing markets but decreased 8.2% in the distribution and conversion markets. In 1990, the threat of a work stoppage during labor contract negotiations at the Middletown Works led to an undesirable product mix and the loss of sales of higher value-added automotive products, as customers cancelled orders due to the uncertainty of supply.

Cost of Products Sold. The increase in cost of products sold in absolute terms and as a percentage of sales resulted from a decrease in steel production and various operating and quality problems. The Company began 1991 with extremely high inventory levels, forcing it to temporarily idle certain facilities or operate them at reduced levels in the first quarter of 1991. The Company's results also were adversely affected by outages related to several major modernization projects including a hot-rolling mill modification at the Middletown Works requiring a 40-day outage, and modifications of the basic oxygen furnace at the Ashland Works and the vacuum degasser at the Middletown Works.

Selling and Administrative Expenses. Selling and administrative expenses remained virtually unchanged compared to the prior period.

Depreciation and Amortization. The increased depreciation expense was due to increased capital spending relating to the facilities modernization which totalled $374.9 million for both years.

Operating Profit (Loss). The increase in operating loss was attributable to reduced sales levels, facility outages and lower operating levels without a concomitant reduction in fixed costs.

Interest Expense. The increase in interest expense was due to an increase in the Company's outstanding indebtedness and reduced capitalized interest relating to capital expenditures.

Cumulative Effect of Changes in Accounting Principle. Effective January 1, 1990, the Company adopted SFAS 106 resulting in a one-time charge of $491.6 million for the cumulative effect of the adoption of this standard.

Liquidity and Capital Resources

The Company's liquidity needs are primarily for capital investments, principal and interest payments on its indebtedness, ongoing pension and other employee benefit obligations and working capital requirements. These needs have been satisfied over the last three years primarily by long-term borrowings and contributions from Armco and Kawasaki. At present, cash flow from operations, cash and cash equivalents and available borrowings under the Company's $50.0 million revolving credit facilities are the primary sources of liquidity. At December 31, 1993, the Company had $144.2 million of cash and cash equivalents and $46.2 million of borrowing capacity under its revolving credit facilities (net of $3.8 million of outstanding letters of credit).

Year Ended December 31, 1993. For the year ended December 31, 1993, cash flow from operating activities improved to $98.8 million as the Company returned to operating profitability and efforts to reduce working capital requirements continued. During this period, capital spending decreased to $40.2 million. The Company made payments of $104.6 million on its long-term debt and received $166.0 million in proceeds from additional long-term borrowings, of which $70.0 million consisted of an unsecured subordinated term loan from an affiliate of Kawasaki. These borrowings and the improved operating cash flows accounted for the increase in cash and cash equivalents from $1.2 million at December 31, 1992 to $144.2 million at December 31, 1993.

Year Ended December 31, 1992. Despite the $544.1 million net loss for the year ended December 31, 1992, cash used in operating activities totalled $42.5 million, since a significant portion of the net loss was due to special non-cash charges. Inventory reductions of $47.4 million also contributed to improved operating cash flows. Investing activities included $86.2 million of capital expenditures and $22.2 million for a 50% equity investment in Southwestern Ohio Steel, L.P. ("SOS"), which was funded by contributions from Armco and Kawasaki. Financing activities included $170.0 million in proceeds from the issuance of long-term debt and $44.2 million of principal payments on long-term debt. All $58.0 million of outstanding borrowings under short-term debt facilities were repaid in 1992.

Year Ended December 31, 1991. Operating cash flows in 1991 were negative due to a net loss of $251.1 million. Inventory reductions and other efforts to reduce working capital offset a portion of the impact on cash from this loss. Aggregate contributions of $105.5 million from Armco and Kawasaki and proceeds of $208.2 million from the issuance of long-term debt satisfied cash requirements of $163.1 million for capital expenditures, $38.0 million for principal payments of long-term debt, $65.0 million for repayment of short-term borrowings and $48.8 million to cover the net shortfall from operating activities.

Capital Expenditures. The Company spent $501.3 million during the four-year period ended December 31, 1993 to upgrade and modernize its manufacturing facilities. With these expenditures (and expenditures made prior to this period) and the recent restructuring of the facilities, the Company believes it has the capacity to compete in the markets it serves on a cost and product offering basis and the ability to implement its strategic plan. See "Business — Capital Improvements." At December 31, 1993, commitments for capital expenditures totalled $74.8 million. The Company anticipates capital requirements will be lower over the next three years. During this time period, the Company expects to spend capital sufficient to maintain its competitive position in the marketplace. The Company anticipates that these expenditures, which are expected to range between $80.0 million and $100.0 million per year, will be funded with cash derived from operations and, if required, additional financings.

Debt Agreements. In view of operating losses and the substantial special charges for the restructuring of facilities and reduction of the work force incurred in 1992, effective December 30, 1992, the Company obtained amendments to certain covenants contained in its various debt agreements and agreed to grant a security interest in and mortgage on substantially all of its assets in favor of the lenders under these agreements. In addition, on January 18, 1994 the Company entered into an agreement with certain of its lenders under which the maturity of a portion of its debt will be extended to May 31, 1995 if the Recapitalization is not completed by May 1994 (the original maturity date of the debt). As a result, $80.0 million of debt previously classified as current portion has been reclassified as long-term at December 31, 1993. At December 31, 1993, the Company had $729.4 million of long-term debt (including current portion) outstanding. As part of the Recapitalization, the Company will issue $275.0 million of Senior Notes, repay a substantial portion of its debt and amend the debt agreements with certain of its remaining lenders to allow for amortization of a portion of its remaining debt over a minimum of seven years in installments that will more closely coincide with its anticipated cash generating ability and operating and capital requirements. After the Recapitalization, the Company's scheduled debt amortization requirements will be reduced as follows:

Year	December 31, 1993	
	Actual	Pro Forma
	(dollars in millions)	
1994	$130.8	$ 9.6
1995	200.8	17.6
1996	215.0	27.2
1997	93.2	25.3
1998	25.0	25.3
1999 and thereafter	64.6	307.4
Total	$729.4	$412.4

In addition, the revised debt agreements will include amendments to certain financial covenants to accommodate the Recapitalization. The revised debt agreements will provide that the security interests in and mortgages on the Company's assets will be released except for the security interests in inventory and receivables and the security interest in the No. 1 Electrolytic Galvanizing Line ("No. 1 EGL") and the No. 2 Electrolytic Galvanizing Line ("No. 2 EGL"). See "Description of Certain Indebtedness."

Employee Benefit Obligations. The Company has significant unfunded employee benefit obligations. The Company estimates its obligations for retirement benefits other than pensions, as accounted for under SFAS 106, were approximately $670.6 million at December 31, 1993. These obligations are currently funded as claims are filed. The Company does not anticipate changing its funding practices for these obligations and, therefore, does not anticipate any additional impact on its liquidity as a result of this accounting standard, which was adopted effective January 1, 1990.

The funded status of the Company's pension plans decreased during 1993 by approximately $138.8 million (resulting in a charge to equity of $113.2 million) primarily due to the lowering of the discount rate used for financial reporting purposes to calculate the present value of pension obligations from 8.5% to 7.5% (which is not expected to result in an increase in funding requirements for the near term relative to what these requirements would have been without a change in such discount rate). The funded status of the pension plans decreased during 1992 as a result of the special charges for workforce reductions. The Company's funding of its pension obligations meets the minimum funding requirements of ERISA. These minimum funding requirements mandate that the obligations associated with a workforce restructuring (such as that experienced in 1992) be funded over a period of five to seven years. As a result, based on current assumptions and assuming no other restructurings or significant changes in applicable law or regulation, pension funding as required by ERISA is expected to exceed historical pension expense by approximately $30.0 million to $55.0 million per year over the next five years until the associated underfunding is eliminated. The Company intends to contribute $50.0 million of the proceeds from the Offerings and shares of Common Stock having a value equal to $50.0 million (2,500,000 shares based on an assumed initial public offering price of $20 per share) to reduce its unfunded pension obligation. See "Use of Proceeds" and "The Recapitalization." Although the Company does not presently intend to use the Pension Trust Contribution to meet future minimum funding standards, it reserves the right to do so if cash resources become limited.

For additional information concerning employee and retiree benefit plans, see Note 5 of "Notes to the Consolidated Financial Statements."

Potential Special Charges. The Company will continue to review its businesses to determine if additional facilities should be closed, written down or otherwise restructured. In this regard, the Company is negotiating with the Eveleth partners concerning the potential closure of, or the Company's exit from, Eveleth. If these negotiations are successfully completed, the closure of, or exit from, Eveleth would be subject to other events, including the approval by the Company's Board of Directors and could result in a charge of approximately $30.0 million. Although it is not possible at this time for the Company to determine accurately the amounts of any other special charges that may result from the closure, write down or restructuring of other facilities, additional special charges could be incurred and may be substantial.

Other Obligations. Domestic steel producers, including the Company, are subject to stringent federal, state and local laws and regulations relating to the protection of human health and the environment. The Company, like other domestic steel producers, has expended, and can be expected to expend in the future, substantial amounts for compliance with these environmental laws and regulations. Capital expenditures for environmental remediation and protection for 1993 totalled $16.4 million, and are estimated to amount to approximately $24.2 million for 1994. In addition, the Company made payments for environmental compliance of approximately $38.3 million for 1993 and expects to make similar payments of approximately $39.9 million and $41.5 million for 1994 and 1995, respectively. Because environmental laws are becoming increasingly more stringent, the Company's capital expenditures relating to environmental controls and costs for environmental compliance are likely to increase in the future. In addition, unanticipated factual or regulatory developments could affect the currently anticipated amount and timing of future environmental expenditures and compliance costs. See "Business — Environmental Matters."

As discussed above, the Company is subject to a number of contingent obligations, including environmental costs, unfunded pension costs, retiree medical and life insurance benefits and certain other employment related costs. The Company believes the Recapitalization should not adversely affect its ability to deduct, for income tax purposes, future payments when made in respect of these items. There can be no assurance that the Company's position will prevail if challenged by the Internal Revenue Service or other taxing authority. If the Company's position were successfully challenged, there could be a material adverse effect on the Company.

For information concerning the potential impact of the Trade Proceedings on the Company, see "Business — Competition."

Impact of Recapitalization. After the Recapitalization, the Company's liquidity position will be dramatically improved. In addition to its cash on hand and cash flow generated from operations, the Company will have available a $75.0 million, five-year working capital facility. See "Description of Certain Indebtedness." Given the amortization requirements of the Company's remaining long-term debt (as described above) and the Company's projected capital expenditure requirements, management believes it will have adequate resources to address its operating and debt service needs for the foreseeable future.

The Company is the sixth largest integrated steel producer in the United States. It primarily manufactures high strength, low carbon flat-rolled steel, the largest segment of the domestic steel market. The Company concentrates on the production of premium grade and value-added applications of hot-rolled steel and coated and uncoated cold-rolled steel for sale to the automotive, appliance and manufacturing markets, as well as to the construction industry and independent steel distributors and service centers.

Strategy

In June 1992, the Company began implementing a strategic business plan to improve the yield and reduce the costs of its production operations while enhancing its ability to meet the extremely high product quality, delivery and technical support requirements of those customers who are the principal users of premium grades of flat-rolled steel. As illustrated on page 34, this strategic plan has already achieved significant results. The plan consists of the following key elements:

New Management. Beginning in June 1992, a new senior management team assumed responsibility for the Company's operations. Heading the new team as chief executive officer is veteran steel executive Thomas C. Graham, who has been credited with the successful turnaround of USX Corporation's steel operations in the late 1980s and Washington Steel Corporation's emergence from bankruptcy and acquisition by Lukens Inc. in early 1992. In addition to Mr. Graham, a number of other experienced executives were recruited to fill key positions in manufacturing, marketing, finance and other areas. The new senior management team has instituted substantial changes in line management personnel at all of the Company's production facilities and in the management of its sales and marketing organization, and has raised the expectations and capabilities of its personnel. Approximately 30 individuals have been hired or reassigned to work on the plant floors, many of them technological development engineers who are dedicated to early involvement in the product development process.

Productivity Improvement. Productivity has increased significantly through the elimination of redundant, less efficient operations and production facilities and the increase in the operating levels of the remaining equipment. Among the specific measures taken are the shift to 100% continuous casting and the idling of the hot-rolling and cold-rolling mills and associated pickling lines at the Ashland Works. In addition, with an intensive focus on preventive and anticipatory equipment maintenance, the Company has been utilizing comprehensive maintenance teams able to respond on a flexible basis to problems in the production process as and when they arise. The Company also maintains flexible maintenance schedules to take opportunistic advantage of production down time. As a result of these changes, the Company has been able to increase its total volume of steel shipments from 3,049,000 tons for the year ended December 31, 1992 to 3,429,400 tons for the year ended December 31, 1993, while reducing its man hours per ton from 5.93 for 1992 to 4.20 for 1993. In the most recent quarter, man hours per ton were reduced to 4.01 as compared with 5.49 for the quarter ended December 31, 1992.

Cost Reduction Programs. Since June 1992, the Company has aggressively sought to reduce costs in all sectors of its operations by implementing a variety of measures. In addition to the cost savings associated with the productivity improvements described above, the Company has restructured its remaining work force and renegotiated key raw materials and transportation contracts, including contracts for iron ore pellets, coal, oxygen, electricity and natural gas. These measures resulted in cost reductions of $110.0 million in 1993. The Company believes that these savings represent permanent reductions in its cost structure and anticipates further savings, although there can be no assurance that any such savings will in fact be achieved in future periods.

Product Quality and Reliability. Customer satisfaction is an important element of the Company's overall strategy. The Company considers itself a major producer of high quality steel. Product quality and reliability are emphasized. Prior to the changes in its senior and line management, production inefficiencies, inadequate attention to product quality and reliability and an insufficient focus on customer technical support limited the ability of the Company to consistently meet the rigorous quality, delivery and technical support requirements of many of the customers its premium products are designed to serve.

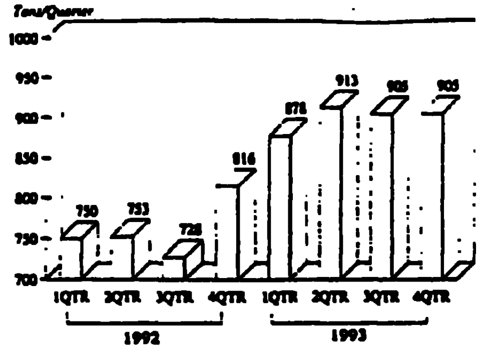
Since June 1992, improvements made in virtually every phase of the Company's production operations have substantially enhanced the overall quality and consistency of its steel products and its ability to meet customers' just-in-time delivery requirements. Its technical staff works closely with customers at early phases of their product development schedules to ensure the suitability of the Company's steel for the customers' specialized applications. The Company has increased the size of its technical staff as well as the proportion of this staff that is comprised of development engineers. In addition, Kawasaki has in the past provided and will continue to provide the Company with technical support.

Other major changes designed to improve customer satisfaction have been made in areas such as on-time delivery and predictability of yield. The Company's customer rejection rate declined from approximately 1.23% of tonnage shipped for the year ended December 31, 1992 to 0.61% of tonnage shipped for the year ended December 31, 1993 (0.93% and 0.46% for the fourth quarters of 1992 and 1993, respectively), and its tonnage shipped to the secondary market as a percentage of total tons shipped decreased from 16.6% to 12.2% for these periods (14.0% and 9.0% for the fourth quarters of 1992 and 1993, respectively). These improvements have led to a reduction in the need to stockpile large inventories of key product lines to ensure timely customer deliveries and have also enhanced revenues. The Company has won various quality recognition awards from its customers including the General Motors Mark of Excellence, Nissan's Quality Master Award, Saturn Corporation's GP3 Certification and Subaru-Isuzu's Quality Achievement Award. In addition, the Company is an Arvin Industries — Level 1 Certified Supplier and a Lennox Certified Supplier.

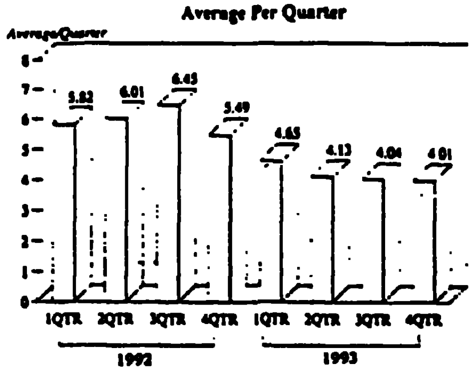
Marketing Strategy. The Company's marketing efforts are being increasingly directed toward those high-end customers, such as automotive and appliance manufacturers, whose exacting quality and on-time delivery requirements and need for specialized product applications (such as those that use coated steels) justify premium pricing. The Company believes its enhanced product quality and delivery capabilities, and its emphasis on customer technical support and product planning, are important factors in its ability to serve this segment of the market. Its technical resources group, consisting of 42 people located at the Middletown Works, the Ashland Works, Detroit and the Company's headquarters at Middletown, Ohio, assists customers with application technology and technical developments such as evaluating product performance and problem solving. The Company recently expanded its sales offices located in Detroit, Nashville and Chicago. These offices are well placed to attend to the needs of U.S. and certain transplant automotive manufacturers as well as other major steel consumers located near the Great Lakes. The Company recently opened a fourth sales office in Cincinnati, accessible to its headquarters in Middletown.

Results of Strategic Initiatives. The following charts illustrate the improvements that have resulted from the implementation of the Company's new strategic initiatives:

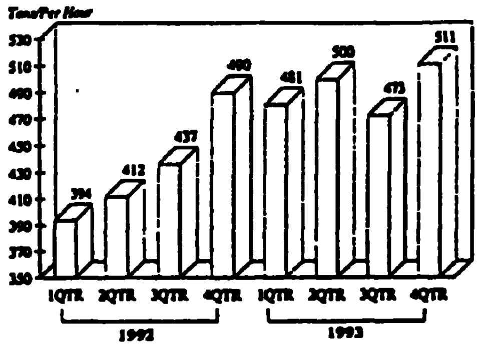
Caster Production
Tons Per Quarter In Thousands



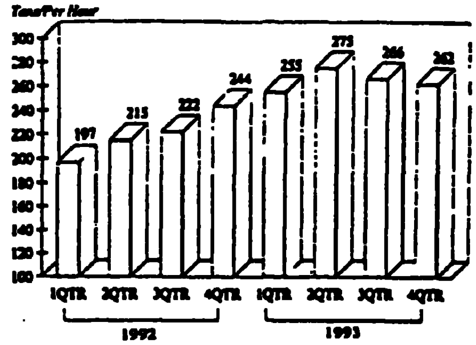
Manhours Per Ton
Average Per Quarter



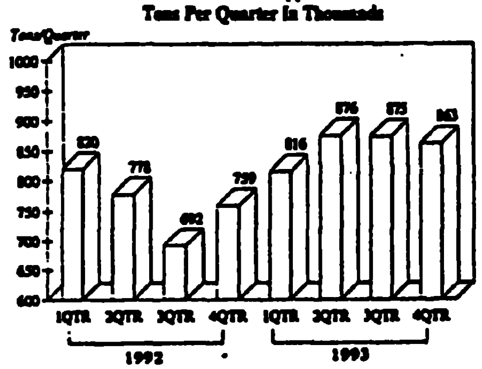
Middletown Works Hot Strip Production
Tons Produced Per Hour



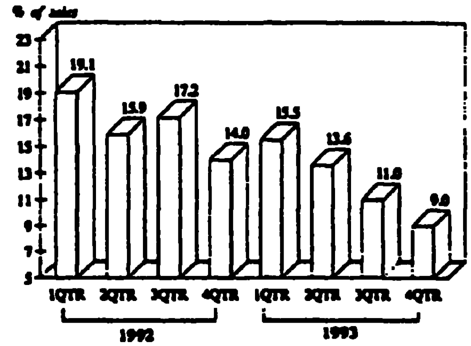
Middletown Works Cold Strip Production
Tons Produced Per Hour



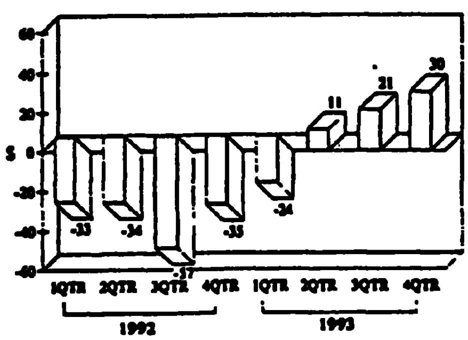
Tons Shipped
Tons Per Quarter In Thousands



Secondary Shipments
As a % of Total Sales



Operating Profit Per Ton
Excluding Special Charges and Unusual Items



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Customers

The Company's primary customers are in the automotive, appliance, construction and manufacturing markets. The Company also sells its products to distributors and steel service centers.

The Company is a major supplier of hot and cold-rolled steel and coated and specialty products to domestic automotive manufacturers and the U.S.-based plants of foreign automotive manufacturers, who collectively represent one of the most demanding categories of steel consumers. Car and truck manufacturers require wide sheets of steel, rolled to exact dimensions. Formability and defect-free surfaces are also critical. The Company has successfully been able to meet these demands, and its steel products are used in a variety of automotive applications, including exposed and unexposed panels, gas tanks and truck beds. Blanket purchase orders for the Company's products setting forth agreed-upon prices and anticipated tonnage requirements are generally awarded annually, with releases made on a daily or weekly basis. The Company's primary automotive customers include General Motors, Ford Motor Company and certain U.S.-based facilities of Honda, Nissan, Toyota and Subaru.

The Company is also a significant supplier of cold-rolled, enameling grades and coated steel products to the home appliance industry, including manufacturers of refrigerators, dishwashers, stoves, ovens, washers, dryers, air conditioners and plumbing ware. Its technical staff works closely with manufacturers to maximize their effective utilization of the Company's products. One aspect of the Company's strategy is to increase sales to the home appliance market. The Company's primary home appliance customers include American Standard, York International, A.B. Electrolux and Lennox Industries. The Company also supplies appliance manufacturers such as General Electric, Frigidaire, Raytheon (Amana), Whirlpool, Maytag (Magic Chef), Trane, Carrier and Armstrong Air. In addition, the Company sells its products to the domestic metal buildings market which requires galvanized steel principally for roof and building panels.

The Company supplies the distribution and service center markets with hot-rolled, cold-rolled and coated flat-rolled steel. Service centers generally purchase steel coils from the Company and may process them further or sell them directly to third parties without further processing. Contracts are awarded periodically and are primarily based on cost, with quality, delivery and technical services also being factors for winning purchase orders.

The following table sets forth the percentage of the Company's net sales to various markets for each of the past four years.

	1990	1991	1992	1993
Automotive	38%	48%	44%	42%
Appliance, Construction and Manufacturing	21	18	16	14
Distribution and Service Centers	41	34	40	44
	100%	100%	100%	100%

Shipments to General Motors, the Company's largest customer, accounted for approximately 23% of net sales in 1993, 23% in 1992, 27% in 1991 and 23% in 1990. No other customer accounted for more than 10% of the Company's net sales in any of the Company's last four fiscal years.

For information regarding certain services provided by the Company to Armco and Kawasaki, see "Certain Relationships and Related Transactions."

Operations

The Company operates two principal production facilities, the Middletown Works in Middletown, Ohio, located halfway between Dayton and Cincinnati, and the Ashland Works in Ashland, Kentucky, approximately 150 miles away from Middletown. In July 1992, the Company restructured its production operations by moving to 100% continuous casting of molten steel and eliminating its ingot-teeming production. The Company closely coordinates the operations of the Middletown Works and the Ashland Works in order to maintain high operating rates throughout its processing facilities and to minimize redundant capital investments.

The Middletown Works has been the Company's principal facility since its founding over 90 years ago. The Middletown Works includes three coke batteries, one blast furnace, one basic oxygen facility, one continuous caster, one hot-rolling mill, two pickling lines, one cold-rolling mill, two electrogalvanizing lines and three additional coating lines. Following the 1992 shutdowns of its hot-rolling mill and the idling of its cold-rolling mill and pickling line, the remaining steelmaking equipment at the Ashland Works consists of two coke batteries, one blast furnace, one basic oxygen facility, one continuous caster and two coating lines.

The Company's other major investment, in addition to the Middletown Works and the Ashland Works, is its 50% joint venture with Itochu Corporation ("ITOCHU") in SOS. SOS processes various grades and gauges of hot-rolled steel. It purchased approximately 207,000 tons of steel in 1993.

The following table details effective steelmaking capacity, actual production, effective capacity utilization and percentage of steel continuously cast for the Company and the domestic steel industry for the periods indicated.

Raw Steel Production

	Effective Capacity	Actual Production	Effective Capacity Utilization	Percent Continuously Cast
	(thousands of tons)		(%)	(%)
The Company				
1993	3,960	3,601	91%	100%
1992	4,314	3,399	79	90
1991	4,572	3,087	68	80
1990	4,572	3,991	87	54
1989	4,572	4,128	90	39
Domestic Steel Industry*				
1993 (preliminary)	109,900	97,900	89%	85%
1992	113,000	92,949	82	79
1991	118,000	87,896	75	76
1990	117,000	98,906	85	67
1989	116,000	97,943	85	65

* Source: American Iron and Steel Institute.

Raw Materials

Iron ore. The Company's metallic iron requirements are satisfied primarily from iron ore pellets that are produced from a concentration of low-grade ores. The Company purchases approximately three million tons of iron ore pellets annually, which account for approximately 11% of the base manufacturing cost of its steel. Approximately 90% of the iron ore pellets purchased by the Company comes from the Lake Superior district in Minnesota. At present, iron ore pellets are available to the Company from a variety of sources.

Until 1992, the Company purchased approximately one-third of its iron ore requirements from Eveleth Mines, a venture in which the Company has an indirect 35% equity interest, pursuant to an agreement that required all equity participants to purchase their proportionate share of Eveleth Mines' iron ore output. In 1991, the Eveleth partners agreed to suspend this purchase requirement through 1996 (although they remain obligated to pay their proportionate share of Eveleth's fixed costs). In 1992, the Company wrote-off its entire equity investment in Eveleth. However, the Company continues to record and fund its proportionate share of Eveleth's fixed costs which amounts to approximately $12.0 million per year. If Eveleth Mines were shut down, the Company's share of the liabilities therefor could approximate $30.0 million. In connection with the Eveleth venture, the Company is also required to purchase at market price approximately 300,000 tons of iron ore per year from an affiliate of one of the Eveleth partners that itself is not an iron ore consumer.

Cyprus Northshore Mining Corporation ("Cyprus") currently is the Company's largest supplier of iron ore pellets. Pursuant to a recently renegotiated agreement that expires in 1997, the Company is obligated to purchase a minimum of 6.5 million tons of iron ore pellets from Cyprus at annually adjusted prices below or equal to market price. In 1993, the Company purchased approximately 80% of its iron ore pellets from Cyprus.

The Lake Superior iron ore shipping season runs from approximately April to December. During this time, the Company stockpiles iron ore to ensure available stock for its production needs during the winter months (although shortages could be filled by non-Lake Superior sources).

Coal. The Company uses a blend of high volatile metallurgical coal, low volatile metallurgical coal and steam coal in producing its coke, which respectively represent approximately 50%, 30% and 20% of the Company's total coal mix. Coal represents approximately 9% of the base manufacturing cost of the Company's steel.

Since 1984, the Company has purchased all of its high volatile coal (approximately 1.5 million tons annually) from Peabody Coal Company ("Peabody"), which in 1984 purchased the coal producing facilities previously owned by the Predecessor. In connection with that transaction, the Predecessor entered into a ten-year agreement to purchase all of its high volatile coal requirements from Peabody at a fixed price that, in recent years, has been substantially in excess of market prices. In June 1993, the Company and Peabody negotiated a six-year agreement that supersedes the 1984 agreement. The new agreement provides for a fixed market price from February 1994 through February 1996, after which annual price adjustments will be made based on the market price of high volatile coal. Peabody also agreed to a price reduction for the remainder of 1993.

The Company purchases its low volatile coal and steam coal from various sources at competitive prices. The Company is the only North American steel producer to use steam coal, which is less expensive than other categories of coal. In settlement of a dispute with Peabody under the existing requirements contract, the Company is required to pay Peabody $5.75 per ton for each ton of steam coal purchased from third parties (approximately 400,000 to 500,000 tons per year) until February 28, 1994. Adequate sources of all categories of coal used by the Company are available in the market at competitive prices.

Coke. The Company produces coke in sufficient amounts to supply all of its annual requirements and sells any surplus coke to third parties, including other integrated steel producers.

Energy. Energy costs represent approximately 7% of the base manufacturing cost of the Company's steel. Historically, the Company has been adequately supplied at competitive rates with electricity and natural gas and does not expect any curtailment in supply.

Oxygen/Nitrogen/Hydrogen. The Company purchases all of its oxygen, nitrogen and hydrogen requirements, at competitive prices, from suppliers that produce these gasses at dedicated facilities located at the Middletown Works and the Ashland Works.

Other Commodities. Scrap, alloys and other coating materials used in the Company's steel manufacturing operations are bought on the open market at competitive rates. The Company does not foresee any shortage of these materials in the near future. In addition, the Company purchases steel slabs from time to time.

Transportation. Lake Superior district iron ore purchased by the Company is transported across the Great Lakes to Toledo, Ohio, and iron ore and coal are carried via railroad to the Middletown Works and the Ashland Works. These transportation services are provided at prices that have been negotiated under long-term agreements. The Company uses rail shippers and commercial truck operators to deliver its products to its customers. The Company is seeking to increase its usage of rail shippers, which have greater capacity to carry the Company's products and are generally less expensive than commercial trucks.

Research and Development

The Company historically has been a technology leader in steel manufacturing research and development. As part of its new strategy, the Company is focusing its research and development expertise on improving the quality and reducing the costs of its production processes, as well as on specialized customer applications and enhanced technological support. In March 1993, the Company acquired the flat-rolled carbon steel section of Armco's research and technology department. This section employs approximately 30 individuals who coordinate with other production areas to develop new products, improve existing products and develop more efficient operating procedures to meet the constantly increasing demands of the Company's customers. The Company spent $11.9 million, $12.3 million, $11.0 million and $8.4 million for research and development in 1990, 1991, 1992 and 1993, respectively. In addition, the Company participates in various research efforts through the American Iron and Steel Institute (the "AISI").

Capital Improvements

Since the formation of the Partnership in May 1989, the Company has expended approximately $670.0 million (including $591.1 million in plant, property and equipment) toward improving productivity and reducing costs. Major projects included the addition of a second electrolytic galvanizing line at the Middletown Works, major renovation and upgrading of the Middletown hot-rolling mill and installation of pair-cross rolling technology at the Middletown Works, and process control equipment to upgrade finishing capabilities in Middletown. The Company has been able to implement the changes required by its new strategy without significant capital expenditure by better utilizing the investments and improvements made prior to 1992. At December 31, 1993, commitments for capital expenditures totalled $74.8 million.

Patents and Trademarks

The Company has the patents and licenses necessary for the operation of its business as now conducted. The Company does not consider its patents and trademarks to be material to its business.

Employees

At December 31, 1993, the Company had approximately 6,400 active employees. On that date, approximately 21% of such employees were represented by the United Steelworkers of America ("USWA"), 6% by the Oil, Chemical and Atomic Workers ("OCAW") and 56% by the Armco Employee Independent Federation ("AEIF"). The current collective bargaining agreement with the USWA, which covers the Company's steelmaking employees at the Ashland Works, was originally scheduled to expire July 31, 1993 but has been extended indefinitely, subject to the right of either party to terminate the extension upon 72 hours' prior notice. The agreement with the OCAW, which covers coke-making employees at the Ashland Works, was scheduled to expire October 1, 1993 but has been extended to May 1, 1994. The agreement with the AEIF, which represents the Company's hourly employees at the Middletown Works, is scheduled to expire February 28, 1994. No predictions can be made as to the results of the renegotiations of these agreements or the possible effects of the renegotiations upon the Company, although the Company's agreement with the AEIF establishes procedures for revising economic terms upon its expiration and contains a no strike clause that is effective during the negotiation period. See "Business — Employees." The Company considers its relationships with its employees to be satisfactory. See "Certain Considerations — Certain Factors Relating to the Company."

Properties

The Company's principal properties are its corporate headquarters located in Middletown, Ohio, the Middletown Works and the Ashland Works, all of which are owned and together comprise approximately 4,300 acres of land. The Company's facilities are well maintained and are considered adequate and utilized for their intended purposes.

Competition

The Company competes with domestic and foreign flat-rolled carbon steel producers and producers of plastics, aluminum and other materials that can be used in place of flat-rolled carbon steel in manufactured products. Price, service, delivery and quality are the primary competitive factors faced by the Company, and vary in importance according to the category of product and type of customer in question.

Imports. Domestic steel producers face significant competition from foreign producers who typically have lower labor costs. In addition, many foreign steel producers are owned, controlled or subsidized by their governments and their decisions with respect to production and sales may be influenced more by political and economic policy considerations than by prevailing market conditions. Some foreign producers of steel and products made of steel have continued to ship into the United States market despite decreasing profit margins or losses. VRAs covering 28 foreign countries, which had limited steel imports into the United States market, expired on March 31, 1992.

On June 30, 1992, the Company joined other U.S. steel producers in the Trade Proceedings before the Commerce Department and the ITC. Unfair trade petitions were filed against foreign steel companies alleging widespread subsidization of steel exports to the United States, as well as the sale of dumped steel. In all, 84 cases were filed against unfairly traded imports from 21 countries. On August 21, 1992, the ITC made affirmative preliminary determinations in 72 of the cases (affecting 95% of the volume of imports alleged to have been unfairly traded), finding that there was a reasonable indication that the domestic steel industry had been materially injured or was threatened with material injury by the imports in question. On June 22, 1993, the Commerce Department reached a final determination that foreign producers from 12 countries had unfairly benefited from government subsidies and that certain steel producers from 19 countries had unlawfully dumped steel and steel products in the U.S. market. On July 27, 1993, the ITC made final injury determinations, that were substantially less favorable to the Company and the other U.S. steel producers. The ITC found no injury with regard to hot-rolled products, and varying degrees of injury with respect to the activities of certain foreign producers of cold-rolled and coated products. Management believes the impact of these determinations will be less detrimental to the Company because of their concentration on cold-rolled, corrosion-resistant and coated steels, than to producers having higher concentrations of the more common grades of steel. Anti-dumping and countervailing duties might be imposed against those imports for which the ITC made a final affirmative injury determination. These duties are designed to offset "dumping" and the advantages of foreign subsidies and create a "level playing field" for domestic producers in the U.S. market. The Company and other U.S. steel producers have appealed certain of the ITC's determinations to the United States Court of International Trade, and foreign steel producers have appealed certain other of the ITC's determinations, as well as certain of the Commerce Department's determinations.

Steel imports as a percentage of apparent domestic consumption, including semifinished steel, have been approximately 18% in each of 1990, 1991 and 1992 and the ten months ended October 31, 1993, below the maximum levels permitted under the then-existing VRAs. Attractive world export prices, favorable U.S. dollar exchange rates and the improved international competitiveness of the domestic steel industry have all been factors in reducing import levels below the maximum permitted under the then-existing VRAs. If the Trade Proceedings ultimately do not provide relief from unfairly traded imports, if other relevant U.S. trade laws are weakened, if world demand for steel eases or if the U.S. dollar strengthens an increase in the market share of imports may occur which may adversely affect the pricing of the Company's products.

Domestic Steel Industry. The domestic steel industry is a highly competitive cyclical business. Despite significant reductions in raw steel production capability by major domestic producers over the last decade, the domestic industry continues to be adversely affected by excess world capacity that has hindered broad base price increases. Over the last decade, extensive downsizings have necessitated costly restructuring charges that, when combined with highly competitive market conditions, have resulted in substantial losses for most domestic integrated steel producers.

In addition to the other integrated steel producers, competition is presented by the so-called "mini-mills," which generally have smaller, non-unionized work-forces and are free of many of the employer, environmental and other obligations that traditionally have burdened integrated steel producers. Mini-mills also derive certain competitive advantages by utilizing less capital intensive sources of steel production. At least one of these mini-mills is already producing flat-rolled carbon steel products while others have considered doing the same. In future years, mini-mills may provide increased competition in the higher quality, value added product lines now dominated by the integrated steel producers.

Alternative Materials. In the case of many product applications, steel competes with other materials including plastics, aluminum, graphite composites, ceramics, glass, wood and concrete. The Company believes that steel has a distinct cost advantage over other materials of comparable strength and durability. In addition, the recyclability of steel provides a competitive advantage over many other materials.

Legal Proceedings

The Company and its subsidiaries are parties to various legal proceedings that are considered to be ordinary routine litigation incidental to the Company's business and not material to its consolidated financial position, results of operations or cash flows.

Environmental Matters

Domestic steel producers, including the Company, are subject to stringent federal, state and local laws and regulations relating to the protection of human health and the environment. The Company, like other domestic steel producers, has expended, and can be expected to expend in the future, substantial amounts for compliance with these environmental laws and regulations. Capital expenditures for environmental remediation and protection for 1993 totalled $16.4 million, and are estimated to amount to approximately $24.2 million for 1994. In addition, the Company made payments for environmental compliance of approximately $38.3 million for 1993 and expects to make payments of approximately $39.9 and $41.5 million for 1994 and 1995, respectively. Because environmental laws are becoming increasingly more stringent, the Company's capital expenditures relating to environmental controls and costs for environmental compliance are likely to increase in the future. In addition, unanticipated factual or regulatory developments could affect the currently anticipated amount and timing of future environmental expenditures and compliance costs.

The Clean Air Act Amendments of 1990 (the "CAAA" or "Amendments") impose new standards designed to reduce air emissions. The Amendments will directly affect many of the Company's ongoing operations, particularly its coke oven batteries. The Company estimates that through December 31, 1995, it will incur approximately $51.0 million in additional capital costs to bring certain of its coke oven batteries into compliance with CAAA requirements. The Company believes that the costs of complying with the Amendments will not have a material adverse effect on its financial condition, results of operations or cash flows.

Federal regulations promulgated pursuant to the Clean Water Act impose categorical pretreatment limits on the concentrations of various constituents in coke plant wastewaters prior to discharge into publicly owned treatment works ("POTW"). Due to concentrations of ammonia and phenol in excess of these limits at the Middletown Works, the Company, through the Middletown POTW, petitioned the United States Environmental Protection Agency (the "EPA") for "removal credits," a type of compliance exemption, based on the Middletown POTW's satisfactory treatment of the Company's wastewater for ammonia and phenol. The EPA declined to review the Company's application on the grounds that the EPA had failed to promulgate new sludge management rules. As a result of the EPA's refusal, the Company sought and obtained from the Federal District Court for the Southern District of Ohio an injunction prohibiting the EPA from instituting enforcement action against the Company for noncompliance with the pretreatment limitations, pending the EPA's promulgation of the applicable sludge management regulations. Although the Company is unable to predict the outcome of this matter, if the EPA eventually refuses to grant the Company's request for removal credits, the Company could incur additional costs to construct pretreatment facilities at the Middletown Works. The Company believes those costs would not have a material adverse effect on its financial condition, results of operations or cash flows.

A similar problem exists at the Ashland Works with respect to discharges of ammonia. The Company believes it will obtain removal credits on account of the promulgation of sludge management rules for ammonia, and consequently does not expect any adverse consequences.

The Company operates an on-site landfill for the disposal of various sludges and dusts, principally resulting from air and water pollution treatment systems at the Middletown Works. These materials are currently considered non-hazardous wastes. The Company currently intends, subject to approval by the Ohio

Environmental Protection Agency (the "Ohio EPA"), to expand the present landfill, which is expected to reach capacity in the next eight to nine years. Based on current projections, the Company estimates that the design and construction of the expansion, which is slated to begin in mid-1994 with an anticipated completion date of January 1, 1996, will cost approximately $6.2 million. If the expansion is not approved by the Ohio EPA, the Company may incur increased disposal costs due to the need for off-site disposal. The Company believes these costs would not have a material adverse effect on its financial condition, results of operations or cash flows.

Environmental Remediation

The Company and its predecessors have been conducting steel manufacturing and related operations for over 90 years. Although the Company believes that its predecessors utilized operating practices that were standard in the industry at the time, hazardous materials may have been released in or under currently- or previously-operated sites. Consequently, the Company may be required to remediate contamination at some of these sites. Although the Company does not have sufficient information to estimate its potential liability in connection with any potential future remediation, it believes that if any such remediation is required, it will occur over an extended period of time.

Pursuant to the Resource Conservation and Recovery Act ("RCRA"), which governs the treatment, handling and disposal of hazardous waste, the EPA and authorized state environmental agencies may conduct inspections of RCRA-regulated facilities to identify areas where there have been releases of hazardous waste or hazardous constituents into the environment and order the facilities to take corrective action measures to remediate such releases. In February and August of 1991, both the Middletown Works and the Ashland Works were subject to RCRA inspections by environmental regulators. Neither the EPA, which inspected the Middletown Works, nor the Kentucky Department of Environmental Protection (the "DEP"), which reviewed the Ashland Works, has issued the results of their inspections. While the Company cannot predict with any accuracy the future actions of the agencies, the potential exists for the EPA and/or the DEP to require the Company to take corrective action at these facilities. As a result, the Company could incur significant costs in implementing agency directives. The Company does not believe, however, that these costs would have a material adverse effect on its financial condition, results of operations or cash flows.

Under the authority of the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), EPA and state environmental authorities have conducted site investigations at certain of the Company's facilities, portions of which previously had been used for disposal of tar decanter sludge. While the results of these investigations are still pending, the Company could, in the future, be directed to incur costs for remedial activities at the former disposal areas. Given the uncertain status of these investigations, however, the Company currently is unable to predict if and when such costs might arise or their magnitude.

The Company also anticipates certain expenditures for environmental matters involving Eveleth. However, the Company is potentially liable for only 35% of any environmental costs arising at the Eveleth mining complex, including any future reclamation costs. The Company does not believe that environmental expenditures related to Eveleth's operations will have a material adverse effect on its financial condition, results of operations or cash flows.

Environmental Proceedings

In addition to the foregoing matters, the Company is or may be involved in legal proceedings with various regulatory authorities that may require the Company to pay fines relating to violations of environmental laws and regulations, comply with more rigorous standards or other requirements, and incur capital and operating expenses to meet such obligations.

The Company is in the process of finalizing settlement negotiations with the Ohio EPA that will resolve two separate air-related enforcement matters. One of these matters arose from occasionally exceeding Ohio's air emission standards for coke oven batteries as a result of leaking doors and other fugitive emissions at the Middletown Works. Although the Company implemented improved work practices and took other measures to eliminate these excess emissions, the Ohio EPA sought monetary penalties based on past, self-reported violations. In addition, in January 1992, the Company received a draft Findings and Orders letter from the Ohio EPA alleging that the Company had operated two blast furnaces at an idled plant without approved air permits during various periods from 1980 through 1990. As a result of recent negotiations with the Ohio EPA, the Company anticipates settling both enforcement actions by agreeing to install a flame suppression system, an additional form of environmental control technology, at the blast furnace at the Middletown Works and by paying a nominal penalty. Flame suppression, which is otherwise not required under applicable environmental law, will reduce particulate emissions from the furnace. The Company does not believe that the pending settlement of these matters, nor any alternative resolution of these alleged violations, whether by litigation or settlement, will have a material adverse effect on the Company's financial condition, results of operations or cash flows.

Under the authority of CERCLA, EPA Region IV and the DEP's Division of Waste conducted a comprehensive review of the waste management control systems and handling practices at the Ashland Works coke department and steel making facility in July, August and September of 1991. As a result of this inspection, the Kentucky Natural Resources and Environmental Protection Cabinet instituted an administrative proceeding against the Company in November 1993, alleging certain regulatory violations concerning the coke department. The Company believes it is in compliance with the regulatory requirements identified in the complaint and intends to vigorously contest these allegations. To date, the EPA has not indicated whether it will seek additional penalties for these or other alleged violations as a result of the above inspection. The Company does not believe that any monetary sanctions, should they be imposed, would have a material adverse effect on its financial condition, results of operations or cash flows.

In March 1991, the Ohio EPA notified the Company that it had referred to the Ohio Attorney General for potential enforcement action certain alleged violations of Ohio's hazardous waste regulations at the Middletown Works. Although the Company believes it has a strong basis for contesting the alleged violations, it is in the process of negotiating with the Ohio Attorney General a consent order addressing the State's concerns. The Company believes that the potential fines and compliance costs resulting from this consent order would not have a material adverse effect on the Company's financial condition, results of operations or cash flows.

In November 1993, the Company's Ashland Works received a series of citations from the Kentucky Labor Cabinet, which alleged various violations of worker health and safety regulations promulgated under the Kentucky Occupational Safety and Health Act. The Company is contesting the citations and the proposed penalties and believes that any fines ultimately resulting from this matter will not have a material adverse effect on the company's financial condition, results of operation or cash flows.

CERCLA Proceedings

CERCLA is a federal statutory scheme designed to identify and then ensure the necessary funding for cleanup of hazardous waste sites. CERCLA authorizes the government and private entities to sue potentially responsible parties ("PRP"s) for cleanup costs at such sites. While the courts have construed liability under CERCLA as joint and several without regard to fault, liability is often apportioned among PRPs based on the volume and/or toxicity of the wastes disposed by each PRP.

On December 5, 1986, Armco received notification from the EPA advising that it was being considered as a PRP at the Maxey Flats Nuclear Disposal Site near Morehead, Kentucky. Records from the landfill indicated that the Ashland Works had sent approximately 120 cubic feet of material to the site. The Company has been identified as de minimis contributor to the Maxey Flats site, and as a result, anticipates that it will be able to resolve its liability for a nominal amount.

MANAGEMENT

Directors and Executive Officers

At present, Thomas C. Graham, James F. Will and Kanji Emoto are directors of Holding and AK Steel, and John B. Corey, David G. Harmer, Kinya Yamaguchi and Tadaaki Yanazawa also are directors of AK Steel. It is anticipated that, at or prior to completion of the Recapitalization, four additional independent directors will be added to Holding's Board of Directors and Messrs. Corey, Harmer, Yamaguchi and Yanazawa will resign as directors of AK Steel. The executive officers of Holding and AK Steel are identical. The names and ages of the persons who are directors and executive officers of Holding and AK Steel and the positions of these persons with the Company are set forth below. Information concerning the principal occupations or employments of these persons during the past five years (if different) and certain other information is set forth under "Business Experience."

Name	Age	Position
Thomas C. Graham	66	Chairman of the Board and Chief Executive Officer of Holding and AK Steel
James F. Will	55	Director of Holding and AK Steel
Kanji Emoto	57	Director of Holding and AK Steel
John B. Corey..............	51	Director of AK Steel
David G. Harmer...........	50	Director of AK Steel
Kinya Yamaguchi...........	59	Director of AK Steel
Tadaaki Yanazawa..........	63	Director of AK Steel
Richard M. Wardrop, Jr.	48	President and Chief Operating Officer
Mark G. Essig	36	Executive Vice President — Commercial
Mark W. Kontos	43	Vice President — Finance, Chief Financial Officer and Treasurer
Randall F. Preheim	47	Vice President, General Counsel and Secretary
Patrick J. Piccioni	47	Vice President and Assistant to the President
David F. Alexander	54	Vice President — Research and Design Engineering
Edward L. Hare............	46	Controller

In addition, Holding and Kawasaki are negotiating an agreement pursuant to which, for so long as Kawasaki beneficially owns an agreed upon minimum percentage of the outstanding shares of Common Stock, Holding will take all action necessary to nominate and support the nomination of one person designated by Kawasaki for election as a director of Holding and to solicit proxies in favor (and otherwise recommend to stockholders) the election of such nominee as a director. See "Certain Relationships and Related Transactions." Mr. Emoto is Kawasaki's initial designee to Holding's Board of Directors.

Business Experience

Thomas C. Graham, who has 47 years of experience in the steel industry, has been a Director, President and Chief Executive Officer of the Partnership since June 1992. Prior to joining the Partnership, Mr. Graham served from July 1991 to May 1992 as Chairman and Chief Executive Officer of Washington Steel Corporation, a privately held specialty steel producer, and headed its successful turnaround and eventual sale to Lukens, Inc. in April 1992. From October 1990 to May 1991, Mr. Graham served as President, Steel and Diversified Group of USX Corporation. Mr. Graham also served as Vice Chairman and Chief Operating Officer, Steel and Related Resources of U.S. Steel Corporation from 1983 to October 1990 and as a director of U.S. Steel Corporation. Mr. Graham served as Chairman of the AISI from 1986 to May 1989, and, since February 1991, has been a principal investigator for the Sloan Foundation's study of the competitiveness of the American steel industry. He has been a director of International Paper Company since 1986 and a director of Hershey Foods Corporation since April 1989.

James F. Will has been a Director of the Partnership since May 1992 and Chairman since June 1992. Mr. Will was named President and Chief Executive Officer of Armco in December 1993, having been its President and Chief Operating Officer since April 1992. Mr. Will served as President and Chief Executive Officer of Cyclops Industries, Inc. from January 1989 to March 1992 and as President and Chief Operating Officer of that Company from 1986 to December 1988. Mr. Will has been a Director of Armco since April 1992 and a Director of Allegheny Corporation since January 1992.

Kanji Emoto has been a Director of the Partnership since June 1992. Mr. Emoto has been a Managing Director of Kawasaki since June 1991 and was a Director of Kawasaki from June 1988 to May 1991. Prior to that time Mr. Emoto held various management positions with Kawasaki.

John B. Corey has been a director of the Partnership since March 1989. Mr. Corey was appointed Assistant to the President of Armco in July 1992. Prior to that time, Mr. Corey was named to Armco's General Management Group in 1985 and served from March 1991 until July 1992 as Corporate Director — Business Development and from 1986 to March 1991 as Corporate Director — Corporate Strategy & Development.

David G. Harmer has been a director of the Partnership since March 1993. Mr. Harmer was named Corporate Vice President and Chief Financial Officer of Armco in April 1993. From 1987 until April 1993, Mr. Harmer served as Corporate Controller of FMC Corporation.

Kinya Yamaguchi has been a director of the Partnership since March 1992. Mr. Yamaguchi has been a Managing Director of Kawasaki since June 1993 and was a Director of Kawasaki from June 1990 until June 1993. He was named General Manager, Corporate Planning of Kawasaki in September 1988.

Tadaaki Yanazawa has been a director of the Partnership since June 1992. Mr. Yanazawa has been a Senior Managing Director of Kawasaki since June 1990 and was a Managing Director of Kawasaki from 1987 until June 1990. He was named an Executive Vice President of Kawasaki in June 1992.

Richard M. Wardrop, Jr. has been Vice President — Manufacturing of the Partnership since June 1992 and will become President and Chief Operating Officer of the Company upon completion of the Recapitalization. He has been employed in the steel industry for more than 24 years. Prior to joining the Partnership, Mr. Wardrop served from January 1992 to May 1992 as Corporate Vice President, Engineering & Purchasing, for Washington Steel Corporation. Mr. Wardrop was Consultant to the President for Quigley Company, Inc., a subsidiary of Pfizer, Inc., from July 1990 to December 1991. He was General Manager, Mon Valley Works, U.S. Steel Corporation, from February 1988 to June 1990, and Plant Manager, Primary Operations, Flat Rolled Products Group, U.S. Steel Corporation from 1986 to June 1990.

Mark G. Essig, who began his steel industry career in October 1988, joined the Partnership in August 1992 as Vice President, Employee Relations and Assistant to the President. In April 1993 Mr. Essig was named Vice President, Sales and Marketing, and he will become Executive Vice President — Commercial upon completion of the Recapitalization. Mr. Essig was Vice President and Chief Financial Officer of Washington Steel Corporation from July 1991 to June 1992. He was Vice President, Finance and Administration of Washington Steel Corporation from July 1989 to June 1991 and mill group controller from November 1988 to June 1989. From 1986 to October 1988, Mr. Essig operated a management consulting firm specializing in structuring turnarounds for manufacturing companies.

Mark W. Kontos has been Vice President — Finance, Chief Financial Officer of the Partnership since June 1993 and will become Vice President, Chief Financial Officer and Treasurer upon completion of the Recapitalization. Prior to joining the Partnership, Mr. Kontos was a Vice President of Citibank/Citicorp in New York where he had worked since 1978. He was Vice President, Institutional Recovery Management for Citibank from June 1989 to July 1993, where he was responsible for restructuring troubled companies, and was Vice President, World Corporation Group, Chemicals Department of Citibank/Citicorp from 1986 to June 1989.

Randall F. Preheim has been General Counsel and Secretary of the Partnership and the Predecessor since February 1989, and Vice President since January 1993, and he will continue in this position with the

Company. In addition to legal matters, Mr. Preheim is responsible for human resources, industrial relations, purchasing and transportation and environmental affairs. From August 1988 to February 1989, Mr. Preheim was Division Counsel for Armco. He was Vice President and General Counsel for the Armco Financial Services Group from 1986 to July 1988.

Patrick J. Piccioni has been a Vice President of the Partnership and the Predecessor since 1985. He has been Vice President and Assistant to the President of the Company since June 1993, responsible for public affairs, communications, administrative services, divestments and subsidiary company activities, and he will continue in this position with the Company. From May 1989 to June 1993, Mr. Piccioni was Vice President — Finance and Chief Financial Officer of the Partnership.

David F. Alexander has been Vice President — Research and Design Engineering for the Partnership since April 1993 and will continue in this position with the Company. From August 1992 to April 1993 he was Vice President, Design Engineering and from August 1990 to July 1992 he was Assistant to the President of the Partnership. From 1965 to August 1990, Mr. Alexander served in various engineering and maintenance management positions at the Ashland Works.

Edward L. Hare has been Controller of the Partnership since June 1989 and will continue in this position with the Company. From 1972 to May 1989, Mr. Hare held various management positions in internal auditing, finance and accounting for Armco.

Compensation of Directors

Following completion of the Recapitalization, each non-employee director will receive an annual fee of $20,000 for service on the Board of Directors, one-half of which will be paid in shares of Restricted Stock (see "AK Steel Holding Corporation 1994 Share Incentive Plan" below) and the remainder will be paid, at the director's option, in cash or shares of Restricted Stock. Each chairperson of a committee of the Board of Directors will receive an additional fee of $2,500 per year. Non-employee directors also will be paid a fee of $1,000 for attendance at each meeting of the Board of Directors and $500 for each committee meeting attended. Officers of the Company will not receive any additional compensation for serving as directors. All directors will be reimbursed for expenses incurred in attending Board and committee meetings. Non-employee directors will be required to retire from the Board at age 70 but will be entitled to an annual retainer equal to the annual fee payable to a director at the time of such retirement provided that he or she is available to the chairman on a consulting basis. Each non-employee director also will be granted options under the Company's 1994 Stock Incentive Plan to purchase a total of 5,000 shares of Common Stock upon his or her initial election to the Board.

The Company intends to obtain directors and officers liability insurance in connection with the Offerings.

Committees of the Board of Directors

The Board of Directors intends to establish an Audit Committee and a Compensation Committee within 30 days after consummation of the Recapitalization consisting of independent directors. The Board may establish such additional committees as it deems advisable.

The Audit Committee will recommend to the Board of Directors the appointment of the independent public accountants of the Company, review and approve the scope and fees of the annual audit and review the results thereof with the Company's independent accountants. The Audit Committee will also assist the Board in fulfilling its fiduciary responsibilities relating to accounting and reporting policies, practices and procedures, and will review the continuing effectiveness of the Company's business ethics and conflicts of interest policies.

The Compensation Committee will review and recommend to the Board of Directors compensation of the principal officers, review the duties and responsibilities of the Company's principal officers, review compensation and personnel policies, administer the Company's Stock Incentive Plan (as described below) and certain other employee benefit plans, and review and make recommendations to the Board with respect to the Company's incentive compensation plans, pension and savings plans and its employee retirement and benefit policies and plans.

Executive Compensation

Summary of Compensation

Set forth below is a summary of information with respect to 1993 compensation of the Company's chief executive officer and the four other most highly compensated executive officers who were serving as executive officers of the Company on December 31, 1993.

Summary Compensation Table

Name and Principal Position	Year	Salary $	Bonus $ (1)	All Other Compensation (2) $
Thomas C. Graham .... President and Chief Executive Officer	1993	250,008	[*](3)	11,915
Fumiya Yanagishima .... Executive Vice President	1993	175,008	87,584	21,779
Richard M. Wardrop, Jr. .... Vice President — Manufacturing	1993	175,002	87,501	12,530
Mark G. Essig.. Vice President — Sales & Marketing	1993	165,003	82,502	12,364
David F. Alexander .... Vice President — Research and Design Engineering	1993	147,507	73,751	6,075

* To be supplied by amendment.

(1) Bonuses for all named officers other than Mr. Graham are payable on or before February 28, 1994.

(2) The amounts shown in this column were derived from the following figures: (i) for Mr. Graham, $11,315 was attributed to him for imputed income arising out of a Company provided life insurance plan; (ii) for Mr. Yanagishima, $1,579 was attributed to him for imputed income arising out of a Company provided life insurance plan, $200 was reimbursed to him pursuant to a Company provided medical plan and $20,000 was paid to him to compensate him for the difference in salary between what he would have earned at Kawasaki and what he earned with the Company; (iii) for Messrs. Wardrop and Essig, $1,030 and $364, respectively, were attributed to them for imputed income arising out of a Company provided life insurance plan and $11,500 and $12,000, respectively were attributed to them as an automobile allowance; (iv) for Mr. Alexander, $1,412 was attributed to him for imputed income arising out of a Company provided life insurance plan, $200 was reimbursed to him pursuant to a Company provided medical plan and $4,463 was paid to him pursuant to a restricted stock plan of Armco.

(3) Mr. Graham's bonus is expected to be paid in cash and shares of Common Stock in accordance with a formula to be determined.

Employment Contract

Upon completion of the Recapitalization, the Company and Mr. Graham intend to enter into a new employment agreement with a one year term, automatically renewable for successive one year terms unless either party gives 90 days' advance notice not to renew. The contract will provide for an annual base salary of $450,000, subject to increase at the discretion of the Board of Directors. If certain performance targets are achieved, Mr. Graham will be eligible for a bonus equal to 50% of his annual salary, as determined by the Board of Directors. Pursuant to the employment agreement, upon completion of the Recapitalization, Mr. Graham will be granted options under the Company's 1994 Stock Incentive Plan to purchase a total of 350,000 shares of Common Stock at the initial public offering price, which options will vest one year after grant and will expire after ten years. Vesting of the options will accelerate upon Mr. Graham's death, disability, involuntary termination without cause or termination with the Company's consent. Mr. Graham will be entitled to exercise the options for six years after the date he ceases to be a member of the Board of Directors. Pursuant to the employment agreement, Mr. Graham also will be issued 150,000 restricted stock units, all of which will vest upon his 70th birthday. Mr. Graham has agreed to remain affiliated with the

Company until his 70th birthday. Vesting of the units will accelerate upon Mr. Graham's death, disability or involuntary termination without cause (to be defined in the employment agreement). Mr. Graham may elect to accumulate and reinvest any dividends on a pre-tax basis. The employment agreement also provides for Mr. Graham's use of a Company leased automobile, Company air travel and participation in the Company's employee benefit plans and programs. If Mr. Graham's employment is terminated within the first year of the employment agreement for any reason other than cause, he will receive the balance of payments due for that year.

Severance Arrangements

Upon completion of the Recapitalization, each of the Company's officers (other than Mr. Graham) and certain other key managers will be covered by severance agreements which provide for severance payments and certain other benefits in the event of a diminution of the covered employee's salary or responsibility or a termination of such employee's employment other than for cause as defined in the agreements. Upon the occurrence of an event which triggers these benefits, a covered employee would be entitled to (i) a lump sum severance payment equal to 24 months' pay for the president and any vice presidents and 18 months' pay for other covered employees ("the severance payment period"); (ii) a lump sum payment under the Annual Management Incentive Plan for the relevant severance payment period based upon the actual payment under that plan for the year preceeding the triggering event; (iii) the immediate lapse of all restrictions related to Restricted Stock granted under the Company's 1994 Stock Incentive Plan; (iv) the right to exercise any stock options granted under that plan within three years from the date of termination; and (v) coverage under the Company's welfare benefit plans (including life, health and other insurance benefits) during the severance payment period.

Annual Management Incentive Plan

The Company established the Annual Management Incentive Plan effective January 1, 1993. Under the plan, full-time management employees whose participation has been approved by the chief executive officer can qualify to receive an incentive award. The award comprises two components: operating results based upon Company performance, weighted at 75% of the total award and individual performance based upon accomplishment of specific objectives, weighted at 25% of the total award. Aggregate awards can range from 0% to 50% of base salary. Awards for 1993 will be paid on or before the last working day of February 1994.

AK Steel Holding Corporation 1994 Stock Incentive Plan

On January 13, 1994, the stockholders of the Company approved the AK Steel Holding Corporation 1994 Stock Incentive Plan (the "SIP"). The SIP, which is to be administered by the Compensation Committee, permits the grant of Nonqualified Stock Options (excluding incentive stock options as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the "Code")) and Restricted Stock, to directors and to executive and key management employees of the Company.

A total of 2,300,000 shares of Common Stock of the Company is available under the SIP, subject to anti-dilution adjustment in the event of a merger, recapitalization or other change in corporate structure. Grants of stock options exercisable for up to 1,916,667 shares will be made by means of, and be subject to the terms of, an Award Agreement specifying the option price, duration, number of shares subject to the option and conditions of exercise. The option price may be not less than the fair market value of a share on the date of the grant. Awards may not be exercised during the first six months following the date of grant (or such longer period as may be specified in the Award Agreement) or after the tenth anniversary of the date of grant. Payment upon exercise may be made in cash or its equivalent or by tendering shares held for at least six months. Cashless exercises will be permitted if in accordance with Regulation T of the Federal Reserve Board and applicable securities laws. Awards of up to 383,333 shares of Restricted Stock will be made by means of and subject to the terms of an Award Agreement specifying the number of shares of Restricted Stock. Restrictions on the transfer of shares of Restricted Stock will lapse as to 25% of the shares on each of the second, third, fourth and fifth anniversary of the date of grant. In all cases, the Compensation Committee will retain the right to accelerate the exercisability of an option and to waive restrictions in respect of

Restricted Stock. The Company expects to award to each SIP participant one share of Restricted Stock for every five shares subject to options. Upon his or her election to the Board, each non-employee director will be awarded options under the SIP to purchase 5,000 shares. In addition, one-half of each non-employee director's annual fee for service on the Board will be paid in shares of Restricted Stock and the remainder will be paid, at the director's option, in cash or shares of Restricted Stock.

A stock option will expire upon voluntary termination of employment or involuntary termination for cause. The award will remain exercisable for three years following the date of an optionee's death, retirement, disability or involuntary termination for reasons other than cause or retirement. Restricted Stock awards will be forfeited upon termination of employment for reasons other than retirement, death or disability or as provided in the severance agreements described above.

On , 1994, grants totalling shares of Common Stock were made under the SIP to Mr. Graham and other key management members. It is expected that the grants to management members will be in the aggregate approximately % of the outstanding shares of the Company following the Recapitalization.

Pension Plans

The following table shows the maximum annual pension benefits payable under the Company's Noncontributory Pension Plan (the "Pension Plan") as in effect for both corporate staff and employees of the Company as of January 1, 1993 before applying the maximum limitations of the Code and before reduction for 50% of the social security benefit received at retirement.

Average Annual Earnings During Highest 5 Consecutive Years In Last 10 Years of Service	Annual Regular Pension Benefits for Years of Service Shown					
	5 Years	10 Years	15 Years	20 Years	30 Years	40 Years
$100,000	$ 7,875	$ 15,750	$ 23,625	$ 31,500	$ 47,250	$ 63,000
200,000	15,750	31,500	47,250	63,000	94,500	126,000
300,000	23,625	47,250	70,875	94,500	141,750	189,000
400,000	31,500	63,000	94,500	126,000	189,000	252,000
500,000	39,375	78,750	118,125	157,500	236,250	315,000
600,000	47,250	94,500	141,750	189,000	283,500	378,000
700,000	55,125	110,250	165,375	220,500	330,750	441,000
800,000	63,000	126,000	189,000	252,000	378,000	504,000

The Pension Plan provides a lifetime income upon an employee's retirement at or after having attained age 65 and having completed at least five years of service, or upon an earlier date if various stated conditions are satisfied. If an employee's most recent date of hire was before January 1, 1992, the employee's pension accrues under one of three basic formulas, the higher of which establishes the employee's monthly pension benefit entitlement (the "Pension Provisions"). If the employee's date of hire is on or after January 1, 1992, the employee's pension accrues under an alternate cash balance formula (the "Cash Balance Provisions"). Both formulas are described below. Benefits paid under the Pension Provisions are subject to reductions for (i) amounts paid under other Company pension plans (excluding amounts attributable to contributions made by the employee); (ii) amounts paid due to discharge, liquidation, dismissal or severance allowance; (iii) amounts paid on account of injury or occupational disease incurred in the course of employment with the Company pursuant to Workers' Compensation or other law; and (iv) one-half of the social security benefits received at age 62.

Under the Pension Provisions, which are applicable to Mr. Alexander and most of the other officers, key management members and employees, an employee's average pensionable earnings is determined based upon the highest 60 consecutive months of service during the last 120 consecutive months of service (based upon the 12 months' periods ending on the last day of the month in which retirement becomes effective). Pensionable earnings includes base salary, bonuses, and, for years prior to 1992, Company contributions to the

Company's L.P. Thrift Plan for Nonrepresented Employees and income imputed by reason of life insurance benefits provided by the Company.

Mr. Alexander has 29 years of credited service. If his employment were continued until mandatory retirement at age 65 at the 1992 rate of remuneration, Mr. Alexander would receive a yearly pension of $84,336. Messrs. Graham, Yanagishima, Wardrop and Essig are not eligible for benefits under the Pension Provisions.

Under the Cash Balance Provisions, which are applicable to Messrs. Graham, Wardrop, Essig and other employees hired on or after January 1, 1992, employees have an account that accumulates credits based upon length of service in accordance with the following table:

Years of Service	Pay-Base Credit
One, but less than 10	2.0% of Pay
10, but less than 20	2.5% of Pay
20, but less than 25	3.0% of Pay
25, but less than 30	3.5% of Pay
30 and above	4.0% of Pay

For this purpose, pay includes base salary, bonus and incentive pay and overtime. Annual interest credits are made to each account at the beginning of each year based upon the previous year's balance. The rate is based upon the preceding year's average rate for one-year Treasury Bills. Accounts vest in five years and are payable in a lump-sum, as a lifetime annuity or as a joint and survivor annuity commencing upon retirement on or after age 65. Messrs. Graham, Wardrop and Essig have 1.7, 1.5 and 1.4 years of credited service, respectively. If each works until the later of age 65 or the completion of 5 years of credited service at the 1993 rate of remuneration, they would receive a lump sum payment of $16,577, $92,667 and $242,613 respectively. Benefits paid under the Cash Balance Provisions are not subject to reduction for social security or other payments received by the employee.

In the case of both the Pension Provisions and the Cash Balance Provisions, compensation in excess of $228,860 ($150,000 in 1994, as adjusted from year to year by the Secretary of the Treasury) must be disregarded and pension benefits may not exceed the value permitted under Section 415 of the Code.

The AK Steel Holding Corporation Executive Minimum and Supplemental Retirement Plan (the "MRP") provides a supplemental pension benefit to selected officers and members of key management whose pension under the Pension Plan is limited by the Code provisions or by reason of short service with the Company. The MRP provides that the aggregate pension benefit for an elected officer will be not less than 45% of the officer's average annual earnings determined under the Pension Plan provisions discussed above. The aggregate pension includes the pension payable under the Pension Plan, and any pension benefit paid or payable by any former employer, with benefits generally commencing upon retirement under the Pension Plan in most cases. An officer who retires prior to attaining age 62 will not receive an MRP 45% pension benefit supplement until attaining age 62. MRP benefits are payable from the general assets of the Company. The MRP was amended effective as of January 1, 1994 to provide for a "rabbi trust" to secure benefit payments and to provide for supplemental thrift plan contributions prohibited by Code restrictions on compensation and maximum benefits. If Messrs. Wardrop, Essig and Alexander continue their employment to age 65, at their 1993 rate of remuneration, Messrs. Wardrop and Essig would qualify for a monthly pension under the MRP of $6,887 and $4,420, respectively, and Mr. Alexander would not qualify.

OWNERSHIP OF COMMON STOCK

The following table sets forth, as of the date of this Prospectus (after giving effect to the Recapitalization and based upon an assumed initial public offering price of $20 per share), certain information with respect to the beneficial ownership of the Common Stock by each person known by the Company to own beneficially more than five percent of the Common Stock, by each director of the Company, by each executive officer named in the table on page 46 and by all directors and executive officers of the Company as a group.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
AK Steel Corporation Master Pension Trust 703 Curtis Street Middletown, Ohio 45043	2,500,000	10.7
Kawasaki Steel Corporation* Hibiya, Kokusai Building 2-3, Uchisaiwaicho, 2-Chome Chiyoda-Ku, Tokyo 100 Japan	5,023,297	21.6
Thomas C. Graham		
James F. Will		
Kanji Emoto		
John B. Corey		
David G. Harmer		
Kinya Yamaguchi		
Tadaaki Yanazawa		
Fumiya Yanagishima		
Richard M. Wardrop, Jr.		
Mark G. Essig		
David F. Alexander		
All directors and executive officers as a group (persons)		

* Includes shares owned by subsidiaries

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CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

During 1990, 1991, 1992 and 1993, the Company was party to certain transactions with Armco, Kawasaki, and their affiliates, consisting of charges to and from the Company for various services rendered, as follows:

Services provided to Armco and affiliates by the Company:

	1990	1991	1992	1993
Data processing	$ 4.9	$ 3.6	$ 3.1	$ 1.4
Administrative and accounting	2.4	1.9	0.9	0.7
Processing and conversion	0.6	0.9	4.6	13.3
Purchasing and selling	0.3	0.2	0.1	—
Total	$ 8.2	$ 6.6	$ 8.7	$15.4

Services provided to the Company by Armco, Kawasaki and their affiliates:

	1990	1991	1992	1993
Research and engineering	$11.1	$11.6	$ 9.8	$ 4.0
Other	1.8	2.5	0.3	0.8
Total	$12.9	$14.1	$10.1	$ 4.8

During 1990, 1991, 1992 and 1993, the Company purchased stainless steel from Armco amounting to $7.5 million, $8.7 million, $15.3 million and $20.2 million, respectively. Armco and its affiliates provided processing services and other materials to the Company for 1990, 1991 and 1992 in the amount of $2.9 million, $3.9 million and $2.0 million, respectively. No such services were provided in 1993.

In the ordinary course of its business, the Company regularly rolls certain grades of steel produced by Armco for resale by Armco and recently entered into a ten-year agreement with respect to these services. The Company's charges for its rolling services on behalf of Armco are determined on an arms' length basis and, during 1993, aggregated approximately $13.3 million.

Armco has made a capital contribution of $20.0 million to the Company which the Company will use for the purchase of certain specialized equipment used in rolling steel, including stainless steel. Of this amount, $0.6 million was contributed in 1992 and the balance was contributed during 1993.

Sales to Armco, Kawasaki and their affiliates amounted to $101.2 million, $89.8 million, $85.9 million and $36.7 million during 1990, 1991, 1992 and 1993 respectively. Other miscellaneous sales to Armco, Kawasaki and their affiliates for these periods amounted to $5.0 million, $2.5 million, $1.7 million and $0.7 million, respectively. See Note 6 of "Notes to the Consolidated Financial Statements."

Pursuant to the Joint Venture Formation Agreement dated March 24, 1989 between Armco and Kawasaki (the "Formation Agreement"), the Company is obligated to indemnify each of Armco and Kawasaki for losses relating to, among other things, the Company's management, control, ownership and operation of its business and for liabilities (including environmental and employee-related liabilities) relating to its business. Following the Recapitalization, the Company will continue to have this indemnification obligation. Under the Formation Agreement, Armco is obligated to indemnify the Company for (i) certain supplemental unemployment benefit payments up to a maximum of $20.0 million, and (ii) 50% of its costs to exit Eveleth if such exit occurs prior to May 13, 1996. In connection with the Recapitalization, the Company, Armco and Kawasaki have agreed to terminate these indemnification obligations of Armco.

The Company and Kawasaki are negotiating an agreement pursuant to which, among other things, the Company will agree that, for so long as Kawasaki beneficially owns an agreed upon minimum percentage of the outstanding shares of Common Stock, the Company will take all action necessary to nominate and support the nomination of one person designated by Kawasaki for election as a director of the Company and to solicit proxies in favor of (and otherwise recommend to stockholders) the election of such nominee as a director.

If the proceeds of the Common Stock Offering are less than $315.0 million but greater than or equal to $305.0 million, the cash portion of the Pension Trust Contribution will be reduced, and the Common Stock portion increased, by the amount of the shortfall. The Company, Kawasaki and Nissho Iwai Corporation, an affiliate of one of the Company's lenders ("Nissho Iwai"), are negotiating an agreement pursuant to which Kawasaki and Nissho Iwai will undertake, if the proceeds of the Common Stock Offering are less than $305.0 million but at least $255.0 million, to purchase shares of Common Stock having an aggregate value (based on the initial public offering price) equal to such shortfall (the "Standby Shares"). Kawasaki and Nissho Iwai will purchase 60% and 40%, respectively, of any Standby Shares. If any Standby Shares are purchased, Kawasaki and Nissho Iwai will agree with the Underwriter that they will not, without prior consent of CS First Boston Corporation, sell such shares within the first 180 days after the date of this Prospectus. The Company intends that if any Standby Shares are purchased, it will file with the Commission a shelf registration statement under the Securities Act with respect to the sale of those shares, use its best efforts to cause such registration statement to be declared effective prior to the expiration of the 180-day period, maintain that registration statement in effect for a period of five years, pay all expenses associated with such registration and, if those shares are sold within six months after the expiration of the 180-day period, the Company will pay certain selling costs up to an amount equal to $0.10 per share sold. Kawasaki will agree that (i) if Nissho Iwai after the 180-day period sells any of its Standby Shares, Nissho Iwai will pay to Kawasaki any amount realized in excess of the purchase price of such Standby Shares and Kawasaki will pay to Nissho Iwai any shortfall the amount realized below the purchase price of such Standby Shares, (ii) Kawasaki will pay interest to Nissho Iwai at an agreed rate on the purchase price of Nissho Iwai's Standby Shares from the date of purchase to the date of sale, and (iii) in compliance with applicable law, Nissho Iwai will effect sales of its Standby Shares as directed by Kawasaki.

The Company expects to enter into agreements with the Pension Trust, Kawasaki and Armco for the shelf registration under the Securities Act (at the Company's expense) of the Common Stock to be owned by each. See "Shares Eligible For Future Sale."

The No. 1 EGL Loan is partly secured with $8.8 million of cash collateral provided by Armco. See "Description of Certain Indebtedness — Commercial and Other Debt — No. 1 EGL Loan."

DESCRIPTION OF SENIOR NOTES

The Senior Notes are to be issued under an indenture to be dated as of , 1994 (the "Indenture") among AK Steel, Holding and , as trustee, a copy of which is filed as an exhibit to the Registration Statement. The following summaries of certain provisions of the Indenture do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all the provisions of the Indenture, including the definitions therein of certain terms. Capitalized terms used but not otherwise defined herein have the respective meanings ascribed to them in the Indenture.

General

The Senior Notes will be senior unsecured obligations of AK Steel, will be limited to $275,000,000 aggregate principal amount and will mature on , 2004. The Senior Notes will bear interest at the rate per annum shown on the front cover of this Prospectus from , 1994 or from the most recent Interest Payment Date to which interest has been paid, payable semi-annually on and of each year, commencing , 1994 to each Person in whose name a Senior Note is registered at the close of business on the preceding or , as the case may be. Principal of and premium, if any, and interest on the Senior Notes will be payable, and the transfer of Senior Notes will be registrable, at the office or the agency maintained by AK Steel in The City of New York. In addition, payment of interest may, at the option of AK Steel, be made by check mailed to the address of the Person entitled thereto as it appears in the Register. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

The Senior Notes will be issued only in registered form, without coupons, in denominations of $1,000 and whole multiples thereof. No service charge will be made for any registration of transfer or exchange of Senior Notes, but AK Steel may require payment of a sum sufficient to cover any taxes, assessments or other governmental charges payable in connection therewith.

Optional Redemption

The Senior Notes will be redeemable at AK Steel's option, at any time on or after , 1999, as a whole or from time to time in part, upon not less than 30 nor more than 60 days' notice mailed to each holder of Senior Notes to be redeemed at the holder's address appearing in the Register, at the following redemption prices (expressed as percentages of principal amount) if redeemed during the 12-month period beginning of the years indicated:

Year	Redemption Price
1999	%
2000	%
2001	%
2002 and thereafter	100%

together in the case of any such redemption with accrued interest (if any) to the redemption date. If less than all of the Senior Notes are to be redeemed, the Senior Notes will be chosen for redemption by the Trustee on a pro rata basis or by lot or by a method that complies with applicable legal and securities exchange requirements.

Change in Control Offer

Under the Indenture, within 30 days following any Change in Control, AK Steel shall notify the Trustee and each holder in writing of the occurrence of the Change in Control and shall make an offer to repurchase (the "Change in Control Offer") the Senior Notes for cash at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest thereon to and including the Change in Control Payment Date (as defined below) (such price, the "Change in Control Payment Price") on the Change in Control Payment Date. The "Change in Control Payment Date" shall be a date no earlier than 45 days nor later than 60 days from the date the Change in Control Offer is mailed. AK Steel shall purchase all Senior Notes properly tendered in the Change in Control Offer and not withdrawn in accordance with the procedures set forth in the Indenture. The Change in Control Offer shall state, among other things, the procedures that holders must follow to accept the Change in Control Offer.

If a Change in Control Offer is made, there can be no assurance that AK Steel will have funds sufficient to pay the Change in Control Payment Price for all the Senior Notes that might be delivered by holders seeking to accept the Change in Control Offer. See "Certain Considerations — Factors Relating to the Company — Substantial Leverage."

AK Steel will comply with the applicable tender offer rules, including Rule 14e-1 under the Exchange Act, and any other applicable securities laws or regulations in connection with a Change in Control Offer. The existence of a holder's right to require AK Steel to repurchase such holder's Senior Notes upon a Change in Control may deter a third party from acquiring AK Steel in a transaction that constitutes a Change in Control.

Ranking

The Senior Notes will be senior unsecured obligations of AK Steel ranking *pari passu* with other senior unsecured Debt of AK Steel. At December 31, 1993, after giving pro forma effect to the Recapitalization, the aggregate amount of senior indebtedness of AK Steel (including secured indebtedness of $128.4 million and the Senior Notes) would have been approximately $412.4 million. Following consummation of the Senior Notes Offering and the Recapitalization, AK Steel will have the ability to borrow, subject to certain limitations contained in the Indenture, additional senior indebtedness. See "Certain Covenants — Limitation on Liens."

The Holding Guarantee will be an unsecured senior obligation of Holding and will rank *pari passu* with other senior unsecured indebtedness of Holding. The principal asset of Holding is all of the outstanding shares of common stock of AK Steel, and virtually all of Holding's operations are conducted through AK Steel. Under the Indenture, Holding will agree not to engage in any activities other than holding the outstanding shares of common stock of AK Steel, the Subordinated Exchange Note and the Subordinated Pension Trust Note (each as defined in "Certain Definitions") as well as those activities incidental to its status as a public company, and not to incur any liability other than those relating to its guarantees of the Senior Notes and certain other indebtedness of AK Steel as well as those liabilities incidental to its status as a public company. See "Certain Covenants — Restrictive Covenant of Holding."

Senior Note Guarantees

Holding and any Person (a "Guarantor Subsidiary" and, together with Holding, the "Guarantors") that shall become a Subsidiary (other than a Non-Recourse Subsidiary) after the date on which the Senior Notes were originally issued (see "When AK Steel and its Subsidiaries May Merge or Transfer Assets") will guarantee on a joint and several basis the payment and performance by AK Steel of the Obligations (the "Senior Note Guarantees") and will pay all expenses (including, without limitation, fees and disbursements of counsel) paid or incurred by the Trustee or the holders in enforcing their rights under the Senior Note Guarantees. Each of the Senior Note Guarantees will be a senior unsecured obligation of the Guarantor providing such Senior Note Guarantee, and will rank *pari passu* with other senior unsecured Debt of such Guarantor.

Claims of creditors of the Subsidiaries, including trade creditors, will have priority over the equity interests of AK Steel and creditors of AK Steel, including holders of the Senior Notes. Although holders of the Senior Notes will be direct creditors of each Guarantor Subsidiary by virtue of the Senior Note Guarantees, existing or future creditors of a Guarantor Subsidiary could attempt to avoid or subordinate Senior Note Guarantees, in whole or in part, under fraudulent conveyance laws. To the extent any Senior Note Guarantee is avoided as a fraudulent conveyance or held unenforceable for any other reason with respect to any Senior Notes, the holders thereof would cease to be creditors of such Guarantor Subsidiary and would be solely creditors of AK Steel and of any Guarantor Subsidiary whose Senior Note Guarantee was not voided or held unenforceable.

Certain Covenants

The Indenture will contain certain covenants, including the ones summarized below, which covenants will be applicable (unless waived or amended) so long as any of the Senior Notes are outstanding.

SEC Reports. Notwithstanding that Holding may not be subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, Holding shall file with the SEC and provide the Trustee and Holders with such annual reports and such information, documents and other reports specified in Sections 13 and 15(d) of the Exchange Act.

Limitation on Liens. AK Steel shall not, and shall not permit any Subsidiary to, create or permit to exist any Lien upon any of its property or assets, now owned or hereafter acquired, securing any obligation unless concurrently with the creation of such Lien effective provision is made to secure the Senior Notes equally and ratably with such obligation for so long as such obligation is so secured; *provided, that* if such obligation is a Subordinated Obligation, the Lien securing such obligation shall be subordinated and junior to the Lien securing the Senior Notes with the same or lesser relative priority as such Subordinated Obligation shall have with respect to the Senior Notes. The preceding restriction shall not require AK Steel or any Subsidiary to equally and ratably secure the Senior Notes if the Lien consists of the following:

(i) Liens created by the Indenture and Liens existing as of the date on which the Senior Notes were originally issued;

(ii) Permitted Liens;

(iii) Liens to secure Debt issued by AK Steel for the purpose of financing all or a part of the purchase price of assets or property acquired or constructed in the ordinary course of business after the date on which the Senior Notes were originally issued; *provided, however,* that (a) the aggregate principal amount (or accreted value in the case of Debt issued at a discount) of Debt so issued shall not exceed the lesser of cost or Fair Market Value, as determined in good faith by the Board of Directors of Holding, of the assets or property so acquired or constructed, (b) either (1) the Debt secured by such Liens shall have been permitted to be issued under clause (vi) of "Limitation on Debt" or (2) additional Debt secured by such Liens, at the time of determination on a pro forma basis, would not exceed, in the case of Normal Replacement Assets, 50%, or in the case of Special Assets, 100%, of the aggregate principal amount of Debt which AK Steel would have been permitted to issue at such time under the Consolidated EBITDA Coverage Ratio as set forth in the first paragraph of "Limitation on Debt" at an interest rate equal to the rate of interest on the additional Debt to be secured by such Liens and (c) such Liens shall not encumber any other assets or property of AK Steel or any of its Subsidiaries other than such assets or property or any improvement on such assets or property and shall attach to such assets or property within 90 days of the construction or acquisition of such assets or property;

(iv) Liens on the assets or property of a Subsidiary existing at the time such Subsidiary became a Subsidiary and not issued as a result of (or in connection with or in anticipation of) such Subsidiary becoming a Subsidiary; *provided, however,* that such Liens do not extend to or cover any other property or assets of AK Steel or any of its other Subsidiaries;

(v) Liens on the inventory or receivables or proceeds thereof of AK Steel securing Debt under any Permitted Revolving Credit Facility;

(vi) Liens on the inventory or receivables or proceeds thereof of AK Steel securing Debt under any Permitted Restructured Facility;

(vii) Liens securing industrial revenue or pollution control bonds issued by AK Steel; *provided, however,* that (a) the aggregate principal amount of Debt secured by such Liens shall not exceed the lesser of cost or Fair Market Value, as determined in good faith by the Board of Directors of Holding, of the assets or property so financed, and (b) such Liens do not encumber any other property or assets of AK Steel or any of its Subsidiaries;

(viii) Liens securing Debt issued to refinance Debt which has been secured by a Lien permitted under the Indenture and is permitted to be refinanced under the Indenture; *provided, however*, that such Liens do not extend to or cover any property or assets of AK Steel or any of its Subsidiaries not securing the Debt so refinanced, and the principal amount (or accreted value) of the Debt so secured is not increased except as otherwise permitted pursuant to the Indenture;

(ix) Liens on the assets or property of a Non-Recourse Subsidiary securing Non-Recourse Debt; or

(x) Liens securing Debt which, together with all other Debt secured by Liens (excluding Debt secured by Liens permitted by clauses (i) through (ix) above) at the time of determination does not exceed 5% of Consolidated Net Tangible Assets of Holding (as determined at the end of the most recently ended fiscal quarter of Holding); *provided, however*, that the Attributable Debt in connection with Sale/Leaseback Transactions permitted under clause (iii) of "Limitation on Sale/Leaseback Transactions" will be included in the determination and treated as Debt secured by a Lien not otherwise permitted by clauses (i) through (ix) above.

Limitation on Sale/Leaseback Transactions. AK Steel shall not, and shall not permit any Subsidiary to, enter into, guarantee or otherwise become liable with respect to any Sale/Leaseback Transaction unless at least one of the following conditions is satisfied:

(i) the lease is between AK Steel and a Wholly Owned Guarantor Subsidiary, or between Wholly Owned Guarantor Subsidiaries; *provided, however*, that upon either (a) the transfer or other disposition by such Wholly Owned Guarantor Subsidiary of any such lease to a Person other than AK Steel or another Wholly Owned Guarantor Subsidiary or (b) the issuance, sale, lease, transfer or other disposition of Equity Interests (including by consolidation or merger) of such Wholly Owned Guarantor Subsidiary to a Person other than AK Steel or another such Wholly Owned Guarantor Subsidiary, the provisions of this clause (i) shall no longer be applicable to such lease and such lease shall be deemed for purposes of this paragraph to constitute the entering into of such Sale/Leaseback Transaction by the parties thereto;

(ii) AK Steel or such Subsidiary under clauses (ii) through (ix) of "Limitation of Liens" could create a Lien on the property to secure Debt in an amount at least equal to the Attributable Debt in respect of such Sale/Leaseback Transaction and the Company or such Subsidiary, as the case may be, receives consideration at least equal to the Fair Market Value, as determined in good faith by the Board of Directors of Holding, of the property transferred;

(iii) AK Steel or such Subsidiary could create a Lien under clause (x) of "Limitation on Liens" above on the property to secure Debt at least equal to the Attributable Debt in respect of such Sale/Leaseback Transaction and AK Steel or such Subsidiary, as the case may be, receives consideration at least equal to the Fair Market Value, as determined in good faith by the Board of Directors of Holding, of the property transferred; or

(iv) the Sale/Leaseback Transaction is treated as an Asset Disposition and all the conditions of "Limitation on Sales of Assets and Equity Interests of Subsidiaries" are satisfied with respect to such Sale/Leaseback Transaction (without giving effect to the exceptions for Net Available Cash in amounts less than $25.0 million or $10.0 million, as set forth in the last paragraph of "Limitation of Sales of Assets and Equity Interests of Subsidiaries").

Limitation on Debt. AK Steel shall not issue, directly or indirectly, any Debt unless, immediately after giving effect to the issuance of such Debt and the receipt and application of the proceeds thereof, the pro forma Consolidated EBITDA Coverage Ratio would be greater than 2.5 to 1.0.

Notwithstanding the foregoing limitation, AK Steel may issue the following Debt:

(i) Debt issued by AK Steel pursuant to the Permitted Revolving Credit Facilities;

(ii) Debt issued by AK Steel pursuant to the Permitted Restructured Facilities in an aggregate original principal amount not to exceed $137.4 million and Debt issued in exchange for, or the proceeds of which are used to refund or refinance, any then outstanding Debt permitted by this clause (ii); *provided*,

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however, that (a) the principal amount of the Debt so issued shall not exceed the principal amount of the Debt so exchanged, refunded or refinanced, and (b) the Debt so issued (1) shall not mature prior to the Stated Maturity of the Debt so exchanged, refunded or refinanced and (2) shall have an Average Life equal to or greater than the remaining Average Life of the Debt so exchanged, refunded or refinanced;

(iii) Debt issued by AK Steel pursuant to the Kawasho International (USA) Inc. Trade Credit Agreement, or successor trade credit facility similar to such agreement, in an aggregate principal amount not to exceed $30.0 million, for the purpose of financing trade payables of AK Steel; *provided, however*, that (a) Debt issued to finance any trade payable is due less than 180 days from the invoice date of such trade payable and (b) (1) the principal amount of the Debt so issued shall not exceed the principal amount of the trade payable so exchanged, refunded or refinanced and (2) the Debt so issued (A) shall not mature prior to the Stated Maturity of the trade payable so exchanged, refunded or refinanced and (B) shall have an Average Life equal to or greater than the remaining Average Life of the trade payable so exchanged, refunded or refinanced;

(iv) Debt issued by AK Steel owed to and held by a Wholly Owned Subsidiary; *provided, however*, that any subsequent issuance or transfer of any Equity Interests that results in such Wholly Owned Subsidiary ceasing to be a Wholly Owned Subsidiary or any transfer of such Debt (other than to another Wholly Owned Subsidiary) shall be deemed, in each case, to constitute the issuance of such Debt by AK Steel;

(v) The Senior Notes issued by AK Steel and Debt issued in exchange for, or the proceeds of which are used to refund or refinance, any Debt permitted by this clause (v); *provided, however*, that (a) the principal amount of the Debt so issued shall not exceed the principal amount of the Debt so exchanged, refunded or refinanced, and (b) the Debt so issued (1) shall not mature prior to the Stated Maturity of the Debt so exchanged, refunded or refinanced and (2) shall have an Average Life equal to or greater than the remaining Average Life of the Debt so exchanged refunded or refinanced;

(vi) Debt issued by AK Steel, whether or not secured by a Lien, constituting all or a part of the purchase price of assets or property acquired or constructed in the ordinary course of business after the date on which the Senior Notes were originally issued; *provided, however*, that Debt issued under this clause (vi) in any calendar year shall not exceed in aggregate principal amount the sum of (a) $50.0 million for each of 1994, 1995 and 1996, and $35.0 million for each calendar year from and including 1997 to and including 2003 plus (b) the excess of the aggregate principal amount otherwise permitted to be issued under this clause (vi) in all previous calendar years since and including the calendar year in which the Senior Notes were originally issued over the aggregate principal amount actually issued by AK Steel during such period under this clause (vi) and Debt issued by AK Steel in exchange for, or the proceeds of which are used to refund or refinance, any then outstanding Debt permitted by this clause (vi); *provided, however*, that (1) the principal amount of the Debt so issued shall not exceed the principal amount of the Debt so exchanged, refunded or refinanced, and (2) the Debt so issued (A) shall not mature prior to the Stated Maturity of the Debt so exchanged, refunded or refinanced and (B) shall have an Average Life equal to or greater than the remaining Average Life of the Debt so exchanged, refunded or refinanced;

(vii) Debt (other than Debt described in clause (i), (ii), (iii), (iv), (v), (vi) or (ix) of this covenant description) outstanding on the date on which the Senior Notes were originally issued, and Debt issued by AK Steel in exchange for, or the proceeds of which are used to refund or refinance, any Debt permitted by this clause (vii) or permitted by the first paragraph of "Limitation of Debt"; *provided, however*, that (a) the principal amount of the Debt so issued shall not exceed the principal amount of the Debt so exchanged, refunded or refinanced and (b) the Debt so issued (1) shall not mature prior to the Stated Maturity of the Debt so exchanged, refunded or refinanced and (2) shall have an Average Life equal to or greater than the remaining Average Life of the Debt so exchanged, refunded or refinanced;

(viii) Obligations of AK Steel pursuant to (a) interest rate swap or similar agreements designed to protect AK Steel against fluctuations in interest rates in respect of Debt of AK Steel to the extent the notional principal amount of such obligation does not exceed the aggregate principal amount of the Debt to which such interest rate contracts relate, and (b) foreign exchange or commodity hedge, exchange or similar agreements designed to protect AK Steel against fluctuations in foreign currency exchange rates or commodity prices in respect of foreign exchange or commodity exposures incurred by AK Steel in the ordinary course of its business;

(ix) Debt issued by AK Steel, so long as the same shall be owed to and held by Holding pursuant to (a) the Subordinated Exchange Note and (b) the Subordinated Pension Trust Note; *provided, however,* that any transfer of such Debt by Holding shall be deemed to be an incurrence of Debt; or

(x) Debt (not otherwise permitted to be issued pursuant to clauses (i) through (ix) of this Section) in an aggregate principal amount which, together with (a) any other outstanding Debt issued by AK Steel pursuant to this clause (x) and (b) Debt issued and Preferred Equity Interests then outstanding and issued by Subsidiaries pursuant to clause (vii) of "Limitation on Debt and Preferred Equity Interests of Subsidiaries," does not exceed $60.0 million.

Notwithstanding the foregoing, AK Steel shall not issue any Debt if the proceeds thereof are used, directly or indirectly, to repay, prepay, redeem, defease, retire, refund or refinance any Subordinated Obligations unless such Debt shall be subordinated to the Senior Notes to at least the same extent as such Subordinated Obligations.

Limitation on Debt and Preferred Equity Interests of Subsidiaries. AK Steel shall not permit any Subsidiary to issue, directly or indirectly, any Debt or Preferred Equity Interests except:

(i) Debt or Preferred Equity Interests issued to and held by AK Steel or a Wholly Owned Subsidiary; *provided, however,* that (a) any subsequent issuance or transfer of any Equity Interests that results in any such Wholly Owned Subsidiary ceasing to be a Wholly Owned Subsidiary or (b) any subsequent transfer of such Debt or Preferred Equity Interests (other than to AK Steel or a Wholly Owned Subsidiary) shall be deemed, in each case, to constitute the issuance of such Debt or Preferred Equity Interests by the issuer thereof;

(ii) Debt or Preferred Equity Interests, other than any described in clause (i), outstanding on the date on which the Senior Notes were originally issued;

(iii) Debt or Preferred Equity Interests of a Subsidiary issued and outstanding on or prior to the date on which such Subsidiary became a Subsidiary (other than Debt or Preferred Equity Interests issued as consideration in, or to provide all or any portion of the funds or credit support utilized to consummate, the transaction or series of related transactions pursuant to which such Subsidiary became a Subsidiary);

(iv) Debt or Preferred Equity Interests issued in exchange for, or the proceeds of which are used to refund or refinance, Debt or Preferred Equity Interests referred to in clause (ii) or (iii); *provided, however,* (a) the principal amount or liquidation value of such Debt or Preferred Equity Interests so issued shall not exceed the principal amount or the liquidation value of the Debt or Preferred Equity Interests so refunded or refinanced and (b) the Debt or Preferred Equity Interests so issued (1) shall have a Stated Maturity later than the Stated Maturity of the Debt or Preferred Equity Interests being exchanged or refinanced and (2) shall have an Average Life equal to or greater than the remaining Average Life of the Debt or Preferred Equity Interests being exchanged or refinanced;

(v) Non-Recourse Debt of a Non-Recourse Subsidiary issued after the date of the issuance of the Senior Notes; *provided, however,* that if any such Debt thereafter ceases to be Non-Recourse Debt of a Non-Recourse Subsidiary, then such event will be deemed to constitute the issuance of such Debt by the issuer thereof;

(vi) Guarantees of the Senior Notes or any Debt issued to refinance the Senior Notes as permitted in clause (v) of "Limitation on Debt" above; or

(vii) Debt or Preferred Equity Interests not otherwise permitted to be issued pursuant to clauses (i) through (vi) above, which, together with (a) any other outstanding Debt or Preferred Equity Interests issued pursuant to this clause (vii) and (b) Debt issued by AK Steel pursuant to clause (x) under "Limitation on Debt," does not exceed $60.0 million.

Limitation on Restricted Payments. Holding shall not, and shall not permit any Subsidiary of Holding to, directly or indirectly, (i) declare or pay any dividend or make any distribution on or in respect of, or make any distribution to the holders of, Equity Interests of Holding (except dividends or distributions payable solely in its Non-Convertible Equity Interests or in options, warrants or other rights to acquire its Non-Convertible Equity Interests and except dividends or distributions payable to a Wholly Owned Guarantor Subsidiary), (ii) purchase, redeem or otherwise acquire or retire for value any Equity Interests of Holding, (iii) declare or pay any dividend or make any distribution on or in respect of, or make any distribution to holders of, Equity Interests of any Subsidiary of Holding (other than with respect to any such Equity Interests held by Holding, AK Steel or any Wholly Owned Guarantor Subsidiary) or purchase, redeem or otherwise acquire or retire for value any Equity Interests of any Subsidiary of Holding (other than such Equity Interests held by Holding, AK Steel or any Wholly Owned Guarantor Subsidiary), (iv) purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Obligations (other than the purchase, repurchase or other acquisition of Subordinated Obligations purchased in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case due within one year of the date of acquisition), or (v) make any Investment other than Permitted Investments (any such dividend, distribution, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Investment being herein referred to as a "Restricted Payment") if:

(a) a Default shall have occurred and be continuing (or would result therefrom);

(b) upon giving effect to such Restricted Payment, on a pro forma basis, AK Steel is not able to issue an additional $1.00 of Debt pursuant to the Consolidated EBITDA Coverage Ratio as set forth in the first paragraph of "Limitation on Debt"; or

(c) upon giving effect to such Restricted Payment, the aggregate amount of such Restricted Payment and all other Restricted Payments since the date on which the Senior Notes were originally issued would exceed the sum of (1) 50% of the Consolidated Net Income of Holding accrued during the period (treated as one accounting period) from the first day of the month of the fiscal quarter in which the Senior Notes were originally issued through the last full fiscal quarter for which quarterly or annual financial statements are available prior to the date of such Restricted Payment (or, in case such Consolidated Net Income shall be a deficit, minus 100% of such deficit), plus (2) the aggregate Net Cash Proceeds received by AK Steel from the issue or sale of its Equity Interests (other than Redeemable Equity Interests or Exchangeable Equity Interests) subsequent to the date on which the Senior Notes were originally issued (other than to a Subsidiary of AK Steel or an employee stock ownership plan or similar trust), plus (3) the aggregate Net Cash Proceeds received by AK Steel from the issue or sale of its Equity Interests (other than Redeemable Equity Interests or Exchangeable Equity Interests) to an employee stock ownership plan subsequent to the date on which the Senior Notes were originally issued, *provided, that,* if such employee stock ownership plan issues any Debt only to the extent that any such proceeds are equal to any increase in the Consolidated Net Worth of Holding resulting from principal repayments made by such employee stock ownership plan with respect to Debt issued by it to finance the purchase of such Equity Interests, plus (4) the amount by which consolidated Debt of AK Steel is reduced on Holding's balance sheet upon the conversion or exchange (other than by a Subsidiary), subsequent to the date on which the Senior Notes were originally issued, of any Debt of AK Steel or any of its Subsidiaries convertible or exchangeable for Equity Interests (other than Redeemable Equity Interests or Exchangeable Equity Interests) of AK Steel (less the amount of any cash, or other property, distributed by AK Steel or any of its Subsidiaries upon such conversion or exchange).

So long as no Default shall have occurred and be continuing (or would result therefrom), the foregoing limitations on Restricted Payments shall not prohibit, (A) any purchase or redemption of Equity Interests of Holding or Subordinated Obligations made by exchange for, or out of the proceeds of the substantially concurrent sale of, Equity Interests of Holding (other than Redeemable Equity Interests or Exchangeable Equity Interests and other than Equity Interests issued or sold to a Subsidiary or an employee stock ownership plan); *provided, however,* that (x) such purchase or redemption shall be excluded in the calculation of the amount of Restricted Payments and (y) the Net Cash Proceeds from such sale shall be excluded from clauses (c)(2) and (c)(3) of the preceding paragraph; (B) any purchase or redemption of Subordinated Obligations (other than Redeemable Equity Interests) made by exchange for, or out of the proceeds of the substantially concurrent sale of, Debt of AK Steel other than to a Subsidiary; *provided, however,* that such Debt (x) shall be subordinated to the Senior Notes to at least the same extent as the Subordinated Obligations so exchanged, purchased or redeemed, (y) shall have a Stated Maturity later than the Stated Maturity of the Senior Notes and (z) shall have an Average Life greater than the remaining Average Life of the Senior Notes; *provided further, however,* that such purchase or redemption shall be excluded in the calculation of the amount of Restricted Payments; (C) any purchase or redemption of Subordinated Obligations from Net Available Cash to the extent permitted under "Limitation on Sales of Assets and Equity Interests of Subsidiaries"; *provided, however,* that such purchase or redemption shall be excluded in the calculation of the amount of Restricted Payments; (D) dividends paid within 60 days after the date of declaration if at such date of declaration such dividend would have complied with this provision; *provided, however,* that at the time of payment of such dividend, no Default shall have occurred and be continuing (or would result therefrom); *provided further, however,* that such dividend shall be included in the calculation of the amount of Restricted Payments; (E) any repurchase by Holding of employee stock granted under an employee stock option plan; *provided, however,* that the aggregate amount of such repurchase in any calendar year shall not exceed $1.0 million per employee and the aggregate amount of all repurchases in any calendar year shall not exceed $5.0 million (it being understood that the excess of any such amounts permitted to be expended under this clause (E) during any calendar year over the amount actually expended during such period shall not be carried forward); *provided further, however,* that such repurchase shall be included in the calculation of the amount of Restricted Payments; or (F) any purchase, repurchase, redemption, defeasance or other acquisition by any Non-Recourse Subsidiary of Non-Recourse Debt of such Non-Recourse Subsidiary; *provided, however,* that the amount of such purchase, repurchase, redemption, defeasance or other acquisition shall be excluded from the calculation of the amount of Restricted Payments.

Limitation on Issuance and Sale of Equity Interests of Subsidiaries. AK Steel shall not permit any Subsidiary to issue or sell any Equity Interests, or permit any Person, other than AK Steel and its Subsidiaries, to own or hold an interest, other than any interest owned or held on the date of the issue of the Senior Notes by a Person other than AK Steel and its Subsidiaries, in any Equity Interests, of any Subsidiary (other than a Non-Recourse Subsidiary or a JV Subsidiary); *provided, however,* that the foregoing limitation shall not apply to (i) the sale of all but not less than all of the Equity Interests of any Subsidiary made in accordance with "Limitation on Sales of Assets and Equity Interests of Subsidiaries," (ii) issuances of Preferred Equity Interests permitted pursuant to paragraphs (iii), (v) and (vii) under the heading "Limitation on Debt and Preferred Equity Interests of Subsidiaries," and (iii) the ownership or holding of an interest by any Person, other than AK Steel and its Subsidiaries, in any Equity Interests of any Subsidiary issued pursuant to (ii) above.

Limitation on Restrictions on Distributions from Subsidiaries. AK Steel shall not, and shall not permit any Subsidiary to, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Subsidiary to (i) pay dividends or make any other distributions on its Equity Interests or pay any Debt or other obligation owed to AK Steel or any Subsidiary, (ii) make any Investment in AK Steel or any Subsidiary or (iii) transfer any of its property or assets to AK Steel or any Subsidiary.

Notwithstanding the foregoing, AK Steel may, and may permit any Subsidiary of AK Steel to, suffer to exist any such encumbrance or restriction (a) pursuant to an agreement in effect at or entered into on the date the Senior Notes are issued, (b) with respect to a Subsidiary pursuant to an agreement relating to any Debt issued by such Subsidiary on or prior to the date on which such Subsidiary became a Subsidiary (other than Debt issued as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Subsidiary became a Subsidiary) and outstanding on such date, (c) pursuant to an agreement effecting a refinancing of Debt issued pursuant to an agreement referred to in clause (a) or (b) or contained in any amendment to an agreement referred to in clause (a) or (b), *provided, however,* that the encumbrances and restrictions contained in any of such refinancing agreement or amendment are no less favorable to the holders of Senior Notes than encumbrances and restrictions contained in such agreements, (d) consisting of customary nonassignment provisions in leases governing leasehold interests to the extent such provisions restrict the transfer of the lease, (e) in the case of clause (iii) above, restrictions contained in security agreements securing Debt of a Subsidiary otherwise permitted under the Indenture, to the extent such restrictions restrict the transfer of the property subject to such security agreements, and (f) relating to a Non-Recourse Subsidiary.

Limitation on Sales of Assets and Equity Interests of Subsidiaries. AK Steel shall not, and shall not permit any Subsidiary (other than Non-Recourse Subsidiaries) to, make any Asset Disposition unless:

(i) AK Steel or such Subsidiary receives consideration at the time of such Asset Disposition at least equal to the Fair Market Value, as determined in good faith by the Board of Directors of Holding (including as to the value of all non-cash consideration), of the shares and assets subject to such Asset Disposition and at least 85% of the consideration thereof received by AK Steel or such Subsidiary is in the form of cash or Cash Equivalents; and

(ii) An amount equal to 100% of the Net Available Cash from such Asset Disposition is applied by AK Steel or such Subsidiary, as the case may be, (a) *first,* to the extent AK Steel elects (or is required by the terms of any Debt), to prepay, repay or purchase Debt (other than any Redeemable Equity Interests or Non-Recourse Debt) of AK Steel, such Subsidiary or a Wholly Owned Guarantor Subsidiary (in each case other than Debt owed to AK Steel or an Affiliate of AK Steel) within 60 days from the later of the date of such Asset Disposition or the receipt of such Net Available Cash; (b) *second,* to the extent of the balance of such Net Available Cash after application in accordance with clause (a), at AK Steel's election, to the investment by AK Steel or such Subsidiary or any Wholly Owned Guarantor Subsidiary in assets to replace the assets that were the subject of such Asset Disposition or an asset that (as determined by the Board of Directors of Holding) will be used in the business of AK Steel and the Wholly Owned Guarantor Subsidiaries existing on the date of original issuance of the Senior Notes or in businesses reasonably related thereto, in each case within the later of one year from the date of such Asset Disposition or the receipt of such Net Available Cash; and (c) *third,* to the extent of the balance of such Net Available Cash after application in accordance with clauses (a) and (b), to make an offer to purchase Senior Notes at par; *provided, however,* that in connection with any prepayment, repayment or purchase of Debt pursuant to clause (a) above, AK Steel shall cause the related loan commitment (if any) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid or purchased.

Notwithstanding the requirement in clause (i) above that at least 85% of consideration consist of cash or Cash Equivalents, AK Steel and its Subsidiaries may make one or more Asset Dispositions for which the consideration, in addition to the non-cash consideration permitted by such clause, consists of or includes (A) non-cash consideration, the aggregate Fair Market Value (as determined in good faith by the Board of Directors of Holding) of which, for all Asset Dispositions made after the date on which the Senior Notes were originally issued, does not exceed $10.0 million, and (B) non-cash consideration, the aggregate Fair Market Value (as determined in good faith by the Board of Directors of Holding) of which, for all Asset Dispositions made after the date on which the Senior Notes were originally issued, does not exceed $50.0 million, consisting of the cancellation of Debt of AK Steel or any Subsidiary existing on the date on which the Senior Notes were originally issued; *provided, however,* that in connection with any such cancellation of Debt, AK Steel or such Subsidiary shall cause the related loan commitment (if any) to be permanently reduced in an amount equal to the principal so canceled.

Notwithstanding the provisions of clause (ii) above, in the event that the Net Available Cash resulting from any Asset Disposition is less than $25.0 million, the application of an amount equal to such Net Available Cash in accordance with this Section may be deferred until such time as such Net Available Cash from any prior or subsequent Asset Dispositions not otherwise applied in accordance with this Section, is at least equal to $25.0 million. In the event that the Net Available Cash resulting from any Asset Disposition, after giving effect to clauses (a) and (b) above, is less than $10.0 million, the application of such amount equal to such Net Available Cash to make an offer to purchase Senior Notes in accordance with clause (c) may be deferred until such time as such Net Available Cash, together with Net Available Cash from any prior or subsequent Asset Dispositions not otherwise applied in accordance with this Section, is at least equal to $10.0 million. Pending application of Net Available Cash pursuant to this Section, such Net Available Cash shall be invested in Cash Equivalents. To the extent any portion of the amount of Net Available Cash remains after compliance with this Section, and provided that all holders of Senior Notes have been given the opportunity to tender their Senior Notes for repurchase as provided in clause (c) above, AK Steel may use such remaining amount for general corporate purposes.

Limitation on Transactions with Affiliates. AK Steel shall not, and shall not permit any Subsidiary to, conduct any business or enter into any transaction or series of similar transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of AK Steel or any legal or beneficial owner of 5% or more of any class of Equity Interests of Holding or with an Affiliate of any such owner (other than a Wholly Owned Subsidiary or any employee stock ownership plan for the benefit of AK Steel or a Subsidiary's employees) unless the terms of such business, transaction or series of transactions are (i) set forth in writing, (ii) not less favorable to AK Steel or such Subsidiary, as the case may be, than terms that would be obtainable at the time for a comparable transaction or series of similar transactions in arms-length dealings with an unrelated third Person, (iii) if such business or transaction or series of transactions involves in excess of (a) $5.0 million, the Board of Directors of Holding has, by resolution, determined in good faith that such business or transaction or series of transactions meets the criteria set forth in (ii) above, and (b) $25.0 million and as to which there are no disinterested directors, AK Steel has obtained an opinion of a nationally recognized expert with experience in appraising the terms and conditions of the type of business or transaction or series of transactions stating that such business or transaction or series of transactions is fair (from a financial point of view) to AK Steel or such Subsidiary, as the case may be; *provided, however,* that the provisions of this paragraph do not apply to performance of contractual obligations with respect to Eveleth Mines existing as of the date of the Indenture under which the Senior Notes were originally issued.

Lines of Business. AK Steel shall not, and shall not permit any of its Subsidiaries to, enter into any business, either directly or through any Subsidiary, except for those businesses in which AK Steel and its Subsidiaries were engaged on the date of the original issuance of the Senior Notes or businesses reasonably related thereto.

Restrictive Covenant of Holding. Holding (i) shall not engage in any activities or hold any assets other than (a) holding 100% of the Equity Interests of AK Steel, the Subordinated Exchange Note and the Subordinated Pension Trust Note and (b) those activities incidental to maintaining its status as a public company, and (ii) it will not incur any liabilities other than liabilities relating to its guarantees of the Senior Notes, any Permitted Revolving Credit Facility and any Permitted Restructured Facility and any other obligations or liabilities incidental to holding 100% of the Equity Interests of AK Steel and those liabilities incidental to its status as a public company.

Certain Definitions

Certain terms to be defined in the Indenture are summarized below. Reference is made to the Indenture for the full definition of all such terms, as well as any other terms used herein for which no definition is provided.

"Affiliate" of any specified Person means (i) any other Person which, directly or indirectly, is in control of, is controlled by or is under common control with such specified Person or (ii) any other Person who is a director or officer (a) of such specified Person, (b) of any subsidiary of such specified Person or (c) of any Person described in clause (i) above. For purposes of this definition, control of a Person means the power, direct or indirect, to direct or cause the direction of the management and policies of such Person whether by contract or otherwise and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Asset Disposition" means any sale, lease, transfer or other disposition (or series of related sales, leases, transfers or dispositions) of Equity Interests of a Subsidiary (other than directors' qualifying shares), property

or other assets (each referred to for the purposes of this definition as a *"disposition"*) by AK Steel or any of its Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction, other than (i) a disposition by AK Steel or a Subsidiary to AK Steel or a Wholly Owned Guarantor Subsidiary, (ii) a disposition of property or assets at Fair Market Value (as determined in good faith by the Board of Directors of Holding) in the ordinary course of business, (iii) a disposition of obsolete assets in the ordinary course of business, (iv) a disposition that constitutes a Restricted Payment or a Sale/Leaseback Transaction and (v) a sale of accounts receivable under a Permitted Revolving Credit Facility.

"Attributable Debt", in respect of a Sale/Leaseback Transaction means, as at the time of determination, the present value (discounted at the lower of the interest rate of such Sale/Leaseback Transaction and the interest rate borne by the Senior Notes, compounded annually) of the total obligations of the lessee for rental payments during the remaining term of the lease included in such Sale/Leaseback Transaction (including any period for which such lease has been extended).

"Average Life" means, as of the date of determination, with respect to any Debt, the quotient obtained by dividing (i) the sum of the products of the numbers of years from the date of determination to the dates of each successive scheduled principal payment of such Debt multiplied by the amount of such principal payment by (ii) the sum of all such principal payments.

"Board of Directors" of a Person means the Board of Directors of that Person or any committee thereof duly authorized to act on behalf of such Board.

"Business Day" means any day that is not a Saturday, a Sunday or a day on which banking institutions are required to close in the State of New York.

"Capital Lease Obligations" of a Person means any obligation which is required to be classified and accounted for as a capital lease on the face of a balance sheet of such Person prepared in accordance with generally accepted accounting principles; the amount of such obligation shall be the capitalized amount thereof, determined in accordance with generally accepted accounting principles; and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty.

"Cash Equivalents" means:

(i) Investments in U.S. Government Obligations maturing within 365 days of the date of acquisition thereof;

(ii) Investments in certificates of deposit or Eurodollar deposits maturing within 365 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States or any state thereof and which has a combined capital and surplus of at least $1.0 billion and rated at least A3 by Moody's Investors Service, Inc.;

(iii) Investments in repurchase agreements, involving Investments in U.S. Government Obligations or other Cash Equivalents maturing within 365 days of the date of acquisition thereof, entered into with any bank, trust company or investment bank rated at least A- and A-1 by Standard & Poor's Company and at least A3 and P-1 by Moody's Investors Service, Inc.;

(iv) Investments in commercial paper maturing not more than 90 days from the date of acquisition thereof and rated at least A-1 by Standard & Poor's Company and at least P-1 by Moody's Investors Service, Inc.; and

(v) Investments in money market accounts or funds whose assets solely consists of cash or Cash Equivalents.

"Change in Control" means the occurrence of any of the following events:

(i) any "Person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act except that a Person shall be deemed to have "beneficial ownership" of all shares that any such Person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than 40% of the total voting power of the Voting Equity Interests of Holding; *provided, however,* that the Person shall not be deemed the "beneficial owner" of shares tendered pursuant to a tender or exchange offer made by that Person or any Affiliate of that Person until the tendered shares are accepted for purchase or exchange;

(ii) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors of Holding (together with any new directors whose election by such Board of Directors of Holding, or whose nomination for election by the shareholders of Holding, as the case may be, was approved by a vote of 66-2/3% of the directors then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors of Holding then in office; or

(iii) Holding fails to own 100% of the Equity Interests of AK Steel; *provided, however,* that it shall not be deemed a Change of Control if Holding merges into AK Steel except that, in such case, AK Steel shall be substituted for Holding for purposes of this definition of "Change of Control" and clause (iii) shall no longer be applicable.

"Consolidated EBITDA Coverage Ratio" as of any date of determination means the ratio of (i) the aggregate amount of EBITDA for the period of the most recent four consecutive fiscal quarters ending at least 45 days prior to the date of such determination to (ii) Consolidated Interest Expense for such four fiscal quarters; *provided, however,* that (a) if AK Steel or any Subsidiary has issued any Debt since the beginning of such period that remains outstanding or if the transaction giving rise to the need to calculate the Consolidated EBITDA Coverage Ratio is an issuance of Debt, or both, EBITDA and Consolidated Interest Expense for such period shall be calculated after giving effect on a pro forma basis to such Debt as if such Debt had been issued on the first day of such period and the discharge of any other Debt repaid, repurchased, defeased or otherwise discharged with the proceeds of such new Debt as if such discharge had occurred on the first day of such period, (b) if since the beginning of such period AK Steel or any Subsidiary shall have made any Asset Disposition, the EBITDA for such period shall be reduced by an amount equal to the EBITDA (if positive) directly attributable to the assets which are the subject of such Asset Disposition for such period, or increased by an amount equal to the EBITDA (if negative), directly attributable thereto for such period, and Consolidated Interest Expense for such period shall be reduced by an amount equal to the Consolidated Interest Expense directly attributable to any Debt of AK Steel or any Subsidiary repaid, repurchased, defeased or otherwise discharged with respect to AK Steel and its continuing Subsidiaries in connection with such Asset Dispositions for such period (or, if the Equity Interests of any Subsidiary is sold, the Consolidated Interest Expense for such period directly attributable to the Debt of such Subsidiary to the extent AK Steel and its continuing Subsidiaries are no longer liable for such Debt after such sale), (c) if since the beginning of such period AK Steel or any Subsidiary (by merger or otherwise) shall have made an Investment in any Subsidiary (or any Person which becomes a Subsidiary) or an acquisition of assets, including any acquisition of assets occurring in connection with a transaction causing a calculation to be made hereunder, which constitutes all or substantially all of an operating unit of a business, EBITDA and Consolidated Interest Expense for such period shall be calculated after giving pro forma effect thereto (including the issuance of any Debt) as if such Investment or acquisition occurred on the first day of such period, and (d) if since the beginning of such period any Person (that subsequently became a Subsidiary or was merged with or into Holding or any Subsidiary since the beginning of such period) shall have made any Asset Disposition or any Investment that would have required an adjustment pursuant to clause (b) or (c) above if made by AK Steel or a Subsidiary during such period, EBITDA and Consolidated Interest Expense for such period shall be calculated after giving pro forma effect thereto as if such Asset Disposition or Investment occurred on the first day of such period. For purposes of this definition, whenever pro forma effect is to be given to an acquisition of assets, the amount of income or earnings relating thereto, and the amount of Consolidated Interest Expense associated with any Debt issued in connection therewith, the pro forma calculations shall be determined in good faith by a responsible financial or accounting Officer of AK Steel. If any Debt bears a floating rate of interest and is being given pro forma effect, the interest of such Debt shall be calculated as if the rate in effect

on the date of determination had been the applicable rate for the entire period (taking into account any Interest Rate Protection Agreement applicable to such Debt if such Interest Rate Protection Agreement has a remaining term in excess of 12 months).

"Consolidated Interest Expense" means, for any period, the total interest expense of Holding and its consolidated Subsidiaries (other than Non-Recourse Subsidiaries), including (i) interest expense attributable to capital leases, (ii) amortization of debt discount and debt issuance cost, (iii) capitalized interest, (iv) non-cash interest payments, (v) commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing, (vi) net costs under Interest Rate Protection Agreements (including amortization of fees), (vii) Preferred Equity Interests dividends or distributions in respect of all Preferred Equity Interests held by Persons other than AK Steel or a Wholly Owned Subsidiary, (viii) interest allocated in connection with investments in discontinued operations and (ix) interest actually paid by Holding or any of its consolidated Subsidiaries (other than Non-Recourse Subsidiaries) under any guarantee of Debt or other obligation of any other Person.

"Consolidated Net Income" means for any period, the net income (or loss) of Holding and its consolidated Subsidiaries; *provided, however,* that there shall not be included in such Consolidated Net Income:

(i) any net income (or loss) of any Person if such Person is not a Subsidiary of AK Steel, except that AK Steel's equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to AK Steel or a Subsidiary (other than a Non-Recourse Subsidiary) as a dividend or other distribution (subject, in the case of a dividend or other distribution to a Subsidiary, to the limitations contained in clause (iii) below);

(ii) any net income (or loss) of any Person acquired by AK Steel or a Subsidiary in a pooling of interests transaction for any period prior to the date of such acquisition;

(iii) any net income of any Subsidiary if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Subsidiary, directly or indirectly, to AK Steel, except that (A) AK Steel's equity in the net income of any such Subsidiary for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Subsidiary during such period to AK Steel or another Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution to another Subsidiary, to the limitation contained in this clause) and (B) AK Steel's equity in a net loss of any such Subsidiary for such period shall be included in determining such Consolidated Net Income;

(iv) any gain or loss realized upon the sale or other disposition of any property, plant or equipment of AK Steel or its consolidated Subsidiaries (including pursuant to any sale-and-leaseback arrangement) which is not sold or otherwise disposed of in the ordinary course of business and any gain or loss realized upon the sale or other disposition of any Equity Interests of any Person;

(v) any net income (or loss) of any Non-Recourse Subsidiary, except that AK Steel's equity in the net income of any such Non-Recourse Subsidiary for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Non-Recourse Subsidiary during such period to AK Steel as a dividend or other distribution; and

(vi) the cumulative effect of a change in accounting principles.

"Consolidated Net Tangible Assets" of any Person means the total assets of such Person and its consolidated subsidiaries after deducting therefrom all intangible assets, current liabilities (excluding any thereof which are by their terms extendible or renewable at the option of the obligor thereon to a time more than 12 months after the time as of which the amount thereof is being computed) and minority interests, if any, in any assets of such Person's subsidiaries.

"Consolidated Net Worth" of any Person means the total of the amounts shown on the balance sheet of such Person and its consolidated subsidiaries, determined on a consolidated basis in accordance with generally accepted accounting principles, as of the end of the most recent fiscal quarter of such Person ending at least 45 days prior to the taking of any action for the purpose of which the determination is being made, as (i) the par or stated value of all outstanding Equity Interests of such Person plus (ii) paid-in capital or capital surplus relating to such Equity Interests plus (iii) any retained earnings or earned surplus less (a) any accumulated deficit, (b) any amounts attributable to Redeemable Equity Interests and (c) any amounts attributable to Exchangeable Equity Interests.

"Debt" of any Person means, without duplication,

(i) the principal of and premium (if any) in respect of (a) indebtedness of such Person for money borrowed and (b) indebtedness evidenced by notes, debentures, bonds or other similar instruments for the payment of which such Person is responsible or liable;

(ii) all Capital Lease Obligations of such Person;

(iii) all obligations of such Person issued or assumed as the deferred purchase price of property, all conditional sale obligations of such Person and all obligations of such Person under any title retention agreement (but excluding trade accounts payable arising in the ordinary course of business);

(iv) all obligations of such Person for the reimbursement of any obligor on any letter of credit, banker's acceptance or similar credit transaction (other than obligations with respect to letters of credit securing obligations (other than obligations described in (i) through (iii) above) entered into in the ordinary course of business of such Person to the extent such letters of credit are not drawn upon or, if and to the extent drawn upon, such drawing is reimbursed no later than the third Business Day following receipt by such Person of a demand for reimbursement following payment on the letter of credit);

(v) the amount of all obligations of such Person with respect to the redemption, repayment or other repurchase of any Redeemable Equity Interests (but excluding any accrued dividends);

(vi) all obligations of such Person under interest rate swap or similar agreements, or foreign currency or commodity hedge, exchange or similar agreements of such Person;

(vii) all obligations of the type referred to in clauses (i) through (vi) of other Persons and all dividends of other Persons for the payment of which, in either case, such Person is responsible or liable, directly or indirectly, as obligor, guarantor or otherwise, including by means of any Guarantee; and

(viii) all obligations of the type referred to in clauses (i) through (vii) of other Persons secured by any Lien on any property or asset of such Person (whether or not such obligation is assumed by such Person), the amount of such obligation being deemed to be the lesser of the value of such property or assets or the amount of the obligation so secured.

"Default" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"EBITDA" for any period means the Consolidated Net Income of Holding for such period (but without giving effect to adjustments, accruals, deductions or entries resulting from purchase accounting, extraordinary losses or gains and any gains or losses from any Asset Dispositions), plus (a) the following to the extent deducted in calculating such Consolidated Net Income: (i) income tax expense, (ii) Consolidated Interest Expense, (iii) depreciation expense, (iv) amortization expense, (v) the non-cash portion of post retirement benefits other than pensions, (vi) up to $50.0 million of special charges taken in respect of a fiscal period ended or ending December 31, 1993, March 31, 1994 and/or June 30, 1994, and (vii) special charges taken after December 31, 1993 to the extent not included in clause (vi) of this definition and in respect of which Holding has delivered to the Trustee (A) an Officers' Certificate setting forth estimates, made in good faith by a responsible financial or accounting Officer of Holding, of the cash costs estimated, at the time such special charges are recorded, to be paid during any period for such special charges and containing an undertaking of Holding to deliver to the Trustee, as soon as practicable after Holding determines that such estimates are not

appropriate, a supplemental Officers' Certificate setting forth appropriate adjustments to such estimates and (B) together with any Officers' Certificate or supplemental Officers' Certificate referred to in clause (A), a report prepared by Holding's independent auditors setting forth the procedures performed by such auditors in connection with such special charges and the related cash costs estimated to be paid during any period for such charges minus (b) to the extent not deducted in calculating such Consolidated Net Income, cash costs estimated to be paid during such period for special charges taken during any period as set forth in the Officers' Certificate most recently delivered to the Trustee in respect of such special charges pursuant to clause (a)(vii) of this definition.

"Equity Interests" means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interest in (however designated) corporate stock or other equity participations, including partnership interests, whether general or limited, including any Preferred Equity Interests.

"Exchangeable Equity Interests" of any Person means any Equity Interest which is exchangeable for or convertible into another security (other than any Equity Interest of such Person which is neither an Exchangeable Equity Interest nor a Redeemable Equity Interest).

"Fair Market Value" means, with respect to any asset or property, the sale value that would be obtained in an arm's-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer.

"Guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Debt or other obligation of any other Person and any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation of such other Person (whether such obligation to purchase or pay such Debt or other obligation of such other Person arises by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for purposes of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided, however,* that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Interest Rate Protection Agreement" means any interest rate swap agreement, interest rate cap agreement or other financial agreement or arrangement designed to protect AK Steel or any Subsidiary against fluctuations in interest rates.

"Investment" in any Person means any loan or advance to, any acquisition of Equity Interests, equity interest, obligation or other security of, or capital contribution or other investment in, such Person.

"Issue" means issue, assume, guarantee, incur or otherwise become liable for; *provided, however,* that any Debt or Equity Interests of a Person existing at the time such Person becomes a Subsidiary (whether by merger, consolidation, acquisition or otherwise) shall be deemed to be issued by such Subsidiary at the time it becomes a Subsidiary.

"JV Subsidiary" means a Guarantor Subsidiary which (i) was created or became a Subsidiary after the date on which the Senior Notes were originally issued and (ii) has not acquired any assets directly or indirectly from AK Steel or any Subsidiary, other than (a) cash constituting a Restricted Payment or (b) assets, in an Asset Disposition, which were acquired by AK Steel and its Subsidiaries within one year prior to such Asset Disposition.

"Lien" means any mortgage, pledge, security interest, conditional sale or other title retention agreement or other similar lien or encumbrance of any kind.

"Net Available Cash" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring Person of Debt or other obligations relating to such properties or assets or

received in any other noncash form) therefrom, in each case net of all legal, title and recording tax expenses, commissions and other fees and expenses incurred, and all Federal, state, provincial, foreign and local taxes required to be accrued as a liability under generally accepted accounting principles, as a consequence of such Asset Disposition, and in each case net of all payments made on any Debt which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any lien upon or other security agreement of any kind with respect to such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law be repaid out of the proceeds from such Asset Disposition, and net of all distributions and other payments required to be made to minority interest holders in Subsidiaries or joint ventures as a result of such Asset Disposition.

"Net Cash Proceeds", with respect to any issuance or sale of Equity Interests, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees actually incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"Non-Convertible Equity Interests" means, with respect to any Person, any non-convertible Equity Interests of such Person and any Equity Interests of such Person convertible solely into non-convertible Equity Interests of such Person; *provided, however,* that Non-Convertible Equity Interests shall not include any Redeemable Equity Interests or Exchangeable Equity Interests.

"Non-Recourse Debt" means Debt or that portion of Debt (i) as to which neither AK Steel nor any of its Subsidiaries (other than a Non-Recourse Subsidiary) (a) provides credit support (including any undertaking, agreement or instrument which would constitute Debt), (b) is directly or indirectly liable, or (c) constitutes the lender and (ii) no default with respect to which (including any rights which the holders thereof may have to take enforcement action against a Non-Recourse Subsidiary) would permit (upon notice, lapse of time or both) any holder of any other Debt of AK Steel or its Subsidiaries to declare a default on such other Debt or cause the payment thereof to be accelerated or payable prior to its Stated Maturity.

"Non-Recourse Subsidiary" means a Subsidiary of AK Steel which (i) has not acquired any assets directly or indirectly from AK Steel or any Subsidiary (other than (a) cash constituting a Restricted Payment and (b) accounts receivable that have been sold or otherwise transferred to such Subsidiary in an accounts receivable financing for AK Steel or such other Subsidiary), (ii) only owns properties acquired after the date of the issuance of the Senior Notes, and (iii) has no Debt other than Non-Recourse Debt.

"Normal Replacement Assets" means any assets other than Special Assets.

"Obligations" means the principal of, premium, if any, and interest on the Senior Notes and all other amounts due and payable under the Indenture and the Senior Notes and all other obligations and liabilities of AK Steel whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter issued, which may arise under, out of or in connection with the Indenture and the Senior Notes or any other documents made, delivered or given in connection therewith, whether on account of principal, premium, if any, interest, reimbursement obligations, fees, indemnities, costs, expenses (including without limitation all fees and disbursements of counsel to the Trustee or the holders which AK Steel has become obligated pursuant to the terms of this Indenture) or otherwise whether or not an allowable claim against AK Steel under the Bankruptcy Law or otherwise enforceable against AK Steel, and including, in any event, interest and other liabilities accruing or arising after the filing by or against AK Steel of a petition under the Bankruptcy Law or that would have so accrued or arisen but for the filing of such a petition.

"Permitted Investments" means:

(a) Cash Equivalents;

(b) Investments in AK Steel or a Wholly Owned Guarantor Subsidiary (or any Person which will become a Wholly Owned Guarantor Subsidiary as a result of such Investment);

(c) loans and reasonable advances to employees of AK Steel or its Subsidiaries for travel, entertainment and relocation expenses in the ordinary course of business; and

(d) Investments with respect to joint ventures in existence prior to the date on which the Senior Notes are originally issued, in an aggregate amount not exceeding $40.0 million, in connection with the disposition and termination of all, but not less than all, of the Investments and obligations of AK Steel and its Subsidiaries relating to such joint ventures, except for contractual obligations to pay the purchase price of commodities purchased at the Fair Market Value, as determined in good faith by the Board of Directors of Holding.

"*Permitted Liens*" means, with respect to any Person, (a) pledges or deposits by such Person under workers' compensation laws, unemployment insurance laws or similar legislation, or good faith deposits in connection with bids, tenders, contracts (other than for the payment of Debt) or leases to which such Person is a party, or deposits to secure public or statutory obligations of such Person or deposits or cash or United States government bonds to secure surety or appeal bonds to which such Person is a party, or deposits as security for contested taxes or import duties or for the payment of rent, in each case incurred in the ordinary course of business; (b) Liens imposed by law, such as carriers', warehousemen's and mechanics' Liens, in each case for sums not yet due or being contested in good faith by appropriate proceedings; or other Liens arising out of judgments or awards against such Person with respect to which such Person shall then be proceeding with an appeal or other proceedings for review or time for appeal has not yet expired; (c) Liens for property taxes not yet subject to penalties for non-payment or which are being contested in good faith by appropriate proceedings; (d) Liens in favor of issuers of surety bonds or letters of credit issued pursuant to the request of and for the account of such Person in the ordinary course of its business; *provided, however*, that such letters of credit do not constitute Debt; (e) survey exceptions, encumbrances, easements or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real properties or liens incidental to the conduct of the business of such Person or to the ownership of its properties which were not incurred in connection with Debt and which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person; (f) Liens securing an Interest Rate Protection Agreement so long as the related Debt is, and is permitted to be under the Indenture, secured by a Lien on the same property securing the Interest Rate Protection Agreement; and (g) leases and subleases of real property which do not interfere with the ordinary conduct of the business of AK Steel or any of its Subsidiaries, and which are made on customary and usual terms applicable to similar properties.

"*Permitted Restructured Facility*" or "*Facilities*" means one or more agreements between AK Steel, one or more Subsidiaries and a financial institution or institutions providing for the restructuring of outstanding Debt of AK Steel.

"*Permitted Revolving Credit Facility*" or "*Facilities*" means any agreement or agreements between AK Steel and a financial institution or institutions, providing for (i) the making of loans on a revolving basis, (ii) the sale of accounts receivable under any asset securitization facility or (iii) the issuance of letters of credit and/or the creation of bankers' acceptances the aggregate amount that may be borrowed or otherwise obtained under which, in the case of (i), (ii) and (iii), is based upon eligible accounts receivable and eligible inventories and under, in the case of (i), (ii) and (iii), which the aggregate principal amount of Debt, or (in the case of (ii)) purchaser investment outstanding under any such asset securitization facility, is not greater, in the aggregate, than the greater of (i) $75.0 million and (ii) to the extent such accounts receivable and inventory do not secure any other Debt of AK Steel or any of its Subsidiaries, the sum of (a) 85% of the book value of the accounts receivable of AK Steel and (b) 60% of the book value (excluding last-in-first-out reserves) of the inventory of AK Steel.

"*Preferred Equity Interests*", as applied to the Equity Interests of any Person, means Equity Interests of any class or classes (however designated) which is preferred as to the payment of dividends or distributions, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over Equity Interests of any other class of such Person.

"*Redeemable Equity Interests*" means any Equity Interests that by its terms or otherwise is required to be redeemed on or prior to the first anniversary of the Stated Maturity of the Senior Notes or is redeemable at the option of the holder thereof at any time on or prior to the first anniversary of the Stated Maturity of the Senior Notes.

"*Sale/Leaseback Transaction*" means an arrangement relating to property now owned or hereafter acquired whereby AK Steel or a Subsidiary transfers such property to a Person and AK Steel or a Subsidiary leases it from such Person.

"*Significant Subsidiary*" means (i) any domestic Subsidiary of AK Steel (other than a Non-Recourse Subsidiary) which at the time of determination either (a) had assets which, as of the date of the Holding's most recent quarterly consolidated balance sheet, constituted at least 5% of Holding's total assets on a consolidated basis as of such date, or (b) had revenues for the 12-month period ending on the date of Holding's most recent quarterly consolidated statement of income which constituted at least 5% of Holding's total revenues on a consolidated basis for such period, (ii) any Foreign Subsidiary (other than a Non-Recourse Subsidiary) of AK Steel which at the time of determination either (a) had assets which, as of the date of Holding's most recent quarterly consolidated balance sheet, constituted at least 5% of Holding's total assets on a consolidated basis as of such date, in each case determined in accordance with generally accepted accounting principles or (b) had revenues for the 12-month period ending on the date of Holding's most recent quarterly consolidated statement of income which constituted at least 5% of Holding's total revenues on a consolidated basis for such period, or (iii) any Subsidiary (other than a Non-Recourse Subsidiary) of AK Steel which, if merged with all Defaulting Subsidiaries of AK Steel, would at the time of determination either (a) have had assets which, as of the date of Holding's most recent quarterly consolidated balance sheet, would have constituted at least 10% of Holding's total assets on a consolidated basis as of such date or (b) have had revenues for the 12-month period ending on the date of Holding's most recent quarterly consolidated statement of income which would have constituted at least 10% of Holding's total revenues on a consolidated basis for such period (each such determination being made in accordance with generally accepted accounting principles). "Defaulting Subsidiary" means any Subsidiary of AK Steel (other than a Non-Recourse Subsidiary) with respect to which a Default has occurred.

"*Special Assets*" means a capital asset, or series of related capital assets, with an aggregate purchase price in excess of $20.0 million that enhances the competitiveness or productivity of the business of AK Steel and its Subsidiaries or are required so that AK Steel and its Subsidiaries will remain in compliance with all material requirements of applicable law.

"*Stated Maturity*" means, with respect to any security, the date specified in such security as the fixed date on which the principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency unless such contingency has occurred).

"*Subordinated Exchange Note*" means the promissory note of AK Steel, in the principal amount of $100 million, evidencing the Subordinated Obligation held by an affiliate of Kawasaki prior to the Recapitalization and exchanged for Common Stock of Holding pursuant to the Recapitalization, as in effect on the date the Senior Notes were originally issued. Following the Recapitalization, the Debt evidenced by the Subordinated Exchange Note will remain outstanding as an obligation of AK Steel to Holding.

"*Subordinated Obligation*" means any Debt of AK Steel (whether outstanding on the date on which the Senior Notes were originally issued or thereafter issued) which is subordinate or junior in right of payment to the Senior Notes.

"*Subordinated Pension Trust Note*" means the promissory note of AK Steel, as in effect on the date the Senior Notes were originally issued, evidencing the Subordinated Obligation owed to Holding issued as consideration for shares of Common Stock having a value equal to $50.0 million. Pursuant to the Recapitalization, AK Steel will contribute these shares to the Pension Trust as part of the Pension Trust Contribution.

"*Subsidiary*" of any Person means any corporation, association, partnership or other business entity of which more than 50% of the total voting power of shares of Equity Interests or other interests (including partnership interests) entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" shall refer to a Subsidiary or Subsidiaries of AK Steel.

"*U.S. Government Obligations*" means direct obligations (or certificates representing an ownership interest in such obligations) of the United States of America (including any agency or instrumentality thereof) for the payment of which the full faith and credit of the United States of America is pledged and which are not callable at the issuer's option.

"*Voting Equity Interests*" of a corporation means all classes of Equity Interests of a corporation or other entity then outstanding and normally entitled to vote in the election of directors or other governing body of such corporation or other entity.

"*Wholly Owned Guarantor Subsidiary*" means any Wholly Owned Subsidiary that is a Guarantor Subsidiary.

"*Wholly Owned Subsidiary*" of a Person means a Subsidiary of such Person (other than a Non-Recourse Subsidiary) all the Equity Interests (other than non-voting, non-cumulative money market preferred shares) of which (other than directors' qualifying shares) are owned by such Person or another Wholly Owned Subsidiary of such Person. Unless otherwise qualified, all references to a "Wholly Owned Subsidiary" or to "Wholly Owned Subsidiaries" shall refer to a Wholly Owned Subsidiary or Wholly Owned Subsidiaries of the Company.

Events of Default

The following will be Events of Default under the Indenture:

(i) default in any payment of interest on any Senior Note when the same becomes due and payable, and such default continues for a period of 30 days;

(ii) default in the payment of the principal of any Senior Note when the same becomes due and payable at its Stated Maturity, upon redemption, upon declaration or otherwise;

(iii) failure to redeem or purchase Senior Notes when required pursuant to the Indenture and the Senior Notes;

(iv) failure to (a) comply with the covenant described under "When AK Steel and its Subsidiaries May Merge or Transfer Assets," (b) make or consummate an Offer in accordance with the provisions of "Certain Covenants — Limitation on Sales of Assets and Equity Interests of Subsidiaries" or (c) make or consummate a Change in Control Offer in accordance with the provisions of "Change in Control";

(v) failure to comply with any of the agreements in the Senior Notes or the Indenture (other than those referred to in (i), (ii), (iii) or (iv) above), which continues for 60 days after there has been given to AK Steel by the Trustee or to AK Steel and the Trustee by the holders of at least 25% in principal amount of Senior Notes then outstanding a written notice specifying such failure;

(vi) Debt of AK Steel or any Significant Subsidiary is not paid within any applicable grace period after final maturity or is accelerated by the holders thereof because of a default, the total amount of such Debt unpaid or accelerated exceeds $10.0 million or its foreign currency equivalent;

(vii) any Senior Note Guarantee issued by Holding or any Significant Subsidiary ceases to be in full force and effect other than in accordance with its terms, or Holding or any Significant Subsidiary or any Person acting on behalf of Holding or such Significant Subsidiary shall deny or disaffirm its obligations under its Senior Note Guarantee;

(viii) certain events in bankruptcy, insolvency or reorganization with respect to Holding, AK Steel or any Significant Subsidiary; and

(ix) any judgment or decree for the payment of money in excess of $10.0 million is rendered against Holding, AK Steel or any Significant Subsidiary and is not discharged and either (a) an enforcement proceeding has been commenced by any creditor upon such judgment or decree or (b) there is a period of 60 days following such judgment during which such judgment or decree is not discharged, waived or the execution thereof stayed.

If an Event of Default shall occur and be continuing, either the Trustee or the holders of at least 25% in principal amount of the Senior Notes then outstanding may, accelerate the maturity of all Senior Notes and thereupon the principal of, premium, if any, and any accrued and unpaid interest on the Senior Notes shall become due and payable immediately; *provided*, that in the case of any bankruptcy, insolvency or reorganization Event of Default, such amount shall become immediately due and payable without any declaration or other act on the part of the Trustee or any holder. The holders of at least a majority in principal amount of Senior Notes may, under certain circumstances, rescind such acceleration and its consequences if the rescission would not conflict with any judgment or decree and if all Events of Default, other than the nonpayment of accelerated principal of, premium, if any, and interest on Senior Notes, have been cured or waived as provided in the Indenture. The holders of at least a majority in principal amount of the Senior Notes may waive any past default under the Indenture, except a default in the payment of principal, premium or interest on a Senior Note or default with respect to certain covenants under the Indenture.

Subject to provisions for the indemnification of the Trustee, the holders of at least a majority in principal amount of the Senior Notes will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, subject to certain limitations contained in the Indenture.

No holder of any Senior Note will have any right to pursue any remedy with respect to the Indenture or the Senior Notes unless (i) such holder shall have previously given to the Trustee written notice of a continuing Event of Default, (ii) the holders of at least 25% in principal amount of the Senior Notes shall have made written request to the Trustee to pursue the remedy, (iii) such holder shall have offered the Trustee reasonable indemnity against any liability, (iv) the Trustee shall have failed to comply with the request within 60 days after the receipt of such request and the offer of indemnity, and (v) no written direction inconsistent with such request shall have been given to the Trustee during such 60-day period by the holders of at least a majority in principal amount of the Senior Notes.

AK Steel and the Guarantors will be required to furnish to the Trustee annually a statement as to the performance by AK Steel and such Guarantor of certain of the obligations under the Indenture and as to any default in such performance. Upon becoming aware of any default, AK Steel and each Guarantor will be required to deliver an Officers' Certificate to the Trustee setting forth the details of such default and the action which Holding, AK Steel or any Guarantor proposes to take with respect thereto.

Modification and Waiver

Amendments of the Indenture or the Senior Notes may be made by AK Steel, the Guarantors and the Trustee with the consent of the holders of at least a majority in principal amount of the Senior Notes; *provided, however*, that no such modification or amendment may, without the consent of the holder of each Senior Note affected thereby, (i) reduce the amount of Senior Notes whose holders must consent to an amendment, (ii) reduce the rate or extend the interest payment time of any Senior Note, (iii) reduce the principal amount of or extend the Stated Maturity of any Senior Note, (iv) reduce the premium payable upon redemption or change the time at which any Senior Note may be redeemed, (v) change the currency of payment of any Senior Note, (vi) make any change in the provisions concerning waiver of Defaults by holders of the Senior Notes or the rights of holders to receive payments of principal or interest, (vii) make any change in provisions regarding Change in Control, (viii) make any change adversely affecting the rights of any holder of the Senior Notes or (ix) make any change in this provision.

Without the consent of any holder of the Senior Notes, AK Steel, the Guarantors and the Trustee may amend the Indenture or the Senior Notes (i) to cure any ambiguity, omission, defect or inconsistency, (ii) to comply with "When AK Steel and its Subsidiaries May Merge or Transfer Assets," (iii) to provide for uncertificated Senior Notes in addition to or in place of certificated Senior Notes, (iv) to add guarantees with respect to the Securities, (v) to add to the covenants of AK Steel or the Guarantors for the benefit of the holders or to surrender any right or power conferred upon AK Steel or the Guarantors in the Indenture, (vi) to reflect the release or addition of a Guarantor pursuant to the terms of the Indenture, (vii) to comply with any requirements of the SEC in connection with qualifying the Indenture under the Trust Indenture Act, or (viii) to make any change that does not adversely affect the rights of any holder of the Senior Notes.

When AK Steel and its Subsidiaries May Merge or Transfer Assets

AK Steel shall not (i) consolidate with or merge with or into any other Person, (ii) permit any other Person to consolidate with or merge into (a) AK Steel or (b) any Subsidiary in a transaction in which such Subsidiary (or successor Person) remains (or becomes) a Subsidiary, (iii) directly or indirectly, transfer, convey, sell, lease or otherwise dispose of all or substantially all of its properties and assets, (iv) directly or indirectly, (a) acquire Equity Interests or other ownership interests of any other Person such that such Person becomes a Subsidiary or (b) purchase, lease or otherwise acquire all or substantially all of the property and assets of any Person or any existing business (whether existing as a separate entity, subsidiary, division, unit or otherwise) of any Person, or (v) permit any of its Subsidiaries to enter into any such transaction unless:

(1) AK Steel or such Subsidiary shall be the continuing entity or the resulting, surviving or transferee Person (if not AK Steel or such Subsidiary) shall be a Person organized and existing under the laws of the United States of America, any State thereof or the District of Columbia and such Person shall expressly assume, by an indenture supplemental to the Indenture, executed and delivered to the Trustee, all the obligations of AK Steel or such Subsidiary, as the case may be, under the Senior Notes and the Indenture;

(2) Immediately after giving effect to such transaction (and treating any Debt which becomes an obligation of the resulting, surviving or transferee Person or any Subsidiary as a result of such transaction as having been issued by such Person or such Subsidiary at the time of such transaction), no Default shall have occurred and be continuing;

(3) Immediately after giving effect to such transaction, on a pro forma basis, AK Steel (or the resulting, surviving or transferee Person (if not AK Steel)) would be able to issue at least $1.00 of Debt pursuant to the Consolidated EBITDA Coverage Ratio set forth in the first paragraph of "Certain Covenants — Limitation on Debt";

(4) Immediately after giving effect to such transaction, Holding shall have Consolidated Net Worth which is not less than the Consolidated Net Worth of Holding immediately prior to such transaction;

(5) Each Guarantor, unless it is the other party to the transactions described above, shall expressly confirm, by an indenture supplemental to the Indenture, executed and delivered to the Trustee, that its Guarantee shall apply to such Person's obligations under the Notes; and

(6) AK Steel shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplemental indentures (if any) comply with the Indenture;

provided, however, that clauses (3) and (4) shall not apply to (A) the consolidation or merger of any Wholly Owned Subsidiary with or into any other Wholly Owned Subsidiary or AK Steel or (B) the transfer, conveyance, sale, lease or other disposal (including any disposition by means of a merger, consolidation or similar transaction) of all or substantially all of the properties or assets of a Non-Recourse Subsidiary or a Subsidiary which is not a Significant Subsidiary or (C) the merger of Holding into AK Steel.

If after the date on which the Senior Notes were originally issued any Person shall become a Subsidiary (other than a Non-Recourse Subsidiary), such Person shall (a) unconditionally guarantee, by an indenture supplemental to the Indenture, executed and delivered to the Trustee, all of AK Steel's obligations under the Senior Notes on the terms set forth in the Indenture and (b) deliver to the Trustee an Opinion of Counsel stating that such supplemental indenture has been duly authorized and constitutes the enforceable obligations of such Person.

Defeasance

AK Steel at any time may terminate all its obligations under the Senior Notes and the Indenture ("legal defeasance"), except for certain obligations, including those respecting the defeasance trust and obligations to register the transfer or exchange of the Senior Notes, to replace mutilated, destroyed, lost or stolen Senior Notes and to maintain a registrar and paying agent in respect of the Senior Notes. AK Steel at any time may terminate its obligations under the covenants described under "Certain Covenants" and "Change in Control Offer" above ("covenant defeasance"). AK Steel may exercise the legal defeasance option notwithstanding the prior exercise of the covenant defeasance option. If AK Steel exercises the legal defeasance option, payment of the Senior Notes may not be accelerated because of an Event of Default. If AK Steel exercises the covenant defeasance option, payment of the Senior Notes may not be accelerated because of an Event of Default specified in clause (v) of the first paragraph of "Events of Default" above.

In order to exercise its defeasance options, AK Steel must irrevocably deposit in trust (the "defeasance trust") with the Trustee money or U.S. Government Obligations for the payment of principal of, premium, if any, and interest on the Senior Notes to maturity or redemption, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of an opinion of counsel to the effect that holders of the Senior Notes will not recognize income, gain or loss for federal income tax purposes as a result of such defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance had not occurred (and, in the case of legal defeasance only, such opinion of counsel must be based on a ruling of the Internal Revenue Service or other change in applicable federal income tax law).

Concerning the Trustee

The Trustee may become owner or pledgee of Senior Notes and may otherwise deal with either Holding or Affiliates of Holding with the same rights it would have if it were not Trustee.

The Indenture will provide that in case an Event of Default shall occur and be continuing, the Trustee will exercise the rights and powers vested in it by the Indenture and use the same degree of care and skill in their exercise as a prudent Person would exercise or use under the circumstances in the conduct of such Person's own affairs.

Transfer and Exchange

A holder may transfer or exchange Senior Notes in accordance with the Indenture. Such holder may be required, among other things, to furnish appropriate endorsements and transfer documents, and to pay any taxes and fees required by law or permitted by the Indenture. The Registrar is not required to transfer or exchange any Senior Note selected for redemption. Also, the Registrar is not required to transfer or exchange any Senior Note for a period of 15 days before a selection of Senior Notes to be redeemed or an interest payment date.

Governing Law

The Indenture, the Senior Notes and the Senior Note Guarantees shall be governed by, and construed in accordance with, the law of the State of New York but without giving effect to applicable principles of conflicts of law to the extent that the application of the laws of another jurisdiction would be required thereby.

DESCRIPTION OF CERTAIN INDEBTEDNESS

The following is a description of the expected terms for the Company's restructured debt after the Recapitalization, subject to the finalization of the definitive agreements.

Bank and Other Debt

After the Recapitalization, AK Steel expects to have $128.4 million of outstanding indebtedness with banks and other lenders. This indebtedness will represent principal amounts remaining on pre-Recapitalization debt as follows: $40.3 million to Dai-Ichi Kangyo Bank Limited (New York Branch) (the "DKB Loan"); $37.8 million to Nissho Iwai American Corporation ("NIAC") for projects at the Middletown Works' hot-rolling mill and the Ashland Works' caster (the "NIAC Loan"); $36.0 million to ITOCHU for the construction of the No. 2 EGL (the "ITOCHU Loan"); and $14.3 million to a group of lenders for the financing of the No. 1 EGL (the "No. 1 EGL Loan").

DKB Loan. It is anticipated that the DKB Loan will bear interest at a fixed rate of 9.57%. Scheduled principal repayments will be $5.0 million for 1995, $10.0 million per year for 1996 through 1998 and a final payment of $5.3 million in 1999. In addition, 50% of annual "Excess Cash Flow" (to be defined in the DKB Loan agreement) will be shared pro rata with NIAC, pursuant to the NIAC Loan, to retire outstanding debt. Pursuant to the DKB Loan agreement, DKB is expected to release its existing security interest in a pool of AK Steel's assets in exchange for a shared security interest in AK Steel's inventory that will be shared with NIAC.

It is anticipated that the DKB Loan agreement will contain a number of covenants, including restrictions on mergers, consolidations and sales of assets; changes in ownership; and transactions with affiliates. AK Steel also will be required to meet certain financial covenants, including a minimum tangible net worth, a minimum current ratio and a maximum leverage ratio. The DKB Loan agreement will contain customary events of default, including a cross default to other debt agreements if the effect of an event of default with such other agreements permits acceleration of the maturity of indebtedness thereunder.

NIAC Loan. It is anticipated that the NIAC Loan will bear interest at fixed rates ranging from 10.6% to 11.1%, with scheduled maturities of $0.4 million for 1994, $2.7 million for 1995, $8.8 million for 1996, $10.8 million for each of 1997 and 1998 and $4.3 million for 1999. NIAC is expected to release its existing security interest in a pool of AK Steel's assets in exchange for a shared security interest in AK Steel's inventory with DKB. Covenants and events of default under the NIAC Loan agreement are expected to be similar but somewhat less restrictive than under the DKB Loan agreement.

ITOCHU Loan. It is anticipated that the ITOCHU Loan will have covenants similar to those contained in the NIAC Loan agreement, and will bear interest at the fixed rate of 9.38%. Annual principal payments of $3.6 million will commence in 1994 and end in 2003. Pursuant to the ITOCHU Loan agreement, ITOCHU is expected to release its second mortgage and security interest in a pool of AK Steel's assets in exchange for an unshared security interest in the No. 2 EGL.

No. 1 EGL Loan. The No. 1 EGL Loan represents the remaining debt under a leveraged lease financing entered into in 1986 by Armco and transferred to AK Steel in 1989. In 1990, AK Steel purchased the equity interest in the lease from Burnham Leasing Corporation. The Recapitalization will not affect the terms and conditions of this indebtedness. The No. 1 EGL Loan is secured by a lien on the No. 1 EGL and by a $15.0 million letter of credit issued by Dai-Ichi Kangyo Bank Limited. The No. 1 EGL Loan is also secured by $8.8 million cash collateral that Armco provided prior to the transfer of the loan. The agreement does not have financial covenants; however, there are cross-default provisions to AK Steel's other indebtedness agreements. The No. 1 EGL indebtedness bears interest at the fixed rate of 11.5%. Scheduled principal payments are $4.8 million for 1994, $5.6 million for 1995 and $3.9 million for 1996.

Miscellaneous Debt

AK Steel has $9.0 million of other outstanding total indebtedness, consisting of government subsidized loans for capital improvements. The Recapitalization will not affect the terms and conditions of this indebtedness. This indebtedness is unsecured, bears below market interest rates and contains minimal covenants and events of default (although there are cross-default provisions if the effect of an event of default with respect to other indebtedness of AK Steel permits acceleration of the maturity of that indebtedness). The longest maturity is 2006, with average principal payments of less than $1.0 million annually.

Revolving Credit Facility

Pursuant to the Recapitalization, AK Steel expects to enter into a new revolving credit facility providing for allowable borrowings of up to $75.0 million and a final maturity of five years from the closing date of the Recapitalization. The banks under AK Steel's existing revolving credit facility are expected to release their security interests in a pool of AK Steel assets in exchange for a security interest in AK Steel's receivables. The new revolving credit facility is expected to have terms and conditions similar to those set forth in the DKB Loan agreement. AK Steel expects to pay to the lenders under the new revolving credit facility a one-time origination fee and an annual commitment fee on the unused commitment amount.

DESCRIPTION OF CAPITAL STOCK

The authorized capital stock of the Company consists of 75,000,000 shares of Common Stock and 25,000,000 shares of preferred stock, par value $0.01 per share, issuable in series (the "Preferred Stock"). The following summary description of the capital stock of the Company is qualified in its entirety by reference to the Certificate of Incorporation and the Bylaws of the Company, copies of which have been filed as exhibits to the Registration Statement of which this Prospectus is a part.

Common Stock

Dividends

The holders of Common Stock will be entitled to receive dividends when and as dividends are declared by the Board of Directors of the Company out of funds legally available therefor, provided that if any shares of the Preferred Stock are at the time outstanding, the payment of dividends on the Common Stock or other distributions may be subject to the declaration and payment of full cumulative dividends on outstanding shares of Preferred Stock. Payment of dividends on the Common Stock is currently prohibited by certain provisions in the Company's financing arrangements. See "Dividend Policy."

Voting Rights

Holders of Common Stock are entitled to one vote per share.

No Preemptive Rights

The holders of Common Stock are not entitled to preemptive or subscription rights.

Transferability

There is no restriction on the transfer of Common Stock. However, each of Armco and Kawasaki has agreed for a period of 365 days after the date of this Prospectus not to sell any shares of Common Stock without the prior written consent of CS First Boston.

Transfer Agent and Registrar of Common Stock

The transfer agent and registrar for the Common Stock is .

Preferred Stock

Pursuant to the Certificate of Incorporation, the Board of Directors is authorized to establish and designate one or more series of Preferred Stock, without further authorization of the Company's stockholders, and to fix the number of shares, the dividend and the relative rights, preferences and limitations of any such series. Thus, any series may, if so determined by the Board of Directors, have full voting rights with the Common Stock or superior or limited voting rights, be convertible into Common Stock or another security of the Company, and have other relative rights, preferences and limitations as the Board of Directors shall determine. As a result, any class or series of Preferred Stock could have rights that would adversely affect the voting power of the Common Stock. The shares of any class or series of Preferred Stock need not be identical.

Business Combination Statute

Section 203 of the Delaware General Corporation Law prohibits certain transactions between a Delaware corporation and an "interested stockholder," which is defined as a person who, together with any affiliates and/or associates of that person, beneficially owns, directly or indirectly, 15% or more of the outstanding voting shares of a Delaware corporation. This provision prohibits certain business combinations (defined broadly to include mergers, consolidations, sales or other dispositions of assets having an aggregate value in excess of 10% of the consolidated assets of the corporation, and certain transactions that would increase the interested stockholder's proportionate share ownership in the corporation) between an interested stockholder and a corporation for a period of three years after the date the interested stockholder acquired its stock, unless (i) the business combination is approved by the corporation's board of directors prior to the date the interested stockholder acquired shares; (ii) the interested stockholder acquired at least 85% of the voting stock of the corporation in the transaction in which it became an interested stockholder; or (iii) the business combination is approved by a majority of the board of directors and by the affirmative vote of two-thirds of the votes entitled to be cast by disinterested stockholders at an annual or special meeting.

UNDERWRITING

CS First Boston Corporation (the "Underwriter") has agreed to purchase from AK Steel, at the price specified on the cover page of this Prospectus under "Proceeds to AK Steel," $275,000,000 principal amount of the Senior Notes, subject to the terms and conditions of the Underwriting Agreement among Holding, AK Steel and the Underwriter. The Underwriting Agreement provides that the Underwriter is obligated to purchase all of the Senior Notes if any are purchased.

Holding and AK Steel have been advised by the Underwriter that it proposes to offer the Senior Notes to the public initially at the public offering price set forth on the cover page of this Prospectus and to certain dealers at such price less a concession of not more than % of the principal amount of the Senior Notes; that the Underwriter and such dealers may allow a discount of not more than % of such principal amount on sales to certain other dealers; and that the public offering price and concession and discount to dealers may be changed by the Underwriter.

Holding and AK Steel have each agreed to indemnify the Underwriter against certain liabilities, including civil liabilities under the Securities Act, or to contribute to payments that the Underwriter may be required to make in respect thereof.

The Senior Notes will not be listed on any securities exchange. The Senior Notes will be tradeable in the over-the-counter market, but any such trading will be limited and sporadic. The Underwriter has advised Holding and AK Steel that it intends to act as a market-maker for the Senior Notes. However, any such market-making may be discontinued by the Underwriter at any time in the Underwriter's sole discretion and without notice. No assurance can be given as to the liquidity of the trading market for the Senior Notes.

LEGAL MATTERS

The validity of the Senior Notes will be passed upon for the Company by Weil, Gotshal & Manges (a partnership including professional corporations), New York, New York, and for the Underwriter by Winthrop, Stimson, Putnam & Roberts, New York, New York.

EXPERTS

The consolidated financial statements of Armco Steel Company, L.P. and Subsidiaries as of December 31, 1991, 1992 and 1993 and for each of the years in the four year period ended December 31, 1993 included in this Prospectus and the related financial statement schedules included elsewhere in the Registration Statement of which this Prospectus is a part have been audited by Deloitte & Touche, independent auditors, as stated in their reports appearing herein and elsewhere in the Registration Statement (which reports express unqualified opinions and include explanatory paragraphs relating to the change in the method of accounting for retiree health care and life insurance benefits), and are included in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

ADDITIONAL INFORMATION

Holding has filed with the Commission in Washington, D.C., a Registration Statement on Form S-1 under the Securities Act with respect to the Common Stock Offerings, and Holding and AK Steel have filed with the Commission a Registration Statement Form S-1 under the Securities Act with respect to the Senior Notes Offering. For the purposes hereof, the term "Registration Statement" means the original Registration Statement and any and all amendments thereto. This Prospectus, that constitutes a part of the Registration Statement with respect to the Senior Notes Offering, does not contain all the information set forth in that Registration Statement and the exhibits and schedules thereto, to which reference is hereby made. Statements made in this Prospectus as to the contents of any contract, agreement or other document are not necessarily complete; with respect to each contract, agreement or other document filed as an exhibit to the Registration Statement with respect to the Senior Notes Offering, reference is made to the exhibit for a more complete description of the matter involved.

The Company will be subject to the periodic reporting and other informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith will file reports and other information with the Commission. The Registration Statement with respect to the Senior Notes Offering and the exhibits thereto as well as the periodic reports, proxy statements and other information filed by the Company with the Commission may be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, or at its regional offices located at Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661, and Seven World Trade Center, 13th Floor, New York, New York 10048. Copies of such material can be obtained from the public reference section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. As long as the Company is subject to such periodic reporting and informational requirements, it will furnish all reports and other information required thereby to the Commission and will furnish copies of such reports and other information to the Trustee. The Company agrees, so long as the Senior Notes remain outstanding, to continue to file reports under Section 13 or 15(d) of the Exchange Act. The Company will also make such reports available to prospective purchasers of the Senior Notes, securities analysts and broker-dealers upon their request.

The Company will have securities listed on the New York Stock Exchange. Reports, proxy statements and other information concerning the Company can also be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York, 10006.

Index to Consolidated Financial Statements

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of AK Management Corporation:

We have audited the accompanying consolidated balance sheets of Armco Steel Company, L.P. and Subsidiaries as of December 31, 1991, 1992 and 1993 and the related consolidated statements of operations and partners' capital (deficit) and of cash flows for each of the four years in the period ended December 31, 1993. 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 upon our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 1991, 1992 and 1993 and the results of its operations and its cash flows for each of the four years in the period ended December 31, 1993 in conformity with generally accepted accounting principles.

As discussed in Note 5 to the consolidated financial statements, in 1993 the Company changed its method of accounting for retiree health care and life insurance benefits to conform with Statement of Financial Accounting Standards No. 106 and, retroactively, restated its 1990, 1991 and 1992 financial statements for the change.

Deloitte & Touche
Cincinnati, Ohio
January 26, 1994.

ARMCO STEEL COMPANY, L.P.

CONSOLIDATED BALANCE SHEETS
December 31, 1991, 1992 and 1993
(dollars in millions)

ASSETS

	1991	1992	1993
Current Assets:			
Cash and cash equivalents (Note 1)	$ 13.8	$ 1.2	$ 144.2
Accounts and notes receivable (Note 3):			
Trade (less allowance for doubtful accounts of $2.5, $2.7 and $4.5 for 1991, 1992 and 1993, respectively)	101.1	125.4	137.3
Other receivables	26.7	13.0	14.1
Total accounts and notes receivable	127.8	138.4	151.4
Inventories (Notes 1 and 3)	324.0	276.6	255.1
Other current assets	2.1	1.2	3.3
Total Current Assets	467.7	417.4	554.0
Investments (Note 1):			
Investment in Eveleth (net of impairment of $46.6 for 1992 and 1993 — Note 8)	49.2	—	—
Investment in SOS (Notes 1 and 11)	—	20.1	22.7
Other	10.5	36.2	22.1
Total investments	59.7	56.3	44.8
Property, plant and equipment (Notes 1 and 3):			
Land, land improvements and leaseholds	45.4	42.0	40.4
Buildings	92.6	80.6	80.1
Machinery and equipment	1,039.6	1,033.1	1,059.5
Construction in progress	82.1	25.7	37.1
Total	1,259.7	1,181.4	1,217.1
Less accumulated depreciation	199.8	272.6	344.9
Property, plant and equipment — Net	1,059.9	908.8	872.2
Other (Note 5)	45.5	42.5	47.7
TOTAL ASSETS	$1,632.8	$1,425.0	$1,518.7

See notes to consolidated financial statements.

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ARMCO STEEL COMPANY, L.P.

CONSOLIDATED BALANCE SHEETS
December 31, 1991, 1992 and 1993
(dollars in millions)

LIABILITIES AND PARTNERS' CAPITAL (DEFICIT)

	1991	1992	1993
Current Liabilities:			
Notes payable (Note 3)	$ 58.0	—	—
Overdrafts payable	6.6	$ 54.3	$ 52.8
Accounts payable:			
Trade	90.8	82.8	101.8
Other	18.8	24.6	17.9
Total accounts payable	109.6	107.4	119.7
Accrued salaries, wages and commissions	40.4	32.5	35.5
Other accruals (Notes 2, 5 and 9)	132.8	133.5	157.3
Current portion of long-term debt (Note 3)	44.2	104.6	130.8
Total Current Liabilities	391.6	432.3	496.1
Long-term debt (Note 3)	497.9	563.3	598.6
Deferred income taxes (Note 2)	10.9	0.1	0.2
Other liabilities (Notes 5 and 9)	659.1	879.0	1,008.0
Commitments and contingencies (Notes 3, 7 and 10)	—	—	—
Total Liabilities	1,559.5	1,874.7	2,102.9
Partners' Capital (Deficit) (less receivables from affiliates of $17.6, $16.5 and $16.5 for 1991, 1992 and 1993, respectively) (Notes 1, 5 and 6)	73.3	(449.7)	(584.2)
TOTAL LIABILITIES AND PARTNERS' CAPITAL (DEFICIT)	$1,632.8	$1,425.0	$1,518.7

See notes to consolidated financial statements.

ARMCO STEEL COMPANY, L.P.

CONSOLIDATED STATEMENTS OF OPERATIONS AND PARTNERS' CAPITAL (DEFICIT)
For the Years Ended December 31, 1990, 1991, 1992 and 1993
(dollars in millions)

	1990	1991	1992	1993
Net Sales:				
Customers	$1,315.6	$1,211.6	$1,292.6	$1,458.3
Affiliates (Note 6)	101.2	89.8	111.9	136.2
Total Net Sales	1,416.8	1,301.4	1,404.5	1,594.5
Operating Costs:				
Cost of products sold (Notes 1 and 10)	1,284.5	1,303.4	1,318.6	1,378.3
Selling and administrative expenses (Note 6)	133.8	134.4	118.6	109.2
Depreciation and amortization (Note 1)	72.8	82.6	87.3	73.5
Special charges and unusual items (Note 8)	—	—	379.3	19.6
Total Operating Costs	1,491.1	1,520.4	1,903.8	1,580.6
Operating Profit (Loss)	(74.3)	(219.0)	(499.3)	13.9
Other (Income) Expense:				
Interest expense (Note 3)	24.3	40.8	46.4	58.1
Royalty income	(3.9)	(4.6)	(5.0)	(3.8)
Miscellaneous other — net	(1.1)	1.4	1.9	0.3
Total Other Expense	19.3	37.6	43.3	54.6
Loss Before Income Taxes, Extraordinary Item and Accounting Change	(93.6)	(256.6)	(542.6)	(40.7)
Benefit for Income Taxes (Note 2)	(3.5)	(5.5)	(10.6)	—
Net Loss before Extraordinary Item and Accounting Change	(90.1)	(251.1)	(532.0)	(40.7)
Extraordinary Item (Note 9)	—	—	(12.1)	—
Cumulative Effect of Change in Accounting for Certain Postretirement Benefits (Note 5)	(491.6)	—	—	—
Net Loss	(581.7)	(251.1)	(544.1)	(40.7)
Partners' Capital (Deficit), Beginning Balance	700.7	189.4	73.3	(449.7)
Distribution to partners	(14.8)	(1.5)	—	—
Additional capital contributions	70.0	115.1	21.1	19.4
Asset adjustment due to ownership change	15.2	21.4	—	—
Charge to record a minimum Accumulated Benefit Obligation (Note 5)	—	—	—	(113.2)
Partners' Capital (Deficit), Ending Balance	$ 189.4	$ 73.3	$ (449.7)	$ (584.2)

See notes to consolidated financial statements.

ARMCO STEEL COMPANY, L.P.

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 1990, 1991, 1992 and 1993
(dollars in millions)

	1990	1991	1992	1993
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net Loss	$(581.7)	$(251.1)	$(544.1)	$ (40.7)
Adjustments to reconcile net loss to cash flows from operating activities:				
Depreciation and amortization	72.8	82.6	87.3	73.5
Blast furnace reline amortization	6.4	4.8	4.3	4.5
Special charges and unusual items	—	—	379.3	19.6
Other — net	19.6	26.0	35.4	47.1
Changes in Assets and Liabilities:				
Accounts receivable	21.3	4.0	(22.6)	(14.7)
Inventories	(99.9)	59.0	47.4	18.4
Current liabilities	43.6	27.7	(40.7)	32.9
Other assets	(5.9)	1.8	(1.5)	(6.8)
Deferred taxes	(3.1)	(5.5)	(10.7)	0.1
Other liabilities	465.7	1.9	23.4	(35.1)
Total Adjustments	520.5	202.3	501.6	139.5
NET CASH FLOWS FROM OPERATING ACTIVITIES	(61.2)	(48.8)	(42.5)	98.8
CASH FLOWS FROM INVESTING ACTIVITIES:				
Capital expenditures	(211.8)	(163.1)	(86.2)	(40.2)
Other — net	7.4	10.9	(16.0)	7.4
NET CASH FLOWS FROM INVESTING ACTIVITIES	(204.4)	(152.2)	(102.2)	(32.8)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Principal payments on long-term debt	(34.9)	(38.0)	(44.2)	(104.6)
Proceeds from issuance of long-term debt	119.6	208.2	170.0	166.0
Changes in notes payable	123.0	(65.0)	(58.0)	—
Change in overdrafts payable	(13.2)	(3.1)	47.6	(1.4)
Partners' contributions — net	55.2	105.5	19.0	19.4
Other — net	(1.9)	(2.3)	(2.3)	(2.4)
NET CASH FLOWS FROM FINANCING ACTIVITIES	247.8	205.3	132.1	77.0
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(17.8)	4.3	(12.6)	143.0
Cash and cash equivalents, beginning of period	27.3	9.5	13.8	1.2
Cash and cash equivalents, end of period	$ 9.5	$ 13.8	$ 1.2	$ 144.2

Supplemental disclosure of cash flow information:

Cash paid during the period for:

	1990	1991	1992	1993
Interest (net of amount capitalized)	$21.5	$38.3	$44.7	$52.8
Income taxes	0.5	0.1	0.1	0.1

See notes to consolidated financial statements.

ARMCO STEEL COMPANY, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in millions)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation — Armco Steel Company, L.P. (the "Company") is a limited partnership formed pursuant to an agreement dated as of March 24, 1989 (the "Joint Venture Agreement") between Armco Inc. ("Armco") and Kawasaki Steel Corporation ("Kawasaki"). The general partner of the Company is AK Management Corporation (the "General Partner"), a Delaware corporation owned one-half by each of AJV Investments Corp., a Delaware corporation and wholly-owned subsidiary of Armco and KSCA, Incorporated, a Delaware corporation and indirect wholly-owned subsidiary of Kawasaki. The limited partners of the Company are Armco and Kawasaki Steel Investments, Inc., a Delaware corporation and indirect wholly-owned subsidiary of Kawasaki ("KSI").

Under the Joint Venture Agreement, on May 13, 1989, Armco sold certain assets, properties and business of its Eastern Steel Division ("Predecessor") to KSI for $350.0. Simultaneously, KSI contributed the purchased assets, properties and business to the Company in exchange for a 39.5% limited partnership interest. Armco transferred to the Company substantially all of the remaining assets, properties and business of Predecessor and the Company also assumed certain of Armco's liabilities and obligations related to or arising out of Predecessor and its properties, assets and the conduct of Predecessor business for a 59.5% limited partnership interest. On May 14, 1990, KSI made a cash contribution to the Company of $70.0. On May 13, 1991 and October 4, 1991, KSI contributed another $70.0 and $33.8, respectively. The latter contribution was in satisfaction of its obligation to make an additional $35.0 capital contribution on March 15, 1992, without any change in its limited partnership interest. As a result of these contributions, on May 14, 1990, KSI's limited partnership interest increased to 44.5% with a corresponding reduction in Armco's interest and on May 13, 1991, KSI's limited partnership interest increased, and Armco's limited partnership interest decreased, to 49.5%. The General Partner has a 1.0% general partnership interest in the Company.

The accompanying consolidated financial statements of the Company include the net assets acquired at formation from Armco and Kawasaki on the basis of Armco's and Kawasaki's historical cost, and the changes in the net assets of the Company subsequent to the formation, and the results of operations, partners' capital (deficit) and the cash flows for the periods since inception on such historical cost basis. Kawasaki's historical cost was based on the purchase price paid on May 13, 1989 by Kawasaki for its 40% interest in the net assets of the Company. Armco's historical cost is based on the book value of net assets contributed on May 13, 1989 by Armco for its 60% interest in the Company, adjusted for changes resulting from the 5% reductions in limited partnership interest effective May 14, 1990 and May 13, 1991.

The Company consists of the operations and accounts of the Middletown Works, Ashland Works, Headquarters and ASC Investments, Inc. and its group of wholly-owned subsidiaries, (the "ASCII group"). With plants in Middletown, Ohio, and Ashland, Kentucky, the Company provides coated, high strength, low carbon flat-rolled steels to the automotive, appliance, construction, and service center markets primarily in the Midwest. The Company had one major customer that accounted for 23.0%, 27.9%, 23.0% and 22.5% of its net sales in 1990, 1991, 1992 and 1993, respectively.

Armco and Kawasaki agreed to share a portion of the 1992 Special Charges and Unusual Items (see Note 8) unequally with Armco being allocated 74.5%, Kawasaki 24.5% and the General Partner 1.0%.

On August 31, 1992, the Company acquired a 50% ownership interest in Southwestern Ohio Steel, L.P. (SOS), a joint venture to which substantially all of the businesses of Southwestern Ohio Steel, Inc. and SOS Leveling Company, Inc. were transferred by Armco. The Company's interest in SOS was funded through capital contributions from Kawasaki, in the form of cash of $11.1, and from Armco, in the form of a 25% ownership interest in SOS with an estimated fair value of $11.1.

(dollars in millions)

Inventories — Inventories are valued at the lower of cost or market. The cost of the majority of inventories is measured on the last in, first out (LIFO) method. Other inventories are measured principally at average cost.

	December 31, 1991	December 31, 1992	December 31, 1993
Inventories on LIFO:			
Finished and semifinished	$251.6	$210.4	$191.7
Raw materials and supplies	103.3	103.5	80.5
Adjustment to state inventories at LIFO value	(41.3)	(46.3)	(23.7)
Total	313.6	267.6	248.5
Other inventories	10.4	9.0	6.6
Total inventories	$324.0	$276.6	$255.1

Liquidation of LIFO inventory layers caused by certain inventory reductions reduced the net losses in 1992 and 1993 by $2.6 and $10.4, respectively.

Investments — Virginia Horn Taconite Company, a member of the ASCII group ("Virginia Horn"), owns a 56% share of Eveleth Expansion Company ("Eveleth"), a company that produces iron ore pellets, which equates to a 35% interest in Eveleth Mines. In connection with such investment, Virginia Horn has certain commitments to Eveleth. Because Virginia Horn does not control Eveleth, the investment is accounted for under the equity method (see Note 7).

The following summary financial information is the Company's share of the net assets of SOS at December 31, 1992 and 1993, Virginia Horn's share of the net assets of Eveleth at December 31, 1990, 1991, 1992 and 1993, and operating results of SOS for the four months ended December 31, 1992 and the year ended December 31, 1993 and of Eveleth for the years of 1990, 1991, 1992 and 1993.

	1990	1991	1992	1993
Current assets	$29.1	$ 22.9	$ 47.6	$ 47.7
Noncurrent assets	88.8	84.1	91.7	87.4
Current liabilities	17.4	17.4	22.9	25.6
Noncurrent liabilities	30.7	23.0	25.8	18.6
Net sales	52.3	36.1	64.6	126.8
Gross margin	6.2	—	(2.4)	29.5
Net loss	(4.5)	(14.0)	(15.1)	(16.3)

Property, Plant and Equipment — Steelmaking plant and equipment are depreciated under the straight line method over their estimated lives ranging from 2 to 31 years. Maintenance and repair expenses for 1990, 1991, 1992 and 1993 were $278.5, $267.1, $265.5 and $261.3, respectively.

Financial Instruments — The carrying value of the Company's financial instruments does not differ materially from their estimated fair value.

Cash Equivalents — Cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and are of an original maturity of three months or less.

2. INCOME TAXES

The ASCII group will file a consolidated federal income tax return for the year ended December 31, 1993. No federal tax will be due for 1993 due to the incurrence of a consolidated 1993 loss.

Deferred federal income taxes in the accompanying Consolidated Balance Sheets relate to temporary differences of the ASCII group, primarily differences between book and tax carrying values of the group's investments in joint ventures. The ASCII group recorded a consolidated deferred tax benefit of $10.8 in 1992 which represents the net reduction during the year of the group's consolidated deferred tax liability. No deferred tax charge or benefit was recorded in 1993.

The ASCII group has consolidated net operating loss (NOL) carryforwards into 1994 of $34.3 under the "regular" tax system ($32.5 under the alternative minimum tax (AMT) system). These NOLs, if unused to offset future consolidated taxable income of the ASCII group, will expire in 2006, 2007 and 2008. In addition, Virginia Horn, one of ASCII's wholly-owned subsidiaries, has available an NOL carryforward into 1994 of $1.5 under the "regular" tax system ($1.7 under the AMT system). This carryforward, if unused to offset future Virginia Horn taxable income, will expire in 2001. However, for federal income tax purposes, the amount of NOL carryforwards arising prior to the Recapitalization which will annually be available to offset taxable income following the Recapitalization may be restricted by Section 382 of the Internal Revenue Code. As a result, the use of all or a significant portion of these NOL carryforwards may be deferred or disallowed.

The ASCII group adopted Statement of Financial Accounting Standards (SFAS) No. 109, Accounting for Income Taxes, effective January 1, 1993. The effect of this standard was not material.

Other than for the ASCII group, the financial statements do not reflect U.S. federal income tax liabilities because each of the partners' U.S. federal income tax returns will include their appropriate share of the Company's taxable income or loss.

3. NOTES PAYABLE AND LONG-TERM DEBT

At December 31, 1993, the Company had agreements that provide credit facilities for borrowings up to $50.0 with a group of banks on a revolving credit basis until May, 1994. At December 31, 1993, $3.8 letters of credit were issued under these facilities. Under the terms of a Security Agreement between the Company and its lenders, these credit facilities and the majority of the Company's long-term debt are secured by a pool of Company assets which includes accounts receivable, inventories, and property, plant and equipment. The terms of the Security Agreement will permit additional financings, which are yet to be negotiated, of up to $254.0 through 1995 to be secured by the pledged assets.

At December 31, 1993, the Company also had a $100.0 unsecured term loan, maturing in 1996, with an affiliate of Kawasaki. The Company has incurred interest expense and commitment fees to an affiliate of Kawasaki of $2.1, $2.4, $1.3 and $4.2 during 1990, 1991, 1992 and 1993, respectively, relating to borrowings under the revolving credit agreement and the unsecured term loan.

On January 18, 1994, the Company's various lenders agreed to amendments to the revolving credit agreements and long-term debt agreements to revise certain financial covenants effective as of December 31, 1993. The Company is required to maintain as of December 31, 1993 a minimum tangible net worth of $650.0, a minimum current ratio of 1.0 and a maximum leverage ratio of 1.0, as defined in the agreements. At December 31, 1993, the Company's actual measures under these financial covenants were a tangible net worth of $742.1, a current ratio of 1.76 and a leverage ratio of 0.85.

In addition, on January 18, 1994 the Company entered into an agreement with certain of its lenders whereby the maturity of a portion of its debt will be extended to May 31, 1995 in the event that the proposed recapitalization described in Note 11 is not completed by May 1994 (the original maturity date of the debt). As a result, $80.0 of debt has been classified as long-term at December 31, 1993.

(dollars in millions)

At December 31, 1991, 1992 and 1993, the Company's long-term debt, less current maturities, was as follows:

	1991	1992	1993
6.62% to 6.67% due 1994-1997(a)	$160.0	$240.0	$180.0
7.27% to 7.37% due 1994-2002(a)	84.0	84.0	78.8
9.23% to 9.38% due 1994-1997	73.6	57.3	40.9
9.52% to 9.57% due 1994-1999	65.0	55.0	45.0
10.55% to 11.1% due 1994-1996	51.8	37.8	23.8
9.26% to 9.38% due 1994-2003	36.0	36.0	32.4
11.50% due 1994-1996(b)	17.8	14.3	9.4
6.42% due 1994-2003	9.6	8.9	8.3
Floating rate due 1995(c)	—	—	80.0
Floating rate due 1996(d)	—	30.0	100.0
Other	0.1	—	—
Total	$497.9	$563.3	$598.6

(a) Rate fixed in 1992.

(b) Debt secured by the No. 1 Electrogalvanizing Line and a $15.0 letter of credit.

(c) Debt with extended maturity to May 31, 1995.

(d) Unsecured subordinated term loan with an affiliate of Kawasaki.

At December 31, 1993, the maturities of long-term debt are as follows:

1994	$130.8
1995	200.8
1996	215.0
1997	93.2
1998	25.0
1999 and thereafter	64.6
Total	$729.4

The Company capitalized interest on projects under construction of $12.6, $7.1, $3.5 and $1.2 during 1990, 1991, 1992 and 1993, respectively.

4. OPERATING LEASES

Rental expense was $9.7, $11.2, $14.6 and $10.1 for 1990, 1991, 1992 and 1993, respectively.

At December 31, 1993, obligations to make future minimum lease payments were as follows:

1994	$3.1
1995	2.2
1996	1.9
1997	0.2
1998	—
Total lease obligations	$7.4

5. EMPLOYEE AND RETIREE BENEFIT PLANS

Pension Plans — The Company provides noncontributory pension benefits to virtually all employees. Benefits are based on years of service and earnings in the highest 60 consecutive months in the last 120 months prior to retirement or a minimum amount per year of service, whichever is higher. The qualified plans are funded in accordance with the minimum funding requirements of the Employee Retirement Income Security Act of 1974, as amended.

(dollars in millions)

The details of the net periodic pension expense for 1990, 1991, 1992 and 1993 are as follows:

	1990	1991	1992	1993
Economic Assumptions:				
Discount rate	8.5 %	9.0 %	8.25%	8.5 %
Expected long-term rate of return on assets	9.25%	9.75%	9.0 %	9.25%
Rate of future compensation increases	5.0 %	5.0 %	5.0 %	5.0 %
Cost of benefits earned during the period	$18.1	$ 15.8	$ 15.2	$ 12.3
Interest cost on the projected benefit obligation	62.6	67.1	69.6	80.7
Actual return on plan assets	(8.0)	(144.6)	(36.3)	(83.6)
Net amortization and deferral	(35.4)	97.6	(19.4)	26.2
Net periodic pension expense	$37.3	$ 35.9	$ 29.1	$ 35.6

The funded status of the plans at December 31, 1991, 1992 and 1993, using the assumptions stated below for each period, was as follows:

	1991	1992	1993
Economic Assumptions:			
Discount rate	8.25%	8.5%	7.5%
Rate of future compensation increases	5.0%	5.0%	4.0%
Actuarial present value of benefit obligations:			
Vested benefits	$744.8	$861.7	$1,029.9
Nonvested benefits	60.6	45.6	54.1
Accumulated benefits	805.4	907.3	1,084.0
Projected benefit obligation	879.2	987.1	1,118.4
Plan assets at fair value	671.8	688.4	726.3
Reconciliation of funded status to recorded amounts:			
Unfunded projected benefit obligation	207.4	298.7	392.1
Unrecognized prior service	(60.4)	(38.7)	(35.4)
Unrecognized net loss	(36.5)	(58.5)	(147.4)
Accrued pension cost	$110.5	$201.5	$ 209.3

The mix of pension assets held at December 31, 1993 was as follows:

Equities	65%	Fixed income securities	34%
Short-term securities	1%		

Of the total accrued pension cost of $110.5, $201.5 and $209.3 at December 31, 1991, 1992 and 1993, respectively, $45.4, $24.9 and $56.6 are included in Other accruals, and $65.1, $176.6 and $152.7 are included in Other liabilities in the accompanying Consolidated Balance Sheets.

The 1992 pension disclosures above include the effects on the Company's pension plans of the Special Charges and Unusual Items described in Note 8. The total loss resulting from the related curtailment and special and contractual termination benefits amounted to $105.9.

A minimum liability and corresponding intangible asset of $23.2, $25.9 and $35.2 at December 31, 1991, 1992 and 1993, respectively, was recognized for the excess of the accumulated benefit obligation over the total of plan assets and the accrued pension liability. These balances are included in Other liabilities and Other assets, respectively, in the accompanying Consolidated Balance Sheets. In addition, a direct charge to equity of $113.2 was recorded in 1993 primarily as a result of the reduction in the discount rate for pension liabilities from 8.5% to 7.5%. The corresponding credit is included in Other liabilities.

(dollars in millions)

Retiree Health Care and Life Insurance Benefits— In addition to providing pension benefits, the Company provides certain health and life insurance benefits for retirees. Most employees become eligible for these benefits at retirement. The retiree health and life insurance benefits are funded as claims are paid and for 1990, 1991, 1992 and 1993 the Company paid benefits totalling $24.2, $28.1, $29.7 and $32.2, respectively.

In December 1993, the Company adopted SFAS 106, "Employers' Accounting for Postretirement Benefits Other than Pensions," retroactive to January 1, 1990. SFAS 106 requires the Company to accrue the estimated cost of retiree benefit payments during the years the employee provides services. The Company previously expensed the cost of these benefits, which are principally health care, as claims were incurred. SFAS No. 106 allows recognition of the cumulative effect of this obligation in the year of the adoption or the amortization of the obligation over a period of up to twenty years. The Company elected to recognize this obligation immediately effective January 1, 1990 and recorded $491.6 as the cumulative effect of this charge. The Company's cash flows are not affected by implementation of this statement, but implementation increased the operating loss by $23.8, $22.2 and $22.9 in 1990, 1991 and 1992, respectively, and decreased the operating profit by $27.0 in 1993.

The Company is presently paying for these plans from its general assets as the benefits become payable. The Company does not anticipate funding these benefits in the foreseeable future. In 1990, 1991, 1992 and 1993, the Company recognized $48.0, $50.3, $52.6 and $59.2, respectively, as an expense for postretirement health care and life insurance benefits. A special charge of $56.5 for retiree health care benefits associated with restructuring and a voluntary salary reduction program was taken in the fourth quarter of 1992 (see Note 8).

The following table sets forth the plans' funded status, reconciled with amounts recognized in the Company's statement of financial position at December 31, 1991, 1992 and 1993.

	1991	1992	1993
Accumulated postretirement benefit obligation:			
Retirees	$359.1	$410.8	$442.4
Fully eligible active plan participants	65.2	74.6	74.1
Other active plan participants	127.3	145.6	154.1
Total	551.6	631.0	670.6
Fair value of plan assets	—	—	—
Accumulated postretirement benefit obligations in excess of plan assets	551.6	631.0	670.6
Prior service cost not yet recognized in net periodic postretirement benefit cost	—	—	—
Unrecognized transition obligation	—	—	—
Unrecognized net loss	—	—	(11.3)
Accrued postretirement benefit cost	$551.6	$631.0	$659.3

(dollars in millions)

	1990	1991	1992	1993
Net periodic postretirement benefit cost for 1990, 1991, 1992 and 1993 included the following components:				
Service cost — benefits attributed to service during the period	$ 6.0	$ 6.5	$ 6.9	$ 6.9
Interest cost on accumulated postretirement benefit obligations	42.0	43.8	45.7	52.3
Actual return on assets	—	—	—	—
Amortization of transition obligation	—	—	—	—

For measurement purposes, health care costs are assumed to increase 10% in 1994 grading down by 1% per year to a constant level of 4.5% annual increase for pre-65 benefits and 7% in 1994 grading down by 1% per year to a constant level of 4.5% annual increase for post-65 benefits. A one (1) percentage point increase in the assumed health care cost trend rate for each year would increase the accumulated postretirement benefit obligation as of January 1, 1994 by $75.7 and the aggregate of the service cost and interest cost components of net period benefit cost for the year then ended by $6.8. The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 7.5%.

The Company adopted SFAS 112, Employers' Accounting for Postemployment Benefits, effective January 1, 1993. Adoption of this standard did not have a material effect on the accompanying consolidated financial statements.

6. RELATED PARTY TRANSACTIONS

During 1990, 1991, 1992 and 1993, the Company was party to certain transactions with Armco, Kawasaki, and their affiliates. These transactions consisted of charges to and from the Company for various services rendered and received, and are reflected primarily in Selling and administrative expenses in 1990, 1991 and 1992 and in Cost of products sold in 1993 in the accompanying Consolidated Statements of Operations. The following is a summary of such related party services for the periods:

Services provided to Armco and affiliates by the Company:

	1990	1991	1992	1993
Data processing	$ 4.9	$ 3.6	$ 3.1	$ 1.4
Administrative and accounting	2.4	1.9	0.9	0.7
Processing and conversion	0.6	0.9	4.6	13.3
Purchasing and selling	0.3	0.2	0.1	—
Total	$ 8.2	$ 6.6	$ 8.7	$15.4

Services provided to the Company by Armco, Kawasaki and their affiliates:

	1990	1991	1992	1993
Research and engineering	$11.1	$11.6	$ 9.8	$ 4.0
Other	1.8	2.5	0.3	0.8
Total	$12.9	$14.1	$10.1	$ 4.8

During 1990, 1991, 1992 and 1993, the Company purchased stainless steel from Armco. Such purchases amounted to $7.5, $8.7, $15.3 and $20.2, respectively. Armco and its affiliates provided processing services and other materials to the Company in the amount of $2.9, $3.9 and $2.0 for 1990, 1991 and 1992, respectively. No such services were provided in 1993.

Sales to Armco, Kawasaki and their affiliates were $101.2, $89.8, $85.9 and $36.7 during 1990, 1991, 1992 and 1993, respectively, and sales to SOS were $26.0 for the four months ended December 31, 1992 and $99.5 for 1993. All of these amounts are included in Total Net Sales in the accompanying Consolidated

(dollars in millions)

Statements of Operations. Other miscellaneous sales to Armco, Kawasaki and their affiliates were $5.0, $2.5, $1.7 and $0.7 during 1990, 1991, 1992 and 1993, respectively.

Under the Joint Venture Agreement, Armco is obligated to indemnify the Company for certain supplemental unemployment benefit payments up to a maximum of $20.0. As a result, the related receivables are included as reductions in Partners' Capital (Deficit) in the accompanying Consolidated Balance Sheets.

7. COMMITMENTS

Virginia Horn is committed to fund its percentage share of certain defined fixed costs of Eveleth. Through an agreement with Armco the Company has assumed Armco's obligations relating to Virginia Horn which include a guarantee of Virginia Horn's performance to the other participants of Eveleth Mines. Under agreement with another owner of Eveleth, the Company purchased 300,000 tons of iron ore from this Eveleth partner in 1993 and is expected to purchase at least 250,000 tons per year through 1996. Beginning in the fourth quarter of 1992, Virginia Horn elected not to nominate to purchase equity iron ore pellets from Eveleth. As a result of that decision together with doubts regarding the continued level of support by the Eveleth Mines partners, in light of worldwide excess iron ore capacity and Eveleth Mines' position as a high cost producer, the Company concluded that its ability to recover its investment was doubtful and therefore impaired its investment in Eveleth Mines (see Note 8). However, the Company continues to record and fund its proportionate share of Eveleth's fixed costs, which share amounts to approximately $12.0 per year.

As of December 31, 1993, the Company had agreed to purchase a total of 1.6 million tons of iron ore pellets from a Brazilian iron ore company through 1998. Under this contract, the Company also has agreed to purchase sinter feed ore requirements. In addition, the Company has agreed to purchase at least 6.5 million tons through 1997 from a North American pellet producer.

The Company has committed to purchase property, plant and equipment (including unexpended amounts relating to projects substantially under way) amounting to approximately $74.8 at December 31, 1993.

8. SPECIAL CHARGES AND UNUSUAL ITEMS

The special charges and unusual items recorded in 1992 and 1993 are:

	1992	1993
Shutdown of Ashland Hot Strip Mill:		
Disposal of assets(a)	$ 2.3	
Employee and retiree benefits including pensions	13.7	
Subtotal — Shutdown of Ashland Hot Strip Mill	16.0	
Reduction of Salaried Workforce	39.0	
Restructuring of Facilities:		
Disposal and write-off of certain steelmaking assets(a)	117.2	$ 7.6
Employee and retiree benefits including pensions	144.5	5.0
Environmental liabilities	11.0	—
Impairment of investment in Eveleth	46.6	—
Other	5.0	—
Subtotal — Restructuring of Facilities	324.3	12.6
Legal, litigation and other	—	7.0
TOTAL	$379.3	$ 19.6

(a) Net of estimated realizable values.

9. EXTRAORDINARY ITEM

The extraordinary item recorded in 1992 represents the following:

"The Coal Industry Retiree Health Benefit Act" requires that health benefits for any pre-1976 retirees who were previously covered by one of two insolvent United Mineworkers multi-employer welfare funds revert to their former employers. Retirees of employers that no longer exist are also assigned to surviving companies using a formula included in the legislation. The Company was required to assume a portion of their benefits and recorded an extraordinary loss of $12.1 of which $1.2 and $0.9 are included in Other accruals and $10.9 and $11.9 in Other liabilities in the accompanying Consolidated Balance Sheets as of December 31, 1992 and 1993, respectively.

10. LITIGATION AND CONTINGENCIES

There are various claims pending involving the Company with respect to matters arising out of the conduct of the business. The total liability related to these claims at December 31, 1993 cannot be determined; however, in management's opinion, the ultimate liability resulting from such claims will not materially affect the Company's consolidated financial position, results of operations or cash flows.

In June 1990, the Company filed an antitrust action against several companies. Effective February 25, 1992, the Company reached a confidential settlement with three of the four remaining defendants. The settlement reduced 1992 Cost of products sold in the accompanying Consolidated Statements of Operations. The Company is continuing to pursue the claim against the remaining defendant.

11. SUBSEQUENT EVENTS

On January 13, 1994, the General Partner approved the filing with the Securities and Exchange Commission of registration statements in connection with a proposed recapitalization of the Company.

The Company is currently negotiating for the sale of its ownership interest in SOS and another subsidiary of ASCII. No prediction can be made concerning the ultimate outcome of such negotiations which, if successful, would be subject to other events including the approval by the Company's Board of Directors. However, the ultimate sale, if any, will not result in a loss.

No dealer, salesman or other person has been authorized to give any information or to make any representation not contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorized by the Company or any Underwriter. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that the information herein is correct as of any time subsequent to the date hereof or that there has been no change in the affairs of the Company since such date.

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Until   , 1994, all dealers effecting transactions in the registered securities, whether or not participating in this distribution, may be required to deliver a Prospectus. This is in addition to the obligation of dealers to deliver a Prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

AK Steel Corporation

$275,000,000

% Senior Notes Due 2004

Guaranteed on a Senior Basis by AK Steel Holding Corporation

PROSPECTUS

CS FIRST BOSTON

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PART II

INFORMATION NOT REQUIRED IN THE PROSPECTUS

Item 13. Other Expenses of Distribution.

The following table sets forth an estimate of the expenses that will be incurred by the Registrants in connection with the distribution of the securities being registered hereby:

SEC registration fee	$94,828
NASD filing fees	28,000
Blue Sky fees and expenses*	**
Printing, engraving and postage fees*	**
Transfer Agent and Registrar's fees*	**
Legal fees and expenses*	**
Accounting fees and expenses*	**
Miscellaneous*	**
Total*	$ **

* Estimated

** To be filed by amendment

Item 14. Indemnification and Limitation of Liability of Directors and Officers.

Generally, Section 145 of the General Corporation Law of the State of Delaware (the "GCL") permits a corporation to indemnify certain persons made a party to an action, by reason of the fact that such person is or was a director, officer, employee or agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or enterprise. In the case of an action by or in the right of the corporation, no indemnification may be made in respect of any matter as to which that person was adjudged liable for negligence or misconduct in the performance of that person's duty to the corporation unless the Delaware Court of Chancery or the court in which the action was brought determines that despite the adjudication of liability that person is fairly and reasonably entitled to indemnity for proper expenses. To the extent that person has been successful in the defense of any matter, that person shall be indemnified against expenses actually and reasonably incurred by him.

Section 102(b)(7) of the GCL enables a Delaware corporation to include a provision in its certificate of incorporation limiting a director's liability to the corporation or its stockholders for monetary damages for breaches of fiduciary duty as a director. The Registrants have adopted a provision in its Certificate of Incorporation that provides for indemnification of its officers and directors to the full extent permitted under Delaware law.

Item 15. Recent Sales of Unregistered Securities.

None.

Item 16. Exhibits and Financial Statement Schedules.

(a) Exhibits

The following is a complete list of Exhibits filed as part of this Registration Statement, which are incorporated herein:

Exhibit Number	Description
1.1	Form of Underwriting Agreement.*
3.1	Certificate of Incorporation of Holding, filed with the Secretary of State of the State of Delaware on December 20, 1993, as amended.
3.2	By-laws of Holding.

* To be filed by amendment.

Exhibit Number	Description
3.3	Amended and Restated Certificate of Incorporation of AK Steel filed with the Secretary of State of the State of Delaware on , 1994.*
3.4	By-laws of AK Steel.*
4.1	Form of Indenture relating to the Senior Notes.*
4.2	Term Loan Agreement, dated as of [ ], between the Company and Dai-Ichi Kangyo Bank Limited, New York Branch.*
4.3	Term Loan Agreement, dated [, 1988], between Armco Inc. and Nissho Iwai American Corporation, as assumed by the Company and amended on June 30, 1989 and as amended on [, 1994].*
4.4	Loan Agreement, dated July 27, 1989, among the Company, C. Itoh & Co., The Bank of Tokyo, and The Long-Term Credit Bank of Japan, Ltd., as amended on March 18, 1991, January 29, 1992, January 24, 1993 and [, 1994].*
4.5	Loan Agreement, dated as of [,], between [and][No. 1 EGL Loan].*
4.6	Revolving Credit Agreement, dated as of May 1, 1992 between the Company and the Bank of Tokyo Trust Company, as amended on March 29, 1993 and [, 1994].*
4.7	Revolving Credit Agreement, dated as of May 1, 1992 between the Company and The Sakura Bank, Limited, as amended on March 29, 1993 and [, 1994].*
4.8	Revolving Credit Agreement, dated as of May 1, 1992 between the Company and The Long-Term Credit Bank of Japan, Ltd., as amended on March 29, 1993 and [, 1994].*
4.9	Revolving Credit Agreement, dated as of May 1, 1992 between the Company and The Dai-Ichi Kangyo Bank, Limited, as amended on March 29, 1993 and [, 1994].*
5.1	Opinion of Weil, Gotshal & Manges with respect to the legality of the Senior Notes.*
10.1	Limited Partnership Agreement, dated as of March 24, 1989, by and among AK Management Corporation, Kawasaki Steel Investments, Inc. and Armco Inc., as amended on May 9, 1989.
10.2	Joint Venture Formation Agreement, dated March 24, 1989, between Armco Inc. and Kawasaki Steel Corporation.
10.3	Second Stainless Steel Toll Rolling Services Agreement, dated as of December 28, 1993 between Armco Steel Company, L.P. and Armco Inc.
10.4	Coal Sales Agreement, dated as of June 1, 1993, by and between Peabody Coalsales Company and Armco Steel Company, L.P.
10.5	Pellet Supply Agreement, dated November 22, 1993 between Armco Steel Company, L.P. and Cyprus Northshore Mining Corporation.
10.6	Transportation Agreement, dated January 9, 1957 between Armco Steel Corporation and The Columbia Transportation Company, as amended.
10.7	Railroad Transportation Agreement, Contract Number CSXT-C-62521, dated as of October 11, 1993 by and between Armco Steel Company, L.P. and CSX Transportation, Inc.
10.8	Transportation Agreement, dated as of April 1, 1982, between Armco Inc. and The Toledo Ore Railroad Company, as amended.
10.9	Railroad Transportation Contract, Contract Number CSXT-C-63215, dated as of [ ], between Armco Steel Company, L.P. and CSX Transportation, Inc.*

* To be filed by amendment.

Exhibit Number	Description
10.10	Restated Modified Term Partnership Operating Agreement, dated as of January 1, 1991 among Eveleth Expansion Company, Onco Eveleth Company, Ontario Eveleth Company and Virginia Horn Taconite Company.
10.11	Eveleth Mines Restated Modified Term Management Agreement, dated as of January 1, 1991, among Eveleth Taconite Company, Eveleth Company and Oglebay Norton Company.
10.12	Restated Modified Term Pellet Sales Agreement, dated as of January 1, 1991 between Onco Eveleth Company and Armco Steel Company, L.P.
10.13	Board Designation and Standstill Agreement, dated as of [, 1994] between the Company and Kawasaki Steel Corporation.*
10.14	Side Letter, dated as of [, 1994] among the Company, Kawasaki Steel Corporation and Nissho Iwai Corporation.*
10.15	Employment Contract, dated [ ], between the Company and Thomas C. Graham.*
10.16	Form of Severance Contract for President and Vice Presidents.
10.17	Proposed form of Annual Management Incentive Plan of the Company.
10.18	Proposed form of AK Steel Holding Corporation 1994 Stock Incentive Plan.*
10.19	Form of AK Steel Holding Corporation Executive Minimum and Supplemental Retirement Plan.
21.1	List of Subsidiaries of the Registrants.
23.1	Consent of Deloitte & Touche and Report on Schedules.
23.2	Consent of Weil, Gotshal & Manges (included in the opinion filed as Exhibit 5.1).*
24.1	Power of Attorney (included on the signature page of this part II).*

* To be filed by Amendment.

(b) Financial Statement Schedules:

Description	Page
Schedule V — Property, Plant and Equipment	S-1
Schedule VI — Accumulated, Depreciation Depletion and Amortization of Property, Plant and Equipment	S-2
Schedule IX — Short-Term Borrowings	S-3

Item 17. Undertakings.

Insofar as indemnification for liabilities arising under the Act may be permitted to directors, officers and controlling persons of the Registrants pursuant to the provisions in Item 14 above, or otherwise, the Registrants have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in such act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrants of expenses incurred or paid by a director or officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrants will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in such act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrants pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and this offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this Registration Statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Middletown, State of Ohio, on January 25, 1994.

AK STEEL CORPORATION

By: /s/ THOMAS C. GRAHAM
Thomas C. Graham
President and
Chief Executive Officer

KNOW ALL MEN BY THESE PRESENTS that each person whose signature appears below constitutes and appoints Thomas C. Graham and Mark W. Kontos, and each of them, such person's true and lawful attorneys-in-fact and agents, with full power of substitution and revocation, for such person and in such person's name, place and stead, in any and all capacities to sign any and all amendments (including post-effective amendments to this Registration Statement) and to file the same with all exhibits thereto, and the other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and things requisite and necessary to be done, as fully to all intents and purposes as such person might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement and the foregoing Power of Attorney have been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ THOMAS C. GRAHAM Thomas C. Graham	President and Chief Executive Officer; Director	January 25, 1994
/s/ MARK W. KONTOS Mark W. Kontos	Vice President; Chief Financial Officer	January 25, 1994
/s/ EDWARD L. HARE Edward L. Hare	Controller (Chief Accounting Officer)	January 25, 1994
/s/ JAMES F. WILL James F. Will	Director	January 25, 1994
/s/ KANJI EMOTO Kanji Emoto	Director	January 25, 1994
/s/ DAVID G. HARMER David G. Harmer	Director	January 25, 1994

Signature	Title	Date
/s/ JOHN B. COREY John B. Corey	Director	January 25, 1994
/s/ KINYA YAMAGUCHI Kinya Yamaguchi	Director	January 25, 1994
/s/ TADAAKI YANAZAWA Tadaaki Yanazawa	Director	January 25, 1994

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this Registration Statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Middletown, State of Ohio, on January 25, 1994.

AK STEEL HOLDING CORPORATION

By: /s/ THOMAS C. GRAHAM
Thomas C. Graham
President and
Chief Executive Officer

KNOW ALL MEN BY THESE PRESENTS that each person whose signature appears below constitutes and appoints Thomas C. Graham and Mark W. Kontos, and each of them, such person's true and lawful attorneys-in-fact and agents, with full power of substitution and revocation, for such person and in such person's name, place and stead, in any and all capacities to sign any and all amendments (including post-effective amendments to this Registration Statement) and to file the same with all exhibits thereto, and the other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and things requisite and necessary to be done, as fully to all intents and purposes as such person might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement and the foregoing Power of Attorney have been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ THOMAS C. GRAHAM Thomas C. Graham	President and Chief Executive Officer, Director	January 25, 1994
/s/ MARK W. KONTOS Mark W. Kontos	Vice President; Chief Financial Officer and Treasurer	January 25, 1994
/s/ EDWARD L. HARE Edward L. Hare	Controller (Chief Accounting Officer)	January 25, 1994
/s/ JAMES F. WILL James F. Will	Director	January 25, 1994
/s/ KANJI EMOTO Kanji Emoto	Director	January 25, 1994

ARMCO STEEL COMPANY, L.P.

PROPERTY, PLANT AND EQUIPMENT
(Dollars in Millions)

Column A Classification	Column B Balance Beginning of Period	Column C Additions at Cost	Column D Retirements	Column E Other Changes	Column F Balance at End of Period
For the Year ended December 31, 1990:					
Land, land improvements and leaseholds	$ 42.3	$ 1.3	$ 0.2	$ 0.3 (B)	$ 43.7
Buildings	68.0	11.0	0.3	6.9 (B)	85.6
Machinery and equipment	569.9	165.3	0.8	13.7 (A) 19.2 (B) 0.2 (C)	767.5
Construction in progress	193.4	35.4	—	(26.4) (B)	202.4
TOTAL	$ 873.6	$213.0	$ 1.3	$ 13.9	$1,099.2
For the Year ended December 31, 1991:					
Land, land improvements and leaseholds	$ 43.7	$ 1.7	$ —	$ —	$ 45.4
Buildings	85.6	7.0	—	—	92.6
Machinery and equipment	767.5	274.7	2.6	—	1,039.6
Construction in progress	202.4	(120.3)	—	—	82.1
TOTAL	$1,099.2	$163.1	$ 2.6	$ —	$1,259.7
For the Year ended December 31, 1992:					
Land, land improvements and leaseholds	$ 45.4	$ 3.1	$ 0.8	$ (5.7) (D)	$ 42.0
Buildings	92.6	1.3	—	(13.3) (D)	80.6
Machinery and equipment	1,039.6	115.6	1.6	(120.5) (D)	1,033.1
Construction in progress	82.1	(33.8)	—	(22.6) (D)	25.7
TOTAL	$1,259.7	$ 86.2	$ 2.4	$(162.1)	$1,181.4
For the Year ended December 31, 1993:					
Land, land improvements and leaseholds	$ 42.0	$ 0.1	$ 1.6	$ (0.1) (D)	$ 40.4
Buildings	80.6	—	0.5	—	80.1
Machinery and equipment	1,033.1	28.5	4.8	2.7 (D)	1,059.5
Construction in progress	25.7	11.6	0.2	—	37.1
TOTAL	$1,181.4	$ 40.2	$ 7.1	$ 2.6	$1,217.1

NOTES:

(A) Reclassification from Lease-rights to Property upon payment of leases.

(B) Reclassify additional portions of Caster undergoing modification to construction in progress.

(C) Transfer of steel processing companies from Armco Inc.

(D) Impairment and reclassification to investments, assets which are to be idled and sold as part of the Company's restructuring plan.

ARMCO STEEL COMPANY, L.P.

ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT
(Dollars in Millions)

Column A	Column B	Column C	Column D	Column E	Column F
Classification	Balance Beginning of Period	Additions Charged to Costs & Expenses	Retirements	Other Changes	Balance at End of Period
For the Year ended December 31, 1990:					
Land, land improvements and leaseholds	$ 1.2	$ 1.8	$ —	$ —	$ 3.0
Buildings	4.7	5.0	—	—	9.7
Machinery and equipment	36.7	66.0	0.2	0.8 (A) 2.3 (B)	105.6
TOTAL	$ 42.6	$ 72.8	$ 0.2	$ 3.1	$118.3
For the Year ended December 31, 1991:					
Land, land improvements and leaseholds	$ 3.0	$ 1.6	$ —	$ (0.1)(C)	$ 4.5
Buildings	9.7	5.4	—	(1.7)(C)	13.4
Machinery and equipment	105.6	75.6	2.0	0.9 (B) 1.8 (C)	181.9
TOTAL	$118.3	$ 82.6	$ 2.0	$ 0.9	$199.8
For the Year ended December 31, 1992:					
Land, land improvements and leaseholds	$ 4.5	$ 1.4	$ 0.1	$ (0.2)(D)	$ 5.6
Buildings	13.4	5.2	—	(4.4)(D)	14.2
Machinery and equipment	181.9	80.7	1.1	(8.7)(D)	252.8
TOTAL	$199.8	$ 87.3	$ 1.2	$(13.3)	$272.6
For the Year ended December 31, 1993:					
Land, land improvements and leaseholds	$ 5.6	$ 1.3	$ 0.5	$ 1.1(B)	$ 7.5
Buildings	14.2	4.0	0.1	0.2(B)	18.3
Machinery and equipment	252.8	68.2	2.8	0.9(D)	319.1
TOTAL	$272.6	$ 73.5	$ 3.4	$ 2.2	$344.9

NOTES:

(A) Reclassification from Lease-rights to Property upon payment of leases.

(B) Impairment of a blast furnace and other equipment.

(C) Reclassification of asset groups.

(D) Impairment and reclassification to investments, assets which are to be idled and sold as part of the Company's restructuring plan.

(E) Generally, depreciation rates on assets are 5% for land improvements and leaseholds, 3-4% for Buildings and 5% for Machinery and equipment.

ARMCO STEEL COMPANY, L.P.

SHORT-TERM BORROWINGS
(Dollars in Millions)

Column A Category of Aggregate Short-Term Borrowings	Column B Balance at End of Period	Column C Weighted Average Interest Rate	Column D Maximum Amount Outstanding During the Period(B)	Column E Average Amount Outstanding During the Period(B)	Column F Weighted Average Interest Rate During the Period(B)
For the Year Ended December 31, 1990:					
Payable to banks	$40.0	8.8%	$40.0	$ 3.9	8.8%
Other(A)	83.0	9.8 (C)	83.0	22.2	8.9
For the Year Ended December 31, 1991:					
Payable to banks	$30.0	6.3%	$68.0	$20.5	7.0%
Other(A)	28.0	5.9	92.0	33.3	6.5
For the Year Ended December 31, 1992:					
Payable to banks	$ —	—%	$30.0	$ 4.8	5.5%
Other(A)	—	—	55.0	26.6	4.2
For the Year Ended December 31, 1993:					
Payable to banks	$ —	—%	$ —	$ —	—%
Other(A)	—	—	—	—	—

NOTES:

(A) Borrowings from an affiliate, which are payable within one year.

(B) Based on daily balances.

(C) Based on average rates for two weeks preceding and following year-end.

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As filed with the Securities and Exchange Commission on January 20 ,1994

Registration No. 33-

EXHIBIT 2

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-1
**REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

AK STEEL HOLDING CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	3312	Applied For
(State or other jurisdiction of incorporation or organization)	(Primary standard industrial classification code number)	(I.R.S. employer identification number)

703 Curtis Street
Middletown, Ohio 45043
(513) 425-5000
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

RANDALL F. PREHEIM, ESQ.
Vice President,
General Counsel and Secretary
AK Steel Holding Corporation
703 Curtis Street
Middletown, Ohio 45043
(513) 425-5000
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

STEPHEN H. COOPER, ESQ.
Weil, Gotshal & Manges
767 Fifth Avenue
New York, New York 10153
(212) 310-8000

ARTHUR H. FREDSTON, ESQ.
Winthrop, Stimson, Putnam & Roberts
One Battery Park Plaza
New York, New York 10004
(212) 858-1000

Approximate date of commencement of proposed sale to the public:
As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ☐

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered(1)	Proposed maximum offering price per share(2)	Proposed maximum aggregate offering price(2)	Amount of registration fee
Common Stock, $.01 par value	18,112,500 shs.	$21.00	$380,362,500	$131,160

(1) Includes up to 2,362,500 additional shares that may be issued and sold to the Underwriters solely to cover over-allotments.

(2) Estimated solely for purposes of calculating the registration fee.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities ma not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor sha there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any Stat

PROSPECTUS

15,750,000 Shares

AK Steel Holding Corporation

Common Stock

(par value $.01)

All of the shares of Common Stock, $.01 par value ("Common Stock"), of AK Steel Holding Corporation ("Holding") offered hereby are being sold by Holding. Prior to this offering (the "Common Stock Offering"), there has been no public market for the Common Stock. It is anticipated that the initial public offering price will be between $ and $ per share. For information relating to the factors considered in determining the initial public offering price, see "Underwriting."

The Common Stock Offering is part of a recapitalization (the "Recapitalization") that also includes (i) the public offering, pursuant to a separate prospectus, of $275 million of % Senior Notes due 2004 (the "Senior Notes"), (ii) the issuance by Holding directly to certain parties of an estimated additional 7,500,000 shares of Common Stock in exchange for certain existing indebtedness and as a contribution to AK Steel Corporation pension trust, (iii) a substantial reduction in the amount of remaining indebtedness and extension of the maturity dates for a portion of this indebtedness and (iv) a new $75 million revolving credit facility with a five-year term. The consummation of the Common Stock Offering is conditioned upon the concurrent consummation of the other elements of the Recapitalization. See "The Recapitalization."

Application will be made to list the Common Stock on the New York Stock Exchange under the proposed symbol AKS.

See "Certain Considerations" for a discussion of certain factors that should be considered in connection with an investment in the Common Stock offered hereby.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public	*Underwriting Discount*	*Proceeds to Company(1)*
Per Share	$	$	$
Total(2)	$	$	$

(1) Before deduction of expenses payable by Holding estimated at $.
(2) Holding has granted the Underwriters an option, exercisable for 30 days from the date of the initial public offering of the shares offered hereby, to purchase a maximum of 2,362,500 additional shares in order to cover over-allotments of shares. If the option is exercised in full, the total price to public will be $, underwriting discount will be $, and proceeds to Holding will be $.

The shares of Common Stock are offered by the several Underwriters when, as and if issued by Holding, delivered to and accepted by the Underwriters and subject to their right to reject orders in whole or in part. It is expected that the shares of Common Stock will be ready for delivery on or about , 1994.

CS First Boston

The date of this Prospectus is , 1994.

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substantial amount of the Company's sales to steel distribution and service centers consist of products that are resold (in original or modified form) to the automotive industry. See "Business — Customers."

Labor Relations

At December 31, 1993, approximately 21% of the Company's active employees were represented by the United Steelworkers of America ("USWA"), 6% by the Oil, Chemical and Atomic Workers ("OCAW") and 56% by the Armco Employee Independent Federation ("AEIF"). The current collective bargaining agreement with the USWA, which covers the Company's steelmaking employees at the Ashland Works, was originally scheduled to expire July 31, 1993 but has been extended indefinitely, subject to the right of either party to terminate the extension upon 72 hours' prior notice. The agreement with the OCAW, which covers coke-making employees at the Ashland Works, was scheduled to expire October 1, 1993 but has been extended to May 1, 1994. The agreement with the AEIF, which represents the Company's hourly employees at the Middletown Works is scheduled to expire February 28, 1994. No predictions can be made as to the results of the renegotiations of these agreements or the possible effects of the renegotiations upon the Company, although the Company's agreement with the AEIF establishes procedures for revising economic terms upon its expiration and contains a no-strike clause that is effective during the negotiation period. See "Business — Employees."

Taxes

The Company believes the Recapitalization should not adversely affect its ability to deduct, for income tax purposes, future payments when made in respect of certain of the Company's contingent obligations, including those for postretirement benefits other than pensions (see "Retiree Health Benefits and Pension Obligations" above). There can be no assurance that the Company's position will prevail if challenged by the Internal Revenue Service or other taxing authority. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources."

Factors Relating to the Common Stock

Effect of Future Sales of Common Stock

Sales of substantial amounts of Common Stock in the public market following the Common Stock Offering could adversely affect the market price of the Common Stock. In connection with the Recapitalization, the Company intends to contribute to the Pension Trust shares of Common Stock having a value equal to $50.0 million (2,500,000 shares based on an assumed initial public offering price of $20 per share), representing approximately 10.7% of the shares of Common Stock to be outstanding after completion of the Recapitalization. The contributed shares may be sold without restriction. The Company intends to file with the Securities and Exchange Commission (the "Commission") and will agree to maintain continuously in effect a shelf registration statement under the Securities Act of 1933, as amended (the "Securities Act"), relating to the sale of these shares. All expenses associated with this registration statement will be borne by the Company. While the initial decision regarding acceptance of the Common Stock portion of the Pension Trust Contribution will be made by plan fiduciaries who are members of the Company's management (assisted by an independent financial adviser), subsequent decisions with respect to the sale of the contributed shares will be made by an independent investment manager who will have discretionary authority to make such sales as it deems appropriate. It is expected that some portion of the shares contributed to the Pension Trust will be sold from time to time.

In addition, 5,023,297 shares of Common Stock to be held by Kawasaki and the 23,297 shares of Common Stock to be held by Armco also will be eligible for resale in the public market, subject to certain volume and other restrictions set forth in Rule 144 under the Securities Act. Each of Kawasaki and Armco has agreed for a period of 365 days, not to sell any of these shares without the prior written consent of CS First Boston Corporation ("CS First Boston"). The Company intends to file with the Commission and maintain in effect for a period of five years from the end of such 365-day period a shelf registration statement relating to the sale of these shares and pay all expenses in connection therewith. See "Certain Relationships and Related Transactions," "Shares Eligible for Future Sale" and "Underwriting."

Absence of Public Market

There currently is no public market for the Common Stock and there can be no assurance that an active public market for the Common Stock will develop. Application will be made to list the Common Stock on the New York Stock Exchange (the "NYSE"). The initial public offering price will be determined through negotiations between the Company and the representative of the Underwriters and there can be no assurance that future market prices for the Common Stock will equal or exceed the initial public offering price. For a discussion of the factors considered in determining the initial public offering price, see "Underwriting."

Restrictions on the Payment of Common Stock Dividends

The Company is restricted in the payment of cash dividends on its Common Stock by covenants contained in certain of the Company's financing arrangements and, notwithstanding such covenants, the Company does not presently expect to pay any dividends in the foreseeable future. See "Dividend Policy."

Dilution

The initial public offering price per share of Common Stock will exceed the net tangible book value per share of Common Stock. Accordingly, the purchasers of the Common Stock hereunder will experience immediate dilution of $27.67 per share (assuming an initial public offering price of $20 per share). See "Dilution."

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Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any State.

SUBJECT TO COMPLETION, DATED MARCH 10, 1994

PROSPECTUS

17,572,222 Shares

EXHIBIT 3

AK Steel

AK Steel Holding Corporation

Common Stock

(par value $.01)

All of the shares of Common Stock, $.01 par value ("Common Stock"), of AK Steel Holding Corporation ("Holding") offered hereby are being sold by Holding. Of the 17,572,222 shares of Common Stock being offered, 14,072,222 shares are initially being offered in the United States and Canada (the "U.S. Shares") by the U.S. Underwriters (the "U.S. Offering") and 3,500,000 shares are initially being concurrently offered outside the United States and Canada (the "International Shares") by the Managers (the "International Offering" and, together with the U.S. Offering, the "Common Stock Offering"). The offering price and underwriting discounts of the U.S. Offering and the International Offering are identical. Prior to the Common Stock Offering, there has been no public market for the Common Stock. It is anticipated that the initial public offering price will be between $21 and $24 per share. For information relating to the factors considered in determining the initial public offering price, see "Underwriting."

The Common Stock Offering is part of a recapitalization (the "Recapitalization") that also includes (i) the public offering, pursuant to a separate prospectus, of $325 million of % Senior Notes due 2004 (the "Senior Notes"), (ii) the direct issuance by Holding of an estimated additional 6,492,318 shares of Common Stock in exchange for $100 million of existing indebtedness and certain equity interests in a predecessor company, (iii) a substantial reduction in the amount of remaining indebtedness and extension of the maturity dates for a portion of this indebtedness, (iv) a $100 million cash contribution to the AK Steel Corporation pension trust and a corresponding reduction in the unfunded pension obligation and (v) a new $75 million revolving credit facility with a five-year term. The consummation of the Common Stock Offering is conditioned upon the concurrent consummation of the other elements of the Recapitalization. See "The Recapitalization."

The Common Stock has been approved for quotation on the Nasdaq National Market under the symbol "AKST", subject to notice of issuance.

See "Risk Factors" for a discussion of certain factors that should be considered in connection with an investment in the Common Stock offered hereby.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public	*Underwriting Discount*	*Proceeds to Company (1)*
Per Share			
Total (2)			

(1) Before deduction of expenses payable by Holding estimated at $.

(2) Holding has granted the U.S. Underwriters and the Managers an option, exercisable by CS First Boston Corporation for 30 days from the date of the initial public offering of the shares offered hereby, to purchase a maximum of 2,635,833 additional shares in order to cover over-allotments of shares. If the option is exercised in full, the total price to public will be $, underwriting discount will be $, and proceeds to Holding will be $.

The U.S. Shares are offered by the several U.S. Underwriters when, as and if issued by Holding, delivered to and accepted by the U.S. Underwriters and subject to their right to reject orders in whole or in part. It is expected that the U.S. Shares will be ready for delivery on or about , 1994.

CS First Boston

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The date of this Prospectus is , 1994.

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial statements appearing elsewhere in this Prospectus. Except where otherwise indicated, the information in this Prospectus assumes that the over-allotment option granted to the U.S. Underwriters and the Managers is not exercised. In addition, unless the context requires otherwise, information in this Prospectus has been adjusted to reflect the reorganization of Armco Steel Company, L.P., a Delaware limited partnership (the "Partnership"), into AK Steel Corporation ("AK Steel"), a Delaware corporation and a wholly owned subsidiary of AK Steel Holding Corporation ("Holding"), a transaction which will be consummated immediately prior to the Recapitalization. All references to the Company shall mean Holding, AK Steel and Holding's other consolidated subsidiaries, as the successor to the Partnership. See "The Company" and "The Recapitalization." References to "dollars" and "$" are to United States dollars.

The Company

The Company is the sixth largest integrated steel producer in the United States in terms of production and shipments, based on publicly available data compiled by the Company. It manufactures primarily high strength, low carbon flat-rolled steel, the largest segment of the domestic steel market. The Company concentrates on the production of custom-engineered grades, and value-added applications, of hot-rolled steel and coated and uncoated cold-rolled steel for sale to the automotive, appliance and manufacturing markets, as well as to the construction industry and independent steel distributors and service centers.

In June 1992, the Company began implementing a strategic business plan to improve the yield and reduce the costs of its production operations while enhancing its ability to meet the extremely high product quality, delivery and technical support requirements of those customers who are the principal users of premium grades of flat-rolled steel. This strategic plan, which has already achieved significant results, consists of the following key elements:

. *New Management.* A new senior management team consisting of experienced steel executives was installed commencing June 1992. Among other actions, new management has instituted changes in the line management at virtually all of the Company's production facilities and in the management of its sales and marketing organization, and has raised the expectations and capabilities of its personnel.

Productivity Improvements. Productivity has been increased significantly through the elimination of redundant, less efficient operations and production facilities and the increase in the operating levels of the Company's remaining equipment. Among the specific measures taken are the shift to 100% continuous casting, the idling of the hot-rolling and cold-rolling mills and associated pickling lines at the Company's Ashland, Kentucky, steel works and a restructuring of its equipment maintenance procedures to increase substantially the operating speeds and productivity of its remaining facilities. As a result of these changes, the Company has been able to increase its total volume of steel shipments from 3,049,000 tons for the year ended December 31, 1992 to 3,429,400 tons for the year ended December 31, 1993, while reducing its man hours per ton from 5.93 for 1992 to 4.20 for 1993. In the most recent quarter, man hours per ton were reduced to 4.01 as compared with 5.49 for the quarter ended December 31, 1992.

Cost Reduction Programs. Costs throughout the Company's operations have been reduced substantially. In addition to the cost savings associated with the productivity improvements described above, the Company has restructured its remaining work force and renegotiated key raw materials and transportation contracts. These measures resulted in cost reductions of $110.0 million in 1993. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Overview." The Company believes that these savings represent permanent reductions in its cost structure and anticipates further savings, although there can be no assurance that any such savings will in fact be achieved in future periods.

Product Quality and Reliability. Product quality and reliability have been emphasized. Improvements made in virtually every phase of the Company's production operations have substantially enhanced the overall quality and consistency of its steel products and its ability to meet customers' just-in-time delivery requirements. The Company's customer rejection rate declined from approximately 1.23% of

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tonnage shipped for the year ended December 31, 1992 to 0.61% of tonnage shipped for the year ended December 31, 1993 (0.93% and 0.46% for the fourth quarters of 1992 and 1993, respectively), and its tonnage shipped to the secondary market as a percentage of total tons shipped decreased from 16.6% to 12.2% for these periods (14.0% and 9.0% for the fourth quarters of 1992 and 1993, respectively). In addition to contributing to higher margins, these improvements have led to a reduction in the need to stockpile large inventories of key product lines to ensure timely customer deliveries and also have enhanced revenues.

High-end Marketing. Marketing efforts have been increasingly directed toward those high-end customers, such as automotive and appliance manufacturers, whose exacting quality, on-time delivery and technical support requirements and need for specialized product applications (such as those that use coated steels) justify commensurate pricing. The Company believes that its enhanced product quality and delivery capabilities, and its emphasis on customer technical support and product planning, are critical factors in its ability to serve this important segment of the market.

The Company, the successor to the Eastern Steel Division of Armco Inc. ("Armco"), was formed in May 1989 as a joint venture between Armco and Kawasaki Steel Corporation ("Kawasaki"), and has operated since that date as the Partnership under the name Armco Steel Company, L.P. The Company and its predecessors have been in the steelmaking business for over 90 years. Armco, the second largest domestic manufacturer of stainless steels, also produces electrical and carbon steels and steel products, non-residential construction products and tubular goods. Kawasaki, the third largest steel company in Japan, is also engaged in engineering and construction, electronics and chemicals. Upon the completion of the recapitalization described below, Armco will own approximately 4.2% of the outstanding shares of Common Stock and Kawasaki will own approximately 22.7% of the outstanding shares of Common Stock.

The Recapitalization

The Common Stock Offering is part of a recapitalization (the "Recapitalization") that is intended to strengthen the Company's capital position, reduce its total debt and debt service costs and provide it with greater financial and operating flexibility. The other principal elements of the Recapitalization, which are conditioned upon one another and the Common Stock Offering and will be consummated concurrently with the Common Stock Offering, include:

(i) The public offering, pursuant to a separate prospectus (the "Senior Notes Offering"), of $325.0 million principal amount of % Senior Notes due 2004 (the "Senior Notes") issued by AK Steel and guaranteed by Holding. The Senior Notes Offering and the Common Stock Offering are referred to herein collectively as the "Offerings";

(ii) The issuance by Holding of shares of Common Stock having a value equal to $100.0 million (4,444,444 shares based on an assumed initial public offering price of $22.50 per share), in exchange for $100.0 million of subordinated debt due to an affiliate of Kawasaki (the "Equity-Indebtedness Exchange");

(iii) The issuance by Holding of 1,023,937 shares of Common Stock to each of Armco and Kawasaki in exchange for their respective equity interests in the Partnership; this number of shares may be changed if the initial public offering price is outside the range set forth on the cover page of this Prospectus (see "Certain Relationships and Related Transactions");

(iv) The contribution by the Company to the Trustee of the AK Steel Corporation Master Pension Trust (the "Pension Trust") of $100.0 million in cash (the "Pension Trust Contribution"), and a corresponding reduction in the Company's unfunded pension obligation;

(v) The repayment in cash of $530.4 million principal amount of previously outstanding term debt to bank and other lenders;

(vi) The extension of the maturity and adjustment of the amortization schedules of a portion of the remaining $99.0 million aggregate principal amount of term debt to bank and other lenders; and

(vii) The replacement of the Company's existing revolving credit facility to increase the maximum allowable borrowings from $50.0 million to $75.0 million and to provide for a five-year term.

Unless otherwise indicated, all calculations herein of Common Stock outstanding after the consummation of the Recapitalization assume an initial public offering price of $22.50 per share.

The following table sets forth a summary of the sources and uses of funds associated with the Recapitalization.

Sources	Amount (dollars in millions)
Common Stock Offering	$395.4
Senior Notes Offering	325.0
Equity-Indebtedness Exchange	100.0
Total Sources	$820.4
Uses	
Bank and other lender repayments	$530.4
Exchange of Kawasaki subordinated debt	100.0
Pension Trust Contribution	100.0
General corporate purposes	50.0
Underwriting discount and expenses	40.0
Total Uses	$820.4

The Recapitalization will significantly reduce the Company's overall level of indebtedness and other obligations. After giving effect to the Recapitalization, the Company will have outstanding, on a consolidated basis, approximately $424.0 million of senior long-term indebtedness (including the current portion), as compared with $729.4 million at December 31, 1993, and an estimated unfunded pension obligation (on an accumulated benefit obligation basis) of approximately $257.7 million, as compared with approximately $357.7 million at December 31, 1993. Further, the Company's stockholders' deficit will have been reduced from $584.2 million at December 31, 1993 to $136.8 million. See "Historical and Pro Forma Condensed Consolidated Financial Data."

The Recapitalization also will substantially improve the Company's financial and operating flexibility. The Company's scheduled debt amortization requirements will be reduced as follows:

Year	December 31, 1993 Actual	Pro Forma
	(dollars in millions)	
1994	$130.8	$ 4.8
1995	200.8	12.1
1996	215.0	23.3
1997	93.2	25.3
1998	25.0	18.4
1999 and thereafter	64.6	340.1
Total	$729.4	$424.0

In addition to its cash on hand and cash flow generated from operations, the Company will have available a $75.0 million, five-year revolving credit facility. See "Description of Certain Indebtedness."

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The Common Stock Offering

Common Stock offered in the U.S. Offering	14,072,222
Common Stock offered in the International Offering	3,500,000
Total	17,572,222 shares
Common Stock to be outstanding after the Common Stock Offering(1)	24,136,762 shares
Use of Proceeds	To retire certain outstanding indebtedness and reduce the Company's unfunded pension obligation as part of the Recapitalization, and for general corporate purposes.
Listing	Nasdaq National Market
Proposed Symbol	AKST

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(1) Assuming an initial public offering price of $22.50 per share. Includes 4,444,444 shares of Common Stock issued for the Equity-Indebtedness Exchange, a total of 2,047,874 shares of Common Stock issued to Armco and Kawasaki in respect of their equity interests in the Partnership, and an estimated 72,222 shares of Common Stock to be issued upon consummation of the Recapitalization to Thomas C. Graham, Chairman of the Board and Chief Executive of the Company, in lieu of cash in payment of a portion of his bonus under his current employment agreement (see "Management — Executive Compensation — Summary of Compensation"). Does not include a total of 1,916,667 shares reserved for issuance pursuant to options that may be granted under the Company's 1994 Stock Incentive Plan and 383,333 shares reserved for issuance as restricted stock that may be awarded under this plan. See "Management — Executive Compensation — AK Steel Holding Corporation 1994 Stock Incentive Plan" and "Ownership of Common Stock."

Risk Factors

Prospective purchasers of the Common Stock should consider carefully the information set forth under "Risk Factors" as well as the other information and data in this Prospectus.

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THE RECAPITALIZATION

The Recapitalization is intended to strengthen the Company's capital position, reduce its total debt and debt service costs and provide it with greater financial and operating flexibility. The other principal elements of the Recapitalization, which are conditioned upon one another and the Common Stock Offering and will be consummated concurrently with the Common Stock Offering, include:

(i) The Senior Notes Offering, consisting of the public offering of $325.0 million principal amount of Senior Notes issued by AK Steel and guaranteed by Holding;

(ii) The Equity-Indebtedness Exchange, consisting of the issuance by Holding to an affiliate of Kawasaki of shares of Common Stock having a value equal to $100.0 million (4,444,444 shares based on an assumed initial public offering price of $22.50 per share) in exchange for $100.0 million of subordinated debt due to an affiliate of Kawasaki;

(iii) The issuance by Holding of 1,023,937 shares of Common Stock to each of Armco and Kawasaki in exchange for their respective equity interests in the Partnership; this number of shares may be changed if the initial public offering price is outside the range set forth on the cover page of this Prospectus (see "Certain Relationships and Related Transactions").

(iv) The Pension Trust Contribution, consisting of the Company's contribution to the Trustee of the Pension Trust of $100.0 million in cash, resulting in a corresponding reduction in the Company's unfunded pension obligation;

(v) The repayment in cash of $530.4 million principal amount of previously outstanding debt to bank and other lenders;

(vi) The extension of the maturity and adjustment of the amortization schedules of a portion of the remaining $99.0 million aggregate principal amount of term debt to bank and other lenders; and

(vii) The replacement of the Company's existing revolving credit facility to increase the maximum allowable borrowings from $50.0 million to $75.0 million and to provide for a five-year term.

Unless otherwise indicated, all calculations herein of Common Stock outstanding after the consummation of the Recapitalization assume an initial public offering price of $22.50 per share.

The following table sets forth a summary of the sources and uses of funds associated with the Recapitalization.

Sources	Amount (dollars in millions)
Common Stock Offering	$395.4
Senior Notes Offering	325.0
Equity-Indebtedness Exchange	100.0
Total Sources	$820.4
Uses	
Bank and other lender repayments	$530.4
Exchange of Kawasaki subordinated debt	100.0
Pension Trust Contribution	100.0
General corporate purposes	50.0
Underwriting discount and expenses	40.0
Total Uses	$820.4

The Recapitalization will significantly reduce the Company's overall level of indebtedness and other obligations. After giving effect to the Recapitalization, the Company will have outstanding, on a consolidated basis, approximately $424.0 million of senior long-term indebtedness (including the current portion), as compared with $729.4 million at December 31, 1993, and an estimated unfunded pension obligation (on an accumulated benefit obligation basis) of approximately $257.7 million, as compared with approximately $357.7 million at December 31, 1993. The Company's stockholders' deficit will have been reduced from $584.2 million at December 31, 1993 to $136.8 million. See "Historical and Pro Forma Condensed Consolidated Financial Data."

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The Recapitalization also will substantially improve the Company's financial and operating flexibility. The Company's scheduled debt amortization requirements will be reduced as follows:

Year	December 31, 1993	
	Actual	Pro Forma
	(dollars in millions)	
1994	$130.8	$ 4.8
1995	200.8	12.1
1996	215.0	23.3
1997	93.2	25.3
1998	25.0	18.4
1999 and thereafter	64.6	340.1
Total	$729.4	$424.0

In addition to its cash on hand and cash flow generated from operations, the Company will have available a $75.0 million, five-year revolving credit facility. See "Description of Certain Indebtedness."

USE OF PROCEEDS

The combined net proceeds from the Offerings are estimated to be approximately $680.4 million, after deduction of underwriting discounts and estimated expenses. The Company intends to use these proceeds to implement the Recapitalization, which includes the retirement of certain indebtedness, the Pension Trust Contribution and for general corporate purposes. See "The Recapitalization." If the U.S. Underwriters' and the Managers' over-allotment option is exercised, the estimated additional $50.3 million of net proceeds would be used primarily for the retirement of indebtedness, with the remainder for general corporate purposes.

Of the $530.4 million of indebtedness to be retired pursuant to the Recapitalization, (i) $96.0 million has a final maturity on May 31, 1995, which, at December 31, 1993, bore interest at rates ranging from 4.22% to 4.30% per year, (ii) $57.3 million has a final maturity on June 15, 1997, bearing interest at rates ranging from 9.28% to 9.38% per year, (iii) $240.0 million has a final maturity on November 30, 1997, bearing interest at a rate of 6.67% per year, (iv) $23.2 million has a final maturity on November 22, 1998, bearing interest at a rate of 9.57% per year, (v) $84.0 million has a final maturity on January 28, 2002, bearing interest at a rate of 7.37% per year, (vi) $14.3 million has a final maturity on July 7, 1996, bearing interest at a rate of 11.5% per year, (vii) $7.6 million has a final maturity on October 12, 2001, bearing interest at a rate of 9.38% per year and (viii) $8.0 million has a final maturity on December 15, 1998, bearing interest at rates ranging from 10.6% to 11.1% per year.

DIVIDEND POLICY

The Company is restricted in the payment of cash dividends on its Common Stock by covenants contained in certain of the Company's financing arrangements and, notwithstanding such covenants, the Company does not presently expect to pay any dividends in the foreseeable future.

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DILUTION

The Company's deficit in net tangible book value (defined as stockholders' equity less goodwill and other intangible assets) at December 31, 1993 was $623.8 million or $25.84 per share of Common Stock. Based upon an assumed initial public offering price of $22.50 per share, the Company's deficit in pro forma net tangible book value of the Common Stock at December 31, 1993 after giving effect to the Recapitalization would have been $176.4 million or $7.31 per share. This represents an immediate increase in the pro forma net tangible book value of $18.53 per share to existing stockholders and an immediate dilution (i.e., the difference between the initial public offering price per share and the pro forma net tangible book value per share immediately after the Recapitalization) of $29.81 per share to purchasers of the shares of Common Stock offered hereby (the "New Investors").

The following table illustrates the calculation of the per share dilution described above:

Assumed initial public offering price		$22.50
Deficit in net tangible book value per share prior to the Recapitalization	$(25.84)	
Increase in net tangible book value per share attributable to the Recapitalization	18.53	
Pro forma deficit in net tangible book value per share after giving effect to the Recapitalization		(7.31)
Dilution to New Investors		$29.81

The actual number of shares of Common Stock to be issued to Kawasaki pursuant to the Equity-Indebtedness Exchange will have a value equal to $100.0 million and, accordingly, may differ from the 4,444,444 shares referred to herein if the actual initial public offering price is different from $22.50. Any such change in the number of shares will not affect the amount of dilution to New Investors.

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MANAGEMENT

Directors and Executive Officers

At present, Thomas C. Graham, James F. Will and Kanji Emoto are directors of the Company. It is anticipated that, at or prior to completion of the Recapitalization, the Company will add Cyrus Tang, Dr. Bonnie Guiton Hill, John A. Georges and Robert E. Northam as additional independent directors to its Board of Directors. The names and ages of the persons who are directors and executive officers of the Company and the positions of these persons with the Company are set forth below. Information concerning the age and principal occupations or employments of these persons (including the director nominees) during the past five years (if different) and certain other information is set forth under "Business Experience."

Directors

Name	Age	Position
Thomas C. Graham	67	Chairman of the Board and Chief Executive Officer
James F. Will	55	Director
Kanji Emoto	57	Director

In addition, the Company and Kawasaki have entered into an agreement pursuant to which, for so long as Kawasaki beneficially owns not less than 15% of the outstanding shares of Common Stock, the Company will take all action necessary to nominate and support the nomination of one person designated by Kawasaki for election as a director of the Company and to solicit proxies in favor (and otherwise recommend to stockholders) the election of such nominee as a director. See "Certain Relationships and Related Transactions." Mr. Emoto is Kawasaki's initial designee to the Company's Board of Directors.

Executive Officers

Name	Age	Position
Richard M. Wardrop, Jr.	48	President and Chief Operating Officer
Mark G. Essig	36	Executive Vice President — Commercial
Mark W. Kontos	43	Vice President — Finance, Chief Financial Officer and Treasurer
Randall F. Preheim	47	Vice President, General Counsel and Secretary
David F. Alexander	54	Vice President — Research and Design Engineering
Gary L. Melampy	37	Vice President — Employee Relations
Edward L. Hare	46	Controller

Business Experience — Directors

Thomas C. Graham, who has 47 years of experience in the steel industry, has been a Director, President and Chief Executive Officer of the Partnership since June 1992. Prior to joining the Partnership, Mr. Graham served from July 1991 to May 1992 as Chairman and Chief Executive Officer of Washington Steel Corporation, a privately held specialty steel producer, and headed its successful turnaround and eventual sale to Lukens, Inc. in April 1992. From October 1990 to May 1991, Mr. Graham served as President, Steel and Diversified Group of USX Corporation. Mr. Graham also served as Vice Chairman and Chief Operating Officer, Steel and Related Resources of U.S. Steel Corporation from 1983 to October 1990 and as a director of U.S. Steel Corporation. Mr. Graham served as Chairman of the AISI from 1986 to May 1989, and, since February 1991, has been a principal investigator for the Sloan Foundation's study of the competitiveness of the American steel industry. He has been a director of International Paper Company since 1986 and a director of Hershey Foods Corporation since April 1989.

James F. Will has been a Director of the Partnership since May 1992 and Chairman since June 1992. Mr. Will was named President and Chief Executive Officer of Armco in December 1993, having been its President and Chief Operating Officer since April 1992. Mr. Will served as President and Chief Executive

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Officer of Cyclops Industries, Inc. from January 1989 to March 1992 and as President and Chief Operating Officer of that Company from 1986 to December 1988. Mr. Will has been a Director of Armco since April 1992 and a Director of Allegheny Corporation since January 1992.

Kanji Emoto has been a Director of the Partnership since June 1992. Mr. Emoto has been a Managing Director of Kawasaki since June 1991 and was a Director of Kawasaki from June 1988 to May 1991. Prior to that time Mr. Emoto held various management positions with Kawasaki.

Cyrus Tang, 64, has served as President and Chief Executive Officer of Tang Industries, Inc. since 1971, Chief Executive Officer of National Material L.P. since 1964, and President and Chief Executive Officer of National Material Corporation since January, 1994. Tang Industries and its affiliates operate businesses including steel distribution and processing, metal stamping and fabrication, ferrous and non-ferrous scrap trading and processing, aluminum die casting, extrusions and recycling, wood and steel office furniture manufacturing and pharmaceuticals. In 1982, Mr. Tang became the first private owner of an integrated steel company following his acquisition of McLouth Steel Corporation.

Dr. Bonnie Guiton Hill, 50, has been Dean of the McIntire School of Commerce at the University of Virginia since July 1992. She served as Secretary of the State and Consumer Services Agency for the State of California from April 1991 to June 1992. From September 1990 to March 1991, Dr. Hill was the President and Chief Executive Officer of Earth Conservation Corporation. From April 1989 to September 1990, she served as Director of the United States Office of Consumer Affairs and Special Advisor to the President for Consumer Affairs, and has previously served as the Assistant Secretary of the United States Department of Education and as Vice-Chair of the United States Postal Rate Commission. She has been a director of Niagara Mohawk Corporation since February 1991, a director of Hershey Foods Corporation since August 1993, and a director of Louisiana-Pacific Corporation since August 1993.

John A. Georges, 63, has been Chairman of the Board of International Paper Company ("IP") since 1985 and Chief Executive Officer of IP since 1984. He has been a director and Chairman of the Board of IP Forest Resources Company (the managing general partner of IP Timberlands, Ltd.) since 1985. He has also been a director of Ryder System Inc. since August 1993, a director of Scitex Corporation Ltd. since May 1992 and a director of Warner-Lambert Company since April 1983. Mr. Georges is a member of The Business Council and the Policy Committee of The Business Roundtable and is also a board member of The Business Council of New York State and a trustee of its Public Policy Institute, a trustee of Drexel University and a member of the President's Advisory Committee for Trade Policy and Negotiations.

Robert E. Northam, 63, has been Executive Vice President of J.C. Penney & Company since February 1990 and Chief Financial Officer of J.C. Penney since 1982. He has also served in the Office of the Chairman of J.C. Penney since June 1992. Mr. Northam is a member of the Financial Executives Institute, the American Institute of Certified Public Accountants, the New York State Society of Certified Public Accountants, the Conference Board Council of Financial Executives, and the CFO Task Force of the Private Sector Council.

Business Experience — Executive Officers

Richard M. Wardrop, Jr. has been Vice President — Manufacturing of the Partnership since June 1992 and will become President and Chief Operating Officer of the Company upon completion of the Recapitalization. He has been employed in the steel industry for more than 24 years. Prior to joining the Partnership, Mr. Wardrop served from January 1992 to May 1992 as Corporate Vice President, Engineering & Purchasing, for Washington Steel Corporation. Mr. Wardrop was Consultant to the President for Quigley Company, Inc., a subsidiary of Pfizer, Inc., from July 1990 to December 1991. He was General Manager, Mon Valley Works, U.S. Steel Corporation, from February 1988 to June 1990, and Plant Manager, Primary Operations, Flat Rolled Products Group, U.S. Steel Corporation from 1986 to June 1990.

Mark G. Essig, who began his steel industry career in October 1988, joined the Partnership in August 1992 as Vice President, Employee Relations and Assistant to the President. In April 1993 Mr. Essig was named Vice President, Sales and Marketing, and he will become Executive Vice President — Commercial upon completion of the Recapitalization. Mr. Essig was Vice President and Chief Financial Officer of Washington Steel Corporation from July 1991 to June 1992. He was Vice President, Finance and Administration of Washington Steel Corporation from July 1989 to June 1991 and mill group controller from November 1988 to June 1989. From 1986 to October 1988, Mr. Essig operated a management consulting firm specializing in structuring turnarounds for manufacturing companies.

Mark W. Kontos has been Vice President — Finance, Chief Financial Officer of the Partnership since June 1993 and will become Vice President, Chief Financial Officer and Treasurer upon completion of the Recapitalization. Prior to joining the Partnership, Mr. Kontos was a Vice President of Citibank/Citicorp in New York where he had worked since 1978. He was Vice President, Institutional Recovery Management for Citibank from June 1989 to July 1993, where he was responsible for restructuring troubled companies, and was Vice President, World Corporation Group, Chemicals Department of Citibank/Citicorp from 1986 to June 1989.

Randall F. Preheim has been General Counsel and Secretary of the Partnership and the Predecessor since February 1989, and Vice President since January 1993, and he will continue in this position with the Company. In addition to legal matters, Mr. Preheim is responsible for public affairs, purchasing and transportation and environmental affairs. From August 1988 to February 1989, Mr. Preheim was Division Counsel for Armco. He was Vice President and General Counsel for the Armco Financial Services Group from 1986 to July 1988.

David F. Alexander has been Vice President — Research and Design Engineering for the Partnership since April 1993 and will continue in this position with the Company. From August 1992 to April 1993 he was Vice President, Design Engineering and from August 1990 to July 1992 he was Assistant to the President of the Partnership. From 1965 to August 1990, Mr. Alexander served in various engineering and maintenance management positions at the Ashland Works.

Gary L. Melampy has been Labor Counsel to the Partnership since September 1991 and will become Vice President-Employee Relations of the Company upon completion of the Recapitalization with responsibility for human resources and industrial relations. From June 1988 to August 1991 Mr. Melampy was the labor and employment counsel with the law firm of Collier, Shannon, Rill & Scott in Washington, D.C. From 1981 to May 1988, he was associated with the law firm of Reed Smith Shaw & McClay in Washington, D.C., where he practiced labor and employment law.

Edward L. Hare has been Controller of the Partnership since June 1989 and will continue in this position with the Company. From 1972 to May 1989, Mr. Hare held various management positions in internal auditing, finance and accounting for Armco.

Compensation of Directors

Following completion of the Recapitalization, each non-employee director will receive an annual fee of $20,000 for service on the Board of Directors, one-half of which will be paid in shares of Restricted Stock (see "AK Steel Holding Corporation 1994 Stock Incentive Plan" below) and the remainder will be paid, at the director's option, in cash or shares of Restricted Stock. Each Chairperson of a committee of the Board of Directors will receive an additional fee of $2,500 per year. Non-employee directors also will be paid a fee of $1,000 for attendance at each meeting of the Board of Directors and $500 for each committee meeting attended. Officers of the Company will not receive any additional compensation for serving as directors. All directors will be reimbursed for expenses incurred in attending Board and committee meetings. Non-employee directors will be required to retire from the Board at age 70 but will be entitled to an annual retainer equal to the annual fee payable to a director at the time of such retirement provided that he or she is available to the chairman on a consulting basis. Each non-employee director also will be granted options under the Company's 1994 Stock Incentive Plan to purchase a total of 5,000 shares of Common Stock upon his or her initial election to the Board.

The Company has obtained directors and officers liability insurance in connection with the Offerings.

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Committees of the Board of Directors

The Board of Directors intends to establish an Audit Committee and a Compensation Committee within 30 days after consummation of the Recapitalization consisting of independent directors. The Board may establish such additional committees as it deems advisable.

The Audit Committee will recommend to the Board of Directors the appointment of the independent public accountants of the Company, review and approve the scope and fees of the annual audit and review the results thereof with the Company's independent accountants. The Audit Committee will also assist the Board in fulfilling its fiduciary responsibilities relating to accounting and reporting policies, practices and procedures, and will review the continuing effectiveness of the Company's business ethics and conflicts of interest policies.

The Compensation Committee will review and recommend to the Board of Directors compensation of the principal officers, review the duties and responsibilities of the Company's principal officers, review compensation and personnel policies, administer the Company's Stock Incentive Plan (as described below) and certain other employee benefit plans, and review and make recommendations to the Board with respect to the Company's incentive compensation plans, pension and savings plans and its employee retirement and benefit policies and plans.

Executive Compensation

Summary of Compensation

Set forth below is a summary of information with respect to 1993 compensation of the Company's chief executive officer and the four other most highly compensated executive officers who were serving as executive officers of the Company on December 31, 1993.

Summary Compensation Table

Name and Principal Position	Year	Salary $	Bonus $ (1)	All Other Compensation(2) $
Thomas C. Graham President and Chief Executive Officer	1993	250,008	5,300,000(3)	11,915
Fumiya Yanagishima Executive Vice President	1993	195,008	87,504	1,779
Richard M. Wardrop, Jr. Vice President — Manufacturing	1993	175,002	87,501	12,530
Mark G. Essig Vice President — Sales & Marketing	1993	165,003	82,502	12,364
David F. Alexander Vice President — Research and Design Engineering	1993	147,507	73,751	6,075

(1) Bonuses for all named officers other than Mr. Graham were paid on January 31, 1994.

(2) The amounts shown in this column were derived from the following figures: (i) for Mr. Graham, $11,915 was attributed to him for imputed income arising out of a Company provided life insurance plan; (ii) for Mr. Yanagishima, $1,579 was attributed to him for imputed income arising out of a Company provided life insurance plan and $200 was reimbursed to him pursuant to a Company provided medical plan; (iii) for Messrs. Wardrop and Essig, $1,030 and $364, respectively, were attributed to them for imputed income arising out of a Company provided life insurance plan and $11,500 and $12,000, respectively were attributed to them as an automobile allowance; (iv) for Mr. Alexander, $1,412 was attributed to him for imputed income arising out of a Company provided life insurance plan, $200 was reimbursed to him pursuant to a Company provided medical plan and $4,463 was paid to him pursuant to a restricted stock plan of Armco. All premium costs of the Company provided life insurance plan are paid by the Company. Income is imputed to employees for premium costs applicable to coverage exceeding $50,000 per employee.

(3) Pursuant to Mr. Graham's employment agreement with the Partnership, Mr. Graham is entitled to a performance bonus of $2.0 million upon achievement of two consecutive quarters of operating profit (as

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defined in the agreement) which has occurred, plus 6% of cumulative net income (as defined in the agreement). Payment is due upon termination of the agreement. This agreement will be terminated effective upon the Recapitalization and Mr. Graham will, at that time, be paid the bonus amount accrued thereunder which is presently estimated to be approximately $6.5 million. Payment of such bonus will be made to Mr. Graham one-half in cash and one-half in Common Stock. The $5.3 million reflected in the table is the amount that would have been payable had the agreement been terminated as of December 31, 1993.

Employment Contract

Upon completion of the Recapitalization, the Company and Mr. Graham intend to enter into a new employment agreement with a one year term, automatically renewable for successive one year terms unless either party gives 90 days' advance notice not to renew. The contract will provide for an annual base salary of $450,000, subject to increase at the discretion of the Board of Directors. If certain performance targets are achieved, Mr. Graham will be eligible for a bonus in an amount to be determined by the Compensation Committee of the Board of Directors. Performance targets for calculation of Mr. Graham's bonus will be set by the Compensation Committee and will be weighted 75% upon achievement of established financial goals and 25% upon achievement of individual objectives established by the Compensation Committee. Pursuant to the employment agreement, upon completion of the Recapitalization, Mr. Graham will be granted options under the Company's 1994 Stock Incentive Plan to purchase a total of 350,000 shares of Common Stock at the initial public offering price, which options will vest one year after grant and will expire after ten years. Vesting of the options will accelerate upon Mr. Graham's death, disability, involuntary termination without cause or termination with the Company's consent. Mr. Graham will be entitled to exercise the options for six years after the date he ceases to be a member of the Board of Directors. Pursuant to the employment agreement, Mr. Graham also will be issued 150,000 restricted stock units, all of which will vest upon his 70th birthday (January 26, 1997). Mr. Graham has agreed to remain affiliated with the Company until his 70th birthday. Vesting of the units will accelerate upon Mr. Graham's death, disability or involuntary termination without cause (to be defined in the employment agreement). Mr. Graham may elect to accumulate and reinvest any dividends on a pre-tax basis. The employment agreement also provides for Mr. Graham's use of a Company leased automobile, Company air travel and participation in the Company's employee benefit plans and programs. If Mr. Graham's employment is terminated within the first year of the employment agreement for any reason other than cause, he will receive the balance of payments due for that year.

Severance Arrangements

Upon completion of the Recapitalization, each of the Company's officers (other than Mr. Graham) and certain other key managers will be covered by severance agreements which provide for severance payments and certain other benefits in the event of a diminution of the covered employee's salary or responsibility or a termination of such employee's employment other than for cause as defined in the agreements. Upon the occurrence of an event which triggers these benefits, a covered employee would be entitled to (i) a lump sum severance payment equal to 24 months' pay for the president and any vice presidents and 18 months' pay for other covered employees ("the severance payment period"); (ii) a lump sum payment under the Annual Management Incentive Plan for the relevant severance payment period based upon the actual payment under that plan for the year preceding the triggering event; (iii) the immediate lapse of all restrictions related to Restricted Stock granted under the Company's 1994 Stock Incentive Plan; (iv) the right to exercise any stock options granted under that plan within three years from the date of termination; and (v) coverage under the Company's welfare benefit plans (including life, health and other insurance benefits) during the severance payment period.

Annual Management Incentive Plan

The Company established the Annual Management Incentive Plan effective January 1, 1993. Under the plan, full-time management employees whose participation has been approved by the chief executive officer can qualify to receive an incentive award. The award is comprised of two components: (1) achieving the financial targets established for the plan (based on pre-tax income before special charges and extraordinary items) which is weighted at 75% of the total award, and (2) achieving individual objectives which is weighted at 25% of the total award. Financial targets are established by the Compensation Committee. Individual objectives are established by the Chief Executive Officer of the Company subject to approval by the Compensation Committee. Awards for 1993 were paid on January 31, 1994.

AK Steel Holding Corporation 1994 Stock Incentive Plan

On January 13, 1994, the stockholders of the Company approved the AK Steel Holding Corporation 1994 Stock Incentive Plan (the "SIP"). The SIP, which is to be administered by the Compensation Committee, permits the grant of Nonqualified Stock Options (excluding incentive stock options as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the "Code")) and Restricted Stock, to directors and to executive and key management employees of the Company.

A total of 2,300,000 shares of Common Stock of the Company is available under the SIP, subject to anti-dilution adjustment in the event of a merger, recapitalization or other change in corporate structure. Grants of stock options exercisable for up to 1,916,667 shares will be made by means of, and be subject to the terms of, an Award Agreement specifying the option price, duration, number of shares subject to the option and conditions of exercise. The option price may be not less than the fair market value of a share on the date of the grant. Awards may not be exercised during the first six months following the date of grant (or such longer period as may be specified in the Award Agreement) or after the tenth anniversary of the date of grant. Payment upon exercise may be made in cash or its equivalent or by tendering shares held for at least six months. Cashless exercises will be permitted if in accordance with Regulation T of the Federal Reserve Board and applicable securities laws. Awards of up to 383,333 shares of Restricted Stock will be made by means of and subject to the terms of an Award Agreement specifying the number of shares of Restricted Stock. Restrictions on the transfer of shares of Restricted Stock will lapse as to 25% of the shares on each of the second, third, fourth and fifth anniversary of the date of grant. In all cases, the Compensation Committee will retain the right to accelerate the exercisability of an option and to waive restrictions in respect of Restricted Stock. The Company expects to award to each SIP participant one share of Restricted Stock for every five shares subject to options. Upon his or her election to the Board, each non-employee director will be awarded options under the SIP to purchase 5,000 shares. In addition, one-half of each non-employee director's annual fee for service on the Board will be paid in shares of Restricted Stock and the remainder will be paid, at the director's option, in cash or shares of Restricted Stock.

A stock option will expire upon voluntary termination of employment or involuntary termination for cause. The award will remain exercisable for three years following the date of an optionee's death, retirement, disability or involuntary termination for reasons other than cause or retirement. Restricted Stock awards will be forfeited upon termination of employment for reasons other than retirement, death or disability or as provided in the severance agreements described above.

It is expected that grants totalling approximately 1,600,000 shares of Common Stock will be made under the SIP to Mr. Graham and other key management members following consummation of the Recapitalization. It is expected that the grants to management members will be in the aggregate approximately 6.6% of the outstanding shares of the Company following the Recapitalization.

Pension Plans

The following table shows the maximum annual pension benefits payable under the Company's Noncontributory Pension Plan (the "Pension Plan") as in effect for both corporate staff and employees of the

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Company as of January 1, 1993 before applying the maximum limitations of the Code and before reduction for 50% of the social security benefit received at retirement.

Average Covered Compensation During Highest 5 Consecutive Years In Last 10 Years of Service	Annual Regular Pension Benefits for Years of Service Shown					
	5 Years	10 Years	15 Years	20 Years	30 Years	40 Years
$100,000	$ 7,875	$ 15,750	$ 23,625	$ 31,500	$ 47,250	$ 63,000
200,000	15,750	31,500	47,250	63,000	94,500	126,000
300,000	23,625	47,250	70,875	94,500	141,750	189,000
400,000	31,500	63,000	94,500	126,000	189,000	252,000
500,000	39,375	78,750	118,125	157,500	236,250	315,000
600,000	47,250	94,500	141,750	189,000	283,500	378,000
700,000	55,125	110,250	165,375	220,500	330,750	441,000
800,000	63,000	126,000	189,000	252,000	378,000	504,000

The Pension Plan provides a lifetime income upon an employee's retirement at or after having attained age 65 and having completed at least five years of service, or upon an earlier date if various stated conditions are satisfied. If an employee's most recent date of hire was before January 1, 1992, the employee's pension accrues under one of three basic formulas, the higher of which establishes the employee's monthly pension benefit entitlement (the "Pension Provisions"). If the employee's date of hire is on or after January 1, 1992, the employee's pension accrues under an alternate cash balance formula (the "Cash Balance Provisions"). Both formulas are described below. Benefits paid under the Pension Provisions are subject to reductions for (i) amounts paid under other Company pension plans (excluding amounts attributable to contributions made by the employee); (ii) amounts paid due to discharge, liquidation, dismissal or severance allowance; (iii) amounts paid on account of injury or occupational disease incurred in the course of employment with the Company pursuant to Workers' Compensation or other law; and (iv) one-half of the social security benefits received at age 62.

Under the Pension Provisions, which are applicable to Mr. Alexander and most of the other officers, key management members and employees, an employee's average pensionable earnings is determined based upon the highest 60 consecutive months of service during the last 120 consecutive months of service (based upon the 12 months' periods ending on the last day of the month in which retirement becomes effective).

Mr. Alexander has 29 years of credited service. If his employment were continued until mandatory retirement at age 65 at the 1993 rate of remuneration, Mr. Alexander would receive a yearly pension of $85,512. Messrs. Graham, Yanagashima, Wardrop and Essig are not eligible for benefits under the Pension Provisions.

Under the Cash Balance Provisions, which are applicable to Messrs. Graham, Wardrop, Essig and other employees hired on or after January 1, 1992, employees have an account that accumulates credits based upon length of service in accordance with the following table:

Years of Service	Pay-Base Credit
One, but less than 10	2.0% of Covered Compensation
10, but less than 20	2.5% of Covered Compensation
20, but less than 25	3.0% of Covered Compensation
25, but less than 30	3.5% of Covered Compensation
30 and above	4.0% of Covered Compensation

Annual interest credits are made to each account at the beginning of each year based upon the previous year's balance. The rate is based upon the preceding year's average rate for one-year Treasury Bills. Accounts vest in five years and are payable in a lump-sum, as a lifetime annuity or as a joint and survivor annuity commencing upon retirement on or after age 65. Messrs. Graham, Wardrop and Essig have 1.7, 1.5 and 1.4 years of credited service, respectively. If each works until the later of age 65 or the completion of 5 years of credited service at the 1993 rate of remuneration, they would receive a lump sum payment of $16,577, $92,667

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and $242,613 respectively. Benefits paid under the Cash Balance Provisions are not subject to reduction for social security or other payments received by the employee.

In the case of both the Pension Provisions and the Cash Balance Provisions, compensation in excess of $235,840 ($150,000 in 1994, as adjusted from year to year by the Secretary of the Treasury) must be disregarded and pension benefits may not exceed the value permitted under Section 415 of the Code.

The AK Steel Holding Corporation Executive Minimum and Supplemental Retirement Plan (the "MRP") provides a supplemental pension benefit to selected officers and members of key management whose pension under the Pension Plan is limited by the Code provisions or by reason of short service with the Company. The MRP provides that the aggregate pension benefit for an elected officer will be not less than 45% of the officer's average covered compensation determined under the Pension Plan provisions discussed above. The aggregate pension includes the pension payable under the Pension Plan, and any pension benefit paid or payable by any former employer, with benefits generally commencing upon retirement under the Pension Plan in most cases. An officer who retires prior to attaining age 62 will not receive an MRP 45% pension benefit supplement until attaining age 62. MRP benefits are payable from the general assets of the Company. The MRP was amended effective as of January 1, 1994 to create a "Rabbi Trust" to fund benefit payments under the Pension Provisions, Cash Balance Provisions and company thrift plan which would otherwise be limited by the limitations imposed by Sections 401(a)(17) and 415 of the Internal Revenue Code of 1986. The Rabbi Trust and all assets held by the Rabbi Trust conform to the terms of the model trust described in Revenue Procedure 92-64, IRS 1992-93, and will be accounted for using the accrual method as the benefits are earned. If Messrs. Wardrop, Essig and Alexander continue their employment to age 65, at their 1993 rate of remuneration, Messrs. Wardrop, Essig and Alexander would qualify for a monthly pension under the MRP of $9,169, $7,513 and $3,703, respectively.

Covered compensation under each plan described above includes Salary and Bonus but excludes All Other Compensation as reported in the Summary Compensation Table.

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OWNERSHIP OF COMMON STOCK

The following table sets forth, as of the date of this Prospectus (after giving effect to the Recapitalization and based upon an assumed initial public offering price of $22.50 per share), certain information with respect to the beneficial ownership of the Common Stock by each person known by the Company to own beneficially more than five percent of the Common Stock, by each director and director nominee of the Company, by each executive officer named in the table on page 53 and by all directors and executive officers of the Company as a group.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class(1)
Kawasaki Steel Corporation (2) Hibiya, Kokusai Building 2-3, Uchisaiwaicho, 2-Chome Chiyoda-Ku, Tokyo 100 Japan	5,468,381	22.7
Thomas C. Graham (3)	572,222	2.4
James F. Will (4)	5,000	
Kanji Emoto (5)	5,000	
Cyrus Tang (6)	5,000	
Dr. Bonnie Guiton Hill (6)	5,000	
John A. Georges (6)	5,000	
Robert E. Northam (6)	5,000	
Fumiya Yanagishima	—	
Richard M. Wardrop, Jr. (7)	180,000	
Mark G. Essig (8)	120,000	
David F. Alexander (9)	48,000	
All directors, director nominees and executive officers as a group (15 persons) (4)(5)(10)	1,154,222	4.8

(1) Rounded to the nearest one-tenth of one percent. No percentage is given for shares representing less than 1%.

(2) Includes shares owned by subsidiaries.

(3) Includes 350,000 shares subject to stock options to be awarded under the SIP, 150,000 restricted stock units and an estimated 72,222 shares which will be paid to Mr. Graham pursuant to his existing agreement with the Partnership (see footnote 3 to the Summary Compensation Table above in "Management — Executive Compensation — Summary of Compensation").

(4) Shares subject to stock options to be granted under the SIP. Excludes the 1,023,937 shares of Common Stock to be owned by Armco, of which Mr. Will is President and Chief Executive Officer, as to which he disclaims beneficial ownership.

(5) Shares subject to stock options to be granted under the SIP. Excludes the 5,468,381 shares of Common Stock to be owned by Kawasaki, of which Mr. Emoto is Managing Director, as to which he disclaims beneficial ownership.

(6) Shares subject to stock options to be granted under the SIP.

(7) Includes 150,000 shares subject to stock options and 30,000 shares subject to restricted stock awards to be granted under the SIP.

(8) Includes 100,000 shares subject to stock options and 20,000 shares subject to restricted stock awards to be granted under the SIP.

(9) Includes 40,000 shares subject to stock options and 8,000 shares subject to restricted stock awards to be granted under the SIP.

(10) Except for 72,222 shares of Common Stock owned by Mr. Graham, all of these shares are subject to stock options or awards of restricted stock to be granted under the SIP.

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CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

During 1990, 1991, 1992 and 1993, the Company was party to certain transactions with Armco, Kawasaki, and their affiliates, consisting of charges to and from the Company for various services rendered and inventory purchased from Armco, as follows:

Services provided to Armco and affiliates by the Company:

	1990	1991	1992	1993
Data processing	$ 4.9	$ 3.6	$ 3.1	$ 1.4
Administrative and accounting	2.4	1.9	0.9	0.7
Processing services and other materials	2.9	3.9	2.0	—
Processing and conversion	0.6	0.9	4.6	13.3
Purchasing and selling	0.3	0.2	0.1	—
Total	$11.1	$10.5	$10.7	$15.4

Services provided to the Company by Armco, Kawasaki and their affiliates, and inventory purchases from Armco:

	1990	1991	1992	1993
Stainless purchases	$ 7.5	$ 8.7	$15.3	$20.2
Research and engineering	11.1	11.6	9.8	4.0
Other	1.8	2.5	0.3	0.8
Total	$20.4	$22.8	$25.4	$25.0

Selling and administrative expenses are provided on a cost basis while processing and materials are provided on an arm's-length basis.

In the ordinary course of its business, the Company regularly rolls certain grades of steel produced by Armco for resale by Armco and recently entered into a ten-year agreement with respect to these services. The Company's charges for its rolling services on behalf of Armco are determined on an arm's-length basis and, during 1993, aggregated approximately $13.3 million.

Armco has made a capital contribution of $20.0 million to the Company which the Company will use for the purchase of certain specialized equipment used in rolling steel, including stainless steel. Of this amount, $0.6 million was contributed in 1992 and the balance was contributed during 1993.

Sales to Armco, Kawasaki and their affiliates amounted to $101.2 million, $89.8 million, $85.9 million and $36.7 million during 1990, 1991, 1992 and 1993 respectively. Other miscellaneous sales to Armco, Kawasaki and their affiliates for these periods amounted to $5.0 million, $2.5 million, $1.7 million and $0.7 million, respectively. See Note 6 of "Notes to the Consolidated Financial Statements."

After the Recapitalization, the Company expects to continue rolling steel for Armco pursuant to the ten-year agreement referred to above. The Company also may continue to purchase and sell steel products to Armco and Kawasaki on arm's-length terms.

Pursuant to an Advisor Agreement dated May 18, 1989 between the Company and Kawasaki, each party agreed to make certain technical personnel available to the other party to provide technical advice and problem analysis with regard to the requesting parties' steel operations. The party rendering such services agreed to supply technical advisors at the recipient parties' facilities for a per diem fee. Management expects that this agreement will continue following consummation of the Recapitalization.

Pursuant to the Joint Venture Formation Agreement dated March 24, 1989 between Armco and Kawasaki (the "Formation Agreement"), the Company is obligated to indemnify each of Armco and Kawasaki for losses relating to, among other things, the Company's management, control, ownership and operation of its business and for liabilities (including environmental and employee-related liabilities) relating to its business. Following the Recapitalization, the Company will continue to have this indemnification obligation. Under the Formation Agreement, Armco is obligated to indemnify the Company for (i) certain supplemental unemployment benefit payments triggered by events occurring prior to the Partnership's formation, up to a maximum of $16.5 million, and (ii) 50% of its costs to exit Eveleth if such exit occurs prior to May 13, 1996. In connection with the Recapitalization, the Company, Armco and Kawasaki have agreed to terminate these indemnification obligations of Armco.

The Company and Kawasaki intend to enter into an agreement pursuant to which, among other things, the Company will agree that, for so long as Kawasaki beneficially owns not less than 15% of the outstanding shares of Common Stock, the Company will take all action necessary to nominate and support the nomination of one person designated by Kawasaki for election as a director of the Company and to solicit proxies in favor of (and otherwise recommend to stockholders) the election of such nominee as a director.

The Company has $100.0 million of subordinated debt due to an affiliate of Kawasaki. This debt will be exchanged for Common Stock pursuant to the Equity-Indebtedness Exchange. See "The Recapitalization."

As indicated under "The Recapitalization", each of Armco and Kawasaki is to receive 1,023,937 shares of Common Stock in exchange for its equity interests in the Partnership. This number of shares is based on the assumption that the initial public offering price will be within the range of $21 and $24 per share. The Company has agreed with each of Armco and Kawasaki that if the initial public offering price is greater than $24 per share, then the number of shares to be issued to each of Armco and Kawasaki in exchange for its equity interests in the Partnership will increase. In such event, the additional shares for Armco and Kawasaki shall equal one-third of (i) the excess of the initial public offering price per share over $24 (net of underwriting discounts), *multiplied* by (ii) the number of shares sold in the Common Stock Offering (excluding any shares sold pursuant to the exercise of the U.S. Underwriters' and Managers' over-allotment option), and *divided* by (iii) the initial public offering price per share. If the initial public offering price is less than $21 per share, then the number of shares to be issued to Armco and Kawasaki in exchange for their equity interests in the Partnership will be reduced to an amount to be agreed upon prior to the establishment of the initial public offering price.

The Company intends to enter into agreements with Kawasaki, Armco and Mr. Graham for the shelf registration under the Securities Act (at the Company's expense) of the Common Stock to be owned by each. See "Shares Eligible For Future Sale."

Prior to the Recapitalization, the indebtedness which financed the Company's No. 1 EGL (which will be paid in full) was partly secured with $8.8 million of cash collateral provided by Armco.

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DESCRIPTION OF CERTAIN INDEBTEDNESS

The following is a description of the principal terms for AK Steel's debt as restructured after the Recapitalization. Copies of the definitive agreements setting forth the terms of such debt have been filed as exhibits to the Registration Statement of which this Prospectus is a part. The following summaries of certain provisions of such agreements do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all of the provisions of such agreements. Capitalized terms not otherwise defined herein have the respective meanings set forth in such agreements.

Bank and Other Lender Debt

Immediately after the Recapitalization, AK Steel will have outstanding $99.0 million principal amount of term indebtedness owed to banks and other lenders, not including the subordinated debt held by Holding pursuant to the Equity-Indebtedness Exchange. This indebtedness will represent the principal amounts remaining on pre-Recapitalization debt as follows: $31.8 million to The Dai-Ichi Kangyo Bank Limited (New York Branch) (the "DKB Loan"); $29.8 million to Nissho Iwai American Corporation ("NIAC") for projects at the Middletown Works' hot-rolling mill and the Ashland Works' caster (the "NIAC Loan"); $28.4 million to ITOCHU for the construction of the No. 2 EGL (the "ITOCHU Loan"); and $9.0 million in miscellaneous debt.

The DKB Loan

The Partnership entered into a Credit Agreement dated as of May 15, 1989 with DKB, as amended, pursuant to which DKB loaned $100 million to the Partnership to defease certain debt previously issued by Armco. $55.0 million principal amount is currently outstanding with respect to such loan. As part of the Recapitalization, AK Steel will assume all of the obligations of the Partnership with respect to such indebtedness, $23.2 million principal amount of such indebtedness will be prepaid and the terms of the remaining indebtedness will be amended and restated as set forth in an Amended and Restated Credit Agreement (the "Amended DKB Agreement").

Amount, Interest Rate and Amortization. The principal amount of the DKB Loan immediately after the Recapitalization will be $31.8 million. The DKB Loan will bear interest at a fixed rate of 9.57%. Scheduled principal repayments will be $5.0 million in 1995, $10.0 million in each of 1996 and 1997, and a final payment of $6.8 million in 1998. In addition, 50% of annual Excess Cash Flow (as defined in the Amended DKB Agreement) for each fiscal year commencing with the year ending December 31, 1994 will be applied to prepay the DKB Loan and the NIAC Loan on a pro rata basis. Such prepayments in respect of any year will not exceed 30% of the aggregate principal amount of the DKB Loan and the NIAC Loan then outstanding.

Guaranty. The DKB Loan will be guaranteed by Holding and AK Steel's Significant Subsidiaries (other than Non-Recourse Subsidiaries).

Security. The DKB Loan will be secured by a pledge of AK Steel's Inventory that will also secure the NIAC Loan and, subject to certain borrowing base limitations, indebtedness to other lenders under agreements which AK Steel may enter into in the future.

Conditions. The effectiveness of the Amended DKB Agreement is subject to a number of conditions, including (i) completion of the Recapitalization, (ii) payment of certain fees and expenses of DKB and its agents, (iii) accuracy of representations and warranties and (iv) absence of any Default.

Representations and Warranties. The Amended DKB Agreement contains a number of customary representations and warranties, including those with respect to (i) organization and good standing, (ii) authorization and enforceability of the loan documents, (iii) litigation, (iv) financial condition, (v) absence of material adverse change, (vi) compliance with laws, (vii) employee benefit plans and employee matters, (viii) payment of taxes, (ix) indebtedness, (x) title to properties, (xi) liens, (xii) solvency, (xiii) securities activities, (xiv) collective bargaining agreements, (xv) *pari passu* ranking, (xvi) environmental matters, and (xvii) full disclosure.

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DESCRIPTION OF CAPITAL STOCK

The authorized capital stock of the Company consists of 75,000,000 shares of Common Stock and 25,000,000 shares of preferred stock, par value $0.01 per share, issuable in series (the "Preferred Stock"). The following summary description of the capital stock of the Company is qualified in its entirety by reference to the Certificate of Incorporation and the Bylaws of the Company, copies of which have been filed as exhibits to the Registration Statement of which this Prospectus is a part.

Common Stock

Dividends

The holders of Common Stock will be entitled to receive dividends when and as dividends are declared by the Board of Directors of the Company out of funds legally available therefor, provided that if any shares of the Preferred Stock are at the time outstanding, the payment of dividends on the Common Stock or other distributions may be subject to the declaration and payment of full cumulative dividends on outstanding shares of Preferred Stock. The Company is restricted in the payment of cash dividends on the Common Stock by covenants contained in certain of the Company's financing arrangements. See "Dividend Policy" and "Description of Certain Indebtedness."

Voting Rights

Holders of Common Stock are entitled to one vote per share.

No Preemptive Rights

The holders of Common Stock are not entitled to preemptive or subscription rights.

Transferability

There is no restriction on the transfer of Common Stock. However, Kawasaki has agreed for a period of 365 days after the Common Stock Offering (with respect to the shares of Common Stock received by it in the Equity-Indebtedness Exchange), and each of Kawasaki (with respect to its remaining shares), Armco and Mr. Graham has agreed for a period of 180 days after the Common Stock Offering, not to sell any of their shares of Common Stock without the prior written consent of CS First Boston, as representative of the U.S. Underwriters, and CSFB, on behalf of the Managers. See "Underwriting."

Transfer Agent and Registrar of Common Stock

The transfer agent and registrar for the Common Stock is The Bank of New York.

Preferred Stock

Pursuant to the Certificate of Incorporation, the Board of Directors is authorized to establish and designate one or more series of Preferred Stock, without further authorization of the Company's stockholders, and to fix the number of shares, the dividend and the relative rights, preferences and limitations of any such series. Thus, any series may, if so determined by the Board of Directors, have full voting rights with the Common Stock or superior or limited voting rights, be convertible into Common Stock or another security of the Company, and have other relative rights, preferences and limitations as the Board of Directors shall determine. As a result, any class or series of Preferred Stock could have rights that would adversely affect the voting power of the Common Stock. The shares of any class or series of Preferred Stock need not be identical.

Business Combination Statute

Section 203 of the Delaware General Corporation Law prohibits certain transactions between a Delaware corporation and an "interested stockholder," which is defined as a person who, together with any affiliates and/or associates of that person, beneficially owns, directly or indirectly, 15% or more of the outstanding voting shares of a Delaware corporation. This provision prohibits certain business combinations (defined broadly to include mergers, consolidations, sales or other dispositions of assets having an aggregate value in

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excess of 10% of the consolidated assets of the corporation, and certain transactions that would increase the interested stockholder's proportionate share ownership in the corporation) between an interested stockholder and a corporation for a period of three years after the date the interested stockholder acquired its stock, unless (i) the business combination is approved by the corporation's board of directors prior to the date the interested stockholder acquired shares; (ii) the interested stockholder acquired at least 85% of the voting stock of the corporation in the transaction in which it became an interested stockholder; or (iii) the business combination is approved by a majority of the board of directors and by the affirmative vote of two-thirds of the votes entitled to be cast by disinterested stockholders at an annual or special meeting.

SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of the Common Stock Offering, the Company will have 24,136,762 shares of Common Stock outstanding and an additional 50,863,238 shares of Common Stock authorized for possible future issuance. The Common Stock sold in the Common Stock Offering will be freely tradeable without restriction or further registration under the Securities Act, except for any shares purchased by an "affiliate" of the Company that will be subject to the resale limitations of Rule 144 under the Securities Act ("Rule 144"). Sales of substantial amounts of Common Stock in the public market following this offering could adversely affect the market price of the Common Stock.

Under Rule 144, "restricted securities" that have been held for two years may be publicly sold, provided that the amount of securities sold within any three-month period does not exceed the greater of 1% of the then outstanding Common Stock or the average weekly trading volume in the Common Stock in composite trading on all exchanges during the four calendar weeks preceding that sale. Sales under Rule 144 are also subject to certain manner-of-sale provisions, notice requirements and availability of current public information about the Company. If three years have elapsed since the date of acquisition of restricted securities from the Company or from any affiliate of the Company, and the acquiror or subsequent holder thereof is deemed not to have been an affiliate of the Company for at least three months immediately preceding the sale, that person may sell those securities under Rule 144 without regard to the volume and other limitations described above. The foregoing summary of Rule 144 is not intended to be a complete description thereof.

In connection with the Recapitalization, 5,468,381 shares of Common Stock will be held by Kawasaki, 1,023,937 shares of Common Stock will be held by Armco and 72,222 shares of Common Stock will be held by Mr. Graham. Kawasaki has agreed for a period of 365 days (with respect to the shares of Common Stock received by it in the Equity-Indebtedness Exchange), and each of Kawasaki (with respect to its remaining shares), Armco and Mr. Graham has agreed for a period of 180 days, without the prior consent of CS First Boston, as representative of the U.S. Underwriters, and CSFB, on behalf of the Managers, not to issue, sell or contract to sell or otherwise dispose of any shares of Common Stock or any securities convertible into or exchangeable for Common Stock or grant options or warrants to purchase any shares of Common Stock (other than in connection with employee benefit plans). See "Underwriting." The Company intends to file with the Commission and maintain in effect shelf registration statements under the Securities Act relating to the sale of these shares and to pay all expenses associated therewith.

Prior to the Common Stock Offering there has been no public market for the Common Stock, and no prediction can be made as to the effect, if any, that sales of shares of Common Stock under Rule 144 or the future availability of such shares for sale will have on the market price of the Common Stock prevailing from time to time following this offering. Nevertheless, sales of substantial amounts of Common Stock in the public market, or the perception that such sales could occur, could adversely affect prevailing market prices for the Common Stock.

CERTAIN UNITED STATES FEDERAL INCOME AND ESTATE TAX CONSIDERATIONS FOR NON-U.S. HOLDERS OF COMMON STOCK

The following is a summary of certain U.S. federal income and estate tax consequences of the ownership and disposition of Common Stock by holders who are non-U.S. holders (as defined below). This summary discusses only Common Stock held as "capital assets" (as defined in the Internal Revenue Code of 1986, as amended (the "Code")) by the holders thereof. This summary does not discuss all aspects of United States federal income and estate taxation that may be relevant to a particular non-U.S. holder of Common Stock in

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light of its individual investment circumstances. This discussion does not address the tax consequences to shareholders, partners, or beneficiaries in a non-U.S. holder. Further, it does not consider non-U.S. holders subject to special tax treatment under the federal income tax laws (including dealers in securities, holders of securities held as part of a "straddle," hedge, or "conversion transaction," or situations in which the "functional currency" within the meaning of Section 985(b) of the Code of a holder is not the United States dollar).

The following discussion is based upon the Code, the applicable Treasury regulations promulgated and proposed thereunder, judicial authority and current administrative rulings and practices. All of the foregoing are subject to change (possibly on a retroactive basis) and any such change could affect the continuing validity of this discussion.

For purposes hereof, a "non-U.S. holder" means any person other than: (i) a citizen or resident of the United States; (ii) a corporation or partnership created or organized in the United States or under the laws of the United States or of any state; or (iii) an estate or trust whose income is includible in gross income for United States federal income tax purposes regardless of its source. For purposes of the withholding tax on dividends discussed below, a non-resident alien or other non-resident fiduciary of an estate or trust will be considered a non-U.S. holder.

For purposes of the following discussion, dividend income and gain on the sale, exchange or retirement of Common Stock will be "United States trade or business income" if such income or gain is (i) effectively connected with a trade or business carried on by the non-U.S. holder within the United States or (ii) if a tax treaty applies, attributable to permanent establishment (or in the case of an individual, a fixed place of business) in the United States. United States trade or business income would be taxed at regular United States federal income tax rates. In the case of a non-U.S. holder that is a corporation, such United States trade or business income may also be subject to the branch profits tax (which is generally imposed on a foreign corporation on the actual or deemed repatriation from the United States of earnings and profits attributable to United States trade or business income) at a 30% rate. The branch profits tax may not apply (or may apply at a reduced rate) if a recipient is a qualified resident of certain countries with which the United States has an income tax treaty.

THE FOLLOWING SUMMARY IS INCLUDED HEREIN FOR GENERAL INFORMATION ONLY. ACCORDINGLY, EACH NON-U.S. HOLDER OF COMMON STOCK SHOULD CONSULT ITS OWN TAX ADVISOR AS TO THE SPECIFIC TAX CONSEQUENCES TO SUCH NON-U.S. HOLDER OF THE OWNERSHIP AND DISPOSITION OF COMMON STOCK, INCLUDING THE APPLICATION AND EFFECT OF UNITED STATES FEDERAL, STATE AND LOCAL AND FOREIGN INCOME AND OTHER TAX LAWS.

Dividends

Generally, dividends paid to a non-U.S. holder of Common Stock that are not United States trade or business income will be subject to federal withholding tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. Dividends paid to an address outside the United States in a foreign country are presumed (absent definite knowledge to the contrary) to be paid to a resident of such country for purposes of determining the applicability of a tax treaty rate. Thus, non-U.S. holders receiving dividends at addresses outside the United States are not currently required to file tax forms to obtain the benefit of an applicable treaty rate. If there is excess withholding on a person eligible for a treaty benefit, the person can file for a refund with the United States Internal Revenue Service (the "Service"). Proposed Treasury Regulations, if finally adopted, however, would require non-U.S. holders to file certain forms to obtain the benefit of any applicable U.S. tax treaty. Such forms would be required to contain the holder's name and address and, subject to a de minimis exception, an official statement by the competent authority of the relevant foreign country (as designated in the applicable tax treaty) attesting to the holder's status as a resident thereof.

Generally, upon the filing of a Form 4224 with the Company, there is no withholding tax on dividends that are effectively connected with the non-U.S. holder's conduct of a trade or business within the United States. The same is true, if a tax treaty so provides (and the appropriate form is filed), for certain dividends attributable to a permanent establishment, or in the case of an individual, a "fixed base," in the United States.

Gain on Disposition of Common Stock

Generally, a non-U.S. holder will not be subject to U.S. federal income tax on gain realized from a sale or other disposition of Common Stock unless (i) the gain is United States trade or business income, (ii) the holder is an individual present in the United States for 183 days or more during the year of the disposition and certain other conditions are met, (iii) the non-U.S. holder is subject to tax pursuant to the provisions of the U.S. tax law attributable to certain United States expatriates or (iv) the Company has been or becomes a "U.S. real property holding corporation" for United States federal income tax purposes and the holder disposing of the Common Stock owned, directly or indirectly, at any time during the five-year period preceding the disposition, more than 5% of the Common Stock. The Company believes that it has not been, and the Company does not anticipate becoming, a "U.S. real property holding corporation." Non-U.S. corporations also might be subject to the "branch profits tax" regime discussed above. Non-U.S. holders should consult applicable treaties, which may provide for different rules.

Information Reporting and Backup Withholding Tax

Generally, the Company must report annually to the Service the amount of dividends paid, the name and address of the recipient and the amount, if any, of tax withheld. A similar report is sent to the holder. These reporting requirements apply whether or not withholding was reduced or eliminated by an applicable tax treaty. Pursuant to tax treaties or other agreements, the Service may make its reports available to tax authorities in the holder's country of residence. United States federal backup withholding (which, generally, is withholding imposed at the rate of 31% on certain payments to persons not otherwise exempt who fail to furnish certain identifying information to the Service) will generally not apply to dividends paid to a non-U.S. holder that are subject to withholding at the 30% rate (or would be so subject but for a reduced rate under an applicable treaty). In addition, the payor of dividends may rely on the payee's foreign address in determining that the payee is exempt from backup withholding and information reporting, unless the payor has actual knowledge that the payee is a U.S. person.

If the proceeds of a disposition of Common Stock are paid by or through a U.S. office of a broker, the payment is subject to information reporting and possible backup withholding unless the disposing holder certifies under penalty of perjury as to his name, address and non-United States status or otherwise establishes an exemption. Generally, United States information reporting and backup withholding will not apply to a payment of disposition proceeds if the payment is made outside the United States through a non-U.S. office of a non-U.S. broker. However, U.S. information reporting requirements (but not backup withholding) will apply to a payment of disposition proceeds if the payment is made through an office outside the United States of a broker (i) that is a U.S. person, (ii) 50% or more of whose gross income for certain periods is effectively connected with the conduct of a trade or business in the United States or (iii) that is a "controlled foreign corporation" for United States federal income tax purposes unless the broker maintains documentary evidence that the holder is a non-U.S. holder and that certain conditions are met, or the holder otherwise establishes that it is entitled to an exemption.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be refunded or credited against the non-U.S. holder's United States federal income tax liability, provided that required information is furnished to the Service. The backup withholding and information reporting rules are currently under review by the Treasury Department and their application to shares of Common Stock is subject to change.

Federal Estate Taxes

Common Stock held at death by an individual who is neither a citizen nor a resident of the United States for federal estate tax purposes will be included in such individual's estate for United States federal estate tax purposes, unless an applicable estate tax treaty provides otherwise. The definition of residence for purposes of United States federal estate tax is different from the definition of residence for purposes of United States federal income tax, and generally is based on domicile. Estates of nonresident aliens are generally allowed a statutory credit which is the equivalent of an exclusion of $60,000 of assets from the United States federal estate tax. Tax treaties may permit a larger credit.

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NOTICE TO CANADIAN RESIDENTS

Resale Restrictions

The distribution of the Common Stock in Canada is being made only on a private placement basis exempt from the requirement that the Company prepare and file a prospectus with the securities regulatory authorities in each province where trades of Common Stock are effected. Accordingly, any resale of the Common Stock in Canada must be made in accordance with applicable securities laws which will vary depending on the relevant jurisdiction, and which may require resales to be made in accordance with available statutory exemptions or pursuant to a discretionary exemption granted by the applicable Canadian securities regulatory authority. Purchasers are advised to seek legal advice prior to any resale of the Common Stock.

Representations of Purchasers

Each purchaser of Common Stock in Canada who receives a purchase confirmation will be deemed to represent to the Company and the dealer from whom such purchase confirmation is received that (i) such purchaser is entitled under applicable provincial securities laws to purchase such Common Stock without the benefit of a prospectus qualified under such securities laws, (ii) where required by law, such purchaser is purchasing as principal and not as agent and (iii) such purchaser has reviewed the text above under "Resale Restrictions".

Notice to Ontario Residents

The Common Stock offered hereby is being issued by a foreign issuer and Ontario purchasers will not receive the contractual right of action prescribed by section 32 of the Regulation under the *Securities Act* (Ontario). As a result, Ontario purchasers must rely on other remedies that may be available, including common law rights of action for damages or rescission or rights of action under the civil liability provisions of the U.S. federal securities laws.

All of the Company's directors and officers as well as the experts named herein may be located outside of Canada and, as a result, it may not be possible for Ontario purchasers to effect service of process within Canada upon the Company or such persons. All or a substantial portion of the assets of the Company and such persons may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against the Company or such persons in Canada or to enforce a judgment obtained in Canadian courts against the Company or persons outside of Canada.

Notice to British Columbia Residents

A purchaser of Common Stock to whom the *Securities Act* (British Columbia) applies is advised that such purchaser is required to file with the British Columbia Securities Commission a report within ten days of the sale of any Common Stock acquired by such purchaser pursuant to this offering. Such report must be in the form attached to British Columbia Securities Commission Blanket Order BOR #88/5, a copy of which may be obtained from the Company. Only one such report must be filed in respect of Common Stock acquired on the same date and under the same prospectus exemption.

UNDERWRITING

Under the terms and subject to the conditions contained in an Underwriting Agreement dated , 1994 (the "U.S. Underwriting Agreement"), the underwriters named below (the "U.S. Underwriters"), for whom CS First Boston is acting as representative, have severally agreed to purchase from the Company the following respective numbers of U.S. Shares:

Underwriters	Number of Shares
CS First Boston Corporation	
Total	14,072,222

The U.S. Underwriting Agreement provides that the obligations of the U.S. Underwriters are subject to certain conditions precedent and that the Underwriters will be obligated to purchase all of the U.S. Shares offered hereby if any are purchased.

The Company has granted to the U.S. Underwriters and the Managers of the International Offering (the "Managers") an option, exercisable by CS First Boston, expiring at the close of business on the 30th day after the date of the initial public offering of the Common Stock offered hereby, to purchase up to 2,635,833 additional shares at the public offering price, less the underwriting discount, all as set forth on the cover page of this Prospectus. The U.S. Underwriters and the Managers may exercise such option only to cover over-allotments in the sale of the shares of Common Stock offered hereby. To the extent that this option to purchase is exercised, each U.S. Underwriter and each Manager will become obligated, subject to certain conditions, to purchase approximately the same percentage of optional shares being sold to the U.S. Underwriters and the Managers as the number of shares set forth next to such U.S. Underwriter's name in the preceding table bears to the total number of shares in such table and as the number set forth next to such Manager's name in the corresponding table in the prospectus relating to the International Offering bears to the total number of International Shares in such table.

The Company has been advised by CS First Boston that the U.S. Underwriters propose to offer the U.S. Shares in the United States or Canada to the public initially at the public offering price set forth on the cover page of this Prospectus and, through CS First Boston, to certain dealers at such price less a concession of $ per share; that the Underwriters and such dealers may allow a discount of $ per share on sales to certain other dealers; and that after the initial public offering, the public offering price and concession and discount to dealers may be changed upon the mutual agreement of CS First Boston, as representative of the U.S. Underwriters, and CSFB, on behalf of the Managers.

The Company has entered into a Subscription Agreement (the "Subscription Agreement") with the Managers providing for the concurrent offer and sale of the International Shares outside the United States and Canada. The public offering price, the aggregate underwriting discount per share and per share discount to dealers for the U.S. Offering and the concurrent International Offering will be identical. The closing of the U.S. Offering is a condition to the closing of the International Offering and vice versa.

Pursuant to an Agreement between the U.S. Underwriters and Managers (the "Agreement Between") relating to the Common Stock Offerings, each of the U.S. Underwriters has agreed or will agree that, as part of the distribution of the U.S. Shares and subject to certain exceptions, (a) it is not purchasing any shares of Common Stock for the account of anyone other than a U.S. or Canadian Person (as defined below) and (b) it has not offered or sold, and will not offer or sell, directly or indirectly, any shares of Common Stock or distribute any prospectus relating to the Common Stock to any person outside the United States or Canada or to anyone other than a U.S. or Canadian Person nor to any dealer who does not so agree. Each of the Managers has agreed or will agree that, as part of the distribution of the International Shares and subject to

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certain exceptions, (i) it is not purchasing any shares of Common Stock for the account of any U.S. or Canadian Person and (ii) it has not offered or sold, and will not offer or sell, directly or indirectly, any shares of Common Stock or distribute any prospectus relating to the Common Stock in the United States or Canada or to any U.S. or Canadian Person nor to any dealer who does not so agree. The foregoing limitations do not apply to stabilization transactions or to transactions between the U.S. Underwriters and the Managers pursuant to the Agreement Between. As used herein, "United States" means the United States of America (including the States and the District of Columbia), its territories, possessions and other areas subject to its jurisdiction, "Canada" means Canada, its provinces, territories, possessions and other areas subject to its jurisdiction, and "U.S. or Canadian Person" means a citizen or resident of the United States or Canada, or a corporation, partnership or other entity created or organized in or under the laws of the United States or Canada (other than a foreign branch of such an entity) or an estate or trust the income of which is subject to United States or Canadian federal income taxation, regardless of its source of income, and includes any United States or Canadian branch of a non-U.S. or non-Canadian Person.

Pursuant to the Agreement Between, sales may be made between the U.S. Underwriters and the Managers of such number of shares of Common Stock as may be mutually agreed upon. The price of any shares so sold shall be the initial public offering price, less such amount as may be mutually agreed upon by CS First Boston, as representative of the U.S. Underwriters, and CSFB, on behalf of the Managers, but not exceeding the selling concession applicable to such shares. To the extent there are sales between the U.S. Underwriters and the Managers pursuant to the Agreement Between, the number of shares of Common Stock initially available for sale by the U.S. Underwriters or by the Managers may be more or less than the amount appearing on the cover page of the Prospectus. Neither the U.S. Underwriters nor the Managers are obligated to purchase from the other any unsold shares of Common Stock.

CS First Boston and the Managers have informed the Company that they do not expect discretionary sales by the Underwriters and the Managers to exceed 5% of the number of shares of their underwriting commitments.

The Company has agreed to indemnify the U.S. Underwriters and the Managers against certain liabilities, including civil liabilities under the Securities Act, or contribute to payments that the U.S. Underwriters and the Managers may be required to make in respect thereof.

Kawasaki has agreed for a period of 365 days after the date of the Common Stock Offering (with respect to the shares of Common Stock received by it in the Equity-Indebtedness Exchange), and each of Kawasaki (with respect to its remaining shares), Armco and Mr. Graham has agreed for a period of 180 days after the Common Stock Offering, that it or he will not, without the prior written consent of CS First Boston, as representative of the U.S. Underwriters, and CSFB, on behalf of the Managers, offer, sell, contract to sell or otherwise dispose of any Common Stock or preferred stock or any substantially similar securities of the Company or any security convertible into or exchangeable for such Common Stock or preferred stock or similar securities other than to the U.S. Underwriters or the Managers pursuant to the Underwriting and the Subscription Agreements, upon the exercise of an option or warrant or the conversion of securities outstanding on the date hereof or pursuant to employee benefit plans (including stock ownership plans, stock ownership trusts and stock purchase plans).

Prior to the Common Stock Offering, there has been no public market for the Common Stock. The initial price to the public for the shares of Common Stock will be determined by negotiation among the Company, CS First Boston, as representative of the U.S. Underwriters, and CSFB, on behalf of the Managers, and will be based on, among other things, the Company's financial and operating history and condition, its prospects and the prospects for its industry in general, the management of the Company and the market prices for securities of companies in businesses similar to that of the Company.

The Common Stock has been approved for quotation on the Nasdaq National Market under the symbol "AKST", subject to notice of issuance.

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LEGAL MATTERS

The validity of the Common Stock will be passed upon for the Company by Weil, Gotshal & Manges (a partnership including professional corporations), New York, New York, and for the U.S. Underwriters and the Managers by Winthrop, Stimson, Putnam & Roberts, New York, New York.

EXPERTS

The consolidated financial statements of Armco Steel Company, L.P. and Subsidiaries as of December 31, 1991, 1992 and 1993 and for each of the years in the four year period ended December 31, 1993 included in this Prospectus and the related financial statement schedules included elsewhere in the Registration Statement of which this Prospectus is a part have been audited by Deloitte & Touche, independent auditors, as stated in their reports appearing herein and elsewhere in the Registration Statement (which reports express unqualified opinions and include explanatory paragraphs relating to the change in the method of accounting for retiree health care and life insurance benefits), and are included in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

The balance sheet of AK Steel Holding Corporation as of December 31, 1993 included in this Prospectus has been audited by Deloitte & Touche, independent auditors, as stated in their report appearing herein and is included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

ADDITIONAL INFORMATION

The Company has filed with the Commission in Washington, D.C., a Registration Statement on Form S-1 under the Securities Act with respect to the Common Stock Offering, and the Company and AK Steel have filed with the Commission a Registration Statement on Form S-1 under the Securities Act with respect to the Senior Notes Offering. For the purposes hereof, the term "Registration Statement" means the original Registration Statement and any and all amendments thereto. This Prospectus, which constitutes a part of the Registration Statement with respect to the Common Stock Offering, does not contain all the information set forth in that Registration Statement and the exhibits and schedules thereto, to which reference is hereby made. Statements made in this Prospectus as to the contents of any contract, agreement or other document are not necessarily complete; with respect to each contract, agreement or other document filed as an exhibit to the Registration Statement with respect to the Common Stock Offering, reference is made to the exhibit for a more complete description of the matter involved.

The Company will be subject to the periodic reporting and other informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith will file reports and other information with the Commission. The Registration Statement with respect to the Common Stock Offering and the exhibits thereto as well as the periodic reports, proxy statements and other information filed by the Company with the Commission may be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, or at its regional offices located at Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661, and Seven World Trade Center, 13th Floor, New York, New York 10048. Copies of such material can be obtained from the public reference section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates.

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ARMCO STEEL COMPANY, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in millions)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation — Armco Steel Company, L.P. (the "Company") is a limited partnership formed pursuant to an agreement dated as of March 24, 1989 (the "Joint Venture Agreement") between Armco Inc. ("Armco") and Kawasaki Steel Corporation ("Kawasaki"). The general partner of the Company is AK Steel Corporation (the "General Partner"), formerly AK Management Corporation, a Delaware corporation owned one-half by each of AJV Investments Corp., a Delaware corporation and wholly-owned subsidiary of Armco and KSCA, Incorporated, a Delaware corporation and indirect wholly-owned subsidiary of Kawasaki. The limited partners of the Company are Armco and Kawasaki Steel Investments, Inc., a Delaware corporation and indirect wholly-owned subsidiary of Kawasaki ("KSI").

Under the Joint Venture Agreement, on May 13, 1989, Armco sold certain assets, properties and business of its Eastern Steel Division ("Predecessor") to KSI for $350.0. Simultaneously, KSI contributed the purchased assets, properties and business to the Company in exchange for a 39.5% limited partnership interest. Armco transferred to the Company substantially all of the remaining assets, properties and business of Predecessor and the Company also assumed certain of Armco's liabilities and obligations related to or arising out of Predecessor and its properties, assets and the conduct of Predecessor business for a 59.5% limited partnership interest. On May 14, 1990, KSI made a cash contribution to the Company of $70.0. On May 13, 1991 and October 4, 1991, KSI contributed another $70.0 and $33.8, respectively. The latter contribution was in satisfaction of its obligation to make an additional $35.0 capital contribution on March 15, 1992, without any change in its limited partnership interest. As a result of these contributions, on May 14, 1990, KSI's limited partnership interest increased to 44.5% with a corresponding reduction in Armco's interest and on May 13, 1991, KSI's limited partnership interest increased, and Armco's limited partnership interest decreased, to 49.5%. The General Partner has a 1.0% general partnership interest in the Company.

The accompanying consolidated financial statements of the Company include the net assets acquired at formation from Armco and Kawasaki on the basis of Armco's and Kawasaki's historical cost, and the changes in the net assets of the Company subsequent to the formation, and the results of operations, partners' capital (deficit) and the cash flows for the periods since inception on such historical cost basis. Kawasaki's historical cost was based on the purchase price paid on May 13, 1989 by Kawasaki for its 40% interest in the net assets of the Company. Armco's historical cost is based on the book value of net assets contributed on May 13, 1989 by Armco for its 60% interest in the Company, adjusted for changes resulting from the 5% reductions in limited partnership interest effective May 14, 1990 and May 13, 1991.

The Company consists of the operations and accounts of the Middletown Works, Ashland Works, Headquarters and ASC Investments, Inc. and its group of wholly-owned subsidiaries, (the "ASCII group"). With plants in Middletown, Ohio, and Ashland, Kentucky, the Company provides coated, high strength, low carbon flat-rolled steels to the automotive, appliance, construction, and service center markets primarily in the Midwest. The Company had one major customer that accounted for 23.0%, 27.9%, 23.0% and 22.5% of its net sales in 1990, 1991, 1992 and 1993, respectively.

Armco and Kawasaki agreed to share a portion of the 1992 Special Charges and Unusual Items (see Note 8) unequally with Armco being allocated 74.5%, Kawasaki 24.5% and the General Partner 1.0%.

On August 31, 1992, the Company acquired a 50% ownership interest in Southwestern Ohio Steel, L.P. (SOS), a joint venture to which substantially all of the businesses of Southwestern Ohio Steel, Inc. and SOS Leveling Company, Inc. were transferred by Armco. The Company's interest in SOS was funded through capital contributions from Kawasaki, in the form of cash of $11.1, and from Armco, in the form of a 25% ownership interest in SOS with an estimated fair value of $11.1.