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## AK Steel Holding Corp. Q4 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator Instructions). Our first question comes from Sal Tharani of Goldman Sachs.

#### Sal Tharani - Goldman Sachs

Good afternoon.

#### Albert Ferrara

Good morning, Sal. How are you?

#### James Wainscott

Good morning, Sal.

#### Sal Tharani - Goldman Sachs

Good. Can you just give us some more color on the pension side? You said, the expense will be \$25 million higher than last year.

#### Albert Ferrara

Right.

#### Sal Tharani - Goldman Sachs

What was for last year about?

#### Albert Ferrara

Last year, Sal, if you look at pension and OPEB, last year we had no pension expenses and we had \$7 million of OPEB expenses, so a total of seven. This year we expect our pension expenses to go from zero to 55, and we expect our OPEB to go from a \$7 million charge to a \$23 million credit.

Now the pension expense is going up, because obviously our assets have declined so our expected rate of return on our assets is going to decline. Our OPEB is going to improve because we are going to get the full-year benefit of the Middletown retiree VEBA that we put in place last March. And so net-net what you are having is a net benefit on the OPEB side of 30, a net increase on the pension side of 55 and so that comes to an increase of 25.

**Sal Tharani - Goldman Sachs**

Great. Thanks. And do you know what is the pension underfunding at the end of the year is?

**Albert Ferrara**

The pension underfunding, last year it was \$0.8 billion or \$800 million. This year it's up to \$1.3 billion. In other words, our pension assets have gone from about 2.8 down to 2.2, our pension liabilities have gone from 3.6 down to 3.5. So an increase of \$500 million, but keep in mind that at the same time our OPEB, which was last year about \$1.8 billion is now down to about \$900 million, so we have improved that \$900 million, so net-net, our overall obligations have improved by about \$400 million.

**Sal Tharani - Goldman Sachs**

And you expect \$150 million funding, which I think you had a guidance last year, also for 2009, so it hasn't changed much even though you pensioned?

**Albert Ferrara**

What we said in the 10-Q, to be clear, is we expect pension funding over the period 2009 to 2011 to be to average between \$200 million and \$225 million over those three-year period of time with the \$150 million in 2009, which hasn't changed. We would expect our funding in 2010 and 2011 to be in the area of around 250.

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