TIMKEN STEEL

# Investor Presentation

*Texas*

*May 28, 2015*

# Forward-looking statements and non-GAAP financial information

This presentation includes "forward-looking" statements within the meaning of the federal securities laws. You can generally identify the company's forward-looking statements by words such as "anticipate," "believe," "could," "estimate," "expect," "forecast," "outlook," "intend," "may," "plan," "possible," "potential," "predict," "project," "seek," "target," "could," "may," "should" or "would" or other similar words, phrases or expressions that convey the uncertainty of future events or outcomes. The company cautions readers that actual results may differ materially from those expressed or implied in forward-looking statements made by or on behalf of the company due to a variety of factors, such as: the company's ability to realize the expected benefits of the spinoff; the costs associated with being an independent public company, which may be higher than anticipated; deterioration in world economic conditions, or in economic conditions in any of the geographic regions in which the company conducts business, including additional adverse effects from global economic slowdown, terrorism or hostilities, including political risks associated with the potential instability of governments and legal systems in countries in which the company or its customers conduct business, and changes in currency valuations; the effects of fluctuations in customer demand on sales, product mix and prices in the industries in which the company operates, including the ability of the company to respond to rapid changes in customer demand, the effects of customer bankruptcies or liquidations, the impact of changes in industrial business cycles, and whether conditions of fair trade continue in U.S. markets; competitive factors, including changes in market penetration, increasing price competition by existing or new foreign and domestic competitors, the introduction of new products by existing and new competitors, and new technology that may impact the way the company's products are sold or distributed; changes in operating costs, including the effect of changes in the company's manufacturing processes, changes in costs associated with varying levels of operations and manufacturing capacity, availability of raw materials and energy, the company's ability to mitigate the impact of fluctuations in raw materials and energy costs and the effectiveness of its surcharge mechanism, changes in the expected costs associated with product warranty claims, changes resulting from inventory management, cost reduction initiatives and different levels of customer demands, the effects of unplanned work stoppages, and changes in the cost of labor and benefits; the success of the company's operating plans, announced programs, initiatives and capital investments (including the jumbo bloom vertical caster and advanced quench-and-temper facility), the ability to integrate acquired companies, the ability of acquired companies to achieve satisfactory operating results, including results being accretive to earnings, and the company's ability to maintain appropriate relations with unions that represent its associates in certain locations in order to avoid disruptions of business; and changes in worldwide financial markets, including availability of financing and interest rates, which affect the company's cost of funds and/or ability to raise capital, the company's pension obligations and investment performance, and/or customer demand and the ability of customers to obtain financing to purchase the company's products or equipment that contain its products, and the amount of any dividend declared by the company's board of directors on its common shares. Additional risks relating to the company's business, the industries in which the company operates or the company's common shares may be described from time to time in the company's filings with the SEC. All of these risk factors are difficult to predict, are subject to material uncertainties that may affect actual results and may be beyond the company's control. Readers are cautioned that it is not possible to predict or identify all of the risks, uncertainties and other factors that may affect future results and that the above list should not be considered to be a complete list. Except as required by the federal securities laws, the company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

The unaudited pro forma consolidated financial data in this presentation is subject to assumptions and adjustments described in the company's registration statement on Form 10. TimkenSteel Corporation's ("TimkenSteel") management believes these assumptions and adjustments are reasonable under the circumstances . The unaudited pro forma consolidated financial data does not purport to represent what TimkenSteel's financial position and results of operations actually would have been had the spinoff occurred on the dates indicated, or to project TimkenSteel's financial performance for any future period following the spinoff.

This presentation also includes certain non-GAAP financial measures as defined by SEC rules. Please see the discussion of non-GAAP financial measures and a reconciliation of those measures to the most directly comparable GAAP equivalent in the appendix.

# Today's presenters



**Ward J. "Tim" Timken, Jr.**
*Chairman, CEO and President*



**Chris Holding**
*Executive Vice President & Chief Financial Officer*



**Tina Beskid**
*Director, Investor Relations*



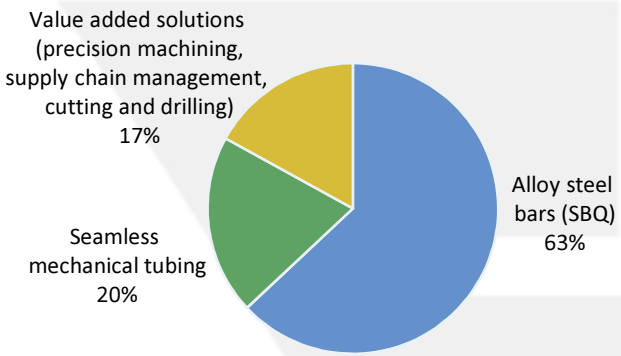

# Business overview

# TimkenSteel: At a glance

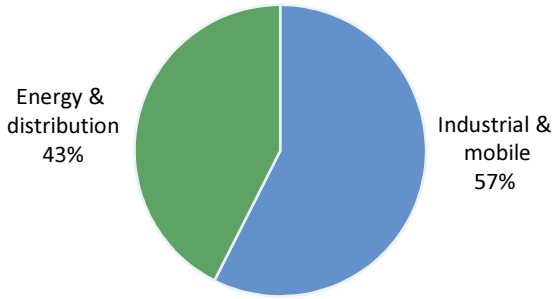
## Key facts

- $1,674 million in 2014 sales
- $211 million in 2014 adjusted EBITDA[1]
- 2014 shipments: 1,094k tons
- Annual melt capacity of ~2 million tons
- Headquartered in Canton, Ohio
- ~3,000 employees

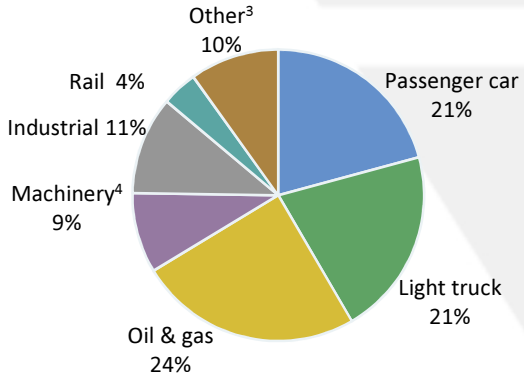
## 2014 sales split by product




## 2014 sales split by business segment




## 2014 OEM sales split by end market[2]




Source: TimkenSteel

[1] See Appendix for Adjusted EBITDA reconciliation

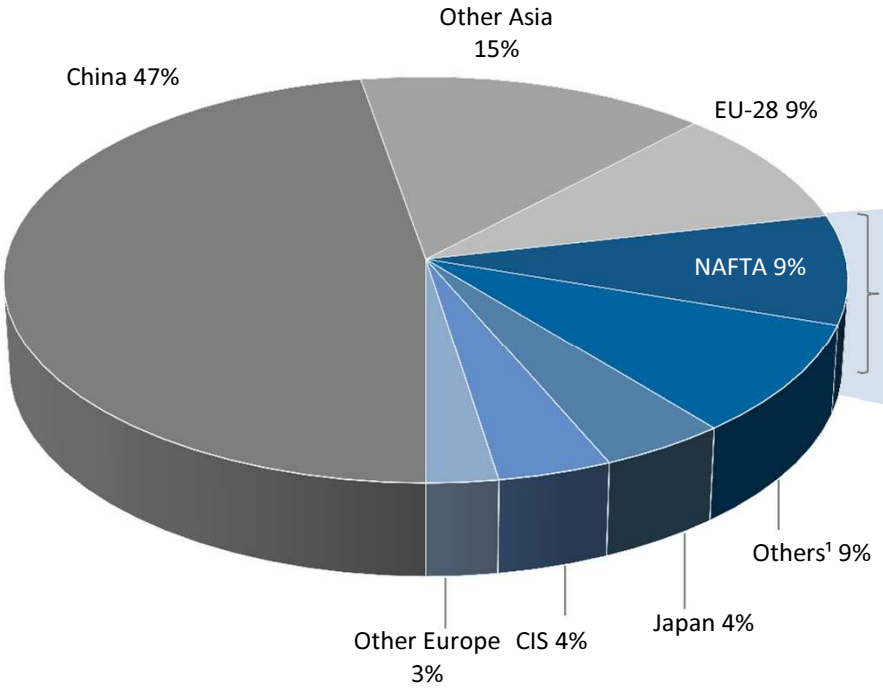
[2] Excludes distribution sales which were 24% of 2014 sales

[3] Other: ≤ 2% each of construction, mining, military/defense, heavy and medium truck, agriculture, metals recycling, power generation, marine and aerospace

[4] Machinery includes historic intercompany sales to Timken

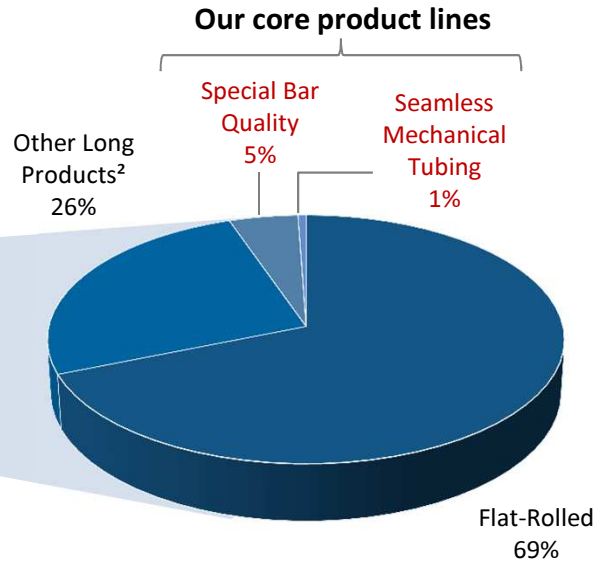
# Focused in niche market sectors where we have competitive strength

## Global finished steel products




**World: 1,633 mm tons**

## USA finished steel products




**USA: 107 mm tons**

Source: World Steel Association; American Iron and Steel Institute

[1] Others: Middle East 3.2%, Central & South America 3.3%, Africa 2.0%, Australia & New Zealand 0.4%

[2] Other Long Products: Light Shapes, Reinforcing Bars, Merchant Bars, Wire, Pipe & Tubing

# Emphasis on high-end value-added products

**TimkenSteel Applications**

Bearings
Fuel injectors
Gun barrels
Crankshafts
Tri-Cone bits
Percussion bits
Energy CRA
Production
CV joints
Gears

**Non TimkenSteel Applications**

Fasteners
Hand tools
Leaf springs
Shopping carts
Table legs
Reinforcing bar

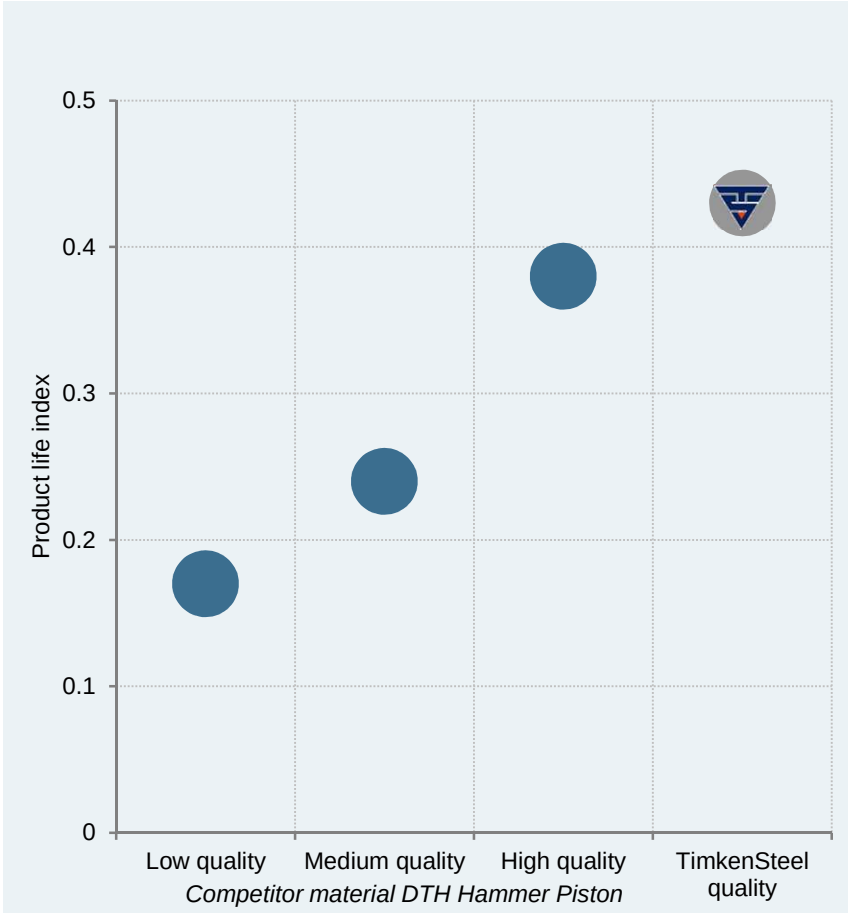




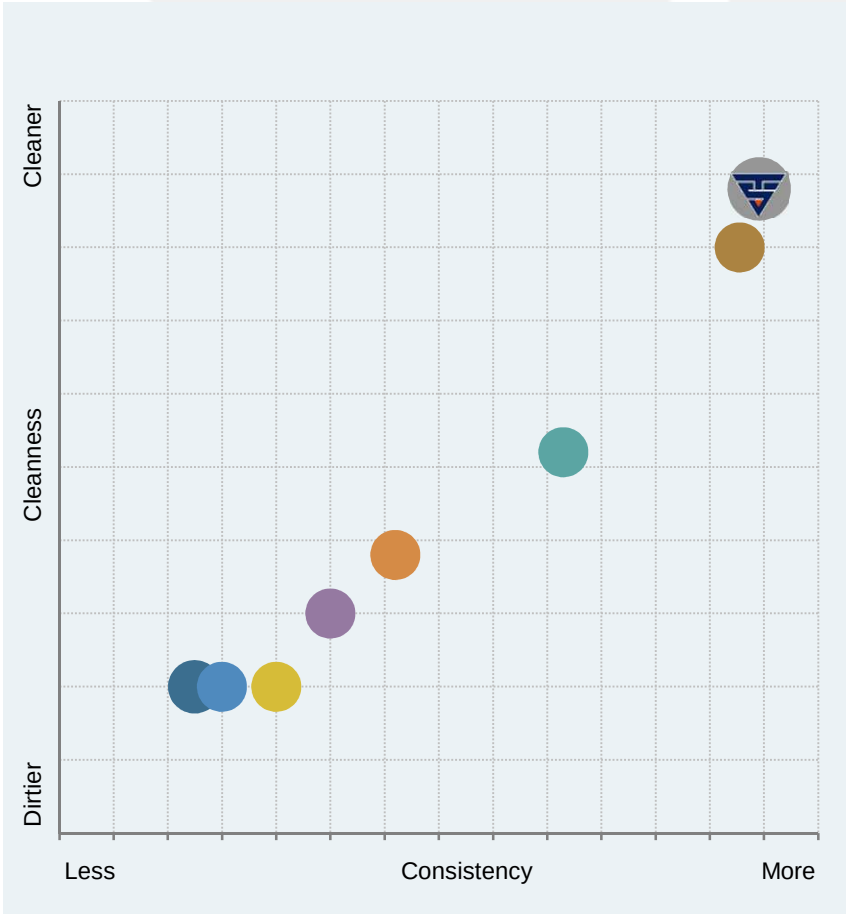



# High-quality, reliable steel our customers value

## Effect of steel cleanness on fatigue performance

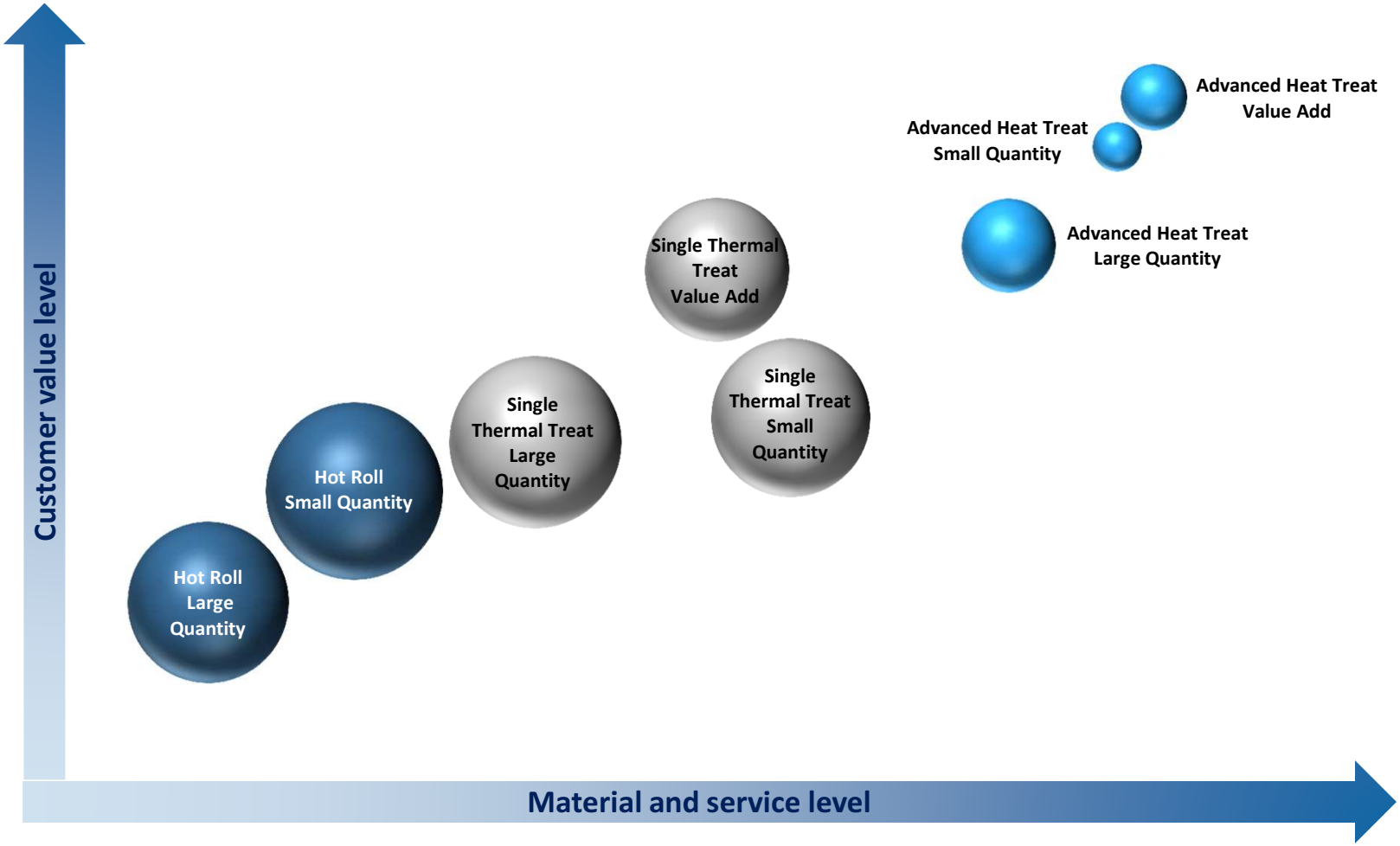



## Cleanness and consistency




Source: TimkenSteel

# Providing enhanced capabilities that customers value



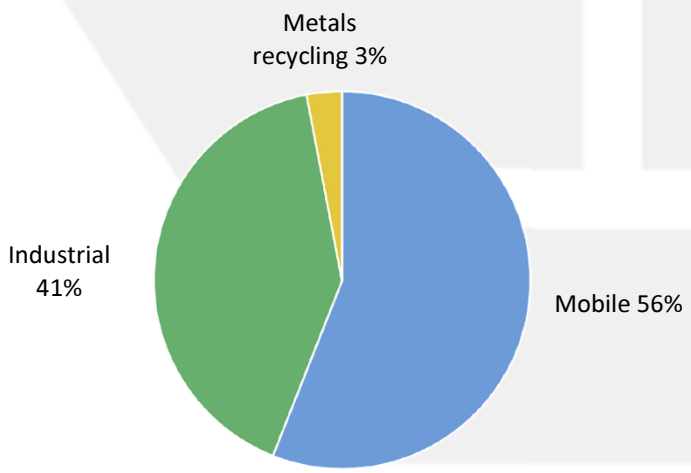

Source: TimkenSteel

# Industrial & Mobile segment

## Overview

- Mobile: Steel most often used in critical automotive applications where high performance is required
- Industrial: Steel used for a variety of industrial applications where performance is critical
  - Manufacturing flexibility allows production of many grades in small quantities
- Sales are ~90% contract and ~10% spot pricing
- Metals recycling: Full service scrap metal management company recycling ferrous and non-ferrous metals

## 2014 sales mix[1]




**2014 sales: US$962mm**

## Key customers

| | | | | | | |
|---|---|---|---|---|---|---|
| HHI | Ford | Honda | Nissan | Ellwood National Crankshaft | Timken | CAT |
| Chrysler | GM | Nexteer | Toyota | General Dynamics | Brenco | AJAX |



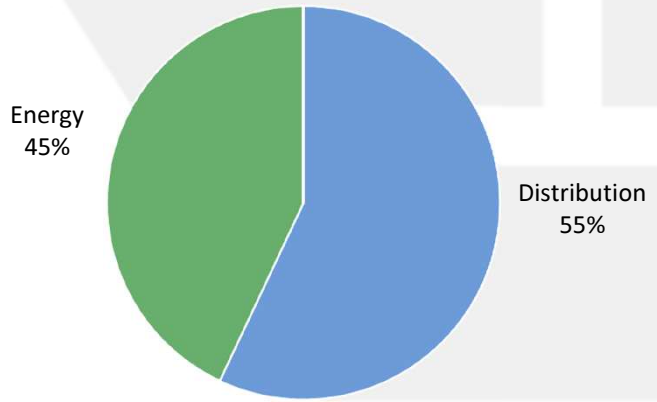
[1] Based on full year 2014 Steel segment sales

# Energy & Distribution segment

## Overview

- High-performance on- and off-shore drilling and completion applications
- Only known steel company combining high-performance alloy steel manufacturing, unique heat treatment and custom boring/finishing capabilities
- Authorized service centers are valued for delivering differentiated solutions to end users
- 50% contract and 50% spot pricing

## 2014 sales mix[1]




**2014 sales: US$712mm**

## Key customers

AM Castle Metals

Energy Alloys

Reliance Steel & Aluminum

Ellwood Texas Forge

National Oilwell Varco - Grant Prideco

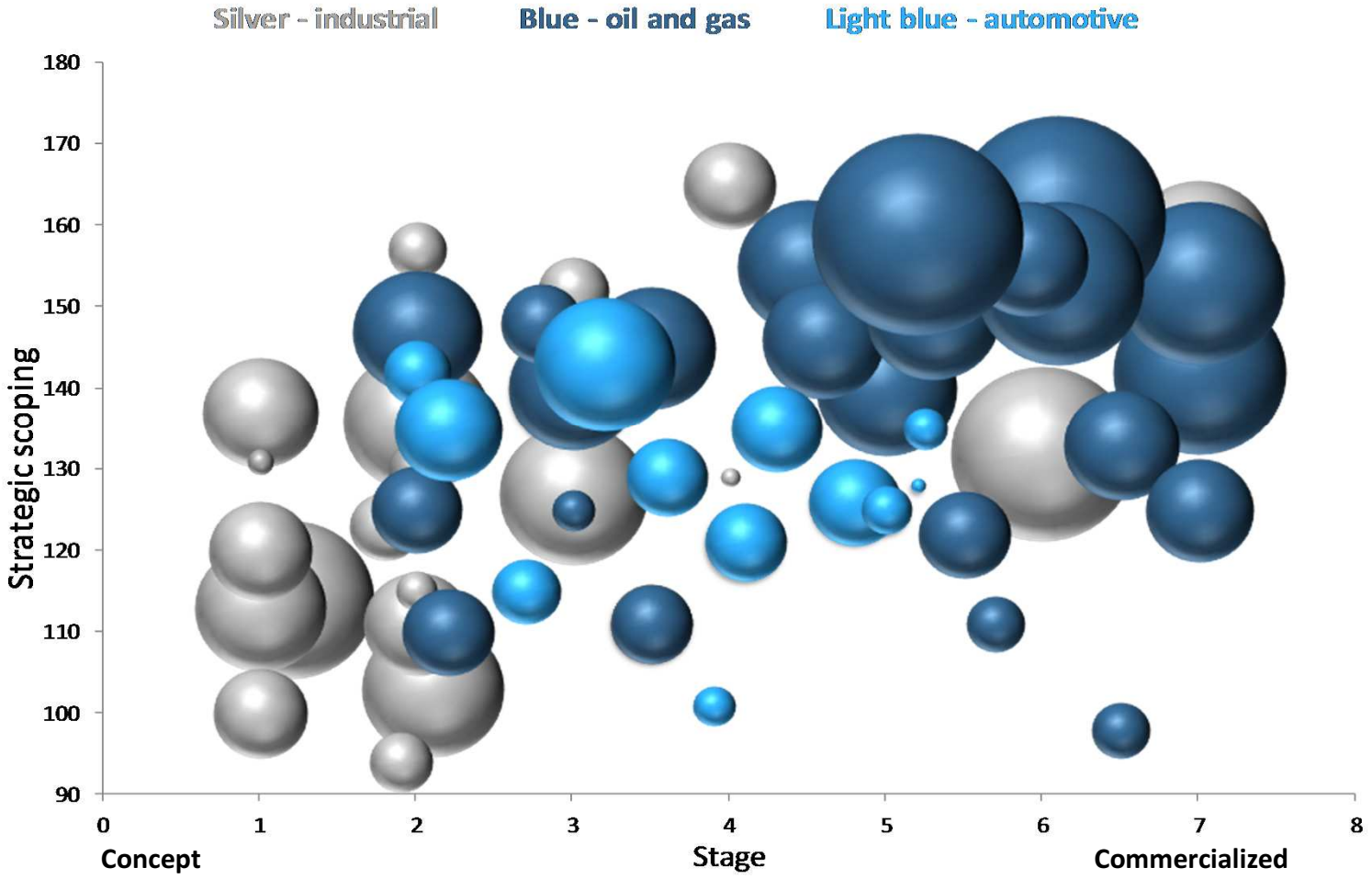
Marmon Group



[1] Based on full year 2014 Steel segment sales

# TimkenSteel innovation pipeline

**Pipeline**




**~65 active projects/programs worth ~$400m NPV**



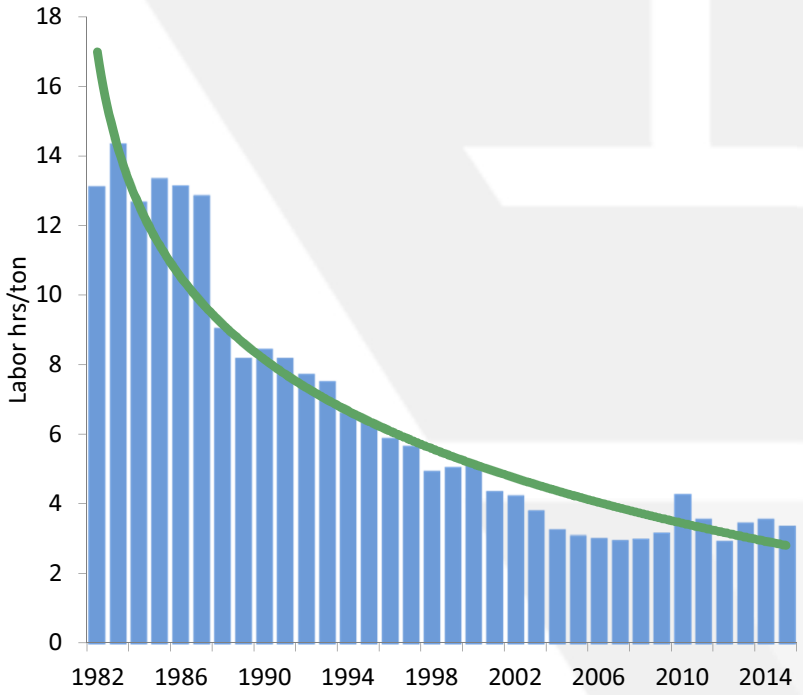
Source: TimkenSteel internal estimates as of 8/31/2014

# Highly competitive cost structure

## Competitive cost structure

- Lower cost Electric Arc Furnaces (EAF) mills
- Sophisticated raw material model
  - Scrap return supply chain established with many customers
- Raw material, alloy and natural gas price volatility largely passed on to customers through surcharge mechanisms
- Team driven by continuous improvement in processes and technology
- Low breakeven operating structure
- $50mm - $60mm spent annually on maintenance and continuous improvement capital expenditures

## Labor Productivity




Source: TimkenSteel internal estimates as of 12/31/2014

# Jumbo bloom vertical caster – the world's largest and most advanced

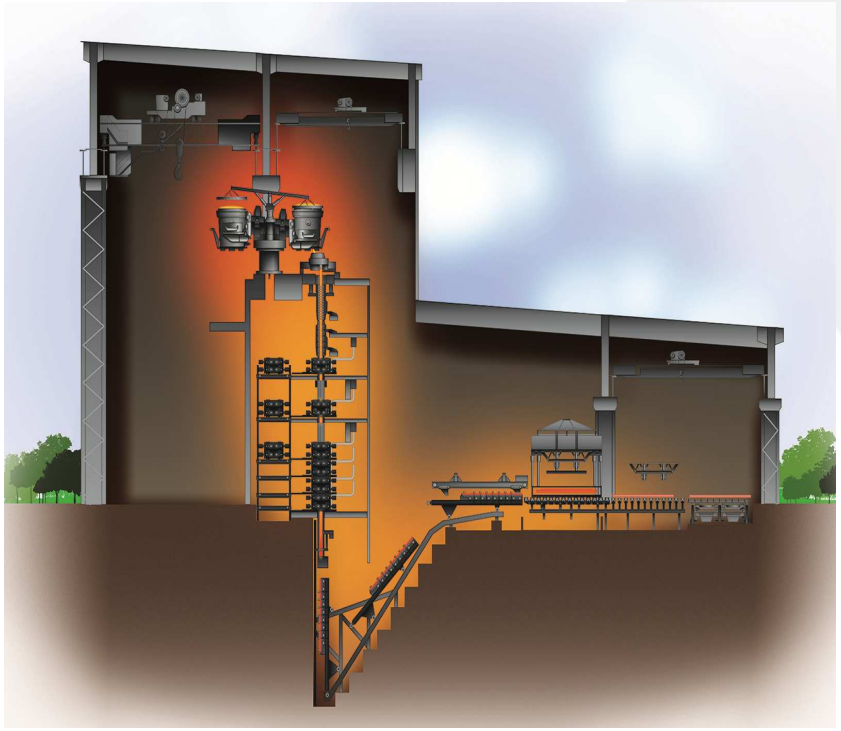
## Jumbo bloom vertical caster

### Project scope

- $200m investment commissioned in 4Q 2014
- 28 month project timeline
- > 20% IRR

### Investment benefits

- 125k finished ton capacity add
- 10% yield improvement
- Flexible capacity in all markets
- Greater range of steel grades



### Customer advantages

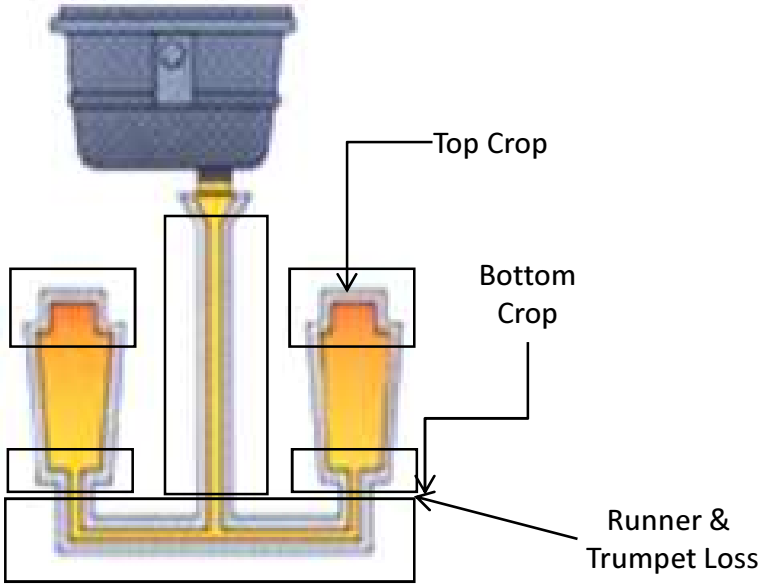
- More TimkenSteel capacity
- Steel cleanness
- Chemical uniformity
- Custom cut bloom lengths

### Competitive advantages

- Proprietary tundish design
- TimkenSteel process knowledge incorporated into the caster design protected through confidentiality agreements.
- Broader capability to support higher value SBQ and seamless mechanical tube markets

# Benefits of continuous cast – yield improvement and productivity

**Bottom pour**



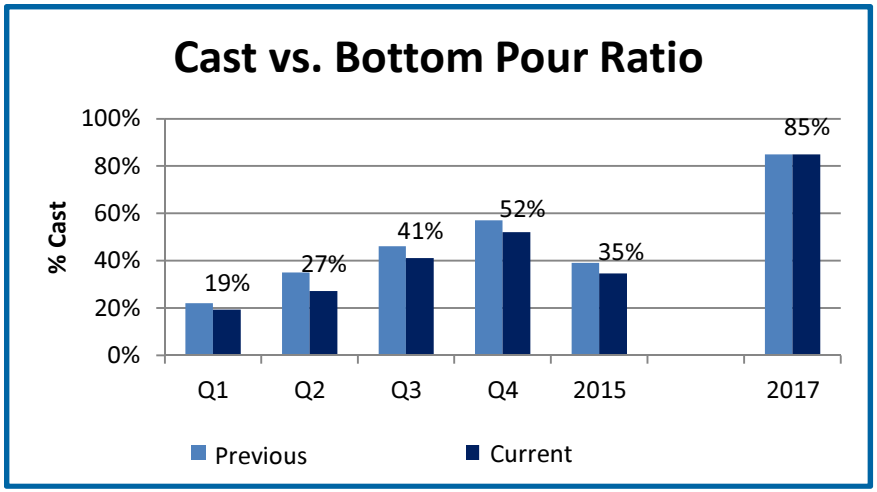

**Liquid to bloom yield = ~85%**

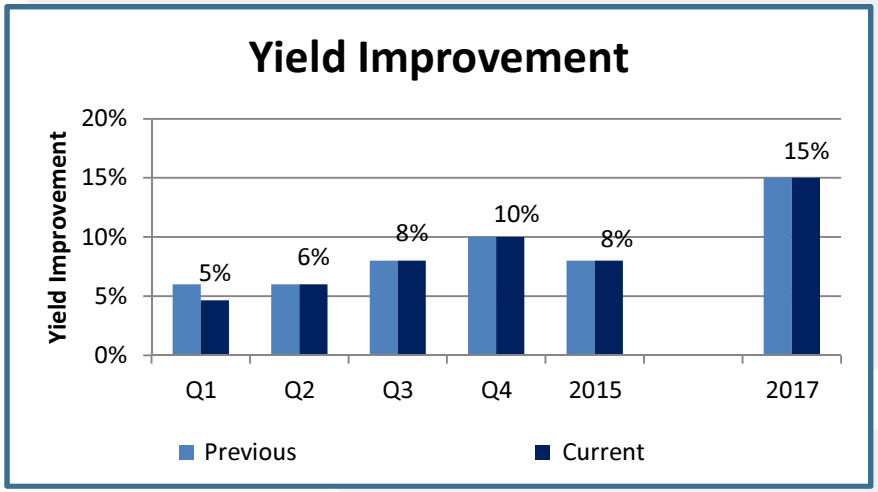
**Continuous cast**



**Liquid to bloom yield = ~95%**

# Jumbo bloom vertical caster ramp-up plan




**2015 Commentary**

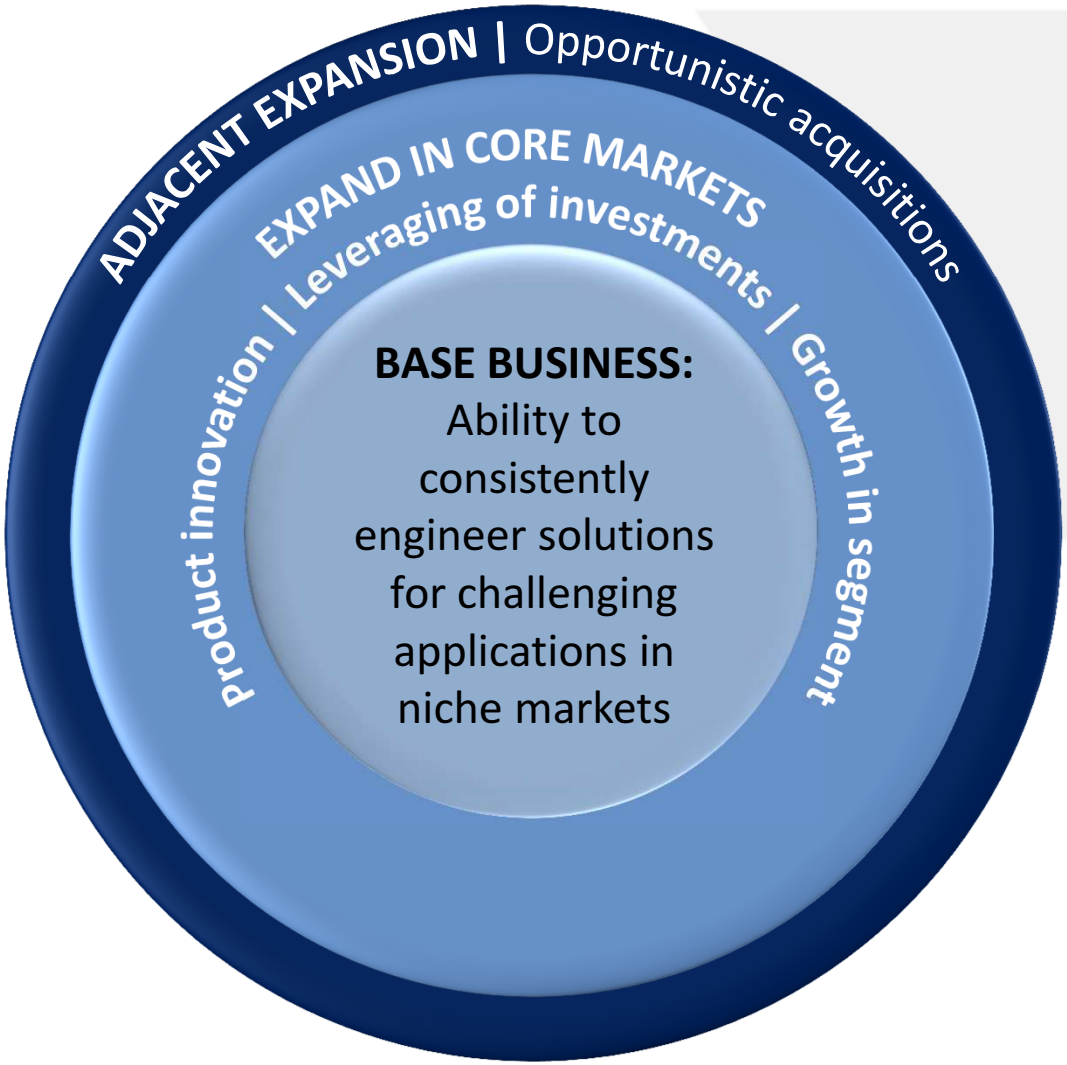
- Represents a customary curve for a project this size
  - Ramp depends upon pace of customer qualifications; to date on track and going well
  - Cast ratio impacted by weaker demand
- Quality and yield exceeding original projections
  - Expect $4 million to $6 million of duplicate labor and maintenance costs
  - Caster depreciation to add approximately $10 million of incremental fixed costs
  - Expect yield savings of $8 million to $10 million

**Positive financial benefits to begin early- to mid-2016**



Source: TimkenSteel as of April 30, 2015

# Strategy focused on selected high-end products and high-growth markets



# Investing for growth and competitive strength

**Advanced quench and temper facility**

| | |
|---|---|
| **Market demand** | • Increased drilling depths & footage - deeper, larger bore well designs<br>• Strong market outlook<br>• Increase in steel intensive horizontal and offshore drilling & completion |
| **Investment** | • $40m investment to be commissioned in 2016<br>• 50k tons quench temper capacity<br>• Process 4”-13” bars & tubes |
| **Benefits** | • Improved technical capability<br>• Expanding presence in high value completion products<br>• Grow market share |



# TimkenSteel: A compelling investment

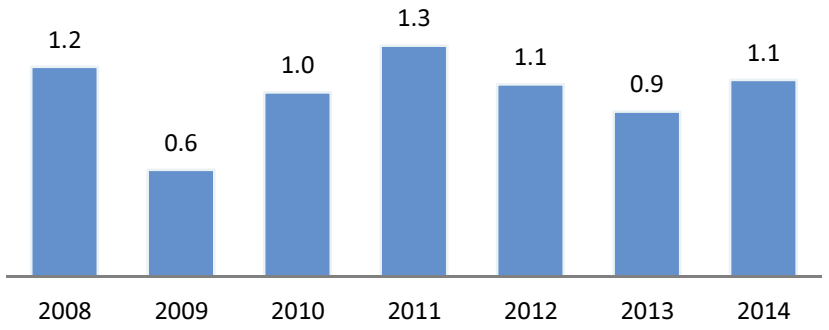
- A leading manufacturer of high-quality, **high-performance** engineered steel products and value-added services
- Industry leading customer service delivering **customized** engineering and **innovative** design solutions for the most demanding applications
- **Niche position** in attractive Energy, Industrial and Automotive end market sectors
- **Leading industry margins** driven by value-added products and **competitive operating cost structure**
- Strong capital structure with good liquidity position to **drive growth**

TIMKEN STEEL

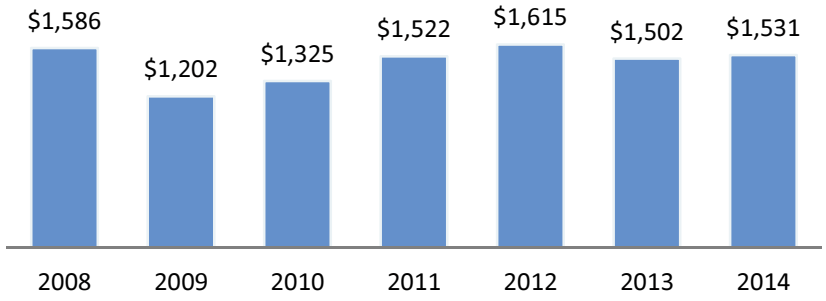
# Financial performance review and guidance

# History of strong financial performance

## Shipments (mm tons)




## Average selling price ($ / ton)[1]




## Net sales ($mm)[2]




## Adjusted EBITDA ($mm)[3]




| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|---|---|
| Adj. EBITDA margin | 15% | (6%) | 11% | 14% | 15% | 12% | 13% |

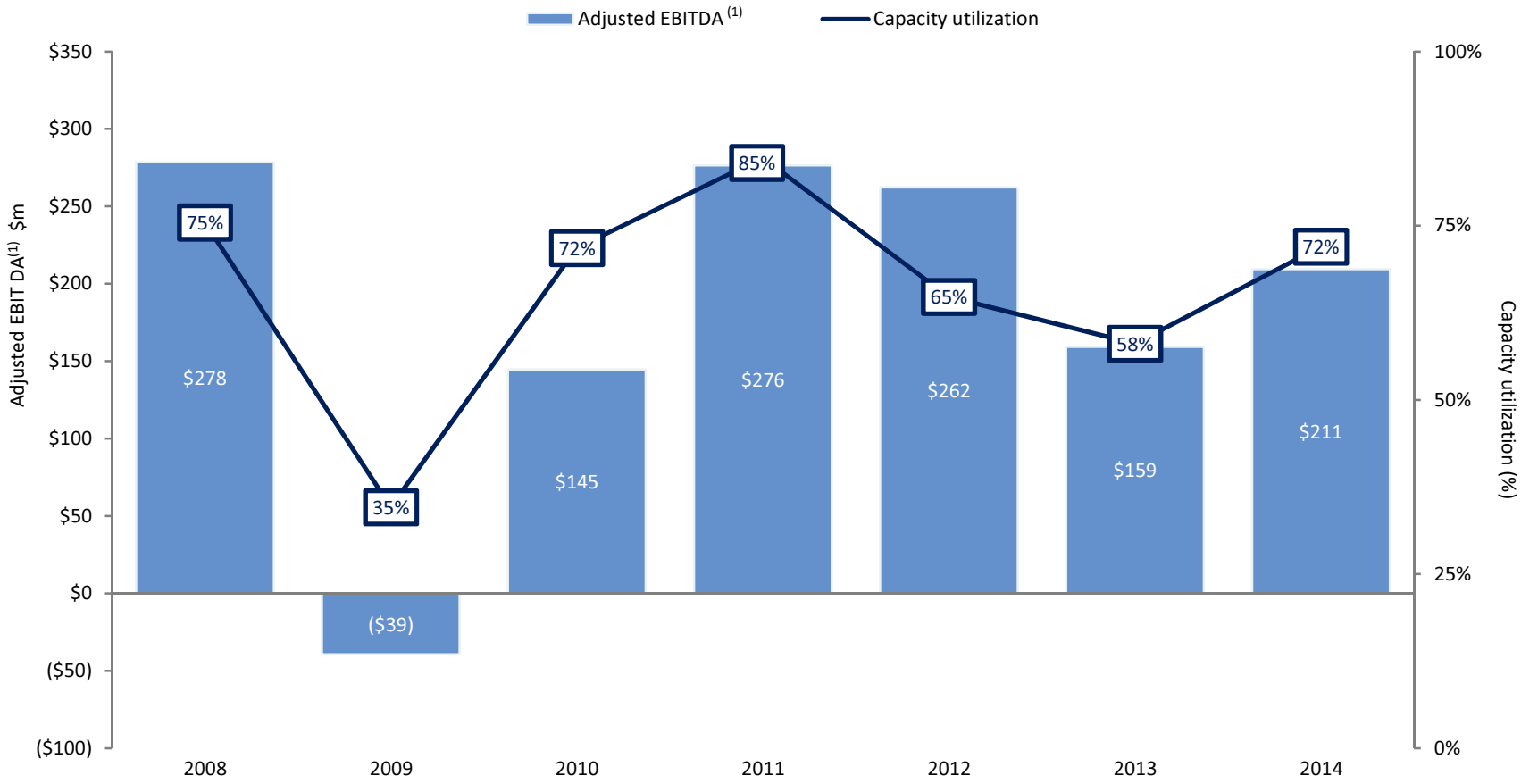
Source: TimkenSteel, The Timken Company

[1] Includes surcharges

[2] Net sales figures based on Steel segment sales and include intercompany sales

[3] Adjusted EBITDA based on Steel segment EBITDA, adjusted for previously unallocated corporate expenses and incremental standalone costs; see Appendix for reconciliation

# Disciplined execution through the cycle




| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Adjusted EBITDA(1) Margin % | 15.0% | (5.5%) | 10.6% | 14.1% | 15.2% | 11.5% | 12.6% |
| EBITDA/Ton | $236 | ($66) | $141 | $215 | $245 | $173 | $193 |



(1) *Please see discussion of Non-GAAP Financial Measures in the appendix*

# Strong capital structure with good liquidity position to drive growth

## Pro forma 3/31/15 capital structure

| ($mm) | Amount | % of capitalization | Debt / Adj. EBITDA[1] |
|---|---|---|---|
| Cash and cash equivalents | $31 | – | – |
| **Debt** | | | |
| $300mm revolver | 165 | 17.4% | 0.9x |
| Existing revenue bonds | 30 | 3.2% | 0.2x |
| **Total debt** | **$195** | **20.6%** | **1.1x** |
| Shareholder equity | 752 | 79.4% | |
| **Total capitalization** | **$947** | **100.0%** | |
| **Liquidity[2]** | **$166** | | |

✓ **Strong liquidity position**

✓ **Positioned to provide capital for growth**

✓ **Conservative leverage**

Source: TimkenSteel

[1] LTM ending 3/31/2015 Adjusted EBITDA of $179mm

[2] Defined as cash & equivalents plus available lines of credit under the $300mm revolving credit facility; revolving credit agreement accordion feature for incremental $150mm

# Focused capital allocation priorities

| Overview | |
|---|---|
| **Leverage** | • Targeting investment grade financial/credit metrics of 1.5x - 2.0x Debt/EBITDA<br>• Maintain leverage with cash generation used to grow and support the business |
| **Organic investments** | • Fund maintenance and operational excellence programs from operating cash flows<br>• Growth investments that enhance margin improvements (i.e., Caster / Forge Press)<br>• Targeted growth investment hurdle rate of approximately 20% IRR |
| **Dividends** | • Target dividend payout ratio of 20% - 30%<br>• Expect to maintain dividend at current levels[1]<br>  • Four consecutive quarterly dividend payments of $0.14 per share |
| **External investments** | • Capital allocated to external investments based on best risk-adjusted return[1]<br>• Share repurchases to offset dilution due to stock compensation<br>• Evaluate additional share repurchases |

[1]Subject to Board approval

# Pension plan fully funded

**Global Pension Plans & OPEB**

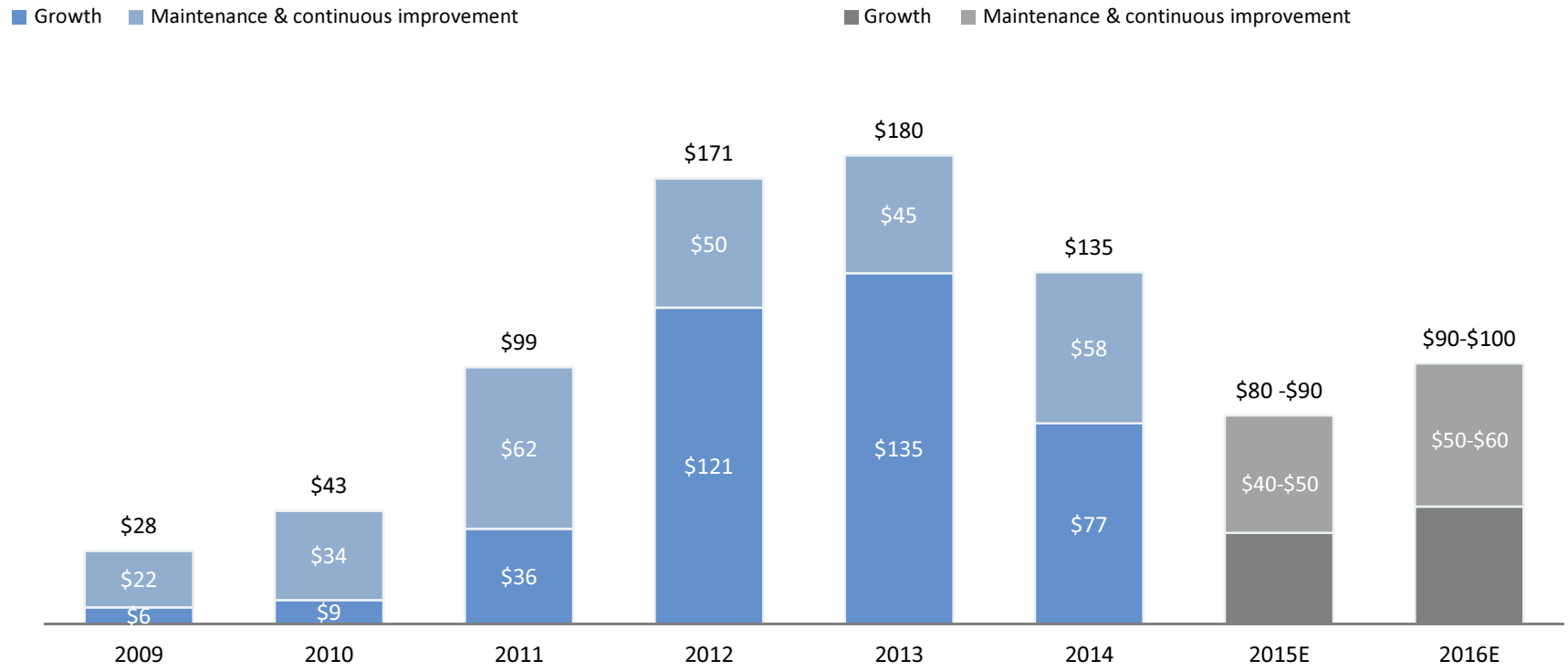
| *($m)* | Qualified | Non-qualified | Total | | OPEB |
|---|---|---|---|---|---|
| Liabilities | $1,164 | $29 | $1,193 | | $241 |
| Assets | $1,165 | $0 | $1,165 | | $145 |
| | | | | | |
| Funded % | 100% | 0% | 98% | | 60% |
| | | | | | |

**No significant cash outflows in the near term**

Source: TimkenSteel as of March 31, 2015

# Investments that reinforce capabilities and grow market position

## Capital expenditure ($m)



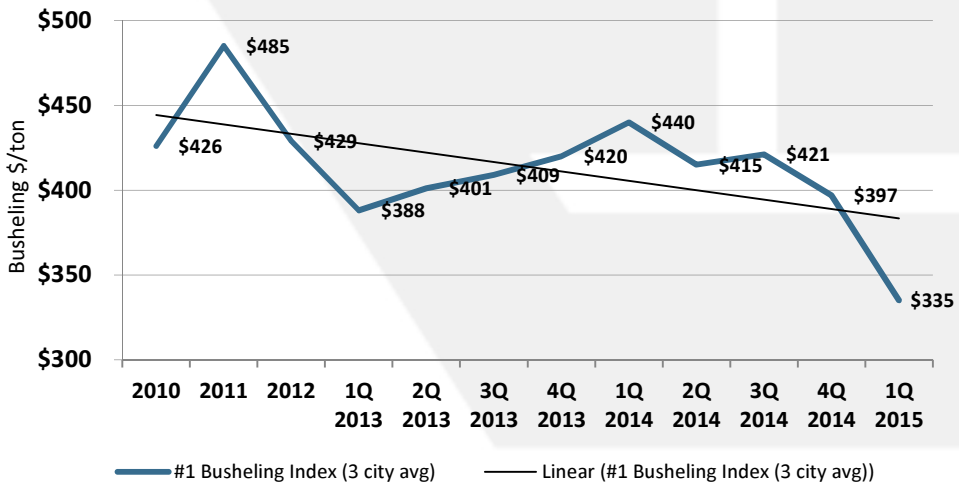

Source: TimkenSteel as of April 30, 2015

# Raw material overview

## Comments

- Raw material spread is the difference between raw material costs and the No. 1 Busheling Index (3 city average)
- Timing delay created by movement in the Index between the time raw materials are purchased compared to when shipped
  - Inventory turns approximately 4 times a year
- Raw material spread can be created by the types of scrap purchased
  - >180 scrap types purchased from 6 strategic categories
- Raw materials are on average ~40% of manufacturing spend

## No. 1 Busheling Index (3 city average)



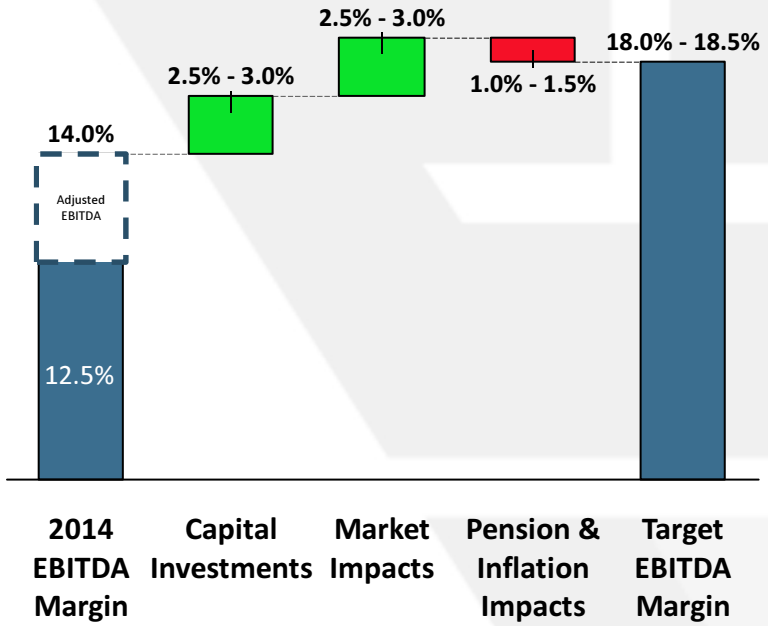

**Source: TimkenSteel**
**Note: No. 1 Busheling Index is an average of the AMM published price on the 8th workday for Cleveland, Pittsburgh, and Chicago with a 1 month lag.**

# Focused on margin enhancement

## Assumptions

- 2014 EBITDA adjusted for non-recurring costs and raw material spread at 2013 levels
- Recognize return on capital investments when fully ramped
  - Jumbo bloom vertical caster yield and broader product range benefits
  - Advanced quench and temper facility market share gain for completion products
- Improved market dynamics include:
  - 85% melt utilization
  - Positive mix/price

## Target EBITDA margin




Source: TimkenSteel as of March 5, 2015

**On track to achieve record breaking EBITDA margins**

TIMKEN STEEL

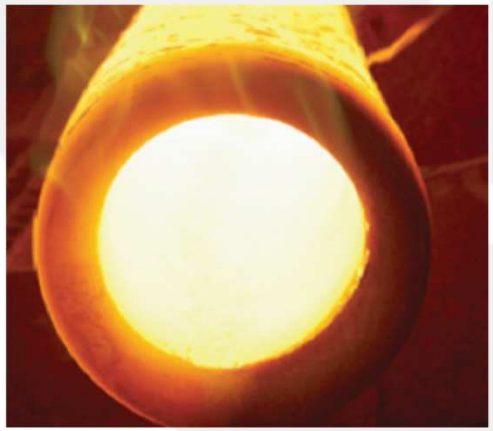
# Appendix

# A leading manufacturer of engineered steel products and value-added services

63% Alloy steel bars (SBQ)



20% Seamless mechanical tubing



17% Value-added solutions

Machining, honing & drilling



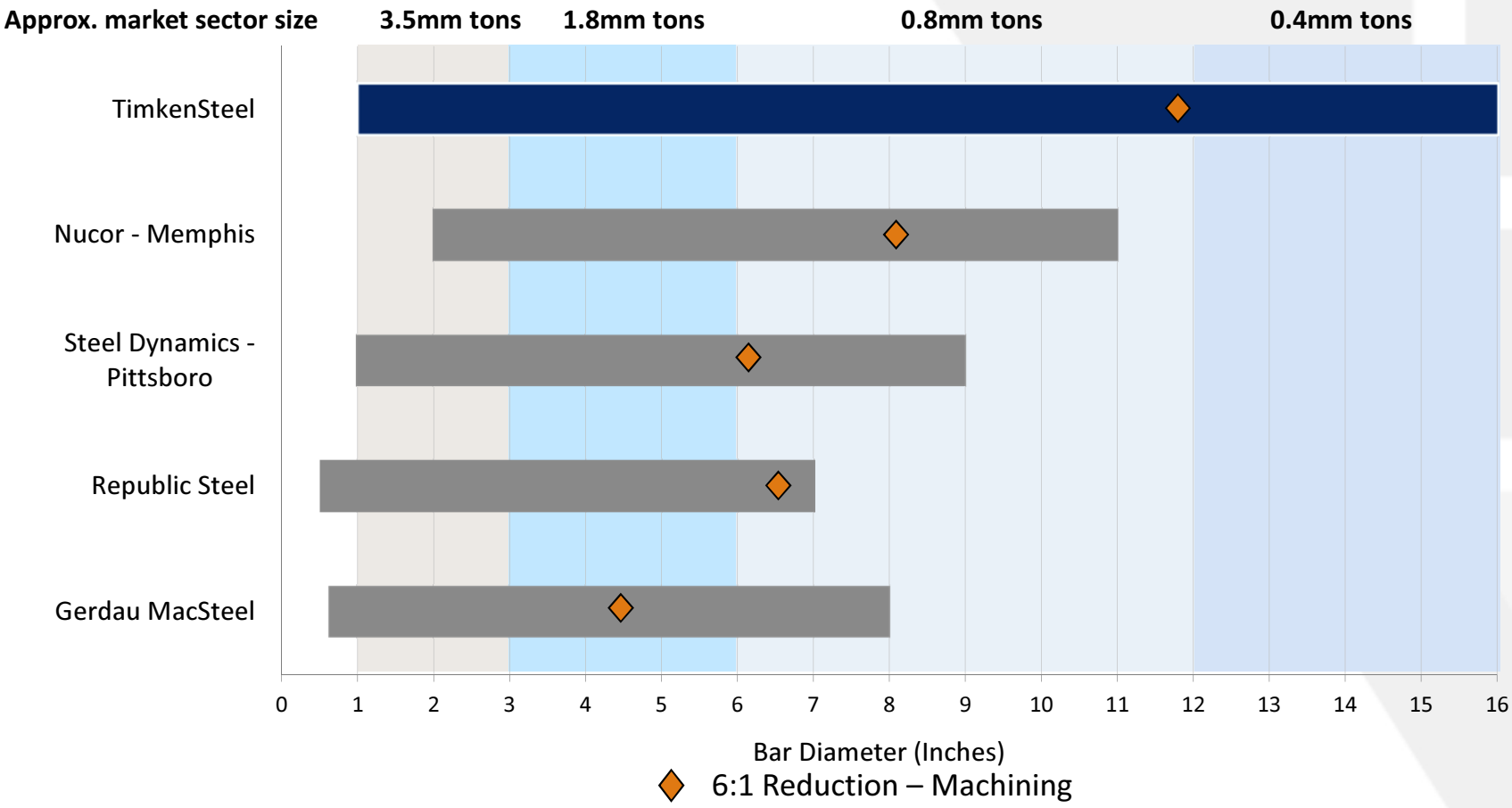
Supply chain



Components



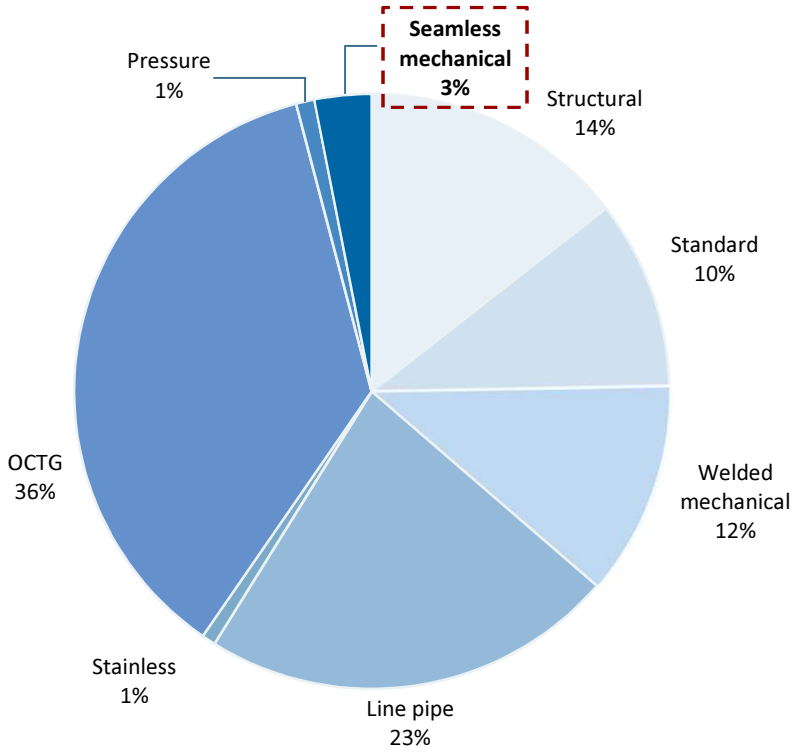
# Broad size range strengthens our competitive position




Source: TimkenSteel internal estimates as of 12/31/2014

# A leading producer of seamless mechanical tubing

## U.S. tubing landscape[1]




**19.4mm annual tons - welded and seamless**

## Differentiation

- Largest domestic capacity
- Broadest size range
  - 1.875” to 13.0”
- Heavier walls
- Higher value – added niche volume and alloy grade categories
- Leading producer of quench and tempered capability
- Custom grades, small order sizes, demanding applications make barrier to entry difficult

Source: 2013 Preston Pipe and Tube Report

[1] The chart is organized from lightest to darkest shading, with the darkest shading denoting the highest material value and performance

# TimkenSteel applications in autos

**Engine ~35%**
- Crankshafts
- Connecting rods
- Fuel components

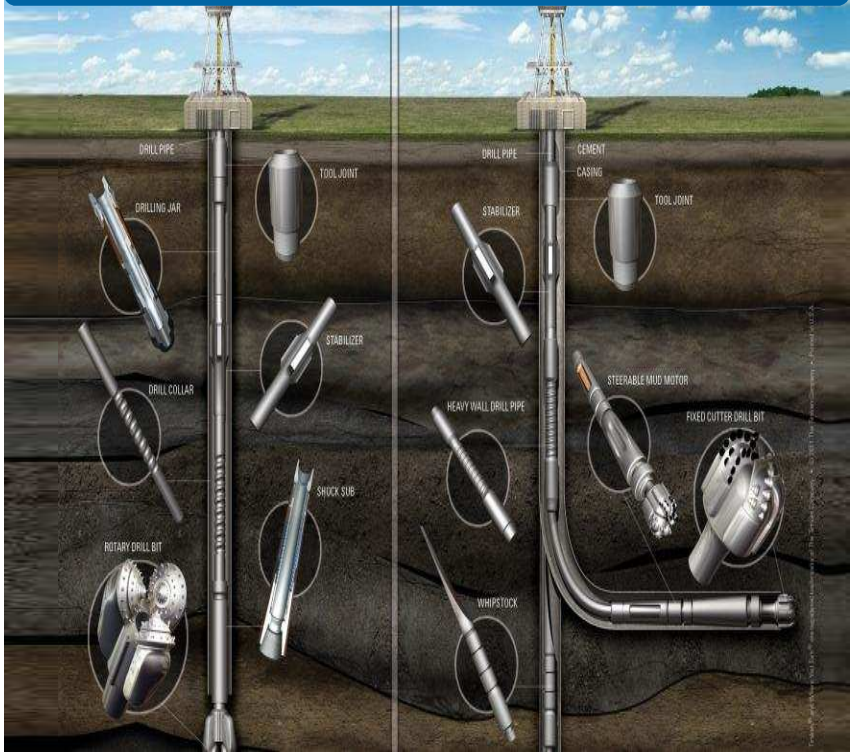


**Transmission ~40%**
- Shafts
- Hubs
- CVT pulley
- Sun, ring, pinion gears
- Drive gears

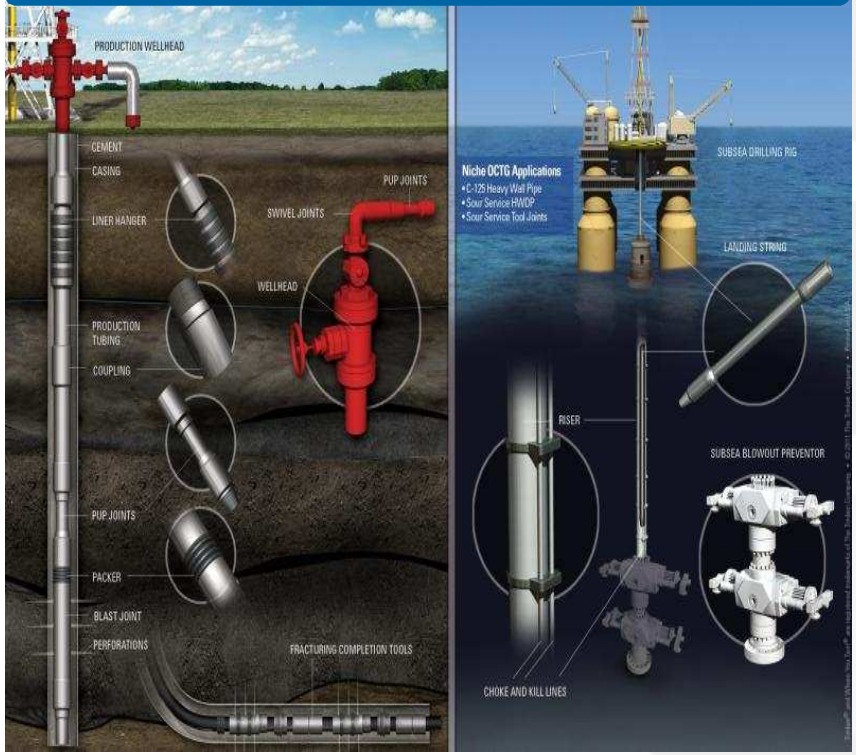
**Driveline ~25%**
- Bearing hubs
- Ring gear
- Drive pinion
- Axle tubing
- Side gears
- Steering knuckle
- CV Joint housing & cages
- Ring gears

# Demanding applications require our unique product and process capabilities

## Vertical and horizontal drilling applications

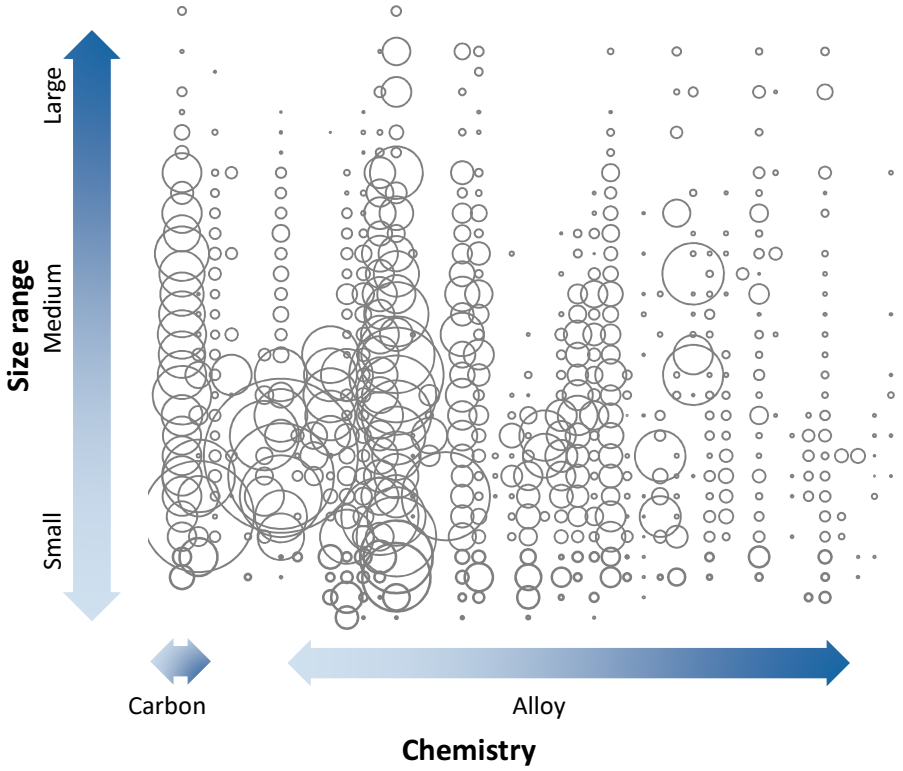



## Completion and deepwater drilling applications



# Unique combination of processes, experience and systems is a competitive advantage

## Complex order book




Source: TimkenSteel, 2014

## Complex planning environment

- 450 grades of steel
- 9,000 customer specifications
- 600 customers
- 400,000 bar configurations, more for tubes
- >40,000 orders shipped
- 30 major flow paths, 100 operations, 250 workcenters
- 7 manufacturing plants, 4 warehouses
- 35 ton average order size

**100% made to order products delivered at industry leading customer service**

# Unique combination of processes, experienced engineering and systems drive operational excellence

**Institutional application and process knowledge**



**Sophisticated raw material systems**



**Unique process capabilities**

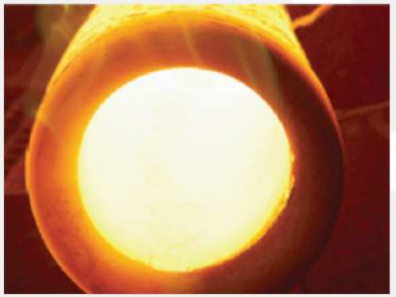


**Bars**

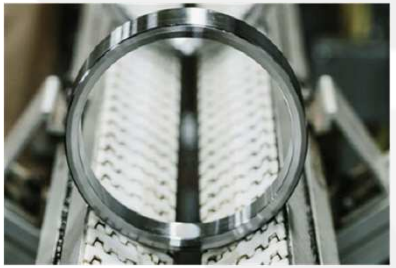


**Value-added products**

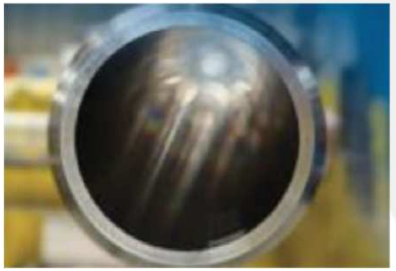
**Seamless tubes**



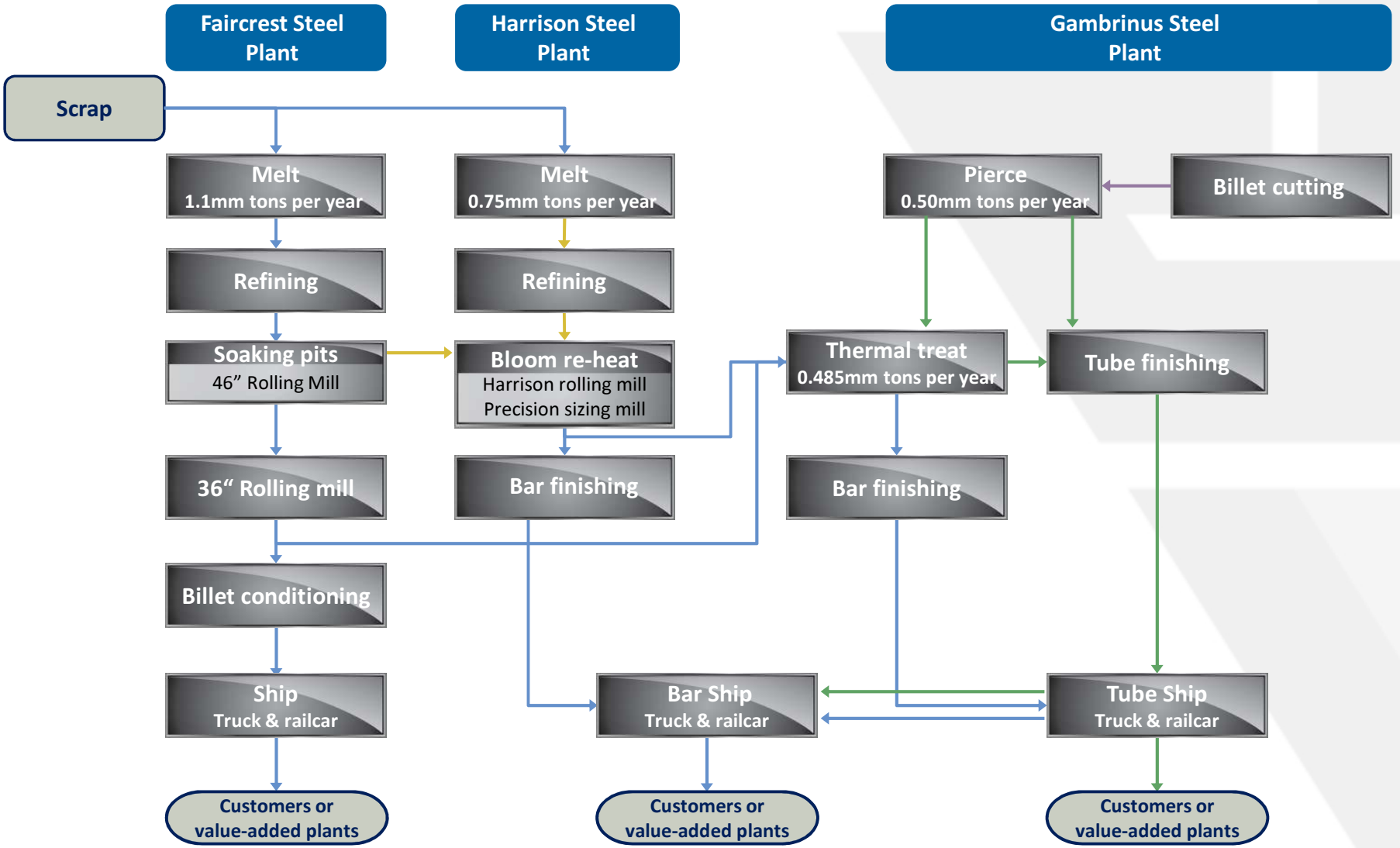
**Components**



**Machining & drilling**



# Maximizing our assets and process paths to service diverse industries



# 2015 market outlook for segments

## Industrial & Mobile

| | | |
|---|---|---|
| **North American Light Vehicles** |  | Continued growth driven by strong economic fundamentals |
| **Mining** |  | Low commodity prices have resulted in decreased capital spending |
| **Machinery** |  | GDP growth of 3 percent projected |
| **Rail** |  | Expect continued rail traffic growth, new equipment spend |
| **Agriculture** |  | Weaker conditions in global farm economy due to lower commodity prices and falling farm incomes |

## Energy & Distribution

| | | |
|---|---|---|
| **Distribution** |  | Weaker oil and gas demand;<br>Inventory levels and impacts from oil and gas on associated industrial end markets |
| **Oil and Gas** |  | Approximately 50 percent reduction in U.S. rig count;<br>Decline in associated capital spending |



Source: TimkenSteel as of April 30, 2015

# Outlook framework

| Guidance | |
|---|---|
| **Second Quarter 2015 Revenue** | ▪ Industrial & Mobile<br>  ▪ Shipments to be similar to first-quarter 2015<br>  ▪ Automotive demand to remain strong<br>  ▪ Industrial end markets weakening due to impacts from declining oil prices<br>▪ Energy & Distribution<br>  ▪ Shipments to be about half of first-quarter 2015<br>  ▪ Weaker oil and gas markets due to declining oil prices and associated decrease in energy exploration and production spend<br>  ▪ Lower distribution channel demand across both energy and industrial end markets |
| **Second Quarter 2015 EBITDA** | ▪ Expect EBITDA between break even and a loss of $15 million for the second quarter<br>  ▪ Negative impact from the weakness in the oil and gas market and associated industrial markets<br>  ▪ Unfavorable manufacturing impacts due to lower melt utilization and inventory reduction efforts<br>  ▪ Raw material spread to continue to negatively impact margin |
| **Other** | ▪ 2015 capital spending to be between $80 million and $90 million; a reduction from prior guidance of $90 million and $100 million<br>▪ Maintain dividend at current levels[1]<br>▪ Repurchase of 2 million shares through 2016<br>▪ Expect favorable cash flow in second-quarter 2015 from working capital reductions |

[1] Subject to Board approval
Source: TimkenSteel as of April 30, 2015

# Incentive Compensation

| Award | Objective | Metrics | Employees | Time Period |
|---|---|---|---|---|
| **Annual Incentive** | • Execution of annual operational priorities<br>• Variable cash compensation based on performance | • EBIT/BIC[1]<br>• Working capital as a percentage of net sales<br>• New business sales | • All salaried | • 1 year |
| **Restricted Stock Units** | • Retention<br>• Build ownership<br>• Alignment with shareholders | • Share price | • Senior Managers | • 4 years<br>• Ratable vested |
| **Performance-based Restricted Stock Units** | • Long-term shareholder value creation<br>• Alignment with 3 year strategic business priorities<br>• Reward for accomplishment of long-term financial performance | • Cumulative earnings per share<br>• Average return on invested capital<br>• Share Price | • Directors and above including Officers and CEO[2] | • 3 years |
| **Cliff Vested Restricted Stock Units** | • Retention of top talent<br>• Build ownership<br>• Alignment with shareholders | • Share price | • Directors and above including Officers | • 3 years |
| **Non-Qualified Stock Options** | • Long-term shareholder value creation<br>• Alignment with shareholders | • Share price | • Directors and above including Officers and CEO[2] | • 10 years |

Source: TimkenSteel

[1]EBIT/BIC is defined as earnings before interest and taxes divided by beginning invested capital

[2]CEO's Long-term incentive portfolio comprised of performance-based restricted stock units and non-qualified stock options

# [1]Non-GAAP financial measures

TimkenSteel reports its financial results in accordance with accounting principles generally accepted in the United States ("GAAP") and corresponding metrics as non-GAAP financial measures. EBIT is defined as net income before interest expense and income taxes. EBIT is an important financial measure used in the management of the business, including decisions concerning the allocation of resources and assessment of performance. Management believes that reporting EBIT is useful to investors as this measure is representative of the company's performance. It also is a useful reflection of the underlying growth from the ongoing activities of the business and provides improved comparability of results.

For the periods prior to the spinoff, the consolidated financial statements have been prepared on a stand-alone basis and are derived from the consolidated financial statements and accounting records of TimkenSteel's former parent company, The Timken Company. TimkenSteel's consolidated financial statements include certain expenses of its former parent that were allocated to the steel business for certain functions, including general corporate expenses related to finance, legal, information technology, human resources, compliance, shared services, insurance, employee benefits and incentives and stock-based compensation. TimkenSteel considers the expense allocation methodology and results to be reasonable for all periods presented. However, these allocations may not be indicative of the actual expenses TimkenSteel would have incurred as an independent public company or of the costs it will incur in the future. Adjusted EPS is defined as net income reduced for stand-alone costs reflected at a normal run rate divided by the weighted average shares outstanding including the dilutive effect of stock-based awards. Adjusted EBIT is defined as EBIT reduced for stand-alone costs reflected at a normal run-rate. Adjusted EBIT margin is defined as adjusted EBIT as a percentage of net sales. Management believes that reporting adjusted EPS, adjusted EBIT and adjusted EBIT margin is useful to investors as these measures are representative of the company's performance. They also better reflect the underlying growth from the ongoing activities of the business and provide an indication of the company's performance as an independent public company.

See the attached schedules for supplemental financial data and corresponding reconciliations of the non-GAAP financial measures referred to above to the most comparable GAAP financial measures for the three months ended March 31, 2015. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, TimkenSteel's results prepared in accordance with GAAP. In addition, the non-GAAP measures TimkenSteel uses may differ from non-GAAP measures used by other companies, and other companies may not define the non-GAAP measures TimkenSteel uses in the same way.

# Supplemental adjusted[(1)] segment information

***(Dollars in millions, except per ton data) (Unaudited)***

***Figures in the table may not recalculate exactly as presented in the earnings release due to rounding***

| | Industrial & Mobile | | | | | Energy & Distribution | | | | | Unallocated | | | | | Total of Segments | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **2015** | **1Q** | **2Q** | **3Q** | **4Q** | **YTD** | **1Q** | **2Q** | **3Q** | **4Q** | **YTD** | **1Q** | **2Q** | **3Q** | **4Q** | **Full Year** | **1Q** | **2Q** | **3Q** | **4Q** | **YTD** |
| *Tons (k)* | *164.2* | | | | *164.2* | *106.9* | | | | *106.9* | | | | | | *271.1* | | | | *271.1* |
| Net Sales | $233.5 | | | | $233.5 | $155.2 | | | | $155.2 | | | | | | $388.7 | | | | $388.7 |
| Less Surcharges | 44.5 | | | | 44.5 | 30.6 | | | | 30.6 | | | | | | 75.2 | | | | 75.2 |
| Base Sales | 189.0 | | | | 189.0 | 124.6 | | | | 124.6 | | | | | | 313.5 | | | | 313.5 |
| Sales/Ton | 1,423 | | | | 1,423 | 1,451 | | | | 1,451 | | | | | | 1,434 | | | | 1,434 |
| Base Sales/Ton | 1,151 | | | | 1,151 | 1,165 | | | | 1,165 | | | | | | 1,157 | | | | 1,157 |
| EBITDA | 12.8 | | | | 12.8 | 13.9 | | | | 13.9 | 2.1 | | | | 2.1 | 28.8 | | | | 28.8 |
| *as a % of sales* | 5.5% | | | | 5.5% | 9.0% | | | | 9.0% | | | | | | *7.4%* | | | | *7.4%* |
| EBIT | 4.5 | | | | 4.5 | 4.6 | | | | 4.6 | 2.1 | | | | 2.1 | 11.2 | | | | 11.2 |
| *as a % of sales* | 1.9% | | | | 1.9% | 2.9% | | | | 2.9% | | | | | | *2.9%* | | | | *2.9%* |
| *EBITDA/Ton* | *$ 77.7* | | | | *$ 77.7* | *$ 130.2* | | | | *$ 130.2* | | | | | | *$ 106.3* | | | | *$ 106.3* |
| *EBIT/Ton* | *$ 27.3* | | | | *$ 27.3* | *$ 42.7* | | | | *$ 42.7* | | | | | | *$ 41.3* | | | | *$ 41.3* |

| **2014** | **1Q** | **2Q** | **3Q** | **4Q** | **YTD** | **1Q** | **2Q** | **3Q** | **4Q** | **YTD** | **1Q** | **2Q** | **3Q** | **4Q** | **YTD** | **1Q** | **2Q** | **3Q** | **4Q** | **YTD** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *Ship Tons (k)* | *153.8* | *169.0* | *158.1* | *158.9* | *639.8* | *96.1* | *120.5* | *126.0* | *111.4* | *454.0* | | | | | | *249.9* | *289.5* | *284.1* | *270.3* | *1,093.8* |
| Net Sales | $231.8 | $254.7 | $240.9 | $234.7 | $962.1 | $157.7 | $187.5 | $193.3 | $173.6 | $712.1 | | | | | | $389.5 | $442.2 | $434.2 | $408.3 | $1,674.2 |
| Less Surcharges | 52.5 | 56.8 | 55.7 | 52.7 | 217.7 | 37.0 | 45.6 | 48.9 | 40.9 | 172.4 | | | | | | 89.5 | 102.4 | 104.6 | 93.6 | 390.1 |
| Base Sales | 179.3 | 197.9 | 185.2 | 182.0 | 744.4 | 120.7 | 141.9 | 144.4 | 132.7 | 539.7 | | | | | | 300.0 | 339.8 | 329.6 | 314.7 | 1,284.1 |
| Sales/Ton | 1,507 | 1,507 | 1,524 | 1,477 | 1,504 | 1,641 | 1,556 | 1,534 | 1,558 | 1,569 | | | | | | 1,559 | 1,527 | 1,528 | 1,511 | 1,531 |
| Base Sales/Ton | 1,166 | 1,171 | 1,171 | 1,145 | 1,163 | 1,256 | 1,178 | 1,146 | 1,191 | 1,189 | | | | | | 1,200 | 1,174 | 1,160 | 1,164 | 1,174 |
| EBITDA | 32.0 | 25.2 | 28.0 | 19.3 | 104.5 | 33.7 | 33.6 | 35.6 | 22.5 | 125.4 | (4.2) | (2.8) | (8.2) | (3.4) | (18.6) | 61.5 | 56.0 | 55.4 | 38.4 | 211.3 |
| *as a % of sales* | *13.8%* | *9.9%* | *11.6%* | *8.2%* | *10.9%* | *21.4%* | *17.9%* | *18.4%* | *13.0%* | *17.6%* | | | | | | *15.8%* | *12.7%* | *12.8%* | *9.4%* | *12.6%* |
| EBIT | 24.2 | 17.6 | 20.3 | 12.5 | 74.6 | 25.1 | 24.6 | 27.8 | 15.1 | 92.6 | (4.2) | (2.8) | (8.2) | (3.4) | (18.6) | 45.1 | 39.4 | 39.9 | 24.2 | 148.6 |
| *as a % of sales* | *10.4%* | *6.9%* | *8.4%* | *5.3%* | *7.8%* | *15.9%* | *13.1%* | *14.4%* | *8.7%* | *13.0%* | | | | | | *11.6%* | *8.9%* | *9.2%* | *5.9%* | *8.9%* |
| *EBITDA/Ton* | *$ 208.1* | *$ 149.1* | *$ 177.1* | *$ 121.5* | *$ 163.3* | *$ 350.7* | *$ 278.8* | *$ 282.5* | *$ 202.0* | *$ 276.2* | | | | | | *$ 246.1* | *$ 193.4* | *$ 195.0* | *$ 142.1* | *$ 193.2* |
| *EBIT/Ton* | *$ 157.3* | *$ 104.1* | *$ 128.4* | *$ 78.7* | *$ 116.6* | *$ 261.2* | *$ 204.1* | *$ 220.6* | *$ 135.5* | *$ 204.0* | | | | | | *$ 180.5* | *$ 136.1* | *$ 140.4* | *$ 89.5* | *$ 135.9* |



(1) *Please see discussion of Non-GAAP Financial Measures in the Appendix.*

# Pre-Separation adjusted EBIT[(1)] and adjusted EBITDA[(1)] reconciliation

**(Dollars in millions, except per ton data) (Unaudited)**

Figures in the table may not recalculate exactly as presented in the earnings release due to rounding

| | 2014 | | | 2013 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Q2 | Q1 | First Half | Year | 4Q | Q3 | Second Half | Q2 | Q1 | First Half |
| **Net Sales** | $ 442.2 | $ 389.5 | $ 831.7 | $ 1,380.9 | $ 330.0 | $ 350.5 | $ 680.5 | $ 354.1 | $ 346.3 | $ 700.4 |
| **Segment EBIT** | | | | | | | | | | |
| Industrial & Mobile | 20.1 | 27.3 | 47.4 | 83.9 | 16.3 | 21.5 | 37.8 | 28.3 | 17.8 | 46.1 |
| Energy & Distribution | 28.2 | 28.2 | 56.4 | 58.6 | 12.8 | 12.8 | 25.6 | 18.5 | 14.5 | 33.0 |
| **Total Segment EBIT** | 48.3 | 55.5 | 103.8 | 142.5 | 29.1 | 34.3 | 63.4 | 46.8 | 32.3 | 79.1 |
| Unallocated | (3.2) | (4.7) | (7.9) | (14.7) | 1.0 | (7.5) | (6.5) | (8.1) | (0.1) | (8.2) |
| **Consolidated EBIT** | 45.1 | 50.8 | 95.9 | 127.8 | 30.1 | 26.8 | 56.9 | 38.7 | 32.2 | 70.9 |
| Incremental standalone costs | (5.7) | (5.7) | (11.4) | (29.3) | (7.3) | (7.3) | (14.6) | (7.3) | (7.4) | (14.7) |
| **Adjusted EBIT** | 39.4 | 45.1 | 84.5 | 98.5 | 22.8 | 19.5 | 42.3 | 31.4 | 24.8 | 56.2 |
| Interest expense | (0.7) | — | (0.7) | (0.2) | — | (0.2) | (0.2) | — | — | — |
| **Adjusted Income Before Income Taxes** | 38.7 | 45.1 | 83.8 | 98.3 | 22.8 | 19.3 | 42.1 | 31.4 | 24.8 | 56.2 |
| Adjusted provision for income taxes | 13.5 | 15.8 | 29.3 | 34.5 | 8.0 | 6.8 | 14.8 | 11.0 | 8.7 | 19.7 |
| **Adjusted Net Income** | $ 25.2 | $ 29.3 | $ 54.5 | $ 63.8 | $ 14.8 | $ 12.5 | $ 27.3 | $ 20.4 | $ 16.1 | $ 36.5 |
| Average shares outstanding, diluted | 46.2 | 46.2 | 46.2 | 46.2 | 46.2 | 46.2 | 46.2 | 46.2 | 46.2 | 46.2 |
| **Adjusted diluted earnings per share** | $ 0.55 | $ 0.63 | $ 1.18 | $ 1.38 | $ 0.32 | $ 0.27 | $ 0.59 | $ 0.44 | $ 0.35 | $ 0.79 |
| D&A | 14.0 | 13.6 | 27.6 | 50.0 | 13.3 | 12.3 | 25.6 | 12.3 | 12.1 | 24.4 |
| Incremental D&A | 2.7 | 2.7 | 5.4 | 10.8 | 2.7 | 2.7 | 5.4 | 2.7 | 2.7 | 5.4 |
| **Total D&A** | 16.7 | 16.3 | 33.0 | 60.8 | 16.0 | 15.0 | 31.0 | 15.0 | 14.8 | 29.8 |
| **Adjusted EBITDA** | 56.1 | 61.4 | 117.5 | 159.3 | 38.8 | 34.5 | 73.3 | 46.4 | 39.6 | 86.0 |
| % of sales | 12.7% | 15.8% | 14.1% | 11.5% | 11.8% | 9.8% | 10.8% | 13.1% | 11.4% | 12.3% |



(1) *Please see discussion of Non-GAAP Financial Measures in the appendix*

# Adjusted EBITDA reconciliation

**Based on The Timken Company 10-K filings (US$ mm)**

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|
| **Net sales** | **$1,852.0** | **$714.9** | **$1,359.5** | **$1,956.5** | **$1,728.7** | **$1,380.9** |
| Reported EBIT | $264.0 | ($63.4) | $146.3 | $267.4 | $251.8 | $140.2 |
| Less: audit / other adjustments | 0.0 | 0.0 | (8.7) | 0.4 | (0.8) | 2.3 |
| **Adjusted EBIT** | **$264.0** | **($63.4)** | **$137.6** | **$267.8** | **$251.0** | **$142.5** |
| D&A | $48.5 | $45.9 | $46.1 | $45.8 | $49.7 | $53.8 |
| Incremental D&A | 10.0 | 9.0 | 7.0 | 7.0 | 7.0 | 7.0 |
| Total D&A | $58.5 | $54.9 | $53.1 | $52.8 | $56.7 | $60.8 |
| **EBITDA** | **$322.5** | **($8.5)** | **$190.7** | **$320.6** | **$307.7** | **$203.3** |
| Total standalone costs | (44.0) | (30.8) | (46.0) | (44.2) | (45.5) | (44.0) |
| **Adjusted EBITDA** | **$278.5** | **($39.3)** | **$144.7** | **$276.4** | **$262.2** | **$159.3** |
| *% of sales* | *15.0%* | *(5.5%)* | *10.6%* | *14.1%* | *15.2%* | *11.5%* |

Source: TimkenSteel

# Adjusted EBITDA reconciliation

**Based on TimkenSteel Form 10 filings (US$ mm)**

| | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|
| **Net sales** | **$1,359.5** | **$1,956.5** | **$1,728.7** | **$1,380.9** |
| | | | | |
| Segment EBIT | | | | |
| Industrial & Mobile | $73.1 | $114.2 | $112.8 | $84.0 |
| Energy & Distribution | 71.5 | 162.6 | 146.1 | 67.0 |
| Total segment EBIT | $144.6 | $276.8 | $258.9 | $151.0 |
| Carve-in corporate costs | (20.4) | (23.9) | (24.3) | (23.2) |
| **Form 10 reported EBIT** | **$124.2** | **$252.9** | **$234.6** | **$127.8** |
| Incremental standalone costs | (32.6) | (29.3) | (29.1) | (29.3) |
| **Adjusted EBIT** | **$91.6** | **$223.6** | **$205.5** | **$98.5** |
| | | | | |
| D&A | $42.9 | $42.6 | $46.2 | $50.0 |
| Incremental D&A | 10.2 | 10.2 | 10.5 | 10.8 |
| Total D&A | $53.1 | $52.8 | $56.7 | $60.8 |
| | | | | |
| **Adjusted EBITDA** | **$144.7** | **$276.4** | **$262.2** | **$159.3** |
| *% of sales* | *10.6%* | *14.1%* | *15.2%* | *11.5%* |

Source: TimkenSteel Form 10 filing as of 05/15/2014

TIMKEN STEEL