



CEO Insists AK Steel Isn't on Sale Block

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By **TERRY KINNEY**, *Associated Press* Writer

CINCINNATI - As a lockout of union employees nears its ninth month, AK Steel executives insist that they are not shopping the Ohio company even though some analysts think it is being eyed for a possible takeover.

Some analysts believe that potential suitors are just waiting for AK to resolve its labor problems. The company has been operating its largest mill, the Middletown Works, about 30 miles north of Cincinnati, with replacement workers since a lockout began March 1.

Industry analyst **Michael Locker**, who has been a consultant to the union that represents the locked-out workers, said he believes AK has had a lot of lookers, but no takers.

But nobody wants to take on AK's current legacy costs for pensions and health care, he said. Union workers voted down a contract proposal in September and a similar one in October that would have had everybody back to work in 90 days. After that, the company put a significantly worse offer on the table.

Since Wainscott's team took over management of AK Steel three years ago, the total work force has been cut from around 9,000 to about 6,600 and productivity has increased 36 percent, Wainscott said.

The work force had dropped to about 2,500 when union workers were locked out on Feb. 28, when their contract expired. More retirements and resignations have reduced union membership to just over 1,800 — about the same number of replacement workers who were hired to keep the mill going.

Wainscott has gone out of his way to tell investors that AK is happy with its niche market status and wants to stay independent.

He repeated that assessment when AK announced its profitable third-quarter results last week.

Locker chalked that up to a certain amount of posturing. "Every management says that," Locker said. "I think he's trying to maintain the morale and focus of his work force and management. But I think he's quite aware that companies of their size are takeover targets."

AK, with revenue of about \$6 billion a year, was ranked 46th in size last year by the International Iron and Steel Institute with production of about 5.5 million metric tons of steel — less than 10 percent of industry giant Mittal.

But that does not mean that AK could not survive as an independent.

"Their position is to be as niche-oriented as possible, and there's some sense to that," **Locker said.** "There's a viable possibility of doing that. The trend globally is for the acquisition of these type of assets, but that doesn't mean some medium and smaller producers can't survive."

Locker noted that AK is unique in its ability to produce different kinds of steel. "It has an attractive market position," **Locker said.** "It produces a lot of value-added products. It's got good supply agreements. It has stainless and carbon (steel) positions and electrical, which is very profitable."

Shares of AK closed at \$15.07 on Friday. It's traded between \$6.76 and \$15.95 in the past 52 weeks.
