TIMKEN STEEL

# Second-Quarter 2016 Earnings Supporting Information

*July 27, 2016*

# Forward-looking statements and non-GAAP financial information

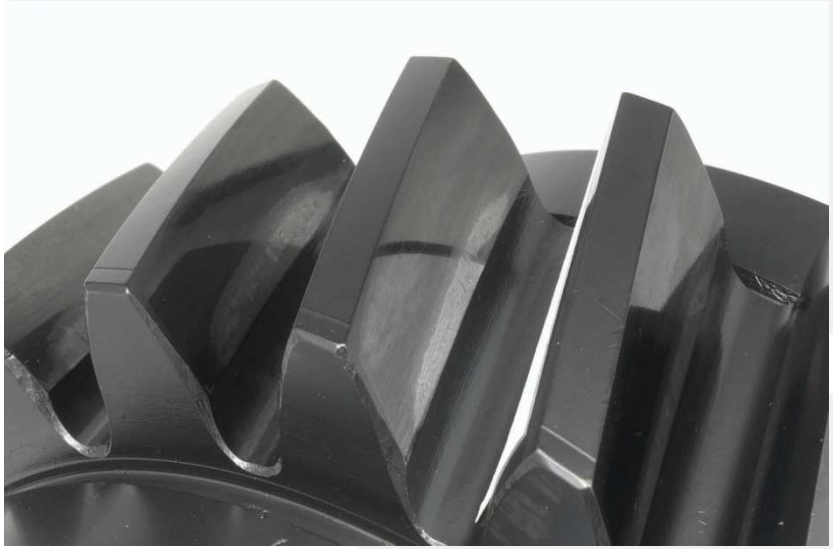
This presentation includes "forward-looking" statements within the meaning of the federal securities laws. You can generally identify the company's forward-looking statements by words such as "anticipate," "believe," "could," "estimate," "expect," "forecast," "outlook," "intend," "may," "possible," "potential," "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. A reconciliation of those measures to the most directly comparable GAAP equivalent is contained in the Appendix. Please see discussion of non-GAAP financial measures in the Appendix.

# Second-quarter 2016 highlights

- Ship tons of approximately 190,000, an increase of 2 percent versus prior quarter from improved industrial demand and continued strength in automotive
- Sequential EBITDA improvement; EBITDA of $4 million for second-quarter 2016
- Earnings per share (EPS) of minus 24 cents, compared with minus 31 cents for first-quarter 2016
- Generated $21 million of free cash flow during the quarter
- Issued $86 million of convertible notes
- $156 million of liquidity as of June 30, 2016



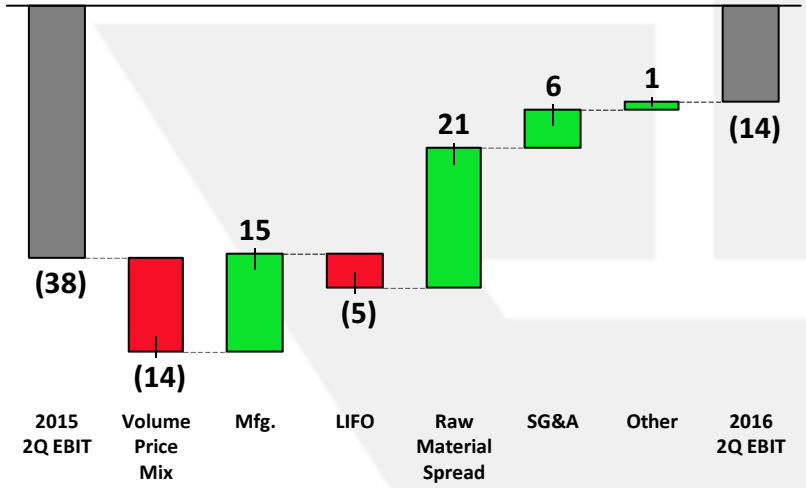
*Improved fatigue life and power density start with clean steel. TimkenSteel's Ultrapremium™ certified air-melt technology takes cleanness to a higher standard. TimkenSteel recently solved a gear failure issue for a customer with Ultrapremium steel, and many other customers are now taking a look at the technology.*

# Operating performance

*(Dollars per million)*

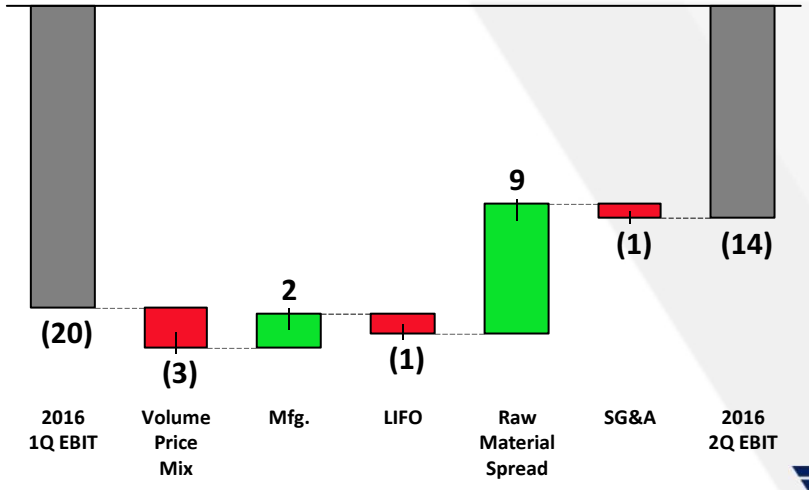
## EBIT 2015 2Q vs. 2016 2Q

- Shift in end-market mix and pricing pressure drove the unfavorable volume/price/mix
- Manufacturing costs  favorable due to cost reduction actions
- Favorable raw material spread, largely driven by stabilization in scrap and alloy indices
- SG&A costs favorable due to cost reduction actions




## EBIT 2016 1Q vs. 2016 2Q

- Industrial shipments up 4 percent, mobile shipments up 2 percent, and energy shipments down 23 percent; total shipments up 2 percent
  - Shift in end-market mix and pricing pressure drove the unfavorable volume/price/mix
- Manufacturing costs  favorable due to cost reduction actions
- Favorable raw material spread, largely driven by stabilization in scrap and alloy indices
- SG&A costs slightly higher due to timing of spend



# 2016 market outlook

## Direct End Markets

| | | |
|---|---|---|
| **North American Light Vehicles** |  | Continued growth driven by strong economic fundamentals, pent-up demand and production growth in Mexico for export outside of NAFTA countries. |
| **Mining** |  | Continued weakness in new equipment build from suppressed global demand. |
| **Machinery** |  | Weakening global growth, the strong dollar and import levels. |
| **Rail** |  | Coal, oil and gas, and intermodal shipments are down from weakened market conditions. |
| **Agriculture** |  | Lower build rates in part due to elevated used equipment sales. |
| **Oil and Gas** |  | Continued pressure on oil and gas shipments is expected due to low levels of energy exploration and production spend. |

## Channels

| | | |
|---|---|---|
| **Distribution** |  | Weaker oil and gas demand and high inventory levels in energy end-market; balanced inventories for industrial products on weak demand. |



Source: TimkenSteel as of July 27, 2016

# Outlook

| Guidance | |
|---|---|
| **Third - quarter 2016 revenue** | ▪ Shipments are expected to be approximately 5 percent lower than second-quarter 2016.<br>  ▪ Automotive demand should be lower due to seasonal impacts, but will remain strong.<br>  ▪ Continued pressure on oil and gas shipments is expected due to low levels of energy exploration and production spend.<br>  ▪ Industrial demand is expected to remain low but stable, similar to second quarter.<br>▪ Imports and weak market dynamics are expected to continue to pressure pricing. |
| **Third - quarter 2016 net loss** | ▪ Net loss is projected to be between $20 million and $13 million.<br>▪ EBITDA is projected to be between a loss of $10 million and breakeven.<br>▪ Seasonal manufacturing maintenance costs are expected to be about $5 million.<br>  ▪ Melt utilization expected to be similar to second quarter.<br>▪ Raw material spread expected to be flat versus second quarter 2016. |
| **Other** | ▪ 2016 capital spending is projected to be about $45 million. |

Source: TimkenSteel as of July 27, 2016

TIMKEN STEEL

# Appendix

# Second-quarter supplemental information [1]

***(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***

| 2016 | Industrial 2Q | Mobile 2Q | Energy 2Q | Other 2Q | Total 2Q |
|---|---|---|---|---|---|
| *Tons (k)* | *74.6* | *109.7* | *5.4* | - | *189.7* |
| Net Sales | $ 84.2 | $ 124.1 | $ 9.1 | $ 5.8 | $ 223.1 |
| Less Surcharges | 9.5 | 12.9 | 0.7 | - | 23.2 |
| Base Sales | $ 74.6 | $ 111.2 | $ 8.3 | $ 5.8 | $ 200.0 |
| Sales/Ton | $ 1,128 | $ 1,131 | $ 1,687 | N/A | $ 1,176 |
| Base Sales/Ton | $ 1,001 | $ 1,013 | $ 1,552 | N/A | $ 1,054 |

| 2015 | Industrial 2Q | Mobile 2Q | Energy 2Q | Other 2Q | Total 2Q |
|---|---|---|---|---|---|
| *Ship Tons (k)* | *89.1* | *105.9* | *17.0* | - | *211.9* |
| Net Sales | $ 118.3 | $ 127.3 | $ 27.0 | $ 5.6 | $ 278.2 |
| Less Surcharges | 18.3 | 16.5 | 3.6 | - | 38.4 |
| Base Sales | $ 100.0 | $ 110.9 | $ 23.3 | $ 5.6 | $ 239.8 |
| Sales/Ton | $ 1,327 | $ 1,202 | $ 1,592 | N/A | $ 1,313 |
| Base Sales/Ton | $ 1,122 | $ 1,047 | $ 1,377 | N/A | $ 1,131 |



[1] *Please see discussion of Non-GAAP Financial Measures in the Appendix.*

# Supplemental information [1]

***(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 | First Quarter | | | Second Quarter | | | Third Quarter | | | Fourth Quarter | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2014 | 2015 | 2016 | 2014 | 2015 | 2016 | 2014 | 2015 | 2016 | 2014 | 2015 | 2016 | 2014 | 2015 | 2016 YTD |
| Tons (k) | 97.4 | 116.5 | 72.0 | 120.3 | 89.1 | 74.6 | 119.4 | 64.9 | - | 106.3 | 58.4 | - | 443.3 | 328.9 | 146.6 |
| Net Sales | $147.7 | $164.9 | $ 82.3 | $174.8 | $118.3 | $ 84.2 | $174.3 | $85.0 | $ - | $152.4 | $69.5 | $ - | 649.1 | 437.7 | 166.5 |
| Less Surcharges | 35.6 | 34.2 | 6.1 | 43.5 | 18.3 | 9.5 | 44.9 | 12.7 | - | 38.2 | 7.0 | - | 162.1 | 72.3 | 15.6 |
| Base Sales | $ 112.1 | $ 130.7 | $ 76.2 | $ 131.3 | $ 100.0 | $ 74.6 | $ 129.4 | $ 72.3 | $ - | $ 114.1 | $ 62.5 | $ - | $ 487.1 | $ 365.4 | $ 150.9 |
| Sales/Ton | $ 1,515 | $ 1,415 | $ 1,143 | $ 1,454 | $ 1,327 | $ 1,128 | $ 1,460 | $ 1,310 | $ - | $ 1,434 | $ 1,191 | $ - | $ 1,464 | $ 1,331 | $ 1,136 |
| Base Sales/Ton | $ 1,150 | $ 1,121 | $ 1,059 | $ 1,092 | $ 1,122 | $ 1,001 | $ 1,084 | $ 1,114 | $ - | $ 1,074 | $ 1,070 | $ - | $ 1,099 | $ 1,111 | $ 1,029 |

| Mobile | First Quarter | | | Second Quarter | | | Third Quarter | | | Fourth Quarter | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2014 | 2015 | 2016 | 2014 | 2015 | 2016 | 2014 | 2015 | 2016 | 2014 | 2015 | 2016 | 2014 | 2015 | 2016 YTD |
| Ship Tons (k) | 100.3 | 102.1 | 107.2 | 100.5 | 105.9 | 109.7 | 93.7 | 102.3 | - | 97.4 | 106.9 | - | 391.9 | 417.2 | 216.9 |
| Net Sales | $ 136.2 | $ 131.3 | $ 121.3 | $ 136.9 | $ 127.3 | $ 124.1 | $ 130.3 | $ 124.7 | $ - | $ 131.6 | $ 121.1 | $ - | 534.9 | 504.4 | 245.4 |
| Less Surcharges | 32.4 | 24.2 | 8.8 | 31.0 | 16.5 | 12.9 | 30.1 | 15.8 | - | 28.8 | 10.7 | - | 122.4 | 67.2 | 21.7 |
| Base Sales | $ 103.8 | $ 107.0 | $ 112.5 | $ 105.8 | $ 110.9 | $ 111.2 | $ 100.1 | $ 108.9 | $ - | $ 102.8 | $ 110.4 | $ - | $ 412.5 | $ 437.2 | $ 223.7 |
| Sales/Ton | $ 1,358 | $ 1,286 | $ 1,132 | $ 1,361 | $ 1,202 | $ 1,131 | $ 1,390 | $ 1,218 | $ - | $ 1,351 | $ 1,133 | $ - | $ 1,365 | $ 1,209 | $ 1,132 |
| Base Sales/Ton | $ 1,035 | $ 1,049 | $ 1,050 | $ 1,053 | $ 1,047 | $ 1,013 | $ 1,068 | $ 1,064 | $ - | $ 1,056 | $ 1,033 | $ - | $ 1,053 | $ 1,048 | $ 1,031 |

| Energy | First Quarter | | | Second Quarter | | | Third Quarter | | | Fourth Quarter | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2014 | 2015 | 2016 | 2014 | 2015 | 2016 | 2014 | 2015 | 2016 | 2014 | 2015 | 2016 | 2014 | 2015 | 2016 YTD |
| Ship Tons (k) | 52.1 | 52.5 | 7.0 | 68.7 | 17.0 | 5.4 | 71.0 | 11.5 | - | 66.6 | 10.1 | - | 258.4 | 91.0 | 12.3 |
| Net Sales | $ 98.1 | $ 87.7 | $ 10.0 | $ 122.1 | $ 27.0 | $ 9.1 | 120.8 | 17.7 | $ - | $ 117.1 | $ 12.3 | $ - | 458.2 | 144.7 | 19.0 |
| Less Surcharges | 21.6 | 16.8 | 0.6 | 27.8 | 3.6 | 0.7 | 29.5 | 2.4 | - | 26.6 | 1.4 | - | 105.5 | 24.2 | 1.3 |
| Base Sales | $ 76.5 | $ 70.9 | $ 9.4 | $ 94.3 | $ 23.3 | $ 8.3 | $ 91.4 | $ 15.3 | $ - | $ 90.5 | $ 10.9 | $ - | $ 352.7 | $ 120.5 | $ 17.7 |
| Sales/Ton | $ 1,882 | $ 1,670 | $ 1,433 | $ 1,778 | $ 1,592 | $ 1,687 | $ 1,701 | $ 1,539 | $ - | $ 1,758 | $ 1,220 | $ - | $ 1,773 | $ 1,590 | $ 1,543 |
| Base Sales/Ton | $ 1,468 | $ 1,351 | $ 1,345 | $ 1,373 | $ 1,377 | $ 1,552 | $ 1,286 | $ 1,328 | $ - | $ 1,359 | $ 1,078 | $ - | $ 1,365 | $ 1,324 | $ 1,435 |

| Other | First Quarter | | | Second Quarter | | | Third Quarter | | | Fourth Quarter | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2014 | 2015 | 2016 | 2014 | 2015 | 2016 | 2014 | 2015 | 2016 | 2014 | 2015 | 2016 | 2014 | 2015 | 2016 YTD |
| Ship Tons (k) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Net Sales | $ 7.5 | $ 4.9 | $ 4.3 | $ 8.4 | $ 5.6 | $ 5.8 | $ 8.8 | $ 5.3 | $ - | $ 7.2 | $ 3.7 | $ - | 31.9 | 19.5 | 10.1 |
| Less Surcharges | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Base Sales | $ 7.5 | $ 4.9 | $ 4.3 | $ 8.4 | $ 5.6 | $ 5.8 | $ 8.8 | $ 5.3 | $ - | $ 7.2 | $ 3.7 | $ - | $ 31.9 | $ 19.5 | $ 10.1 |
| Sales/Ton | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Base Sales/Ton | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

| Total | First Quarter | | | Second Quarter | | | Third Quarter | | | Fourth Quarter | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2014 | 2015 | 2016 | 2014 | 2015 | 2016 | 2014 | 2015 | 2016 | 2014 | 2015 | 2016 | 2014 | 2015 | 2016 YTD |
| Ship Tons (k) | 249.9 | 271.1 | 186.2 | 289.5 | 211.9 | 189.7 | 284.1 | 178.7 | - | 270.2 | 175.3 | - | 1,093.7 | 837.1 | 375.8 |
| Net Sales | $ 389.5 | $ 388.7 | $ 217.9 | $ 442.2 | $ 278.2 | $ 223.1 | $ 434.2 | $ 232.7 | $ - | $ 408.3 | $ 206.6 | $ - | 1,674.2 | 1,106.3 | 441.0 |
| Less Surcharges | 89.5 | 75.2 | 15.5 | 102.3 | 38.4 | 23.2 | 104.5 | 30.9 | - | 93.6 | 19.2 | - | 390.0 | 163.7 | 38.7 |
| Base Sales | $ 300.0 | $ 313.5 | $ 202.4 | $ 339.9 | $ 239.8 | $ 200.0 | $ 329.6 | $ 201.8 | $ - | $ 314.7 | $ 187.4 | $ - | $ 1,284.2 | $ 942.6 | $ 402.3 |
| Sales/Ton | $ 1,559 | $ 1,434 | $ 1,171 | $ 1,528 | $ 1,313 | $ 1,176 | $ 1,528 | $ 1,302 | $ - | $ 1,511 | $ 1,178 | $ - | $ 1,531 | $ 1,322 | $ 1,173 |
| Base Sales/Ton | $ 1,200 | $ 1,157 | $ 1,087 | $ 1,174 | $ 1,131 | $ 1,054 | $ 1,160 | $ 1,129 | $ - | $ 1,164 | $ 1,069 | $ - | $ 1,174 | $ 1,126 | $ 1,071 |



[1] *Please see discussion of Non-GAAP Financial Measures in the Appendix.*

# (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 earnings (loss) before interest expense and income taxes and EBITDA is defined as net earnings (loss) before interest expense, income taxes, depreciation and amortization. EBIT and EBITDA are important financial measures used in the management of the business, including decisions concerning the allocation of resources and assessment of performance. Management believes that reporting EBIT and EBITDA is useful to investors as these measures are 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.

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. 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.

# Reconciliation of Earnings (Loss) Before Interest and Taxes (EBIT) [1] and Earnings (Loss) Before Interest, Taxes, Depreciation and Amortization (EBITDA) [2] to GAAP Net Loss

*(Dollars in millions) (Unaudited)*

This reconciliation is provided as additional relevant information about the Company's performance. Management believes EBIT and EBITDA are representative of the Company's performance and therefore useful to investors. Management also believes that it is appropriate to compare GAAP net loss to EBIT and EBITDA.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| Net loss | **($10.5)** | ($24.3) | **($24.1)** | ($17.4) |
| Benefit for income taxes | **(6.1)** | (14.6) | **(14.8)** | (10.4) |
| Interest expense | **2.1** | 1.0 | **4.1** | 1.1 |
| **Earnings (Loss) Before Interest and Taxes (EBIT) [1]** | **($14.5)** | ($37.9) | **($34.8)** | ($26.7) |
| EBIT Margin [1] | **(6.5)%** | (13.6)% | **(7.9)%** | (4.0)% |
| Depreciation and amortization | **18.5** | 19.1 | **37.2** | 36.7 |
| **Earnings (Loss) Before Interest, Taxes, Depreciation and Amortization (EBITDA) [2]** | **$4.0** | ($18.8) | **$2.4** | $10.0 |
| EBITDA Margin [2] | **1.8 %** | (6.8)% | **0.5 %** | 1.5 % |

(1) EBIT is defined as net earnings (loss) before interest expense and income taxes. EBIT Margin is EBIT as a percentage of net sales. EBIT and EBIT Margin are important financial measures used in the management of the business, including decisions concerning the allocation of resources and assessment of performance. Management believes that reporting EBIT and EBIT Margin is useful to investors as these measures are representative of the Company's performance.

(2) EBITDA is defined as net earnings (loss) before interest expense, income taxes, depreciation and amortization. EBITDA Margin is EBITDA as a percentage of net sales. EBITDA and EBITDA Margin are important financial measures used in the management of the business, including decisions concerning the allocation of resources and assessment of performance. Management believes that reporting EBITDA and EBITDA Margin is useful to investors as these measures are representative of the Company's performance.

# Reconciliation of Free Cash Flow to GAAP Net Cash Provided by Operating Activities

*(Dollars in millions) (Unaudited)*

Management believes that free cash flow is useful to investors because it is a meaningful indicator of cash generated from operating activities available for the execution of its business strategy.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| **Net Cash Provided by Operating Activities** | **$27.9** | $47.6 | **$48.0** | $62.2 |
| Less: Capital expenditures | **(6.7)** | (16.7) | **(15.2)** | (34.6) |
| **Free Cash Flow** | **$21.2** | $30.9 | **$32.8** | $27.6 |

# Reconciliation of Earnings (Loss) Before Interest, Taxes, Depreciation and Amortization (EBITDA) [3] to GAAP Net Loss

*(Dollars in millions) (Unaudited)*

This reconciliation is provided as additional relevant information about the Company's third quarter guidance. Management believes EBITDA is representative of the Company's performance and therefore useful to investors. Management also believes that it is appropriate to compare GAAP net loss to EBITDA.

| | Three Months Ended September 30, 2016 | 2016 |
|---|---|---|
| | Low | High |
| Net loss | ($20.0) | ($13.0) |
| Benefit for income taxes | (10.5) | (7.5) |
| Interest expense | 2.0 | 2.0 |
| Depreciation and amortization | 18.5 | 18.5 |
| **Earnings (Loss) Before Interest, Taxes, Depreciation and Amortization (EBITDA) [3]** | ($10.0) | $— |

[3] EBITDA is defined as net earnings (loss) before interest expense, income taxes, depreciation and amortization. EBITDA 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 EBITDA is useful to investors as this measure is representative of the Company's performance.


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